EJF Investments Limited

24 August 2017

EJF Investments Limited ("EJFI")

Announcement of Interim Results to 30 June 2017

The Directors of EJF Investments Limited announce the interim results for the period 20 October 2016 (date of Incorporation) to 30 June 2017.

Highlights

- The Company incorporated on 20 October 2016 and restructured on 9 February 2017 following an Exchange Offer with EJF Investments LP
- Admitted into the Specialist Fund Segment of the London Stock Exchange on 7 April 2017 ("Admission")
- Total NAV return per share inclusive of dividends of 10.96% between 9 February 2017 to 30 June 2017
- Total net assets at 30 June 2017 of £69.9 million; 144 pence per share
- Two quarterly dividends of 2.4 pence per share each, announced in April and June 2017 - an annualised dividend yield based on NAV at Admission of 6.8%, which is ahead of the 6.0% target dividend yield at Admission
- Robust performance driven particularly by improving regulatory and business environment enjoyed by both US community and regional banks and a higher US Dollar Libor rate
- New £8.4 million investment through EJF Investments LP in the equity tranche of TFIN 2017-1 – a securitization collateralized by a static pool of Trust Preferred Shares ("TruPS") issued by U.S. community banks and insurance companies and subordinated note securities issued by U.S. banks
- Strong realized distributions of £3.7 million from the Company's Specialty Finance Investments

Post Interim Financial Statements Update

- Successful placing raising approximately £8.0 million increasing share capital by over 10% in July 2017 – proceeds part deployed in a further investment in the TFINS 2017-1 securitisation
- Continued portfolio cash flows, including £4.3 million received from Armadillo portfolio
- NAV as at 31 July 2017 was 146 pence per share
- Company well positioned with £12.2 million as at 31 July 2017 available for further investment in securitisations and specialty finance investments, which benefit from regulatory and structural changes impacting the financial services sector

The Company's Interim Report for the period ending 30 June 2017, which includes charts referred to in the Investment Manager's Report, has been made available to shareholders. Please paste the following link into your web browser to read the associated document:

https://www.ejfi.com/media/1058/20170823-ejf-interim-report-30-june-2017-v10-final.pdf

Joanna Dentskevich, Chair of the Company, said:

"On behalf of the Board, I am pleased to report that the Company enjoyed a strong introduction to life as a publicly traded company, beating its stated targets in the first half of 2017. Supported by our outlook for the Company, we believe EJF Investments Limited is primed to continue to deliver upon its investment objectives and to grow accordingly."

This announcement contains Inside Information.

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CORPORATE SUMMARY

Company Overview

The Company seeks to generate attractive risk adjusted returns for its Shareholders, by investing in opportunities created by regulatory and structural changes impacting the financial services sector. These opportunities include structured debt and equity, loans, bonds, preference shares, convertible notes and private equity, in both cash and synthetic formats issued by entities domiciled in the U.S., UK and Europe. Target investments consist primarily of: (a) Securitization and Related Investments; and (b) Specialty Finance Investments.

The Company seeks to make quarterly dividend payments of income arising from the portfolio in addition to targeting Net Asset Value growth. The Company is targeting an annualised risk-adjusted NAV total return of 8 to 10 per cent per annum, and a 6 per cent per annum cash dividend payable quarterly calculated with reference to the Company's NAV per share on Admission of 141 pence per share.

The Company

EJF Investments Limited (the "Company") is a registered closed-ended investment company incorporated with limited liability in the Bailiwick of Jersey on 20 October 2016 under the provisions of the Companies (Jersey) Law 1991, with registered number 122353. The Company's registered office and principal place of business is 47 Esplanade, St. Helier, Jersey JE1 0BD. The principal legislation under which the Company operates is the Companies (Jersey) Law 1991, as amended.

The Company invests in a diversified portfolio of investments through its subsidiary, EJF Investments Holdings Limited (the "Subsidiary"). The Company controls the Subsidiary through a holding of 100% of its shares.

Investment Manager

The Company is externally managed by EJF Investments Manager LLC (the "Manager" or "Investment Manager"), an investment adviser based in the United States and registered as such with the U.S. Securities and Exchange Commission and the U.S. Commodities and Futures Trading Commission.

The Company has appointed the Manager as its investment manager and AIFM for the purposes of the AIFM Directive. EJF Capital LLC ("EJF") is the managing member, sole Class A unitholder, and minority Class B unitholder of the Manager. EJF holds 100 per cent of the voting rights in the Manager.

Structure

EJF formed EJF Investments LP (the "Partnership") in 2005 with an initial investment mandate focused on: (i) the acquisition and aggregation of real estate related trust preferred securities ("TruPS"); (ii) the securitisation of those TruPS ("REIT TruPS CDOs"); and (iii) investment in the subordinated tranches of the REIT TruPS CDOs.

During the period from November 2016 to February 2017, the Partnership and its affiliates (collectively, and together with the Company and the Subsidiary, the "Group") undertook a restructuring of their assets and corporate structure in order to facilitate, amongst other matters, the implementation of a group structure so as to (i) facilitate the admission of the ordinary shares of the Company on the Specialist Fund Segment of the London Stock Exchange, (ii) restructure the Partnership in order to ensure that the Company gains exposure to risk retention investments in the Partnership in a manner which is compliant with the relevant risk retention regulations in the U.S. and (iii) expand the Partnership's investment mandate to permit, among other things, the making of certain target Investments, such as, inter alia, risk retention investments (the "Restructuring"). Pursuant to the Restructuring, the Partnership transferred substantially all of its assets to the Company.

On 7 April 2017, the Company's ordinary shares were admitted to the Specialist Fund Segment of the Main Market of the London Stock Exchange (the "Listing Date").

On 29 June 2017, the Company undertook an additional restructuring which resulted in EJF Investments Holdings Limited the "Subsidiary", an intermediate Jersey holding company incorporated 9 June 2017, being inserted into the Company's group structure, so as to (i) allow the Company to manage the upstreaming of portfolio income to the Company with greater flexibility and to better reflect the anticipated timing differential between income earned and cashflow generated by certain of the Company's investments; and (ii) in accordance with the Company's stated intention, to conduct its affairs to satisfy the criteria for the non-UK investment trust exemption to the Unregulated Collective Investment Schemes and Close Substitutes Instrument 2013 of the UK. As at 9 June 2017, the Subsidiary purchased substantially all investment assets from the Company in exchange for shares in the Subsidiary.

CHAIR'S STATEMENT

Introduction:

On behalf of the Board, I am pleased to report that the Company enjoyed a strong introduction to life as a publicly traded company, beating its stated targets in the first half of 2017. Supported by our outlook for the Company, we believe EJF Investments Limited is primed to continue to deliver upon its investment objectives and to grow accordingly. We thank you for your continuing support.

Performance:

From the Company's Restructuring and exchange offer on 9 February 2017 until 30 June 2017, the Company's NAV increased 10.96%, inclusive of dividends declared during the period. This allowed cash dividends of 2.4 pence per ordinary share to be announced in both April and June, equating to an annualised dividend yield of approximately 6.8% of NAV at Admission. This compares to the stated target of a dividend yield of 6.0% of NAV at Admission and is reflective of the Board's confidence in the Company's performance, resources and prospects.

This robust performance was driven by several factors, most notably the improving regulatory and business environment being enjoyed by both US community and regional banks and a higher US Dollar Libor rate. It is these trends that underpin the Company's investment objective of taking advantage of regulatory driven opportunities in the financial sector.

Pipeline:

The Company has established a placing program (the "Placing Program") through which it can raise additional money, at a premium to NAV, through the issuance of up to 60 million shares, as described in the Company's prospectus.

As a robust investment pipeline continued to be seen in the first half of 2017, a proposed placing of new ordinary shares, as part of the Placing Program, was announced to enable advantage to be taken of such opportunities.

Post Interim Financial Statements Update:

On 14 July 2017, the Company was pleased to announce that approximately £8.0 million, representing 5,479,453 new ordinary shares, was raised under the Placing Program. The shares were issued at a modest premium to the NAV adjusted for dividends. The Company subsequently announced that a portion of the proceeds had been invested, through its Subsidiary, in a limited liability company holding the equity tranche positions ("Preference Shares") of TruPS Financials Note Securitisation 2017- 1 Ltd. ("TFINS 2017-1"). This securitisation, collateralised by bank and insurance TruPS and subordinated bank debt, is managed by EJF CDO Manager LLC (the "CDO Manager"). Already having exposure to the risk retention investment in this securitisation, the Board deemed it to be an attractive risk-adjusted cash generative asset. The CDO Manager is majority-owned (51%) by EJF, with the remaining 49% owned by the Company, through its investment in the Subsidiary.

Corporate Governance:

The Board recognises the importance of strong governance and continues to maintain principles of good corporate governance as set out in the UK Corporate Governance Code and the AIC Code of Corporate Governance. The Company is classified as an externally managed AIF under AIFMD, with the Manager acting as the Company's AIFM.

The Company's Annual General Meeting was held 28 June 2017. All resolutions were unanimously approved by the Shareholders, including the re-election of all the Directors to the Board.

Outlook:

As the financial sector continues to digest a significant volume of regulatory driven developments, and because we firmly anticipate more will follow, we believe the Company is well positioned to invest in attractive opportunities in core areas identified by the Manager.

For example, in the case of US bank and insurance company backed risk retention and related securities, we do not see any material competition in this niche area. As such, we are confident that EJF's strong and demonstrable securitisation capabilities mean the Company, given its exposure to the risk retention investments of the Partnership, is well placed to grow and continue to deliver attractive returns to Shareholders.

The Board expresses its thanks for the continued support of the Company's Shareholders and is working closely with the Manager and the Company's advisors to expand the Shareholder base. We believe that the

Company currently represents a very attractive risk-adjusted investment and we anticipate welcoming new Shareholders in the near future.

Going Concern Statement:

The Directors are required to consider whether it is appropriate to prepare the financial statements on the basis that the Company is a going concern. As part of its normal business practice, the Directors have assessed the Company's business activities and investments, the financial position and resources and exposure to risks including credit risk and liquidity risk. In particular, the Directors have comprehensive cash flow forecasts prepared by the Manager, the performance of the underlying investments held by the Subsidiary and undrawn credit facilities available to it. Following their review of this information, the Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approval of these financial statements, and it is therefore appropriate to continue to adopt the going concern basis in preparing these financial statements.

Joanna Dentskevich
Chair
23 August 2017

INVESTMENT MANAGER'S REPORT

We are pleased to present our review of the first half of 2017 and outlook for the remainder of the year. The Company successfully completed its exchange offer on 9 February 2017 (the "Exchange Date"), as described in the notes to the unaudited interim financial statements, and the Company's shares were subsequently admitted to the Specialist Fund Segment of the Main Market of the London Stock Exchange plc on the Listing Date. Although trading has been limited since the Listing Date, we expect liquidity to improve as the Company continues to perform and grow its capital base. The Company expects to continue its marketing efforts to potential investors following the first successful placing of approximately 5.5 million shares, as described below.

From the Exchange Date to 30 June 2017, the Company delivered a total NAV return per share of 10.96%, calculated using compounded monthly performance returns published during the period, inclusive of dividends totalling 4.8 pence per share that were declared during this period. This represents an annualised dividend yield of 6.8% of NAV at Admission, slightly higher than the Company's target annual dividend yield of 6.0% per share of NAV at Admission.

In 2017, we made several commitments to the Company. Firstly, we absorbed over £3.1 million of professional fees and expenses of the Company and the Partnership relating to the exchange offer and admission of shares. We also agreed to absorb all future recurring operating expenses of the Company, aside from management and incentive fees, effective 30 April 2017 until no earlier than 31 December 2017. In addition, the Company benefits from our election to assign our share of the dividends generated from the legacy collateral management contracts of the CDO Manager, until 31 January 2018 by reducing management fees charged to the Company. These financial contributions to the Company reflect our commitment to its Shareholders and to growing the Company.

Placing of New Ordinary Shares

On 29 June 2017, the Company announced a capital raise under the Placing Program subsequent to which, on the 14 July 2017, the Company announced it had raised gross proceeds of approximately £8.0 million through a placing and subscription of 5,479,453 new ordinary shares at 146 pence per share. With the admission of the newly issued shares, the Company had a total of 53,874,670 ordinary shares outstanding.

The supportive economic and market environment provides a compelling opportunity for further investment in underlying exposure to smaller US banks, asset backed investments and specialty finance. We intend to deploy the cash proceeds raised in line with the Company's investment mandate including through the Subsidiary's investment in the equity tranche of a related securitisation collateralised by bank and insurance trust preferred securities and subordinated bank debt, and exposure to future risk retention investments. As discussed more fully below, this risk retention and related securitisation portion of the portfolio has increased from 0% as of 31 January 2017 to approximately 16% as of 30 June 2017. The Company expects this segment of the portfolio to increase significantly over the remainder of 2017.

Market Overview

US Community Bank Market Overview

Smaller US banks have exploited increasing regulatory and market-driven flexibility to take share from larger competitors. Small bank loan growth was up 5.8% year-over-year as at May 2017 compared to loan growth of 2.8% for the largest 25 banks during the same period. We believe a primary driver behind this trend is that larger banks face a higher current and prospective regulatory burden than smaller banks.

Credit quality at US banks also continues to improve. Total non-performing loans for the banking industry are down from a peak of 5.6% in Q1 2010 to 1.4% in Q4 2016, or a drop of more than 67% (*Source: Federal Financial Institutions Examination Council US)*. Continued declines provide a tailwind to earnings as such declines lower bad debt expense and operating costs from managing defaulted credit.

Furthermore, consolidation among banks continues apace. There were 241 bank M&A transactions announced in 2016, and another 122 bank merger and acquisition transactions announced year to date (*Source: SNL and Company data and information)*. We believe that current bank valuations, together with the increased burden of regulatory compliance, set the stage for a meaningful acceleration in consolidation over the next several years, particularly within the community banking sector.

Focusing on regulatory developments, on 28 June 2017, the Federal Reserve Board ("FRB") released the results of its 2017 Comprehensive Capital Analysis and Review ("CCAR") for the 34 bank holding companies with more than $50 billion in assets. The key take-away was that all 34 banks achieved healthy capital levels allowing their capital return plans to be approved. This was a critical signal that the health of the sector has meaningfully improved, especially as the test saw common equity capital ratios of the 34 banks in 2017 rise to 12.5%, more than double the 5.5% seen in 2009. This reflects an increase during this eight-year span of more than $750 billion in common equity capital to a total of $1.25 trillion.

The CCAR results also showed that banks under $250 billion in assets benefitted from favourable treatment in comparison to banks with greater than $250 billion in assets. This was evident in the payout ratios requested and approved by the individual banks. On average, banks with assets between $50 billion to $250 billion were allowed to distribute 102% of their income while that ratio for banks greater than $250 billion was 96%. We believe this is yet another indication that regulators favour the growth of smaller banks.

TruPS CDO Market Overview

Market trading activity in TruPS CDOs remains focused on pre-financial crisis vintages. Demand was robust through the first half of 2017 as underlying asset fundamentals remained strong, defaults low and prepayments robust. In addition to bond trading, liquidations of TruPS CDOs continued as auction call dates were reached. Year-to-date, over $300 million in TruPS CDOs that were issued prior to the financial crisis have been liquidated with over $25 billion of underlying TruPS CDO collateral remaining outstanding. We expect supply in TruPS to continue in the coming years, providing a healthy pipeline for future EJF sponsored securitisations and risk retention and related securitisation investments for EJFI. In this vein, TFINS 2017-1 remains the sole new issue TruPS CDO issued in the market year to date. We believe competition in the new issue market will remain low given the expertise and scale required to invest in small bank TruPS and TruPS CDOs. We also believe this should further increase demand for future securitisations of this nature which in turn should improve economics for the equity (risk retention) tranche.

Potential Impact from Brexit

On 29 March 2017, the UK formally initiated its exit from the European Union ("Brexit"). The Company may be subject to an unknown period of uncertainty in the period leading up to and beyond Brexit which could have an adverse effect on the Company's share price and the Company's ability to raise further capital.

The Company uses hedge instruments to limit currency volatility. Uncertainty around Brexit may create further volatility to Sterling, which may in turn impact the foreign currency derivative valuation and foreign currency margin requirements. We believe that, given the Company's current investment exposure in US denominated assets, the direct impact of Brexit on the performance should be limited and we anticipate that the majority of currency movements will be offset by the in-place derivatives.

Portfolio Update

The Company's investment portfolio continues to perform in line with expectations. During the first half of the year the Company was focused on rebalancing its portfolio away from certain legacy investments that generate payment-in-kind income, such as its investments in the Armadillo Financial Fund LP ("Armadillo I") and Armadillo Financial Fund II LP ("Armadillo II"), collectively referred to as the "Armadillo Portfolio". Although the returns on these investments are attractive, the cash flows they generate do not align with the Company's dividend objectives. The Company has recycled capital proceeds from these investments into current cash flowing target investments, including risk retention and related securitisation investments and other quarterly interest paying CDO securities. These investments have more stable, predictable cash flows to support the Company's quarterly dividend payments.

Risk Retention and Related Securities

The Company gained exposure, through the Subsidiary's investment in the Partnership, to the inaugural risk retention investment in TFINS 2017-1 on 30 March 2017 totalling approximately £8.4 million at the time of investment. On 30 June 2017, the Subsidiary acquired an additional interest in the equity tranche of TFINS 2017-1 totalling approximately £5 million, which brings the Company's exposure to risk retention and related securities to 16% of gross assets.

TFINS 2017-1 is a $328 million CDO backed by a static pool of securities issued by 49 US community banks and 11 insurance companies. The underlying securities have an aggregate par value of $360 million, with a 7.13% weighted average coupon and a 3.09% weighted average spread. Approximately 84% of the underlying collateral is floating rate. The weighted average life of the underlying collateral is approximately 16 years. While the Securitisation's legal final maturity date will be in 2039, the securitisation is callable beginning in April 2019, with mandatory auction calls beginning in April 2025.

The CDO Manager is the collateral manager for TFINS 2017-1, earning an annual collateral management fee of 0.10% of the outstanding collateral, payable quarterly. Payment of the collateral management is senior to the interest payments to all bond holders and preferred shareholders. As a 49% owner of the CDO Manager, the Company, through its investment in the Subsidiary, will receive 49% of the annual collateral management fee (net of expenses and taxes) through the life of the securitisation.

To date, TFINS 2017-1 has performed in line with expectations and the securitisation received a loan prepayment of $1 million from an underlying borrower in June 2017. The Company will begin to receive quarterly distributions from TFINS 2017-1 in October 2017.

Specialty Finance

The Subsidiary's existing investment in the Armadillo Portfolio continues to pay down. As the underlying Armadillo Portfolio loans are repaid, the Armadillo Portfolio periodically distributes income and principal to its investors. During the first half of the year, the Company received approximately £7.8 million in distributions from the Armadillo Portfolio, reducing its investment from £27.0 million on 31 January 2017 to £20.3 million as of 30 June 2017, or a 25% decrease. As the Armadillo Portfolio loans continue to repay, the Company, through its Subsidiary, intends to reinvest the capital proceeds into risk retention investments held by the Partnership and other targeted investments.

The Company's Subsidiary also has an investment in a bridge loan to an affiliate of a publicly listed insurance company. To date, while the loan has a payment-in-kind feature, the Company has received all interest due as well as a modest partial repayment of principal at a 17.5% make whole premium. While we anticipate the borrower will choose to PIK certain payments in the future as the loan agreement contemplates, these recent payments evidence the strength of the collateral base supporting this investment.

CDO Bond Securities

The Company's Subsidiary had some modest portfolio activity in its CDO bond securities portfolio. During the first half of the year, the Company sold one non-cash flowing REIT TruPS CDO security at a profit and acquired a different REIT TruPS CDO that is making quarterly interest payments. Each of the CDO bond securities in the Subsidiary's portfolio is collateralised by a pool of debt issued by REITs, homebuilders, real estate operating companies, CMBS, and other real estate related debt. Approximately 83% of the underlying collateral is floating rate, with an average of 24 underlying securities supporting each of the CDOs in the Subsidiary's portfolio. The CDO bond securities portfolio has benefited from the rising US interest rate environment and cash flows are starting to increase.

Outlook

We remain focused on investment opportunities driven by changing regulations in the US and Europe and indeed, believe TruPS and other debt securities of community and regional banks and insurance companies present an attractive risk-reward opportunity. Regulatory changes will continue to enable these well-positioned institutions to grow and gain greater leverage to an improving economy. Overall, we believe the investments in TruPS CDOs enable us to uniquely target US community bank and small insurance company exposure at attractive returns and deliver results to our investors in addition to other regulatory driven opportunities that result from the ever-evolving financial sector landscape.

We believe our demonstrated financial support and significant investment in the Company's shares reflects our belief that the Company offers Shareholders a compelling risk-adjusted performance opportunity. We think the Company's investment portfolio is well positioned to meet the target return and dividend guidance and are working with our advisors to grow the Company's capital base over time via the Placing Program.

EJF Investments Manager LLC
Investment Manager

23 August 2017

Directors' Statement of Responsibilities

The Directors are responsible for preparing the interim financial report in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge:

- the unaudited interim financial statements in the interim report have been prepared in accordance with IAS 34 "International Financial Reporting Standards" as adopted by the European Union ("EU"); and

- the Chair's Statement, Investment Manager's Report and Statement of Principal Risks meet the requirements of an interim management report, and include a fair review of the information required by:

    a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the period to 30 June 2017 and their impact on the unaudited interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial period; and

    b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place as at 30 June 2017 and that have materially affected the financial position or performance of the Company during that period.

On behalf of the Board

Joanna Dentskevich
Chair

23 August 2017

Alan Dunphy
Audit Chair

23 August 2017

Statement of Comprehensive Income

For the period 20 October 2016 (Date of Incorporation) through 30 JUNE 2017

	Note	20 October 2016 to 30 June 2017 £ (Unaudited)
Investment income	**7**	945,159
Other income		26,722
Net foreign exchange loss		(76,675)
Net gain on derivative financial assets held at fair value through profit or loss	**8**	2,024,853
Net gain on non-derivative financial assets held at fair value through profit or loss	**8**	5,334,352
Net loss on financial liabilities held at fair value through profit or loss	**9**	(762,929)
Total revenue		**7,491,482**
Legal and professional fees		511,299
Administration fees		314,766
Incentive fee	**16**	265,215
Other operating expenses		152,646
Directors' fee and insurance	**16**	92,641
Total operating expenses		**1,336,567**
Expenses reimbursed by the Manager	**16**	(417,999)
Net operating expenses		**918,568**
Operating profit before finance costs		**6,572,914**
Finance costs		(153,732)
Total comprehensive income for the period attributable to shareholders	**15**	**6,419,182**
Earnings per share		**£0.13**

All items within the above statement have been derived from continuing activities.

Statement of Financial Position

As at 30 June 2017

	Note	As at 30 June 2017 £ (Unaudited)
Assets:		
Cash	**20**	5,891,831
Other receivables		223,118
Balance due from brokers		2,842,360
Prepaid expenses and other assets	**12**	86,492
Derivative financial assets at fair value through profit or loss	**11**	2,024,853
Non-derivative financial assets at fair value through profit or loss	**10**	62,754,514
Total assets		**73,823,168**
Liabilities		
Share issuance proceeds paid in advance	**18**	1,580,292
Accounts payable and accrued expenses	**13**	1,608,772
Financial liabilities at fair value through profit or loss	**9**	762,929
Total liabilities		**3,951,993**
Issued capital and reserves		
Net assets attributable to shareholders		69,871,175
Issued share capital and reserves		**69,871,175**
Number of ordinary shares in issue at period end	**15**	48,395,217
Net Asset Value per ordinary share		**£1.44**

The interim financial statements were approved by the Board of Directors on 23 August 2017 and signed on their behalf by:

Alan Dunphy
Director

23 August 2017

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD 20 OCTOBER 2016 (DATE OF INCORPORATION) THROUGH 30 JUNE 2017

	Note	Number of shares (Unaudited)	Share capital £ (Unaudited)	Retained earnings £ (Unaudited)	Net assets attributable to shareholders £ (Unaudited)
Balance at 20 October 2016 (date of incorporation)		-	-	-	-
Total comprehensive income for the period attributable to shareholders	**15**	-	-	6,419,182	**6,419,182**
Contributions and redemptions by shareholders					
Issue of shares during the period	**15**	48,395,217	65,774,963	-	**65,774,963**

Dividends paid	-	-	(2,322,970)	**(2,322,970)**
Balance at 30 June 2017	**48,395,217**	**65,774,963**	**4,096,212**	**69,871,175**

STATEMENT OF CASH FLOWS

FOR THE PERIOD 20 OCTOBER 2016 (DATE OF INCORPORATION) THROUGH 30 JUNE 2017

	Note	20 Oct 2016 to 30 June 2017 £ (Unaudited)
Cash flows from operating activities		
Net income		6,419,182
Adjustments for:		
Investment income		(945,159)
Net unrealised gain on financial assets at fair value through profit or loss		(7,359,205)
Net unrealised loss on foreign exchange		76,675
Net unrealised loss on financial liabilities at fair value through profit or loss		762,929
Interest received		852,970
		(192,608)
Changes in net assets and liabilities:		
Other receivables		(223,118)
Prepaid expenses and other assets		(86,492)
Accounts payable and accrued expenses		1,608,773
Balance due from brokers		(2,842,360)
Net cash outflow from operating activities		**(1,735,805)**
Cash flow from investing activities		
Distributions received		3,575,210
Purchase of investments		(2,206,599)
Proceeds from sale of investments		2,680,939
Proceeds from the Partnership	**1**	4,153,190
Realised gains on transfer of assets		558,240
Net cash inflow from investing activities		**8,760,980**
Cash flow from financing activities		
Dividends paid		(1,161,485)
Net cash outflow from financing activities		**(1,161,485)**
Net increase in cash and cash equivalents		5,863,690
Cash and cash equivalents at the start of the period		-
Effect of movements in exchange rates on cash held		28,141
Cash and cash equivalents at the end of the period		**5,891,831**

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD 20 OCTOBER 2016 (DATE OF INCORPORATION) THROUGH 30 JUNE 2017

1. Reporting entity

EJF Investments Limited is a registered investment company incorporated on 20 October 2016 with limited liability in the Bailiwick of Jersey. The address of the Company's registered office is 47 Esplanade, St. Helier, Jersey JE1 0BD.

Under Article 123C of the Jersey Income Tax Law and on the basis that the Company is tax resident in Jersey, the Company is regarded as subject to Jersey income tax at a rate of 0%. The Company will not be subject to UK income tax or corporation tax other than by way of withholding on certain types of UK source income such as UK source interest. The Company intends to be treated as a partnership for U.S. federal income tax purposes.

On 7 April 2017, the Company announced the commencement of dealings in the Company's issued shares on the Specialist Fund Segment of the Main Market of the London Stock Exchange.

Effective 9 June 2017, the Company held its investments through EJF Investments Holdings Limited. The Company controls the Subsidiary through a holding of 100% of its shares. The Subsidiary is domiciled in Jersey and has no wholly-owned underlying subsidiaries.

Through its Subsidiary, the Company primarily invests in opportunities created by regulatory and structural changes impacting the financial services sector. These opportunities include structured debt and equity, loans, bonds, preference shares, convertible notes and private equity, in both cash and synthetic formats issued by entities domiciled in the U.S., UK and other European countries. The Subsidiary also invests in a diversified portfolio of private investment companies and a private operating company. The Company will seek to make quarterly dividend payments of income arising from its investment in the Subsidiary in addition to targeting Net Asset Value growth.

The investment activities of the Company are managed by the Manager and the administration of the Company is delegated to Crestbridge Fund Administrators Limited. The Manager's managing member, EJF, is a registered investment adviser ("Investment Adviser") under the Investment Advisers Act of 1940 as amended, with the U.S. Securities and Exchange Commission and is a registered Commodity Pool Operator and Commodities Trading Advisor under the Commodity Exchange Act.

Effective 13 December 2016, the eligible unitholders of EJF Investments LP, a private Delaware limited partnership and a related party to EJF, consented to a proposal to, among other things, exchange their 48,395,217 eligible partnership units for shares in the Company. On 9 February 2017, such unitholders received one ordinary share from the Company as consideration for each Partnership unit held by the eligible Partnership unitholders pursuant to an exchange offer conducted by the Company on the terms of an exchange offer memorandum dated 28 December 2016 (the "Exchange Offer"). The Exchange Offer completed on 9 February 2017, pursuant to which the Company received 48,395,217 partnership units from eligible Partnership unitholders, and together with its related restructuring transactions gave, for accounting purposes, the Company control of specific assets effective 31 January 2017. In conjunction with the Exchange Offer, the Partnership and the Company undertook the following reorganisation of its corporate structure:

(i) The Partnership repurchased 41,281,222 of these Partnership units held by the Company, deemed effective 31 January 2017. In consideration for this repurchase, the Partnership transferred substantially all of its assets to the Company, comprising of the following:

	£
Armadillo Portfolio	26,999,932
CDO bond securities	11,379,978
Bridge Loan receivable, including accrued interest receivable	7,882,161
49% interest in EJF CDO Manager	5,673,820

Cash balances eligible to be transferred to the Company	4,153,190
Total assets transferred to the Company	56,089,081

(ii) The Company's remaining 7,113,995 common units in the Partnership (valued at £9,685,882 on 31 January 2017), which represented approximately 67% of the remaining issued and outstanding Partnership Units as of the date of the Exchange Offering, is held as an investment in a private investment company in the Company's portfolio. The remaining outstanding Partnership Units are held by the Manager and the Partnership's general partner (3,474,695 and 100 units, respectively).

(iii) As a result of the Exchange Offer transactions and the associated restructuring transactions that took place between the Partnership and Company (outlined in items (i) and (ii) above), the Company issued 48,395,217 ordinary shares at a value of £65,774,963 (or a Net Asset Value of £1.36 per share) to the Partnership's eligible unitholders on 9 February 2017.

2. Basis of accounting

a) Basis of preparation

The Company's interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and also in accordance with Jersey company law and the Disclosure and Transparency Rules of the Financial Conduct Authority. The interim financial statements and accompanying footnotes were authorised for issue by the Company's Board of Directors on 23 August 2017.

b) Going concern

The Directors, at the time of approving the interim financial statements, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Company. The Directors have considered the cash position, investment pipeline and the performances of current investments made by the Company and have concluded that it is appropriate to adopt the going concern basis of accounting in preparing the interim financial statements.

c) Accounting for subsidiaries

The Company has applied the amendments to IFRS 10 and makes its investments in the portfolio assets through its single, direct Subsidiary in which it is the sole Shareholder. The Subsidiary serves as an asset holding company and does not provide investment-related services. The Board has therefore considered the investment entity status of the Subsidiary and has concluded that it is, like the Company, an investment entity. As a result, the Company is required to only prepare individual financial statements under IFRS and measures its investment in its Subsidiary at fair value. The Directors believe it is appropriate to value this entity based on the fair value of its portfolio financial assets held, plus its other assets and liabilities. This determination involves a degree of judgement (see note 4 for further details).

d) Segmental reporting

The Company has identified a single operating segment, which aims to maximise shareholders returns. As such no segmental information has been included in these interim financial statements.

3. Functional and presentation currency

These interim financial statements are presented in Sterling, which is the Company's functional currency. All amounts have been rounded to the nearest Sterling, unless otherwise indicated.

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). The Directors have considered the primary economic currency of the Company; the currency in which the original finance was raised; the currency in which distributions will be made; and ultimately what currency would be returned to Shareholders if the Company was wound up. Therefore, the books and records are maintained in Sterling and, for the purpose of the financial statements, the results and financial position of the Company are presented in Sterling, which has been selected as the presentation currency of the Company.

4. Use of judgements and estimates

The preparation of the financial statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future period if the revision affects both current and future periods.

a) Judgements

The area involving a high degree of judgement or complexity or area where assumptions and estimates are significant to the financial statements has been identified as the valuation of the portfolio of investments held by its subsidiary, the Subsidiary (see Note 10).

Investment Entity

The Board has determined that the Company has all the elements of control as prescribed by IFRS 10 in relation to the Subsidiary as the Company owns 100% of the equity of the Subsidiary, is exposed and has rights to the returns of the Subsidiary and has the ability either directly or through the Manager to affect the amount of its returns from the Subsidiary.

The Company has an investment in the Subsidiary, in which it holds 100% of the equity; however its investment in the Subsidiary is used to acquire exposure to a portfolio comprising a large number of investments. The fair value method is used to represent the Subsidiary's performance in its internal reporting to the Board, and to evaluate the performance of the Subsidiary's investments and to make investment decisions for mature investments. Those investments have documented maturity/redemption dates, or will be sold if other investments with better risk/reward profile are identified, which the Manager considers demonstrates a clear exit strategy.

The Subsidiary serves as an asset holding company and does not provide investment-related services. Accordingly, when the Subsidiary is assessed based on the structure of the Company and its Subsidiary as a whole as a means of carrying out activities, the Board has concluded that the Company satisfies sufficient of the criteria above to meet the definition of an investment entity. As a result, under the terms of IFRS 10, the Company is not required to consolidate the Subsidiary, but must measure its investment in the Subsidiary at fair value through profit or loss.

The Company has determined that the fair value of the Subsidiary is the Subsidiary's Net Asset Value and has concluded that the Subsidiary meets the definition of an unconsolidated subsidiary under IFRS 12 and has made the necessary disclosures. See note 14 for further disclosures related to the unconsolidated subsidiary.

b) Assumptions and estimation uncertainties

Information about significant areas of assumptions and estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in Notes 9 and 10 and relates to the determination of fair value of financial instruments with significant unobservable inputs.

5. Dividends

The Company's dividend policy, subject to sufficient profits being available and taking into account working capital and liquidity requirements, is to target quarterly dividends payments totalling 6% per annum of the Company's expected NAV at Admission.

The Company paid or accrued for the following dividends on its ordinary shares during the period ended 30 June 2017:

Payment date	Dividend rate per ordinary share (pence)	Net dividend Payable (£)	Record date	Ex-dividend date
22 May 2017	2.4	£1,161,485	28 April 2017	27 April 2017
28 July 2017	2.4	£1,161,485	30 June 2017	29 June 2017

On 19 April 2017, the Directors of the Company declared a dividend of 2.4p per share. This dividend was paid on 22 May 2017.

On 22 June 2017, the Directors of the Company declared a dividend of 2.4p per share. This dividend was accrued as at 30 June 2017 and was subsequently paid on 28 July 2017.

6. Financial risk review

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities. This note presents information about the Company's exposure to each of the financial risks. For information on the Company's financial risk management framework, see Note 19.

Below is a non-exhaustive summary of the risks that the Company is exposed to as a result of its use of financial instruments:

For the definition of credit risk and information on how credit risk is managed by the Company, see Note 19(C).

A. Credit risk

A.1. Analysis of credit quality

The Company's exposure to credit risk, directly and through the Subsidiary, arises in respect of the following financial instruments:

- Cash
- Balances due from broker
- Bridge Loan
- CDO bond securities

Cash

Cash held by the Company and the Subsidiary is mainly with Citibank N.A. and HSBC plc rated below. The Company and Subsidiary also use Access National Bank to hold cash deposits as part of the credit facility arrangement disclosed in Note 17. Publicly available ratings are not published for Access National Bank, but the Manager monitors the financial position and credit worthiness of all its financial institutions on a quarterly basis.

Balances due from brokers

Balances due from brokers represent margin accounts, cash collateral for currency contracts and transactions awaiting settlement. Credit risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used. As at the reporting date, the balances due from brokers was held by Citibank N.A., whose credit rating was A1. The Manager monitors the financial position and credit worthiness of the brokers on a quarterly basis.

The following table analyses the external ratings of the Company's and the Subsidiary's financial institutions holding cash or collateral deposits, using available ratings from Moody's. The Company and the Subsidiary are exposed to credit risk, in respect of the following financial institutions:

Institution	Rating Agency	Rating

Citibank N.A.	Moody's	A1
HSBC plc	Moody's	Aa2

Bridge Loan

At 30 June 2017, the Company, through its investment in the Subsidiary, held an interest in a bridge loan to an affiliate of a publicly listed insurer. The credit rating of a related surplus note issued by the publicly listed insurer is published by Moody's and disclosed in the table below.

Rating	**30 June 2017 £**	**30 June 2017 % of Bridge Loan**
Ca	**8,129,475**	**100**

Investment in CDO bond securities

At 30 June 2017, the Company, through its investment in the Subsidiary, was invested in distressed debt securities with the following credit quality. The ratings are based on Moody's ratings.

Rating	**30 June 2017 £**	**30 June 2017 % of CDO bond securities**
Caa2	2,371,630	15
NR	13,114,012	85
	15,485,642	**100%**

The table below shows the exchange and over-the-counter ("OTC") trading platforms used to buy and sell the distressed CDO bond securities and the Bridge Loan balance outstanding at 30 June 2017.

2017	**Fair Value £**	**Notional Amount $(1)**
Exchange traded	1,386,513	5,000,000
OTC—central counterparties	14,099,130	269,555,000
OTC—other bilateral	8,323,434	9,902,488
Total	**23,809,077**	**284,457,488**

(1) Notional amounts are disclosed in the local currency of the security. As at 30 June 2017, all CDO bond securities and the Bridge Loan held by the Company, through the Subsidiary, are dominated in USD.

A.2. Concentration of credit risk

The Manager reviews the credit risk of counterparties (primarily prime brokers or custodians when applicable) that hold a concentration of the Company's assets; in particular, the Company's and the Subsidiary's cash deposits. For the period ended 30 June 2017, the Company and the Subsidiary held its cash deposits with Citibank N.A., Access National Bank and HSBC plc.

A.3. Collateral and other credit enhancements, and their financial effect

The Company and the Subsidiary mitigate the credit risk of derivatives by entering into master netting agreements and holding collateral in the form of cash and marketable securities.

Derivatives

Derivative transactions are either transacted on an exchange with central clearing counterparties (CCPs) or entered into under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under these agreements, in certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions with the counterparty. The Company and the Subsidiary execute a credit support annex in conjunction with the ISDA agreement, which requires the Company and its counterparties to post collateral to mitigate counterparty credit risk.

The derivatives are entered into with bank and financial institution counterparties, which are rated A1 to Aa2, based on Moody's Agency.

A.4. Offsetting financial assets and financial liabilities

The cash due from and to the broker is presented on a net basis, by counterparty, to the extent the Company has the legal right to offset the recognised amounts and intends to settle on a net basis.

The Company has offset the cash held at the Prime Broker account with Citigroup Global Markets Inc (the "Prime Broker") against the Prime Broker credit line in the statement of financial position.

The disclosures set out in the tables below includes the financial assets and financial liabilities that are subject to an enforceable master netting agreement executed with the same counterparty.

Financial assets subject to enforceable master netting or similar agreements:

	Gross amounts of recognised financial assets (Unaudited)	**Gross amounts of recognised financial liabilities offset in the statement of financial position (Unaudited)**	**Net amounts of financial assets presented in the statement of financial position (Unaudited)**
	£	**£**	**£**
Type of financial assets			
Cash held by Prime Broker	3,634,830	(2,459,580)	1,175,250
Total	**3,634,830**	**(2,459,580)**	**1,175,250**

The gross and net amount of recognised financial assets and financial liabilities presented in the above table have been measured at fair value. The net amount of £1,175,250 forms part of the cash balance of £5,891,831 on the statement of financial position.

B. Liquidity risk

For the definition of liquidity risk and information on how liquidity risk is managed, see Note 19(D).

Liquid assets	6,114,949
Current liabilities	3,189,064
Liquid assets as a % of current liabilities	191.75%

The Company manages its liquidity risk by maintaining a current ratio (liquid assets divided by current liabilities) of no less than approximately 100 per cent. The ratio of Company assets with an expected liquidation period within 90 days (liquid assets) to the Company's current liabilities recorded on the statement of financial position is set out below:

Liquid Assets	**Carrying Amount**	**Total**	**Less than 7 days**	**7 days to 1 month**	**1 to 3 months**
	£	**£**	**£**	**£**	**£**
Cash	5,891,831	5,891,831	5,891,831	-	-
Other receivables	223,118	223,118	-	223,118	-
	6,114,949	6,114,949	5,891,831	223,118	-

Financial liabilities					
Share issuance proceeds paid in advance	1,580,292	1,580,292	-	1,580,292	-
Accounts payable and accrued expenses	1,608,772	1,608,772	-	1,161,485	447,287
	3,189,064	3,189,064	-	2,741,777	447,287

The table above shows the undiscounted cash flows of the Company's financial liabilities on the basis of their earliest possible contractual maturity. The Company's expected cash flows on these instruments are not expected to vary significantly from this analysis.

The Company further manages its liquidity risk by holding at least 2.0% of its net asset value in assets with an expected liquidation period within 90 days. The ratio of assets with an expected liquidation period within 90 days (liquid assets) to total net assets is set out below:

Liquid assets	6,114,949
Total net asset value as at 30 June 2017	69,871,175
Liquid assets as % of total net assets	8.75%

C. Market risk

For the definition of market risk and information on the tools used by the Company to manage the market risks, see Note 19(E).

C.1. Interest rate risk

Interest rate movements can affect the fair value of the Subsidiary's investment in fixed interest rate loans and variable interest rate CDO debt positions in the securitisations underwritten with variable and fixed interest rate securities and managed by the CDO Manager. The securitisations are structured to mitigate exposure to interest rate risk on the below investment grade REIT CDO positions through the use of matched funding, mitigating the impact on the market value of the debt and equity positions in the structure held by the Subsidiary. The overall interest rate risk to the Company is negligible as these investments are held indirectly through the Subsidiary.

Sensitivity analysis

The Company has a negligible direct exposure to interest rate risk as at 30 June 2017. Due to the indirect nature of the Company's risk exposure to interest rate fluctuations on the market value of the Company's financial assets, sensitivity analysis for interest rate risk is not a meaningful measurement of risk at 30 June 2017 and has not been presented.

C.2. Currency risk

Exposure

The Company is exposed to currency risk through its investment in the Subsidiary. Substantially all the financial assets held by the Subsidiary are denominated in USD. At the reporting date, the carrying amount of the Subsidiary's financial assets in individual foreign currencies, expressed in Sterling and as a percentage of its net assets, was as follows:

Currency	**£**	**% of net assets**
USD	63,312,760	91%

Sensitivity analysis

The table below sets out the effect on the net assets/increase in net assets attributable to holders of tradable ordinary shares of a reasonably possible strengthening of Sterling against the U.S. dollar by 5 per cent at 30 June 2017. The analysis assumes that all other variables, in particular interest rates, remain consistent.

Effect in Sterling

(3,014,893)

Effect in % of net assets attributable to the holders of tradable ordinary shares	(4.3%)
Effect in % of increase in total comprehensive income attributable to the holders of tradable ordinary shares	(47.0%)

A weakening of Sterling against the above currencies would have resulted in an equal but opposite effect to the amounts shown above.

C.3. Other price risk

Exposure

The following table sets out the concentration of the investment assets and liabilities held through the Subsidiary at the reporting date.

	£	% of net assets
Armadillo Portfolio	20,281,703	32
CDO bond securities	15,485,642	25
Bridge Loan	8,129,475	13
Investment in the Partnership	8,049,420	13
Investment in CDO Manager	6,375,060	10
Preference Shares	4,991,460	8
Armadillo Portfolio receivable	4,188,504	7
Due to an affiliate	(4,991,460)	(8)
Other (1)	244,710	0
Investment in Subsidiary	**62,754,514**	**100**

(1) No individual financial asset held by the Subsidiary and included in this category exceeded 5 per cent of the net assets attributed to the Subsidiary's shareholder as at 30 June 2017.

7. Investment income

Interest income from financial assets designated at fair value	**£**
CDO bond securities	562,447
Bridge loan	379,119
Total interest income from financial assets designated at fair value	**941,566**
Interest income from financial assets carried at amortised cost:	
Cash and cash equivalents	**3,593**
Total investment income	**945,159**

8. Net gain on financial assets held at fair value through profit or loss

Net unrealised gain on non-derivative financial assets held at fair value through profit or loss of the Company is as follows:

Investments in private investment companies	**£**
Armadillo I	447,424
Armadillo II	16,117
Investments LP	(734,931)
	(271,390)
Investments in private operating company	

CDO Manager	959,755
Investments in trading securities	
CDO bond securities	2,869,533
Bridge loan	544,129
	3,413,662
Investment in Subsidiary	
EJF Investments Holdings Limited	(298,760)
Total unrealised gain on non-derivative financial assets at fair value through profit or loss	**3,803,267**

Net realised gain on non-derivative financial assets held at fair value through profit or loss of the Company is as follows:

Investments in private investment companies	**£**
Armadillo I	456,430
Investments in trading securities	
CDO bond securities	1,074,655
Total realised gain on financial assets at fair value through profit or loss	**1,531,085**

	£
Net unrealised gain on non-derivative financial assets at fair value through profit or loss	3,803,267
Net realised gain on non-derivative financial assets at fair value through profit or loss	1,531,085
Net gain on non-derivative financial assets held at fair value through profit or loss	**5,334,352**

Unrealised gain on derivative financial assets held at fair value through profit or loss of the Company is as follows:

	£
Unrealised gain on foreign currency forward contracts	2,024,853
Net gain on derivative financial assets held at fair value through profit or loss	**2,024,853**

9. Financial liabilities held at fair value through profit or loss

	£
Net loss from warrants held at fair value through profit or loss	762,929
Total net loss on financial liabilities held at fair value through profit or loss	**(762,929)**

On 28 February 2017, the Company issued warrants to two shareholders, which may be exercised on or before 3 December 2017 for the issue of 624,000 ordinary shares to each holder thereof. As at 30 June 2017, the liability in respect of the warrants amounted to £762,929, which was determined using the Black Scholes pricing model and is subject to change at each monthly valuation period. Any change in fair value is recognised as net loss on financial liabilities held at fair value through profit or loss on the statement of comprehensive income.

The Black Scholes pricing model requires the input of certain variables which involve judgment when there is no ready market for the warrant or the underlying units. Those variables include the estimated value of the underlying units, expected term of the warrants, expected volatility of the underlying value of the units, the expected dividend yield, if any, and risk free rates of return. The value of the underlying units was estimated on the basis of the overall market value of the Company. The expected term of the warrants is based upon the period of time over which the warrants will be outstanding, which is equivalent to the period of time remaining until the expiration date of 3 December 2017. Volatility of the underlying units was estimated and then referenced to historical price volatility of similar publicly traded companies over the expected term of the warrants, comparing for reasonableness. The risk-free rate has been estimated based upon the UK Government rate for a bond of equivalent duration determined on the date of grant over the expected term of the warrants.

The following assumptions were used in estimating the fair value of the warrants subject to re-measurement, as at 30 June 2017:

<u>Assumptions</u>	
Stock price	£1.46
Stock price volatility	0.71%
Term (in years)	0.43
Risk-free interest rate	0.34%
Dividend yield	£0.096

Inputs and assumptions used in applying the Black Scholes option-pricing model include significant judgement and assumptions about future performance of the Company and overall conditions of the economy and the financial markets that have been determined as Level 3 inputs.

10. Non-derivative Financial Assets at fair value through profit or loss

Investment in EJF Investments Holdings Limited

In June 2017, the Company undertook an additional restructuring of its corporate structure by incorporating the Subsidiary an intermediate Jersey holding company, being inserted into the Company's group structure, so as to (i) allow the Company to manage the upstreaming of portfolio income to the Company with greater flexibility and to better reflect the anticipated timing differential between income earned and cashflow generated by certain of the Company's investments; and (ii) in accordance with the Company's stated intention, to conduct its affairs to satisfy the criteria for the non-UK investment trust exemption to the Unregulated Collective Investment Schemes and Close Substitutes Instrument 2013 of the UK. As at 9 June 2017, the Company effectively transferred ownership of substantially all its financial assets held at fair value to the Subsidiary. The Company will continue to pursue its investment object solely through its investment in the Subsidiary.

The Subsidiary is treated as a separate company for Jersey tax purposes, so that the 85% minimum income distribution requirement under the UK investment trust rules only apply at the Company level. The Subsidiary was incorporated on 9 June 2017 and, pursuant to the terms of this restructuring, substantially all of the Company's financial assets held at fair value, comprising the Armadillo Portfolio, the CDO Manager, Partnership Units, the Bridge Loan and the CDO bond securities were transferred to the Subsidiary.

The Subsidiary signed an intra-group agreement on 29 June 2017 in which it acquired the Company's assets at a purchase price of £63,053,273, being the total fair value of the assets, in exchange for 63,053,273 ordinary shares of no par value, representing 100% of its issued share capital.

The investment in the Subsidiary is used to acquire exposure to a portfolio comprising a large number of investments. The investment in the Subsidiary is measured at fair value through profit or loss. The Company has determined that the fair value of the Subsidiary is its Net Asset Value which has been determined to be the exit price of the Subsidiary.

	£
Cost at 20 October 2016 (date of incorporation)	-
Additions during the reporting period	126,847,698
Disposals during the reporting period	(69,427,536)
Realised gains during the reporting period	1,531,085
Cost at 30 June 2017	58,951,247

Unrealised gains on non-derivative financial assets	3,803,267
Financial assets at fair value through profit or loss at the end of the period	62,754,514

On a look-through basis, the following table discloses the financial assets at fair value through profit or loss of the Subsidiary that ties to the Company's financial assets at fair value through profit or loss:

Subsidiary's non-derivative financial assets at fair value through profit or loss	£
Armadillo Portfolio	20,281,703
CDO bond securities	15,485,642
Bridge Loan	8,129,475
Investment in the Partnership	8,049,420
Investment in the CDO Manager	6,375,060
Preference Shares	4,991,460
Total non-derivative financial assets at fair value through profit or loss	63,312,760
Subsidiary's other assets and liabilities, net	(558,246)
Subsidiary's Net Asset Value at the end of the period	62,754,514

(i) Subsidiary's Investments in Private Investment Companies

Investments in Armadillo Portfolio

The Subsidiary's investments in private investment companies include the partnership interests in Armadillo I and Armadillo II. The investment strategy of the Armadillo Portfolio is to make high interest rate loans to third-party law firms engaged in mass tort litigation.

The Manager believes that the Subsidiary's investment in the Armadillo Portfolio provides an attractive risk-adjusted return. As the Subsidiary's partnership interest in both Armadillo I and Armadillo II are beyond their active investment periods, the assets are expected to liquidate over the next several years. While the timeframe for cash collections can be unpredictable, the Manager projects substantial repayment of the Armadillo Portfolio by the end of 2018 and final liquidation by 2020. The Manager actively monitors underlying loan collateral value and borrowing firm performance. In a limited number of situations, the Manager has taken corrective action with a few borrowers and has booked reserves against one doubtful collection accounts which are reflected in the carrying value.

The Company, through its investment in the Subsidiary, had a 26.4% holding in Armadillo I and 1.4% holding in Armadillo II as at 30 June 2017.

Investment in the Partnership

As at 30 June 2017, the Company, through its investment in the Subsidiary, held 10,820,875 units of a total 16,568,309 units outstanding of the Partnership, representing 65.31% of the total units. The Partnership's purpose is to retain an interest of a least five per cent in securitisations sponsored by EJF in connection with regulation requirements within the Dodd-Frank reforms in the United States. The investment in the Partnership is valued at £8,049,420. The Partnership has an investment in the preference shares of TFINS 2017-1. The Partnership acquired the preference shares on 30 March 2017.

As at 30 June 2017 remaining units outstanding are held by the Manager (5,747,269 units) and EJF Investments GP Inc. ("the General Partner") (165 units).

The Subsidiary's investment in the Partnership is shown at fair value based on the Subsidiary's share of the Net Asset Value of the Partnership. Although the Subsidiary owns 65.31% of the Partnership, the results are not consolidated within these accounts as the financial statements are prepared under IFRS 10. The Partnership holds cash of approximately $473,419 as of 30 June 2017, and intends to use this cash and future contributions from the Manager and the Company to purchase the minimum required positions of CDOs securitised by EJF.

The securities held by the Partnership will be Level 2 securities that can produce interest income as well as fair value gains and losses.

The following summarises activity for the Subsidiary's investments in private investment companies:

	Armadillo Portfolio £	Partnership £
Opening balance	-	-
Acquisition of interest in private investment companies	26,999,932	10,487,517
Proceeds		
Disposal of interest in a private investment companies	(7,763,727)	(1,606,284)
Realised gains on payoffs	1,048,374	-
Unrealised losses[1]	(2,876)	(831,813)
Subsidiary's investments in private investment companies at fair value through profit or loss	20,281,703	8,049,420

[1] Includes unrealised gains (losses) on fluctuations in foreign exchange rates.

(ii) Subsidiary's Investment in Private Operating Company

The following summarises activity for the Subsidiary's investments in private investment companies:

	CDO Manager £
Opening balance	-
Acquisition of interest in private operating company	5,673,820
Unrealised gains[1]	701,240
Subsidiary's investments in private investment companies at fair value through profit or loss	6,375,060

[1] Includes unrealised gains (losses) on fluctuations in foreign exchange rates.

The Subsidiary, through its 49% interest in the CDO Manager, has an exposure to the cash flows of four REIT TruPS CDO collateral management contracts plus cashflow from TFINs 2017-1, which was completed on 30 March 2017. The CDO Manager has a total Net Asset Value of £13,365,239 as at 30 June 2017. The Subsidiary's interest in the CDO Manager has a Net Asset Value of £6,375,060 as at 30 June 2017.

The Manager currently expects these contracts will, based on the current strength of the underlying collateral loans, extend to their natural life in accordance with their respective legal indentures, providing investors with an ongoing stable stream of current income. The management fees of each REIT TruPS CDO collateral management contract vary, ranging from 15 to 20bps of the outstanding collateral balance. The TFINS 2017-1 securitisation produces management fees of 10bps on outstanding collateral.

(iii) Subsidiary's Investments in Trading Securities

CDO bond securities

The Subsidiary's CDO bond securities portfolio consists of bonds issued by the CDO Entities. The Partnership invested approximately $16.6 million in bonds issued by the CDO Entities at distressed prices which was transferred to the Company on 9 February 2017 as part of the Exchange Offer referred to in the Corporate Summary. As the market recovered, the Company opportunistically sold various positions. The remaining positions were subsequently transferred to the Subsidiary effective 9 June 2017. The remaining portfolio of CDO bond securities, now held by the Subsidiary, is generating current income and the Manager believes that the cash flows from this portfolio may increase over time as the senior tranches of certain CDOs are repaid and the CDO over-collateralisation and interest coverage tests are cured. The bond holdings range from senior class A bonds to subordinated class F bonds. For the period ended 30 June 2017, the Company accrued £562,447 of interest income presented as investment income of the statement of comprehensive income.

The following table summarises activity for the investment in trading securities (CDO bond securities):

	2017
Par value of CDO bond securities transferred from the Partnership	$274,555,000

	£
Fair value of acquired CDO bonds	12,781,917
Disposal of CDO bonds	(1,074,655)
Realised gains on disposal	1,074,655
Unrealised gains from CDO bond securities[1]	2,703,725
Investments in CDO bond securities at fair value through profit or loss	**15,485,642**

[1] Includes unrealised gains (losses) on fluctuations in foreign exchange rates.

Bridge Loan

The Subsidiary's Bridge Loan is structured as a senior secured note with a three-year maturity and an interest rate of 14 per cent. Additionally, the Bridge Loan investors received a 3 per cent commitment fee and there is a make whole premium through the first 18 months. The Bridge Loan is secured by the collateral of two CDOs that are wrapped by an affiliate of the borrower. As referenced to in Note 7, for the period ended 30 June 2017, the Company accrued £379,119 of interest income presented as investment income of the statement of comprehensive income.

Preference Shares

The Subsidiary owns an interest in a depositor vehicle which holds interests in the TFINS 2017-1 preference shares originally issued as part of the securitisation in March 2017. This position was purchased as part of the cross-transaction with two private funds affiliated with the Manager and is described further in Note 16. The Company expects these positions to start generating interest income in October 2017 and quarterly payments thereafter.

A. Fair value hierarchy—financial instruments measured at fair value

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include private equity and trading securities. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair value. Level 3 instruments also include investments in other private equity funds, as they cannot be redeemed at the period-end date at the underlying fund's quoted Net Asset Value ("NAV").

The Level 3 investment held by the Company at 30 June 2017 consists of an investment in the Subsidiary. The NAV of the Subsidiary is used in the valuation of this investment.

The Company's investment in the Subsidiary, through the acquisition of shares, is classified within Level 3, as it is not traded and contains unobservable inputs. The Board of Directors considers that the NAV of the Subsidiary is representative of its fair value. The table below analyses financial instruments, held by the Company, measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. All fair value measurements below are recurring.

	Level 1	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	**£**	**£**	**£**
Investment held in Subsidiary	-	-	62,754,514
Derivative financial asset	-	2,024,853	-
Financial assets at fair value through profit or loss	**-**	**2,024,853**	**62,754,514**

Financial liabilities at fair value through profit or loss	Level 1 £	Level 2 £	Level 3 £
Warrants			762,929
Financial liabilities at fair value through profit or loss	**-**	**-**	**762,929**

£	Opening fair value	Additions	Disposals, repayment, write-offs	Realised gains/ (losses)	Unrealised gains/ (losses)	Effect of foreign currency fluctuations	Ending fair value
Armadillo I	-	25,502,770	(26,406,624)	456,430	1,519,935	(1,072,511)	-
CDO bond securities	-	12,781,917	(16,726,105)	1,074,655	3,491,467	(621,934)	-
Investments LP	-	10,487,517	(9,752,586)	-	(389,656)	(345,275)	-
Bridge Loan	-	7,851,238	(8,395,367)	-	897,475	(353,346)	-
CDO Manager	-	5,673,820	(6,633,575)	-	1,238,438	(278,683)	-
Armadillo II	-	1,497,162	(1,513,279)	-	79,200	(63,083)	-
EJF Investments Holdings Limited	-	63,053,274	-	-	(298,760)	-	62,754,514
Total financial assets	-	126,847,698	(69,427,536)	1,531,085	6,538,099	(2,734,832)	62,754,514

B. Significant unobservable inputs used in measuring fair value

The recurring measurement of the estimated fair values of the Subsidiary's trading securities was determined through the use of Level 3 inputs. A discounted cash flows ("DCF") method was employed to estimate the fair values as of 30 June 2017. Projected cash flows were calculated using a third-party provider of cash flow information for structured securities for each bond. Key assumptions included: prepayment assumptions, default rates and loss severity, recovery lags, and the discount rate. These inputs were based on internal assumptions and market participant benchmarks for comparable bonds.

The table below sets out information about significant unobservable inputs used at 30 June 2017 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Valuation technique	Unobservable inputs	Range (weighted average)	Assumptions	Sensitivity to changes in significant unobservable
Discounted Cash Flows Model	Discount Rate	12.75%	No prepayments	A significant increase in discount would result in a
	Probability of Default	3.5%		
	Loss Severity	75%	Market Indication	lower fair value
	Recovery Lag	36 months		

The Company's remaining Level 3 investments have been valued using unadjusted third party transactions and quotations or the unadjusted Net Asset Value of investments in private investment companies. As a result, there were no unobservable inputs that have been internally developed by the Company in determining the fair value of these investments as of 30 June 2017.

C. Financial instruments not measured at fair value

The financial assets not measured at fair value through profit or loss ("FVTPL") include cash, certain amounts due from related parties and due from brokers, and accrued interest receivable. The carrying amount of such instruments approximates their fair value. The Company invests in the Subsidiary that pays cash dividends or distributions which are paid based on the Subsidiary's operating results and paid at the discretion of the

Subsidiary's Board of Directors. There are no amounts due or accrued for dividends or in-kind returns based on any of the agreements between the Company and the Subsidiary.

11. Derivative financial asset at fair value through profit or loss

Maturity date	Counterparty	Contract amount	Buy	Sell	Unrealised gain £
27 March 2018	Citibank N.A.	GBP 55,000,000	GBP	USD	1,957,673
18 April 2018	Citibank N.A.	GBP 10,000,000	GBP	USD	67,180
Unrealised gain on forward foreign exchange contracts					**2,024,853**

The ISDA Master Agreement contains customary termination provisions, including an event of default triggered by agreed upon percentage declines in the Company's NAV.

12. Prepaid expenses and other assets

	£
Prepaid insurance	86,492
	86,492

13. Accounts payable and accrued expenses

	£
Dividend payable to shareholders	1,161,485
Incentive fees payable	265,215
Legal and professional fees payable	111,706
Audit fees payable	40,000
Directors fees payable	30,366
	1,608,772

14. Interest in Unconsolidated Subsidiary

The table below discloses the unconsolidated subsidiary in which the Company holds an interest, but does not consolidate in accordance with IFRS 12:

Name of entity	Type of entity	Principal place of business	Nature of purpose	Interest held by the Company
EJF Investments Holdings Limited	Private Company	Jersey	The purpose to hold a portfolio of investments in order to generate capital appreciation and investment income.	The Company holds a 100 per cent interest in the Subsidiary

15. Net assets attributable to shareholders

The shares of the Company are classified as equity based on the substance of the contractual arrangements and in accordance with the definition of equity instruments under IAS 32.

The proceeds from the issue of shares are recognised in the Statement of Changes in Equity, and are net of the incremental issuance costs when applicable.

The analysis of movements in net assets attributable to shareholders during the period ended 30 June 2017, were as follows:

Number of shares

Balance at the beginning of the period	-
Issued during the period at £1.36 per unit	48,395,217
Balance at 30 June 2017	**48,395,217**

Issued and fully paid

	£
Balance at beginning of period	-
Issued during the period	65,774,963
Re-purchased during the period	-
Balance at 30 June 2017	**65,774,963**

Reconciliation of net assets attributable to shareholders	£
Balance at beginning of period	-
Increase in net assets attributable to shareholders	6,419,182
Issue of shares during the period	65,774,963
Dividends paid	(2,322,970)
Balance at 30 June 2017	**69,871,175**
Net Asset Value per share at 30 June 2017	**£1.44**

16. Related Party Transactions and other material contracts

Investment Management fee

On 31 January 2017, the Company and the Subsidiary, the General Partner of the Partnership, and the Partnership entered into a management agreement with the Manager and EJF (the "Management Agreement"). In accordance with the Management Agreement, the Manager has been appointed as the manager of the Company, the Partnership and the Partnership's general partner. In such capacity, the Manager is responsible for the portfolio and risk management of the Company, including: (i) managing the Company's assets and its day-to-day operations; (ii) the selection, purchase and sale of investment securities; (iii) providing financing and risk management services; and (iv) providing advisory services to the Company's Board of Directors. The Management Agreement was subsequently amended and restated on 30 March 2017 to account for the management of the risk retention investments and revise the terms of the incentive fee charged to the Company.

In accordance with the terms of the Management Agreement, the Company pays a management fee calculated monthly and payable monthly in arrears commencing with the quarter in which the Exchange Offer was completed. Subject to certain limitations, the management fee is equal to 0.0833% (one-twelfth of 1%) of the Company's Net Asset Value. In May 2017, the Manager elected to assign its share of the dividends generated from the legacy collateral management contracts of the CDO Manager for the period 1 February 2017 through 31 January 2018 by reducing management fees charged to the Company. As a result of this election, no management fees have been charged to the Company for the period 20 October 2016 through 30 June 2017.

Neal Wilson, a Director of the Company, also serves as an officer of the Manager and an officer and director of other affiliates of the Manager including: EJF, the general partner of the Partnership, and the general partner of Armadillo I and Armadillo II. Therefore, conflicts may arise as this individual allocates his time between EJF and other programmes and activities in which they are involved. The independent members of the Board of Directors of the Company must consent to and approve any of the Company's conflicted trades, which also involve approval by one of these affiliates and its officers, Directors and employees. With respect to EJF risk retention investments to be issued in connection with all future EJF Securitisations, the Partnership has the right of first refusal over other funds managed by EJF.

Directors' fees

The Company's independent Directors are entitled to a fee in remuneration for their services as Directors at a rate to be determined from time to time by the Board of Directors. During the period ended 30 June 2017, the

Company recorded Directors' fees of £58,442. As at 30 June 2017, £30,366 of this amount was outstanding and included in accounts payable and accrued expense balance on the statement of financial position.

Joanna Dentskevich, Alan Dunphy and Nick Watkins are entitled to a fee in remuneration for their services as Directors at a rate of £40,000 each per annum.

Joanna Dentskevich is also entitled to a fee of £10,000 per annum in respect of her role as Chair of the Board of Directors.

Alan Dunphy is also entitled to a fee of £5,000 per annum in respect of his role as Chairman of the Audit Committee.

Incentive fee

The Manager is entitled to an incentive fee (the "Incentive Fee") which is calculated in relation to the assets attributable to ordinary shares, in accordance with Management Agreement. The Incentive Fee amount is equal to 10 per cent of the amount by which the adjusted NAV attributable to ordinary shares exceeds the higher of (i) the Incentive Hurdle at the relevant time and (ii) the High Watermark at the relevant time, in respect of the relevant Incentive fee period.

Adjusted NAV attributable to ordinary shares is calculated as an amount equal to the NAV attributable to ordinary shares: (i) excluding any increases or decreases in NAV attributable to ordinary shares attributable to the issue or repurchase of any ordinary shares; (ii) adding back the aggregate amount of any dividends paid or distributions made in respect of any ordinary ; (iii) excluding the aggregate amount of dividends and distributions accrued but unpaid in respect of any ordinary shares; and (iv) excluding the amount of any accrued but unpaid Incentive Fees payable in relation to the NAV attributable to ordinary shares, in each case without double counting.

Incentive Hurdle is calculated using the Adjusted NAV attributable to ordinary shares on the date of First Admission, compounded annually (with effect from 31 December 2017) at a rate equal to an internal rate of return of 8 per cent per annum.

High Watermark is calculated using the Adjusted NAV attributable to ordinary shares as determined on the last day of the latest previous Incentive Fee Period in respect of which an Incentive Fee was payable to the Manager.

The Incentive Fee is calculated in respect of each twelve month period starting on 1 January and ending on 31 December in each calendar year, save that the first Incentive Fee Period which is the period commencing on First Admission and ending on 31 December 2017 and the final Incentive Fee Period being the date that the Management Agreement is terminated or, where the Management Agreement has not been terminated, the actual date of termination of the provision by the Manager of the Non-Retained Services.

For the period from the First Admission to 30 June 2017, the Company incurred an Incentive Fee liability of £265,215, which is presented with the operating expenses on the statement of comprehensive income and accounts payable and accrued expenses on the statement of financial position.

Ordinary shares held by related parties

The Shareholdings of the Directors in the Company as at 30 June 2017 were as follows:

Name	Ordinary Shares	Percentage of Ordinary Shares in Issue
Neal Wilson	48,793	0.10%

Subsequent to the period end, the Directors (including family members) acquired the following holdings in the second offering in July 2017, Placing Program of ordinary shares on 31 July 2017: Neal Wilson 1,082,391 ordinary shares (which combined with his ordinary shares above, represents 2.10% of the issued share capital at 31 July 2017); and Joanna Dentskevich 20,548 ordinary shares. There have been no other changes to the Directors' shareholdings since 30 June 2017.

As at 30 June 2017, the Directors Alan Dunphy and Nick Watkins (including family members) held no ordinary shares and did not participate in the second offering in July 2017.

As at 30 June 2017, an affiliated entity to Emanuel J. Friedman, chairman and Co-CIO of the Manager, held an aggregate of 9,137,055 ordinary shares issued by the Company, which is 18.88% of the issued share capital. Additionally, various other current and former employees of the Manager held an aggregate of 1,651,985 ordinary shares, which is 3.41% of the issued share capital as at 30 June 2017.

Subsequent to the period end, the affiliated entity to Emanuel J. Friedman acquired a further holding of 1,595,251 ordinary shares in the second offering in July 2017.

Other Material Contracts

In April 2017, the Manager voluntarily committed to absorb future operating expenses incurred by the Company through, no earlier than, 31 December 2017 excluding management fees and incentive fees. For the period ended 30 June 2017, £417,999 of operating expenses were offset by reimbursements from the Manager and is presented on the statement of comprehensive income. As at 30 June 2017, the Company had a receivable balance of £88,623 from the Manager related to the reimbursement of these operating expenses included in the other receivables balance on the statement of financial position.

The Manager committed to absorb all organisational costs associated with the Group's restructuring for risk retention purposes, restructuring resulting from the incorporation of the Subsidiary, and professional fees incurred in relation to the preparation of the Company's prospectus. For the period 20 October 2016 through 30 June 2017, £3,140,452 of professional fees were incurred by EJF on behalf of the Company and the Partnership.

On 30 June 2017, the Company, through its investment in the Subsidiary, entered into a cross-transaction with two private funds affiliated with the Manager for the purchase of interests in the depositor vehicle which held interests in the TFINS 2017-1 preference shares issued to the two affiliate funds as part of the securitisation in March 2017. The fair value of these preference shares is included in the Subsidiary's portfolio at a value of £4,991,460. The transaction was executed using pricing established through independent third-party valuations and following the review and approval by the Board of Directors of the Company.

17. Commitments and Contingencies

On 30 March 2017, the Company and Access National Bank ("ANB") entered into a financing and security agreement (the "Revolving Credit Facility") pursuant to which ANB agreed to provide a revolving credit facility of up to $10 million. In June 2017, Revolving Credit Facility was amended to include the Subsidiary. The Revolving Credit Facility is used by the Company for the purposes of supporting working capital needs and to fund the Company's general business requirements. Unless repaid earlier, the unpaid loan amount together with accrued interest shall be payable in full on 30 September 2018. Such interest shall be accrued at the 30 Day LIBOR plus a margin of 4.00%, with an interest floor of 5.00%. The Company's obligations under the Revolving Credit Facility have been guaranteed by the Manager and the CDO Manager and secured by (i) a pledge and assignment of the Company's right, title and interest in Armadillo I, (ii) a pledge and assignment of the Company's right, title and interest in Armadillo II, (iii) an assignment granted by the Manager of fees received in relation to its management of the Company, (iv) an assignment granted by the Company and the Manager over RRP distributions made by the Partnership, and (v) an assignment granted by the Manager and the Company over dividends from the CDO Manager. As at 30 June 2017 there were no amounts outstanding in relation to the Revolving Credit Facility.

18. Subsequent Events

On 14 July 2017, the Company raised gross proceeds of approximately £8.0 million through a placing and subscription of 5,479,453 new ordinary shares under the Company's Placing Program at 146 pence per share. The new ordinary shares were admitted for trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange on 14 July 2017.

The new ordinary share price represented a premium of 1.67 per cent to the unaudited Net Asset Value per existing ordinary share, net of the interim dividend of 2.4 pence per ordinary share declared on 22 June 2017, resulting in an adjusted NAV per existing ordinary share of 143.6 pence. The Company incurred issuance costs of £124,288 incurred as a result of the issuance of these new shares.

As at 30 June 2017, the Company received £1,580,292 of cash from prospective shareholders participating in the July 2017 issuance of ordinary shares, which has been presented as share issuance proceeds paid in advance on the statement of financial position.

19. Financial Risk Management

A. Exposure

The Company has exposure to the following risks as a result of its use of financial instruments:
• credit risk;
• liquidity risk;
• market risks; and
• operational risk.

This note presents information about the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

B. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities. Below is a non-exhaustive summary of the risks that the Company is exposed to as a result of its use of financial instruments:

C. Credit risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company or the Subsidiary or a vehicle in which the Company or Subsidiary invests, resulting in a financial loss to the Company. It arises principally from debt securities held, and also from derivative financial assets and cash and cash equivalents. For risk management reporting purposes, the Company considers and aggregates all elements of credit risk exposure (such as individual obligation default risk, country risk and sector risk).

Credit risk is monitored on a daily basis by the Manager in accordance with the policies and procedures in place. The Manager monitors the Subsidiary's daily cash activity, concentrations of deposits with counterparties and the credit worthiness of said counterparties, and obtains periodic collateral assessments from an affiliate managing Armadillo Portfolio's loan portfolio. The Company's credit risk is monitored on a quarterly basis by the Board of Directors. If the credit risk is not in accordance with the investment policy or guidelines of the Company, then the Manager is obliged to address the impact to liquidate holdings within one day of each determination, however the Company's portfolio assets are illiquid in nature and require more time to address the impact the credit risk has on the Subsidiary's illiquid assets.

The Subsidiary's illiquid positions may give rise to settlement risk. 'Settlement risk' is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed. For the majority of transactions, the Company mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval and limit monitoring processes described below.

D. Liquidity risk

Liquidity risk is the risk that the Company or the Subsidiary will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's policy and the Investment Manager's approach to managing liquidity risk in both the Company and the Subsidiary is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's prospectus provides for the Board of Directors to pay quarterly distribution of cash to shareholders following the recommendation of the Manager. Therefore, the Company may be exposed to the liquidity risk of meeting each quarterly distribution date.

The Company's financial assets through its Subsidiary include investment securities which are illiquid. In addition, the Subsidiary holds investments in private investment companies. As a result, the Company, through its Subsidiary, may not be able to liquidate some of its interest in these instruments in due time to meet its liquidity requirements.

The Company's liquidity risk is managed on a weekly basis by the Manager in accordance with the policies and procedures in place. Since the Company's liability obligations consist of current liabilities related to its standard operating activity, liquidity risk is deemed to be low.

The Company's overall liquidity risk is monitored on a weekly basis as currently liabilities are paid and reported to the Board of Directors on a quarterly basis unless a special meeting is required.

E. Market risk

Market risk is the risk that changes in market factors such as foreign exchange rates, interest rates and equity prices will affect the Company's income and/or the value of its holdings in financial instruments.

The Company's exposure to market risk comes mainly from movements in the value of its investment in the Subsidiary and on a look through basis to the underlying investments in the Subsidiary's portfolio. Changes in credit spreads may further affect the Subsidiary's net equity or net income, and hence the value of the Company's investment in the Subsidiary.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk. The Company's strategy for the management of market risk is driven by the Company's investment objective. The Company seeks to generate attractive risk-adjusted returns for its Shareholders, by investing in opportunities created by regulatory and structural changes impacting the financial services sector. These opportunities are anticipated to include structured debt and equity, loans, bonds, preference shares, convertible notes and private equity, in both cash and synthetic formats issued by entities domiciled in the U.S., UK and Europe. The Company will seek to make quarterly dividend payments arising from the portfolio in addition to targeting Net Asset Value growth. The various components of the Company's market risk are managed on a daily basis by the Investment Manager in accordance with policies and procedures in place, as detailed below.

In addition, the Company, through the underlying Subsidiary, intends to mitigate market risk generally by not making investments that would cause it to have exposure to any one individual asset exceeding 10% of the Subsidiary's investments at the time of investment. The subsidiary's market positions are monitored on a quarterly basis by the Board of Directors and by the Manager at the point of investment and on an ongoing basis.

I. Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Subsidiary's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The Company is exposed to the risk that the fair value of its Subsidiary or future cash flows of the Subsidiary's financial instruments will fluctuate as a result of changes in market interest rates. In respect of the Subsidiary's interest bearing financial instruments, the Company's policy is to transact in financial instruments that mature or reprice in the short term—i.e. no longer than 12 months. Accordingly, the Company is subject to limited exposure to fair value or cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates.

The internal procedures require the Manager to manage interest rate risk on a daily basis in accordance with the policies and procedures in place. The Company's interest rate risk is monitored on a quarterly basis by the Board of Directors. If the interest rate risk is not in accordance with the investment policy or guidelines of the Company, then the Manager is required to rebalance the underlying portfolio of the investments held by the Subsidiary prior to the end of the reporting period following each determination of such occurrence.

The Company does not have interest rate gap exposure because its Subsidiary does not hold liabilities or shorts that have values impacted by interest rates. The Company has minimal to no material exposure to interest rate risk.

II. Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is directly exposed to currency risk in respect of its cash and cash equivalents and derivatives denominated in currencies other than Sterling, and indirectly through its investment in the Subsidiary.

The Company invests in financial instruments through its Subsidiary and enters into transactions that are denominated in currencies other than its functional currency, primarily in US dollars (USD). Consequently, the Company is exposed to risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value or future cash flows of the Company's financial assets or financial liabilities denominated in currencies other than Sterling.

The Company entered into two currency forward contract arrangements with Citigroup N.A. (as prime broker for the Company) pursuant to which the Company bought £55,000,000 for $69,641,000 at a rate of 1.2662 on a forward basis against a spot rate of 1.2525 followed by another £10,000,000 for $13,060,400 at a rate of 1.30604 on a forward basis against a spot rate of 1.291, to manage its currency risk by limiting its total foreign currency exposure to less than 50% of the Company's net assets, with no individual foreign currency exposure being greater than 25% of the net assets.

The Company also entered into a currency forward contract arrangement with Citigroup N.A. pursuant to which the Company bought

The Manager monitors the exposure to foreign currencies and reports to the Board monthly. The Manager measures the risk of the foreign currency exposure by considering the effect on the Net Asset Value and income of a movement in the rates of exchange to which the assets, liabilities, income and expenses are exposed. A currency forward contract program is in place at the Company level, in line with the intentions stated in the Prospectus, to protect against the effects of currency exposure on the future income arising from the underlying portfolio of investments held by the Subsidiary.

III. Other price risk
Other price risk is the risk that the fair value of the Subsidiary will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer or factors affecting all instruments traded in the market.

The investments may be difficult to value accurately and, as a result, the Company may be subject to valuation risk. Any difficulty in valuing the Company's portfolio through its Subsidiary or having to impair the value of certain investments in the portfolio could adversely affect the Company's results of operations. If the price risk is not in accordance with the investment policy or guidelines of the Company, then the Manager is required to rebalance the portfolio prior to the end of the reporting period following each determination of such occurrence.

20. Significant Accounting Policies

A. Valuation models

The fair values of financial assets and financial liabilities that are traded in active markets are based on prices obtained directly from an exchange on which the instruments are traded or obtained from a broker that provides an unadjusted quoted price from an active market for identical instruments. For all other financial instruments, the Company determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Company classifies for disclosure purposes fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

Level 1	Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
Level 2	Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
Level 3	Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity indices, EBITDA multiples and revenue multiples and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Company uses widely recognised valuation models for determining the fair value of common and simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple OTC derivatives such as interest rate swaps. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Company, through the investment in the Subsidiary, uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions.

Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Company or the Subsidiary believe that a third-party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa, such as interest rate swaps, fair values include adjustment for both own credit risk and counterparty credit risk.

Model inputs and values are calibrated against historical data and published forecasts and, when possible, against current or recent observed transactions and broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management judgement is required to select the most appropriate point in the range.

Valuation approach for specific instruments

Foreign currency forward contracts
The fair value of the foreign currency forward contracts is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.

Derivative Liabilities
The Company accounts for its warrants and other derivative financial instruments as either equity or liabilities based upon the characteristics and provisions of each instrument. Warrants classified as equity are recorded at fair value as of the date of issuance on the Company's statement of financial position and no further adjustments to their valuation are made. Warrants classified as derivative liabilities and other derivative financial instruments that require separate accounting as liabilities are recorded on the Company's statement of financial position at their fair value on the date of issuance and will be revalued on each subsequent statement of financial position date until such instruments are exercised or expire, with any changes in the fair value during the reporting period recorded as other income or expense.

Valuation approach for specific instruments held through the Subsidiary

Investments in private investment companies and private operating company

The fair value of investments in the private investment companies and private operating company is determined using the Net Asset Value of the entity (Level 3 valuation). The unadjusted Net Asset Value is used when the units or partnership interests in a fund are redeemable at the reportable Net Asset Value at, or approximately at, the measurement date. If this is not the case, then Net Asset Value is used as a valuation input and an adjustment is applied for lack of marketability/restricted redemptions. This adjustment is based on management judgement after considering the period of restrictions and the nature of the underlying investments. No such adjustment was deemed necessary for the period ended 30 June 2017.

Investments trading securities
At 30 June 2017, the investment portfolio included rated bonds by the Kodiak CDOs, Attentus CDOs, CDOs issued by an unaffiliated third-party CDO sponsor (collectively, the "CDO Entities"), and a bond issued by a monoline insurance subsidiary of a publicly listed insurance company ("Bridge Loan").

The fair value of positions held in the CDO Entities is determined by a third party vendor who receives market quotes of similar securities in the market and validating these quotes against estimated future default probabilities using market standard models (Level 3 valuation). Credit spreads are observed directly by the third party vendor. The significant model inputs are observable in the marketplace or set in the contract. The

Bridge Loan valuation will be based upon the mid- or last-traded prices at the close of business on the calculation date supplied by the relevant independent investment bank, securities broker and/or originator.

B. Valuation framework

The Company has an established control framework with respect to the measurement of fair values. This framework includes a portfolio valuation function, which is independent of management and reports to the Board of Directors, who have overall responsibility for fair value measurements. Specific controls include:

• verification of observable pricing inputs;
• re-performance of model valuations;
• a review and approval process for new models and changes to such models;
• calibration and back-testing of models against observed market transactions;
• analysis and investigation of significant daily valuation movements; and
• review of unobservable inputs and valuation adjustments.

When third party information, such as broker quotes or pricing services, is used to measure fair value, the portfolio valuation function assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified. This includes:

• verifying that the broker or pricing service is approved by the Manager for use in pricing the relevant type of financial instrument;
• understanding how the fair value has been arrived at and the extent to which it represents actual market transactions and whether it represents a quoted price in an active market for an identical instrument;
• when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
• if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

C. Investment entity

In accordance with IFRS 10 "Consolidated Financial Statements" and amendments to IFRS 10, the Company has determined that it meets the definition of an investment entity which is mandatorily exempted from the consolidation of investment entity subsidiaries and operating entity subsidiary that provides management services since the services it provides are undertaken to maximise the Company's investment returns and do not represent a separate substantial business activity or substantial source of income.

The Company is presented as an investment entity and as a result, the Company measures its investment in structured entities at fair value. The Company has been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:
(a) The Company has obtained funds from investors for the purpose of providing investors with professional investment and management services.
(b) The Company's business purpose, which was communicated directly to investors, is investing returns from capital appreciation and investment income.
(c) All its investments are measured and evaluated on a fair value basis.

On 29 June 2017, the Company undertook an additional restructuring of its assets and corporate structure by incorporating the Subsidiary in order to manage its compliance with the UK investment trust rules. EJF Investments Holdings Limited was incorporated on 9 June 2017 and, pursuant to the terms of the restructuring which completed on 29 June 2017, substantially all of the Company's assets, comprising the Armadillo Portfolio, the CDO Manager, units issued by the Partnership, the Bridge Loan and the CDO bond securities were transferred to the Subsidiary.

The Subsidiary signed an intra-group agreement on 29 June 2017 in which it acquired the Company's assets at a purchase price of £63,053,273, being the total value of the assets, in exchange for 63,053,273 ordinary shares of no par value, representing 100% of its issued share capital.

The Board of Directors has determined that the Company has all the elements of control as prescribed by IFRS 10 above in relation to the Subsidiary as the Company owns 100% of the equity of the Subsidiary, is exposed and has rights to the returns of the Subsidiary and has the ability, either directly or through the Manager, to affect the amount of its returns from the Subsidiary.

The Company, being listed on the Specialist Segment of the London Stock Exchange, obtains funding from a diverse group of external Shareholders, to whom it has committed that its business purpose is to invest funds solely for the returns from capital appreciation and investment income.

The Company has only one investment – the Subsidiary, in which it holds 100% of the equity; however its investment in the Subsidiary is used to acquire exposure to a portfolio comprising a large number of investments. The fair value method is used to represent the Subsidiary's performance in its internal reporting to the Board, and to evaluate the performance of the Subsidiary's investments and to make investment decisions for mature investments. Those investments have documented maturity/redemption dates, or will be sold if other investments with better risk/reward profile are identified, which the Manager considers they demonstrate a clear exit strategy.

The Subsidiary serves as an asset holding company and does not provide investment-related services. Accordingly, when the Subsidiary is assessed based on the structure of the Company and its Subsidiary as a whole as a means of carrying out activities, the Board has concluded that the Company satisfies sufficient of the criteria above to meet the definition of an investment entity. As a result, under the terms of IFRS 10, the Company is not permitted to consolidate the Subsidiary, but must measure its investment in the Subsidiary at fair value through profit or loss. The Company has determined that the fair value of the Subsidiary is the Subsidiary's Net Asset Value and has concluded that the Subsidiary meets the definition of an unconsolidated subsidiary under IFRS 12 and has made the necessary disclosures.

As the Company met all the requirements of an Investment Entity as per IFRS 10, it records its interest in structured entities at fair value rather than consolidating them on a line by line basis.

D. Investments at fair value through profit or loss

For underlying instruments not traded in an active market and defined as Level 3 investments (See Note 10 for further explanation of Level 3 investments), the fair value is determined by using appropriate valuation techniques.

Management also makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets are outlined in Note 10.

E. Cash

Cash comprises cash balances and call deposits with original maturities of three months or less.

F. Recognition and measurement of financial instruments

The Company initially classifies its investments at fair value through profit or loss. Investments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in the statement of profit or loss and other comprehensive income as incurred. Investments at fair value through profit or loss are subsequently measured at fair value, and changes therein are recognised in the statement of profit or loss and other comprehensive income.

Financial assets and financial liabilities at fair value through profit or loss are initially recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in profit or loss. Financial assets or financial liabilities not at fair value through profit or loss are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as 'active' if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, then the Company establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if they are available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

Unquoted debt instruments and unlisted equities designated at fair value through profit or loss are subsequently carried in the statement of financial position at fair value. Estimated fair value is determined using a discounted cash flow analysis employing unobservable inputs generally utilised for estimating the fair value of securities without an active market. Management's estimate of fair value is subject to a high degree of judgment based upon market conditions and management assumptions. Upon the sale of a trading security, the realised gain or loss on the sale will be recorded as a component of earnings in the respective period.

Investment securities consist of bonds and residual interests issued by the CDOs formed by EJF and bonds issued by CDOs formed by an unaffiliated third-party. Given the distressed nature of the investment securities, interest income is accrued only for those bonds which are currently paying interest pursuant to the CDO indenture and those CDOs for which the interest attributable to the bond is currently being redirected to the senior bonds (payment in-kind). Amounts for payment in-kind interest are then written off through unrealised loss once deemed uncollectible. No interest income is accrued for the remaining CDO bonds because there is no expectation of receiving any interest payments for the foreseeable future. For non-accrual securities, to the extent that the Company receives current or deferred interest, income is recognised when the cash is received.

G. Recognition and measurement of investments in private investment companies

'Fair value' is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. Investments in private investment companies are accounted for at fair value. Because there is no active market in place to sell this asset in an orderly transaction, fair value is estimated, utilising the net asset valuation provided by the underlying private investment companies, without adjustment, when the net asset valuation of the investments is calculated (or adjusted by the Company if necessary). The Company applies the practical expedient to its investments in private investment companies unless it is probable that the Company will sell a portion of an investment at an amount different from the net asset valuation.

If it is probable that the Company expects to sell an investment at an amount different from the net asset valuation, the Company considers other factors in addition to the net asset valuation, such as features of the investment, expected discounted cash flows, transactions in the secondary market, bids received from potential buyers, and overall market conditions in its determination of fair value.

Distributions from the private investment companies are accounted for when declared by the managing member of its general partner (the Partnership) or its manager (the Armadillo Portfolio), which are all related parties to the Manager. Distributions of income of the private investment companies are recorded as net income distributed from the private investment companies on the statement of operations, while returns of capital are recorded as a
reduction of the cost basis of the investments in private investment companies.

H. Other receivables

Other receivables include the accrued interest receivable recognised on the Company's balance sheet when it becomes party to a contractual provision for the amount receivable.

I. Prepaid expenses and other assets

Prepaid expenses and other assets include prepaid insurance, prepaid administration expenses and other assets recognised on the Company's balance sheet when cash activity occurs prior to the services provided.

J. Accounts payable and accrued expenses

Accounts payable and accrued expenses are recognised on the Company's balance sheet when it becomes party to a contractual provision for the amount payable.

K. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company or its Subsidiary and such revenue can be reliably measured. These benefits are primarily derived from net income accrued and distributed from investments and interest income.

As of 30 June 2017, the Company's primary source of revenue, through its Subsidiary, is income from its investments in the Armadillo Portfolio. In addition, the Company, through its Subsidiary, receives interest income from the Bridge Loan, the investment in the CDO bond securities and its investments in the structured entities, the Partnership and the CDO Manager.

L. Expenses

Fees and other operating expenses are recognised in the statement of comprehensive income and other comprehensive income on an accruals basis. Fees are generally accrued monthly and paid either quarterly or annually based on the terms of the various arrangements.

M. Net gain or loss in financial assets held at fair value through profit or loss

Net change in investments at fair value through profit or loss includes all unrealised changes in the fair value of investments designated upon initial recognition as held at fair value through profit or loss and excludes interest and dividend income.

N. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company at exchange rates at the dates of the transactions. At the end of each reporting period, all ending balances are translated to Sterling using the spot rates as of the reporting date.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest payments during the year and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency gains and losses arising on retranslation are recognised in the statement of comprehensive income separately from gains and losses from investment performance.

O. Ordinary Shares

At 30 June 2017, the Company has 48,395,217 shares in issue. The Company has the authority to issue and allot up to 60,000,000 additional ordinary shares and/or C Shares under the Placing Programme, such authority to expire on the date that is twelve months from the date of publication of the prospectus issued in connection with that Placing Programme.

The Company's Articles of Association contain provisions that permit the Directors to issue C Shares from time to time. C Shares are shares which convert into ordinary shares only when a specified proportion of the net proceeds of issuing such C Shares have been invested in accordance with the Company's Investment Policy (or as otherwise provided in the Articles of Association), prior to which the assets of the Company attributable to the C Shares are segregated from the assets of the Company attributable to the ordinary shares.

P. New standards, amendments and interpretations

As this is the first set of financial statements under IFRS all effective and EU endorsed standards have been implemented in these financial statements.

A number of new standards and amendment to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Company has not early applied these new or amended standards in preparing these financial statements. The one new standard potentially relevant to the Company is IFRS 9, *Financial Instruments,* which is discussed below.

IFRS 9, published in July 2014, replaced the existing guidance in IAS 39, *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Q. Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("**FVOCI**") and fair value through profit or loss ("**FVTPL**"). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option are recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

• the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
• the remaining amount of change in the fair value is presented in profit or loss. Based on the Company's initial assessment, this standard is not expected to have a material impact on the classification of financial assets and financial liabilities of the Company. This is because:
• the financial instruments classified as held-for-trading under IAS 39 (derivatives) will continue to be classified as such under IFRS 9;
• other financial instruments currently measured at FVTPL under IAS 39 are designated into this category because they are managed on a fair value basis in accordance with a documented investment strategy.
Accordingly, these financial instruments will be mandatorily measured at FVTPL under IFRS 9; and
• financial instruments currently measured at amortised cost are: cash balances and receivables from collateral management agreements. These instruments meet the solely principal and interest criterion and are held in a held-to-collect business model. Accordingly, they will continue to be measured at amortised cost under IFRS 9.

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Investor information & Warnings

The latest available information on the Company can be accessed via its website www.ejfi.com.

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