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2 April 2019

EJF Investments Ltd

Announcement of Final Results to 31 December 2018

The Directors of the Company announce the final results for the year ended 31 December 2018.

Highlights

- Total Net Asset Value ("NAV") return per ordinary share, inclusive of dividends, of 19.08% for the year ended 31 December 2018;
- Total Net Asset Value ("NAV") return per ordinary share, inclusive of dividends, of 47.03% since inception (exchange offer on 9 February 2017) to 31 December 2018;
- NAV as at 31 December 2018 of £114.5 million, 178.4 pence per ordinary share;
- Dividend yield for the year ended 31 December 2018 based on dividends declared in respect of the period and NAV at 31 December 2018 of 5.7%;
- Capital raised during the period of £16.9 million through ordinary share placings; and
- Total realised gains of £17.8 million recognised during the year with £9.7 million being in respect of the sale of legacy REIT TruPS CDO securities in January and April. The remainder comprised distributions from the Armadillo portfolio and risk retention and securitisation investments.

Post Annual Report Update

- Dividend of 2.675 pence per ordinary share declared in respect of the fourth quarter performance, an increase on the third quarter's dividend of 2.5 pence per ordinary share;
- Adjusted dividend policy and target dividend of 10.7 pence per ordinary share (from 10 pence per share) for the financial year to 31 December 2019, representing a 6.0% target dividend yield on the NAV at 31 December 2018;
- NAV as at 28 February 2018 of £113.7 million; 177.1 pence per ordinary share; and
- Closed on a new risk retention investment in the equity tranche of TruPS Financials Note Securitization 2019-1 Ltd ("TFINS 2019-1"), totalling approximately £11.9 million. TFINS 2019-1 is a securitisation sponsored by EJF Capital LLC and primarily consists of trust preferred securities and surplus notes issued by 32 US community banks and 18 US insurance companies with an aggregate par value of approximately $314 million.

The Company's Annual Report and Financial Statements for the year ended 31 December 2018, 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/1244/annual-report-and-accounts-31-december-2018.pdf

This announcement contains Inside Information

ENQUIRIES

For the Investment Manager
EJF Investments Manager LLC
Peter Stage / Hammad Khan / Matthew Gill
pstage@ejfcap.com / hkhan@ejfcap.com / mgill@ejfcap.com
+44 203 752 6775 / +44 203 752 6771 / +44 203 752 6774

For the Company Secretary and Administrator
Crestbridge Fund Administrators Limited
EJFInvestors.jsy@crestbridge.com
+44 1534 835 600

For the Broker
Numis Securities Limited
David Luck
d.luck@numis.com
+44 20 7260 1301

About EJF Investments Limited

EJFI is a registered closed-ended limited liability company incorporated in Jersey under the Companies (Jersey) Law 1991, as amended, on 20 October 2016 with registered number 122353. The Company is regulated by the Jersey Financial Services Commission (the "**JFSC**"). The JFSC is protected by both the Collective Investment Funds (Jersey) Law 1988 and the Financial Services (Jersey) Law 1998, as amended, against liability arising from the discharge of its functions under such laws.

LEI: 549300XZYEQCLA1ZAT25

Investor information & warnings

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

This communication has been issued by, and is the sole responsibility of, the Company and is for information purposes only. It is not, and is not intended to be an invitation, inducement, offer or solicitation to deal in the shares of the Company. The price and value of shares in the Company and the income from them may go down as well as up and investors may not get back the full amount invested on disposal of shares in the Company. An investment in the Company should be considered only as part of a balanced portfolio of which it should not form a disproportionate part. Prospective investors are advised to seek expert legal, financial, tax and other professional advice before making any investment decision.

CORPORATE SUMMARY

Overview

EJFI is a closed-ended investment company incorporated with limited liability in the Bailiwick of Jersey on 20 October 2016 under the provisions of the Companies Law 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 Law. The Company's share capital comprises Ordinary Shares and ZDP Shares admitted to trading on the SFS.

Investment Objective

The Company seeks to generate risk adjusted returns for its shareholders by investing, through its Subsidiaries, in opportunities created by regulatory and structural changes impacting the financial services sector. These opportunities can 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 USA, UK and Europe. Investments consist primarily of Securitisation and Related Investments and specialty finance investments.

The Company targets a Total Return of 8% to 10% per annum and for the financial year to 31 December 2018, the Target Dividend was 10 pence per Ordinary Share. The Company's Target Dividend for the financial year to 31 December 2019 is 10.7p per Ordinary Share. The Company intends to continue making quarterly dividend payments in addition to targeting NAV growth.

The Company's detailed Investment Policy can be found on page 60 of its Prospectus.

Structure

Since incorporation, the Company has incorporated two subsidiaries: EJFIH (incorporated on 9 June 2017), of which the Company owns 100% of the share capital, and EJFIF (incorporated on 5 September 2018), of which EJFIH owns 100% of the share capital.

The incorporation of the Subsidiaries allows the Company to manage the upstreaming of portfolio income with greater flexibility and cashflow management, conduct its affairs in accordance with the criteria for the non-UK investment trust exemption to the UK Unregulated Collective Investment Schemes and Close Substitutes Instrument 2013 and provide assurance that its future investment activity will generate the income type expected by shareholders for US federal income tax purposes.

Investment Manager

The Company is externally managed by the Manager, a wholly owned subsidiary of EJF, an investment adviser principally located in the USA and registered as such with the SEC and as a CPO and CTA with the CFTC.

The Company has appointed the Manager as its investment manager and AIFM for the purposes of the AIFM Directive. EJF holds 100% of the voting rights in the Manager.

Share Issuance

During 2018 and prior to the expiration of the Placing Programme, a total of 15,014,050 Ordinary Shares were issued. Of these, 9,000,000 Ordinary Shares were immediately repurchased by the Company to be held in treasury and made available to meet ongoing market demand as per Resolution 11 and 12 passed at the AGM on 21 June 2018. As at 31 December 2018, 3,618,114 of the 9,000,000 Ordinary Shares held in treasury had been sold.

Listing information

	ORDINARY SHARES	2022 ZDP SHARES
ISIN	JE00BF0D1M25	JE00BDG12N48
SEDOL	BF0D1M2	BDG12N4
TICKER	EJFI	EJFZ
TOTAL ISSUED SHARES AT YEAR END	69,557,192	15,000,000
TOTAL ISSUED SHARES HELD IN TREASURY AT YEAR END	5,381,886	-
TOTAL ISSUED SHARES WITH VOTING RIGHTS AT YEAR END	64,175,306	-

CHAIR'S STATEMENT

Introduction

On behalf of the Board, I am pleased to present the Annual Report for the year ended 31 December 2018.

The Company had another active and strong year successfully raising and deploying capital to finish the period with gross assets of £132.4m and Total Return of 19.08%[1] thereby exceeding its stated Target Return again.

Performance and Portfolio Activity

Since 1 January 2018, the Total Return was matched by a steady rise in the Company's Ordinary Share price. Although the Ordinary Share price finished the period at 178 pence, representing a 0.2% discount to NAV, the share premium enjoyed for the majority of 2018 allowed the Company to match its need for cash and raise capital to fund further investments.

The strong performance was mainly driven by three factors. Firstly, in January and April sales of certain legacy REIT TruPS CDO securities in the secondary market generated realised gains of £9.7 million. Secondly, these gains along with newly raised capital, were reinvested in Risk Retention investments (in May and December, the Company made its fourth and fifth investments in EJF Risk Retention Securities via the Partnership). Thirdly, gains on EJFIH's investment in the CDO Manager generated £2.2 million through the resulting collateral management contracts acquired pursuant to these securitisations. These contracts provide a steady cashflow without requiring any investment outlay on acquisition.

The Armadillo Portfolio generated a mixed performance during the year. In June, a £1.05 million distribution was received from a previously fully impaired loan. However, there were write-downs in December of two loans totalling £2.8 million due to a decrease in the valuation of their collateral. The Company's remaining exposure to the Armadillo Portfolio at the year-end had reduced to approximately £6.5 million (31 December 2017: £17.4 million) or 5.6% (31 December 2017: 20.1%) of the portfolio, which is in line with the Manager's current objective to reduce the Company's exposure to the Armadillo Portfolio and primarily focus on Securitisations and Related Investments.

Corporate Activity

During the year, the Company completed a number of capital raises under its Placing Programme, raising approximately £10.3m. Being focused on costs and to avoid the immediate need of putting in place a new placing programme before expiry of the existing Placing Programme, the Company issued and immediately repurchased into treasury 9 million Ordinary Shares in November. In December, 3.6 million of these shares were sold to the market, raising a further £6.6 million.

In addition, as permitted by the new EU Prospectus Regulation that came into force in 2017 that allows companies to issue a further 20 per cent of their share capital without having to publish a prospectus, the Company held an EGM on 14 February 2019 to seek approval for authority to dis-apply pre-emption rights on the allotment of Ordinary Shares in respect of up to 20 per cent of the Ordinary Shares in issue. I am pleased to confirm that this approval was granted by Ordinary Shareholders.

Dividends

In April, July and October the Company declared dividends of 2.5p per Ordinary Share. This was followed in January with the declaration of an increased dividend for Q4 2018 of 2.675p per Ordinary Share.

This equates to a total dividend yield for 2018 of 5.7% of NAV at 31 December 2018. The Company's new Target Dividend of 10.7p per Ordinary Share for the financial year 2019, which is intended to be paid quarterly in equal amounts, represents an annualised 6.0% dividend yield going forward.

This new Target Dividend is reflective of the Directors' confidence in the Company's performance, resources and prospects for the 2019 financial year.

Corporate Governance

The Company's AGM was held on 21 June 2018. All resolutions were passed by the Ordinary Shareholders, including the re-election of all the Directors to the Board.

The Company continues to uphold the principles of good corporate governance through its adherence, where appropriate, to the UK Code and the AIC Code, which is endorsed by the FCA. Explanations regarding any deviation from the UK Code and the AIC Code have been provided in the Corporate Governance Report.

Principal Risks and Uncertainties

The Directors have carried out a robust review and assessment of the principal risks facing the Company along with the uncertainty of the impact of Brexit. A summary of those risks and any changes from the principal risks from the Interim Report can be found in the Statement of Principal Risks.

As a Jersey domiciled entity with a US manager, the Company already markets to EU investors through the national private placement regimes of the EU countries concerned in accordance with AIFMD. This third country status, along with US Dollar denominated assets, is expected to afford the Company a relative safe harbour from many of the potential structural and regulatory impacts of Brexit.

The Company is committed to hedge the currency exposure arising from reporting its US Dollar denominated assets in Sterling, and the volatility in the Sterling rates experienced during 2018 has resulted in a significant amount of cash collateral having to be posted with the contract counterparty.

We continue to follow this strategy with the aim of minimising NAV volatility due to foreign exchange movements however are cognisant of the potential impact this could have on growing the Company.

Repurchase Agreement and Credit Facility

The Board believes that having access to capital within a short time frame is important for the Company to be in a position to meet any margin call payments on forward contracts and to pursue attractive investment opportunities. To that end, the Company entered into a repurchase agreement in respect of one of its CDO securities during the year and expects to use this type of agreement (where appropriate) as a source of liquidity as needed. The Company and the Subsidiaries also maintains a loan facility agreement which may be used to bridge any short-term funding requirements for margin calls, however to date no amounts have been drawn down on this facility.

Outlook

Given the market outlook, along with the healthy pipeline of Target Investments, as detailed in the Investment Manager's Report, and the Manager's commitment to continue to meet the Company's ongoing operating costs until no earlier than 1 July 2019, I believe the Company is well positioned and remain confident in its continued ability to grow its portfolio in a manner consistent with its Investment Policy.

The Board again expresses its thanks for the continued support from its shareholders and along with the Manager and the Company's advisers, looks forward to developing the Company further and expanding the shareholder base. We believe that the Company continues to represent a very attractive risk-adjusted investment.

Joanna Dentskevich

Chair

Date: 1 April 2019

Investment Manager's Report

We are pleased to present our review of the year ended 31 December 2018 and outlook for 2019.

The Company delivered a Total Return of 19.08%, inclusive of dividends totalling 10.175p per Ordinary Share, for the year ended 31 December 2018. This compares to the Company's stated Target Return of 8-10% per annum.

Through its investment strategy of targeting Securitisation and Related Investments, the Company has exposure to a diversified portfolio comprising securities issued by more than 130 banks and more than 50 insurance companies located across the U.S. We believe this strategy will continue to benefit from the continued consolidation in the banking and insurance sector being driven by recent US regulatory developments. These developments, supported by a favourable macroeconomic environment, will continue to provide the Company with attractive risk-adjusted investment opportunities in our opinion.

U.S. Financial Sector Regulatory Update

2018 was a monumental year for regulatory changes in the financial sector in the U.S. The US Government, in tandem with the regulators, modified certain regulations which had been deemed to have hindered the growth of small and medium sized banks and insurance companies. One of the key pieces of legislations was the Regulatory Relief Bill which passed into law in May 2018. The Bill contained two primary changes which we believe have had a positive impact on the banking sector and the credit exposures of EJFI:

- The threshold for a SIFI under Dodd-Frank was immediately raised from $50 billion in assets to $100 billion in assets. An additional increase to $250 billion of assets will follow within 18 months of the Bill being signed into law. We believe this increase will remove most regional banks from the CCAR stress test requirement thereby lowering their regulatory costs. In addition, we believe these banks will now be able to more effectively manage their balance sheets, returning more capital to shareholders (and debtholders), resulting in an increase in return on equity. We would also expect these regional banks to become active acquirers going forward.
- The Bill increased the SBHC Policy Statement threshold from $1 billion in assets to $3 billion in assets. Under the SBHC, banks can issue subordinated debt at the holding company level and count it as equity at their bank subsidiary. By increasing the threshold from $1 billion to $3 billion, hundreds of additional banks will be able to issue fixed-rate subordinated debt and potentially redeem their less efficient legacy debt securities such as TruPS.

The US Government also passed a tax reform bill at the end of 2017. The federal tax overhaul lowered the corporate statutory tax rate to 21% from 35%. We believe that the potential tax savings resulting from the cut and commensurately greater earnings power will generate more capital, and thus further bolster our investment thesis that bank and insurance companies will engage in M&A or redeem TruPS, specifically with capital management, which may include retiring their TruPS.

US Bank Market Update

The pace of U.S. bank merger and acquisition activity continued to accelerate year-on-year at a healthy pace with a total of 260 deals announced in 2018, improving on the previous year's record deal count.

Loan growth continued to show strength throughout the year. We continue to see smaller banks taking market share from the larger banks as regulations continue to push the larger banks into more "utility-like" operations. Median year-over-year gross loan growth across the top 25 banks and thrifts in the U.S. by asset size was 3.3% in 2018, compared to 8.0% growth in the rest of the banking system. This compares favorably to 2017, where the largest 25 banks were growing at 2.5% on a year-over-year basis, with the remainder of banks growing at 7.1%.[1]

Despite small and medium sized banks benefitting from increased loan growth, the average non-performing asset ratio for community banks was just 0.68% for the year.[2] This represents a historic low. We appreciate this trend will most likely not continue to set new records, but we believe that the vast majority of these banks are well positioned for a downward credit cycle or a "garden variety" recession. This is because the regulation they must adhere to is now much stricter than it was prior to the global financial crisis, and the surviving bank and insurance companies are now significantly stronger than they were leading into the crisis. Overall, enhanced regulation of bank risk exposures means we do not expect credit to materially loosen. We note that in 2018 that there were no bank failures. This compares to eight bank failures across the industry in 2017.

[1] Source: Federal Reserve.

[2] Source: S&P Global Market Intelligence.

US Insurance Market Update

The secular trend for consolidation among U.S. insurance companies continued through the year. In 2018, there were 91 US insurance company merger and acquisition transactions announced, which was a slight decrease from the 108 deals announced in 2017. We expect the consolidation trend of small and mid-size insurance companies will continue and potentially increase the level of insurance TruPS and subordinated debt early redemptions.

Although insurance company headlines have been dominated by natural catastrophes around the globe, we believe the underlying insurance securities that collateralise EJFI's Risk Retention and Related Investments remain strong as these smaller and niche insurers have little exposure to catastrophic events such as hurricanes and typhoons.

We maintain our confidence in the underlying insurance issuers in the Company's portfolio for a variety of reasons. Generally, these issuers have lower loss ratios than the industry average due to the specialized nature of their businesses and long operating histories. While these companies tend to operate with elevated expense ratios, these ratios have trended downwards in recent years as management teams have focused on efficiencies and cost savings. Given potential merger and acquisition synergies and cost benefits, we believe many of the underlying insurance issuers are prime targets for acquisition or affiliation.

Bank and Insurance TruPS CDO Market Update

Activity in the TruPS CDO segment remained elevated, despite some weakness in the broader credit markets. With the continuous increase in U.S. Libor and elevated prepayment activity, investors continued to build exposure to the asset class as it provides attractive yields with lower than average volatility.

In 2018, four bank and insurance TruPS CDOs were issued totaling approximately $1.5 billion of transaction volume. EJF was the leader in bank and insurance TruPS issuances, sponsoring two of the four securitisations, with two additional sponsors entering the space. Bank and insurance TruPS CDOs issued in 2017 totaled to $670 million across two transactions, which were both sponsored by EJF. Deal execution evolved in 2018 as compared to 2017. In general, transaction leverage levels increased modestly, and the weighted average cost of the most senior notes decreased. We believe there continues to be strong market demand for such investments and expect to see continued new issue CDOs collateralised by bank and insurance debt in 2019 and beyond. We believe the Company's investment in TFINS 2018-2, a transaction that closed in December when the high yield market was inactive for CLO issuers, provides proof of strong bond investor demand for bank and insurance collateralised securitisations.

Portfolio Update

EJFI's investment portfolio continued to perform in line with expectations from an income yield perspective with an additional uplift recognized from the Securitisations and Related Investments segment. EJFI invested most of its unrestricted cash into current cash flowing investments, including Risk Retention and Related Investments and other quarterly interest paying CDO securities during the year.

During 2018, there was a meaningful rotation of the portfolio towards Risk Retention & Related Investments from the Armadillo law firm lending strategy. This is consistent with previously stated management objectives.

Specifically, the Company invested £30.6 million across the equity tranches of two securitisations sponsored by EJF, bringing total risk retention and related investments to £72.5 million across five securitisations as of 31 December 2018. Risk Retention and Related Investments, in addition to the other Securitisation and Related Investments, represent more than 70% of the Company's assets as of 31 December 2018 and we expect this segment to continue to grow. These investments have been consistent with the Company's strategy of generating risk adjusted shareholder returns by investing in a diversified portfolio of long-term, cash-flow generating assets. A summary of the CDO equity investments and underlying collateral diversification is below.

Bank and Insurance CDO Equity Investments - Key Portfolio Stats[3]

Deal Name	Closing Date	Original Collateral Balance	Original CDO Size	Equity Tranche	EJFI Portion of Equity Tranche	Original Leverage
TFINS 2017-1	Mar-17	$360.2m	$328.0m	$40.0m	50%	4.00x
TFINS 2017-2	Oct-17	$353.0m	$340.4m	$54.5m	27%	4.26x
TPINS 2016-1	Dec-17[4]	$327.2m	$320.1m	$69.5m	19%	1.94x
TFINS 2018-1	May-18	$537.8m	$534.5m	$66.7m	34%	6.67x
TFINS 2018-2	Dec-18	$349.1m	$348.5m	$50.2m	35%	5.66x

Deal Name	Bank	Insurance	# Bank Issuers	# Insurance Issuers	Total Issuers
TFINS 17-1	72%	28%	44	10	54
TFINS 17-2	52%	48%	27	22	49
TPINS 16	0%	100%	-	32	32
TFINS 18-1	93%	7%	61	4	65
TFINS 18-2	79%	21%	45	17	62

Deal Name	Floating Rate	WA Asset Spread	Moody's WARF[5]	Implied Rating (based on WARF)

TFINS 17-1	82%	3.14%	759	Baa3/Ba1
TFINS 17-2	89%	3.09%	918	Ba1
TPINS 16	100%	4.01%	1322	Ba2
TFINS 18-1	93%	2.68%	603	Baa3
TFINS 18-2	100%	3.04%	697	Baa3

[3] As at 31 December 2018 unless otherwise noted.

[4] Based on the restructuring date.

[5] As at the closing date.

Banks		
Asset Size	Amount	Concentration
$0-$1B	$269.5m	23.1%
$1-$10B	$553.2m	47.5%
$10-$50B	$321.9m	27.6%
$50-$250B	$11.0m	0.9%
$250B+	$10.0m	0.9%
Total	$1,165.6m	100.0%

Insurance Companies		
Asset Size	Amount	Concentration
$0-$1B	$352.1m	54.4%
$1-$10B	$260.9m	40.3%
$10-$50B	$0.0m	0.0%
$50-$250B	$34.5m	5.3%
$250B+	$0.0m	0.0%
Total	$647.5m	100.0%

An important part of the Company's investment thesis is the consolidation trend among U.S. banks and insurance companies and the potential prepayment impact on the Company's CDO equity investments. We believe that the likelihood of calling a securitisation prior to maturity increases as prepayment activity increases, which we believe may enhance the overall returns to the Company's investment portfolio.

During the year, the Company made two additional acquisitions outside its risk retention investment strategy. The Company acquired a £7.4 million investment in the "AA" rated notes of a 2018 vintage CDO primarily collateralised by US bank TruPS. The notes carry a floating interest rate and were purchased at a discount. The Company also made a £3.1m investment in a 2007 vintage REIT TruPS CDO. The notes carry a floating interest rate and were purchased at a discount.

The Armadillo Portfolio continues to wind down as the underlying loans repay and during the year experienced a write-down on a portion of its loan portfolio negatively impacting the Company's NAV. The Company's remaining exposure to the Armadillo strategy is approximately £6.5 million or 5.6% of NAV. EJF is working toward maximizing the recovery value of the remaining Armadillo Portfolio.

Risk Management

We believe the Company's investment portfolio contains a diversified portfolio of strong issuers that have long term sustainability. The Manager's credit team conducts regular surveillance on the portfolio and the balance sheet of single name issuers.

The Company's base currency is denominated in Sterling, though all of the Company's investments are in US Dollar. We note the weakening of the Sterling during the year has increased the translated value of the Company's US Dollar denominated investments. These assets are hedged to reduce NAV volatility arising from exchange rate movements and necessitate margin to be posted to collateralise any negative mark-to-market movement of the hedge instruments.

Outlook

The Manager continues to believe that the Company's current portfolio of CDO equity investments, as well as its other investments, are well positioned to achieve attractive risk adjusted returns in line with the Company's Investment Objective.

We believe a new era has begun with the latest merger transaction involving two large regional banks, BB&T Corporation and SunTrust Banks, Inc. In 2019, we have already seen two M&A transactions valued at over a $1billion. This compares to the entire year of 2018 having only six deals valued at more than $1billion. We believe these transactions highlight the Federal Reserve's recent loosening of regulations for regional banks. On 31 October 2018, the Federal Reserve put out a notice of proposed rulemaking outlining a modified set of standards for banks with minimum assets of $100 billion. As part of these standards, the Fed revised its tier categorizations which impacts banks with assets totalling $250 billion to $700 billion in assets. We believe this was a signal to banks and the market that under proper parameters, growth up to $700 billion in assets will not be treated as punitively as was previously the case. Yet again, we see regulators incentivizing the sector to consolidate and become stronger, a trend we believe will continue.

We believe the Company's relationship with EJF provides a strategic advantage for deal sourcing and pipeline for future bank and insurance debt exposure and we expect the Company's exposure to this asset class will continue grow.

Statement of Principal Risks

Principal Risks and Uncertainties

The principal risks of the Company are those risks, or a combination thereof, that the Directors believe, may materially threaten the Company's ability to meet its investment objectives, solvency, liquidity or viability.

Risks faced by the Company and the Subsidiaries include (but are not limited to) strategic risk, financial risk, investment risk, compliance risk and operational risk, as summarised in the Prospectus on pages 16-47.

In determining the principal risks, a robust assessment of all risk factors the Directors believe the Company is exposed to were reviewed. In doing so, the Directors also considered the impact of the ongoing uncertainty of the outcome that the Brexit negotiations might have on the structure and economies within which the Company and the Subsidiaries operate.

Such factors included, but were not limited to, the Company's domicile, its exposure to UK and EU regulation and the nature of its Target Investments as well as exogenous factors such as a UK recession, negative investor sentiment, sector contagion and the impact of a further weakening Sterling. These factors were then integrated into various scenarios to stress test the Company's working capital model and assess its viability. Having reviewed the results of the stress testing, the Directors continue to believe that the impact of Brexit remains an uncertainty for the Company but do not view Brexit as a principal risk of the Company.

The principal risks of the Company along with related mitigants and changes from last year are set out below.

Principal Risks

Strategic

Changes in the macro economic environment[1]

Changes in global, market and economic conditions may adversely impact the availability of investment opportunities, the Manager's ability to source and securitise investments, investor sentiment, liquidity and/or values of investments.

Mitigants

The Manager evaluates and monitors the macro, economic, political and market cycle risks it deems material to the Company's Investment Policy, both on an ongoing basis and ahead of any new investment. The Manager can control the timing of entry into investments and markets to ensure that the portfolio adheres to the Investment Policy and to manage the aforementioned risks. The Board is kept informed on a regular basis and is also updated at quarterly Board meetings.

Analysis and Change during the year

Market and economic conditions experienced during the year such as the continued uncertainty surrounding Brexit and increased trade tensions between the USA and China did not adversely impact the US primary securitisation market on which the Company is currently reliant for sourcing risk retention investments.

The Directors believe there has been no material change in the likelihood or impact of this risk during the year.

Changes in law, taxes and regulation reduce investment opportunities

The Company's and Subsidiaries' investments are subject to regulations enacted by national and local governments, changes to which may reduce the investment opportunities available and make it difficult to pursue the Investment Policy.

Mitigants

The Manager, along with the Company's Financial Adviser, Administrator and legal advisers, monitors and evaluates regulations that could potentially invalidate the Investment Policy.

The Board is kept abreast of any potential changes on a regular basis through its committee and Board meetings and regular communication with the Manager and advisers.

In addition, the Company's Investment Policy allows the Company to pursue a wide variety of investment opportunities.

Analysis and Change during the year

The Directors believe that any changes as a result of Brexit should not impact availability of investment opportunities. The changes within the new EU Securitisation Regulation that came into force on January 1, 2019 have already been evaluated and factored into the structuring of new investments. As at the date of the Annual Report, the Directors have been advised that there are not expected to be any changes that would materially impact the Investment Policy.

The Directors believe there has been no material change in the likelihood or impact of this risk during the year.

Changes in law, taxes and regulation undermine the Company's or Subsidiaries' legal, tax or regulatory structure

The Company and the Subsidiaries are subject to taxes, laws and regulations enacted by national and local governments, changes to which may undermine or invalidate the tax, legal or regulatory rationale for the group structure.

Mitigants

The Manager, along with the Company's legal and tax advisers, keeps abreast of potential changes to the regulatory, legislative and tax environment that may undermine or invalidate the rationale for the group structure.

Changes are communicated to the Board on a regular basis through its committee and Board meetings. The staff at the Manager and the Administrator are sufficiently experienced and trained to deal with changes which may occur.

Analysis and Change during the year

As at the date of the Annual Report, the Directors are not aware of any legal, tax or regulatory changes that are likely to materially impact the Investment Policy. The Company, the Manager and the Company's primary target assets under the Investment Policy are all domiciled in non-EU third countries and accordingly the Directors believe that the group structure should not be adversely impacted by the outcome of Brexit.

The Directors believe there has been no material change in the likelihood or impact of this risk during the year

Availability of cash to meet the timing requirements of investment opportunities[2]

The Company requires regular ongoing funding to be in a position to take full advantage of investment opportunities as and when they arise. The risk of the Company having insufficient cash to meet investment opportunities has increased due to several factors: (i) the impact of the uncertainty surrounding Brexit and increased weakness of Sterling has required previously unencumbered cash to be used to meet margin calls on the currency hedge; (ii) current investor sentiment has seen a reduction in the number of initial public offerings and amounts of capital raised, which impacts all investment funds, including the Company; (iii) the complex nature of the underlying investments continues to have the potential to deter some investors from investing.

Mitigants

The Manager uses appropriate internal and external resources, including research agents and PR consultants, with the objective to increase and diversify the Company's capital base.

The Manager and the Board regularly evaluate these resources to ensure that they are compatible with the Company's objectives. In addition, the Manager seeks to improve liquidity in the stock by meeting new investors and conducting roadshows to raise market awareness and explain the Company's strategy and investment thesis.

Analysis and Change during the year

In the Company's previous Annual Report, the Directors assessed the risk of the inability to raise capital to be a principal risk as it had been the Company's first year of trading. Other risk factors have since emerged including the uncertainty around the current economic and political environment, resulting negative investor sentiment, the continued weakening of Sterling and the diversion of available cash to meet margin calls on the currency hedge.

The Directors believe this risk has increased the likelihood or impact of this risk during the year.

Dependency on the Manager

The Company is dependent on the Manager for successfully pursuing its Investment Objective and on its ability to retain and recruit staff. The loss of one or more senior members of the Manager's management team could adversely impact the ability of the Manager to support the Company in pursuing its Investment Objective.

Mitigants

The Manager's senior management team has a proven track record, with strength and depth of relevant experience and is recognised as an expert in their field. The Manager employs experienced individuals and regularly reviews remuneration levels against the employment market and the requirements for skills and headcount. The Manager's remuneration policies are designed to strike an appropriate balance between short-term and long-term rewards, alignment and retention.

Analysis and Change during the year

The Company continues to have no direct competitors with the same investment thesis. During the year, the independent Directors visited the Manager's US headquarters to carry out a due diligence visit. The visit included detailed discussions on all aspects of the Manager's business and also a review of relevant policies and procedures. The independent Directors confirm their positive view of the Manager and believe that the senior management team, and the business generally, is highly cohesive and aligned with the Company in pursuing its Investment Objective.

The Directors believe there has been no material change in the likelihood or impact of this risk during the year.

Financial

Valuation

The nature of the Company's and Subsidiaries' investments can make them inherently difficult to value compared to more liquid investments due to the number of assumptions involved. Furthermore, a general market collapse and/or a seizing-up of credit markets may render it difficult to price certain investments with any degree of accuracy, or at all.

Mitigants

There is a stated valuation policy for all underlying investments which is applied by the Manager and the Administrator when preparing the monthly NAV. Where appropriate, the Manager has appointed a recognised independent valuation agent to provide a range of values around the valuations derived from models developed by the Manager or the valuation agent at inception and, where required, periodically thereafter.

The Manager has a valuation committee which meets monthly to review the valuation of investments which feeds into the NAV process. The NAV is reviewed and approved on a monthly basis by the Manager and the Board.

Analysis and change during the year

The Company's and Subsidiaries' investment allocation continues to move towards Risk Retention assets which are inherently difficult to value compared to more liquid investments.

The Directors believe there has been no material change in the likelihood or impact of this risk during the year.

Investment

Credit Risk

The performance of the Company's and Subsidiaries' underlying investments and in turn their NAV and share price may be impacted by adverse credit losses in the portfolio. Recovery of the initial investment may be lengthy and uncertain as a result of credit events in the underlying portfolio.

Mitigants

The Manager carefully assesses credit risks of every investment, including the underlying collateral held in the securitisation vehicles. Assessments of credit risk are derived from various credit analyses, market and macro conditions and underwriting stress scenarios. The Manager conducts regular credit surveillance on the portfolio of investments and underlying collateral in the securitisation vehicles.

Analysis and change during the year

The Company's and Subsidiaries' investment allocation continues to move towards Risk Retention assets with credit analysis focusing on underlying collateral in the securitisation vehicles. There have been no changes to the credit risk of the underlying collateral during the year.

The Directors believe there has been no material change in the likelihood or impact of this risk during the year.

Interest Rate Risk

A large percentage of the Company's and Subsidiaries' assets are linked to floating interest rates. The translated cashflows and valuation of the assets are correlated to interest rates. A decline in interest rates may have a negative impact on expected future cashflows and the underlying valuation of the assets.

Mitigants

The Manager carefully evaluates the interest rate environment on investment to mitigate interest rate risk. All investments are carefully selected, taking into account the prevailing interest rate environment, as viewed by the Manager.

The Manager assesses interest rate risk on an ongoing basis and may choose to utilise appropriate strategies to manage interest rate risk using, for example, interest rate swaps if deemed necessary.

Analysis and change during the year

There have been no significant portfolio impacts as a result of movements in interest rates.

The Directors believe there has been no material change in the likelihood or impact of this risk during the year.

Operational

Dependency on service providers[3,4]

The Company is dependent on the ability of all its service providers for the successful management and administration of the Company's affairs. This includes a reliance on the strength of their internal controls, their ability to retain and recruit sufficient appropriately qualified and experienced staff as well as cyber security, data protection and business continuity planning.

Mitigants

The Company's service providers are selected through a process based on recommendation and their experience and ability to meet the Company's requirements. The Board is in regular contact with the Administrator and Manager to ensure that the policies and procedures implemented are appropriate and effective and meet regularly to review the service level. The Board has established a Management Engagement Committee which reviews the effectiveness of all key service providers on an annual basis.

Analysis and change during the year

The Company has made changes to service providers during the year to ensure the Company's needs are met. The Directors and Management Engagement Committee continue to review all service providers on an ongoing basis with a view to ensuring that the Company's service requirements and objectives continue to be fully met.

The Directors believe there has been no material change in the likelihood or impact of this risk during the year.

1. This now includes the principal risk in last year's Annual Report titled "Investment Opportunity".
2. The risk included in last year's Annual Report titled "Inability of the Company to raise sufficient capital to meet attractive investment opportunities" has been expanded to reflect the risk to the Company of availability of cash.
3. The dependency on the Manager as included in last year's principal risks is now included within "Manager key man dependency".
4. This now includes the principal risk in last year's Annual Report titled "Cyber crime".

BOARD OF DIRECTORS

Joanna Dentskevich (54)

Chair

Joanna Dentskevich, a Jersey resident, has over 30 years of risk, finance and investment banking experience gained in London and Asia and now sits on the board of a number of investment companies and financial services businesses. Prior to moving to Jersey in 2008, she was director of risk at Deutsche Bank and Morgan Stanley and chief risk officer of a London based hedge fund. Joanna is a director of the London main market listed company, GCP Asset Backed Income Fund Ltd and the Royal Bank of Scotland International where she is also chair of the risk committee. Joanna is a chartered member of the Chartered Institute for Securities and Investment.

Alan Dunphy (45)

Chair of the Audit Committee

Alan Dunphy, a Jersey resident, is a fellow of the Institute of Chartered Accountants in Ireland and moved to Jersey in 1998 to join the Assurance and Business Advisory Division of PricewaterhouseCoopers (formerly Coopers and Lybrand). Alan has over 20 years of experience in the offshore financial industry and currently works for LGL Trustees as a director on fund and corporate client structures. Before joining LGL Trustees in June 2014, he was managing director of a global fund management group, Bennelong Asset Management and a director of Capita Fiduciary Group in Jersey prior to which he was at Abacus Financial Services Group.

Nick Watkins (50)

Chair of the Management Engagement Committee

Nick Watkins, a Jersey resident, is a qualified solicitor in England and Wales, having started his career as a corporate tax lawyer with Dechert LLP in London in 1997. He is currently a partner and director of Altair Partners Limited, which provides independent directors to funds and regulated entities. Prior to joining Altair in 2014, he was global head of transaction management for Deutsche Bank's Alternative Fund Services division. Before joining Deutsche Bank in 2010, Nick worked for six and a half years with Citco Trustees in the Cayman Islands, where he was assistant managing director and senior in-house counsel. Before joining Citco, he worked as legal services manager for Abacus Trust Company in the Isle of Man.

Neal J. Wilson (53)

Neal Wilson co-founded EJF in 2005 and serves as its Chief Operating Officer. In addition to serving as the Chief Operating Officer for EJF, Neal currently serves as the Chief Executive Officer of the Manager, the Manager of the Company. Prior to forming EJF, Neal served as a senior managing director for both the Alternative Asset Investments and Private Wealth Management groups at FBR. Prior to joining FBR, he was a senior securities attorney at Dechert LLP and a Branch Chief in the Division of Enforcement at the SEC in Washington, D.C. He is a member of the Board of Directors of Urban Exposure Finance Limited and Hood College. He received his BA from Columbia University and his JD from the University of Pennsylvania.

THE MANAGER

EJF Capital LLC

EJF is an SEC-registered[1], employee-owned alternative asset management firm headquartered outside of Washington, DC. EJF manages approximately $7.3 billion2 of hedge, separately managed accounts, and private equity assets, as well as $3.1 billion[2] of CDO assets through its affiliates. EJF was founded in 2005 by Manny Friedman and Neal Wilson along with a small team of professionals from Friedman, Billings, Ramsey Group, Inc. EJF currently employs approximately 80 professionals across three offices globally (Arlington, Virginia, London, England and Shanghai, China).

Prior to launching EJF, Mr. Friedman was the co-founder and Co-CEO of Friedman, Billings, Ramsey Group, Inc for more than fifteen years. Mr. Friedman possesses more than 40 years of experience in the U.S. securities industry with a particular expertise in banks and financials. Mr. Wilson previously managed both the Alternative Asset Investments and the Private Wealth Management groups at Friedman, Billings, Ramsey Group, Inc, and served as a Branch Chief with the U.S. Securities and Exchange Commission in Washington, DC.

The key employees of the Manager involved with the Company, excluding Neal Wilson who has been included in the Directors, are listed below:

Emanuel J. Friedman

Mr. Friedman serves as Chairman and Co-chief Investment Officer of EJF.

Mr. Friedman co-founded EJF Capital LLC in 2005 following his retirement from Friedman, Billings, Ramsey Group, Inc. ("FBR"). Mr. Friedman is a founder and the former Co-Chairman and Co-Chief Executive Officer of FBR. Mr. Friedman has more than 40 years of capital markets and asset management experience. Throughout the 1990s, Mr. Friedman was active in building out FBR's alternative asset management platform. He was instrumental in the creation of hedge, private equity and venture capital funds of FBR, and maintains an extensive network of contacts within the CDO, hedge fund and private equity fund communities. In April 1998, Mr. Friedman was awarded the CEO of the Year Award by George Washington University. He was honoured for his outstanding leadership skills, demonstrated ability to meet organizational goals in the most challenging business environments, dedication to the community, and commitment to education. Mr. Friedman began his career in the securities industry in 1973 at Legg Mason Wood Walker, Inc. He received his BA in Education from the University of North Carolina at Chapel Hill and his JD from Georgetown University.

Lindsay Sparacino

Ms. Sparacino serves as Co-chief Investment Officer of EJF.

Ms. Sparacino joined EJF in 2005 and has over 15 years of experience in the financial services industry. While at EJF, Ms. Sparacino has worked on numerous investment strategies, including public and private equity and debt investments, securitizations, and various specialty finance investments. Prior to joining EJF, Ms. Sparacino worked in the Real Estate Investment Banking Group at Friedman, Billings, Ramsey Group Inc., where she helped manage several REIT IPOs, follow-on offerings, and 144A private equity issuances. In addition to serving as Co-Chief Investment Officer of EJF Investments Manager LLC, Ms. Sparacino also serves as a Managing Director, Portfolio Management, for EJF. Ms. Sparacino has also served on the boards of certain private financial companies, including Gramercy Property Europe plc, a European real estate investment company with over $1 billion in AUM. Ms. Sparacino has a BS in Finance from Indiana University and is a CFA charterholder.

[1] Registering with the U.S. Securities and Exchange Commission does not imply any level of skill or training.
[2] As of 31 December 2018. Firm AUM includes $301.0 million of uncalled capital.

Peter Stage

Mr. Stage serves as Chief Financial Officer of the Company. Mr. Stage joined EJF Capital in January 2013, is a member of EJF's executive committee and is located in EJF's London office.

Mr. Stage is responsible for identifying investment opportunities in the European fixed income, equity and private markets with a focus on the banking sector. Mr. Stage was previously Head of Credit Research at F&C Asset Management where he also analysed the banking sector. Prior to joining F&C in 2008, Mr. Stage was Head of Credit at Gordian Knot Limited, an investment management company, which he joined in 1998 as a bank analyst.

Mr. Stage holds a BA in Economics from the University of Manchester.

Hammad Khan

Mr. Khan serves as the Senior Managing Director in Europe, of EJF. Mr. Khan joined EJF in March 2013 and has 13 years' experience in the financial services industry touching on various securities analysis within the European financial sector.

Mr. Khan previously worked at Oak Circle Capital LLC in New York as a credit analyst where he analysed opportunities within the U.S. RMBS & CMBS sectors. Prior to joining Oak Circle Capital LLC, Mr. Khan worked at Ivy Square Ltd and Ceres Capital Partners LLC in New York where he analysed investment opportunities in the credit markets, modelled complex structured deals and aided with trading/ops. Mr. Khan holds a BA in International Economics from Suffolk University in Boston.

Matt Gill

Mr. Gill serves as Accounting Director in Europe, of EJF. Mr. Gill joined EJF in April 2018 and is located in EJF's London office.

Mr. Gill has 8 years' experience in the financial services industry and previously worked at PwC in Guernsey managing assurance engagements for both London listed and private alternate investment funds, focused on debt origination, asset backed securities and private equity.

Mr. Gill also managed reporting accountant engagements for investment fund initial price offerings on the London Stock Exchange. Mr. Gill is a Chartered Accountant (ICAEW) and holds a BSc. (hons) in Physics from the University of Leeds.

CORPORATE GOVERNANCE REPORT

Corporate Governance Compliance Statement

The Company's shares are traded on the SFS. The Listing Rules, applicable to companies which are listed on the premium listing segment of the Official List of the UK therefore do not apply to the Company. The Directors are committed to the application and practice of high standards of corporate governance and so the Company has voluntarily adopted certain provisions of the Listing Rules as detailed on page 55 of the Prospectus.

The Directors recognise the value of the UK Code and have also considered the principles and recommendations of the AIC Code. The AIC Code addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company. This statement outlines how the principles of the UK Code, which can be found at www.frc.org.uk, and the principles of the AIC Code were applied throughout the financial year. The AIC Code provides a framework of best practice for investment companies and can be found at www.theaic.co.uk.

The Directors consider that reporting in line with the principles and recommendations of the AIC Code will provide better information to shareholders. Consequently, throughout the year from 1 January 2018 to 31 December 2018, the Company complied with the provisions of the UK Code and the recommendations of the AIC Code, with the exception of the recommendations from the UK Code and the AIC Code listed below.

- The role of chief executive: The Board considers that the post of chief executive is not relevant for the Company, being an externally managed investment company.

- The appointment of a senior independent director: Given the size and composition of the Board it is not felt necessary to separate the roles of the Chair and senior independent director.

- Internal audit function: The Board has reviewed the need for an internal audit function and due to the size of the Company and the delegation of day-to-day operations to regulated service providers, an internal audit function is not considered necessary. The Directors will continue to monitor the systems of internal controls in place in order to provide assurance that they operate as intended.

- Executive directors' remuneration: All of the Company's day-to-day management and administrative functions are outsourced to third parties (subject to appropriate systems, controls and oversight). As a result, the Company has no executive directors, employees or internal operations and is not required to comply with the principles of Executive Directors' remuneration.

- Committees: Given the size of the Board it is considered that it would be unnecessarily burdensome to establish separate nomination and remuneration committees, therefore such committees have not been established. The Chair of the Company is also a member of the Audit Committee. Given the size of the Company and that the Chair is considered to be independent, the Board believe this is appropriate.

Board Composition and Director Independence

As at 31 December 2018, the Board comprised four non-executive Directors. The Company has no executive directors or any employees.

The Board assesses and reviews the independence of each Director with respect to the AIC Code annually, having regard to the potential relevance and materiality of any Directors' interests and relationships.

For the reasons disclosed on page 90 of the Prospectus, the Directors believe it is appropriate that Alan Dunphy be considered as independent.

Board Composition and Director Independence (continued)

The Directors do not consider Neal Wilson to be independent given he is an officer of the Manager but believe his position on the Board does not compromise the independence of the Company from the Manager on the basis that half the Board, excluding the Chair, comprise independent non-executive Directors.

Matters Reserved for the Board

The Board meets at least quarterly to review the overall business of the Company and to consider matters specifically reserved for its attention. At the quarterly meetings the Directors monitor the investment performance of the Company and review its activities to ensure it adheres to the Investment Policy. Additional ad-hoc reports are received as required and the Directors have access at all times to the advice and services of the Company Secretary. Once a year, the Board also considers the remuneration of the Directors as a separate remuneration committee has not been established. Representatives of the Manager are invited to attend Board meetings on at least a quarterly basis.

The Board monitors the level of the share price premium or discount to determine what action is desirable (if any).

During the year all Directors attended formal training sessions provided by professional firms and other recognised providers in order to keep up to date with all relevant corporate governance, regulatory and market issues.

The Board and relevant personnel of the Manager acknowledge and adhere to the Market Abuse Regulations and the Board has adopted procedures in relation to the management, identification and disclosure of inside information and share dealing in accordance with MAR.

Tenure

In deciding upon the tenure of the Directors, the Board is strongly committed to balancing the benefit to the Company of continuity and experience against independence, perspective and the effective functioning of the Board. All Directors were subject to re-election at the Company's AGM, which was held on 21 June 2018.

In accordance with the AIC Code, when a Director has served for nine years or more, the Board will review whether that Director can continue to be considered independent although there is no finite limit to the length of tenure of Directors. The Articles include provisions for retirement of directors and eligibility for re-appointment including that any Directors not independent of the Manager are required to retire at every AGM. However, notwithstanding the Articles, the Board has adopted a policy that all Directors will retire and seek re-election on an annual basis. The Directors are all strongly committed to the Company and the Board consider that the re-election of all Directors on an annual basis to be in the best interests of the Company.

Diversity

The Directors recognise the benefits and effectiveness that diversity, including gender, age, professional experience and cultural background, brings to the Board and its committees and have a strong commitment to ensuring a correct balance of knowledge, experience and independence. Board appointments are based on merit as well as being an appropriate fit for the Company.

The Board currently comprises one female and three male Directors. As the Company has no employees there is no further requirement to report in respect of diversity quotas.

Director Meetings and Attendance

The table below shows the attendance at Board and Committee meetings held from 1 January 2018 to 31 December 2018.

Name	Quarterly Board	Audit Committee	Management Engagement Committee
Number of meetings held	4	2	1
Joanna Dentskevich, Chair	4	2	1
Alan Dunphy, Chair of Audit Committee	4	2	1

Nick Watkins, Chair of Management Engagement Committee	4	2	1
Neal J. Wilson	4	N/A	N/A

N/A – attendance record not applicable, as the Director concerned is not a member of the stated Committee.

There were 12 other ad-hoc Board meetings held during the year relating to matters such as approval of interim and annual reports, capital raises, restructuring and conflicted investments.

Directors' Performance Evaluation

The Board has established a formal system for the evaluation of its effectiveness and performance and that of the individual Directors, which is carried out on an annual basis. It considers this to be appropriate having regard to the non-executive role of the Directors and the significant outsourcing of services by the Company to external providers. The evaluation considers the balance of skills, experience, independence and knowledge of the Board and also the Board's oversight and monitoring of the performance of the Investment Manager and other key service providers. An externally facilitated evaluation of the Board will be carried out at least every three years as recommended by the AIC Code.

Director Remuneration

Details of the Director's remuneration can be found in the Directors' Remuneration Report.

Relations with Shareholders

The Company reports to its shareholders twice a year by way of interim and annual reports. In addition, NAVs are released to the market along with performance reports, both of which are published monthly on the Company's website, **www.ejfi.com**.

Regular communication with major shareholders is undertaken by the Company's corporate brokers and the Manager. Any concerns raised by major shareholders would be reported to the Board. In addition, the Chair and individual Directors are willing to meet major shareholders to discuss performance of the Company and are available to answer any questions that may be raised by shareholders at the Company's AGM.

Board Committees

Audit Committee

The Audit Committee comprises Alan Dunphy, Joanna Dentskevich and Nick Watkins and meets at least twice a year. It is chaired by Alan Dunphy. The Board considers it appropriate for the Chair of the Company to be a member of the Committee given the size of the Company and as she is considered independent.

The key objectives of the Audit Committee include a review of the audited financial statements of the Company to ensure that they are prepared to a high standard and comply with relevant legislation and guidelines, as appropriate, review of the Company's internal control and risk management systems and to maintain an effective relationship with the Auditor. With respect to the Auditor, the Audit Committee's role will include the assessment of auditor independence, the effectiveness of the audit, and a review of the Auditor's engagement letter, remuneration and any non-audit services provided by the Auditor. The Audit Committee Report provides further detail of the Audit Committee's activities during the year.

Management Engagement Committee

The Management Engagement Committee comprises Nick Watkins, Joanna Dentskevich and Alan Dunphy and meets at least once a year. It is chaired by Nick Watkins.

The Committee is responsible for the regular review of the terms of the Management Agreement, along with the performance of the Administrator, the Manager and the Company's other service providers. A formal review is conducted annually which includes service delivery, the quality of the personnel assigned to handle the Company's affairs and the investment process.

Internal Control and Risk Management System

The Board is responsible for putting in place a system of internal controls relevant to the Company and for reviewing the effectiveness of those systems. It is the responsibility of the Board to undertake risk assessment and review of the internal controls in the context of the Company's objectives that cover business strategy, operational, compliance and financial risks faced by the Company. The internal controls are implemented by the Company's main service providers: the Manager, the Administrator, Registrar and its Custodians. The Board continues to be responsible for reviewing the adequacy and effectiveness of the Company's ongoing risk management systems and processes. Its system of internal controls, along with its design and operating effectiveness, is subject to review by the Board through reports and periodic updates received from service providers at the quarterly Board meetings of the Company. In November 2018, the Board also visited the Manager's head office in Arlington, Virginia as part of their review of the Manager's processes and systems. The Board is satisfied that each service provider has effective controls in place to control the risks associated with the services that they are contracted to provide to the Company and are therefore satisfied with the internal controls of the Company.

Anti-bribery and Corruption and Anti-facilitation of Tax Evasion

The Board acknowledges that the Company's operations may give rise to possible claims of bribery and corruption. In consideration of the UK Bribery Act 2010, the Board has conducted an assessment of the perceived risks to the Company arising from bribery and corruption to identify aspects of business which may be improved to mitigate such risks. In consideration of the UK Criminal Finances Act 2017, the Company has adopted an anti-facilitation of tax evasion policy. The Board has adopted a zero-tolerance policy towards bribery and facilitation of tax evasion and has affirmed its commitment to carry out business fairly, honestly and openly.

AIFM Directive

The Manager is the AIFM of the Company. In such capacity, the Manager is responsible for the portfolio and risk management of the Company, including managing the Company's assets and its day-to-day operations, further details of which are set out in paragraph 11.2 in the section entitled "Material Contracts" in Part XIII: "Additional Information" of the Prospectus.

AIFMD requires the AIFM to comply with certain disclosure, reporting and transparency obligations for AIFs that it markets in the EU. The Company's Prospectus contains a schedule of disclosures prepared by the Directors for the purposes of AIFMD.

In addition, AIFMD requires the Company's Annual Report to include details of any material changes to the information contained in that schedule. The Directors confirm that no material changes have occurred in relation to the information contained in the schedule.

In making this confirmation, the Directors consider that any change in respect of which a reasonable investor, becoming aware of such information, would reconsider its investment in the Company, including because the information could impact on the investor's ability to exercise its rights in relation to its investment, or otherwise prejudice that investor's (or any other investor's) interest in the Company should be considered material.

In setting this threshold, the Directors have had due regard to the current risk profile of the Company, which outlines the relevant measures to assess the Company's exposure or potential exposure to those risks, as well as the Company's investment restrictions set out in the Company's Prospectus. As required by the Listing Rules, any material change to the Investment Policy of the Company will be made only with the approval of the shareholders.

AIFMD also requires the Company to disclose the remuneration of the Manager as AIFM providing analysis between fixed and variable fees along with the information of how much of such remuneration was paid to senior management at the Manager and how much was paid to members of staff. As the Manager has no employees there is no information to report in that respect and details of the remuneration paid to the Manager is disclosed in note 22.

Community, Social, Employee, Human Rights and Environmental Issues

In carrying out its activities, the Company aims to conduct itself responsibly, ethically and fairly. The Company has no employees and the Board is composed entirely of non-executive Directors. As an investment company, the Company has no direct impact on the environment. However, the Company believes that it is in shareholders' interests to consider environmental, social and ethical factors when selecting and retaining investments and reporting. At the AGM it was agreed that the Company would also publish the Annual Report online, reducing printing requirements. Where a printed copy of the Annual Report is required, the Company has moved to printing the Annual Report on recycled paper.

By Order of the Board

Joanna Dentskevich

Chair

Date: 1 April 2019

DIRECTORS' REPORT

The Directors present their Annual Report on the affairs of the Company, together with the Independent Auditor's Report, for the year ended 31 December 2018. The Corporate Governance Report forms part of this report.

Principal Activities, Business Review and Future Developments

The principal activities of the Company and the Subsidiaries during the year were to invest in opportunities created by regulatory and structural changes impacting the financial services sector. No changes are envisaged in the Company's and the Subsidiaries' principal activities although future opportunities may include structured debt and equity, loans, bonds, preference shares, convertible notes and private equity, in both cash and synthetic formats which may be issued by entities domiciled in the USA, UK and Europe. Information about the use of financial instruments by the Company and the Subsidiaries is given in note 20 to the Audited Financial Statements.

Details of significant events since the Statement of Financial Position date are contained in note 26 to the Audited Financial Statements.

An indication of likely future developments in the business of the Company are included in the Chair's Statement and the Investment Manager's report.

Results and Dividends

Results for the year ended 31 December 2018 are set out in the Statement of Comprehensive Income.

The Directors declared dividends of £6,232,603 (2017: £4,979,541) in respect of the year ended 31 December 2018. Further details of dividends declared and paid are detailed in notes 18 and 26.

Share Capital

At 31 December 2018, the Company's issued share capital comprised 69,557,192 Ordinary Shares (31 December 2017: 54,543,142 Ordinary Shares), of which 5,381,886 were held in treasury (31 December 2017: nil). Further details on share issues during the year can be found in note 17.

Disclosure of information to the Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Auditor is unaware; and each Director has taken all the steps that they ought to have taken as a director to make them aware of any relevant audit information and to establish that the Auditor is aware of that information.

Financial Risk Management

Information about the Company's and the Subsidiaries' financial risk management objectives is set out in note 20 to the Audited Financial Statements.

Directors and Directors' Interests

Details of the Directors' remuneration are included in the Remuneration Report.

Director's Insurance

During the financial year ended 31 December 2018 and up until the date of the signing of the Audited Financial Statements, the Company has maintained director's and officer's liability insurance, which is deemed to give appropriate cover for any potential legal action that could be brought against the Directors.

Disclosure of Directorships in Public Companies Listed on Recognised Stock Exchanges

Name	**Company name**	**Stock Exchange**
Joanna Dentskevich	GCP Asset Backed Income Fund Limited	London Stock Exchange main market

Significant Shareholdings

On 31 December 2018, the Company had been notified, in accordance with chapter five of the Disclosure and Transparency Rules, of the following voting rights as shareholders of the Company:

	31 December 2018		**31 December 2017**	
Name	**Ordinary Shares**	**% of Issued Ordinary Shares**	**Ordinary Shares**	**% of Issued Ordinary Shares**
MP CDO Investments Limited	15,200,000	23.69	15,200,000	27.87
Cheetah Holdings	11,117,344	17.32	9,137,055	16.75
CNF Investments	3,209,785	5.00		
Leon Cooperman	4,000,000	6.23	3,000,000	5.50
Wolfson Equities	3,314,960	5.17	2,984,236	5.47
Morstan Nominees Limited seg acct	-	-	3,566,546	6.54
	36,842,089	**57.41**	**33,887,837**	**62.13**
Total Issued shares (after adjusting for treasury shares)	**64,175,306**	**100.00**	**54,543,142**	**100.00**

Independent Auditor

A resolution to re-appoint KPMG as the independent auditor will be put to the next AGM.

Investment Manager

The Directors are responsible for the determination of the Company's Investment Policy and have overall responsibility for the Company's and the Subsidiaries' activities. The Company has, however, entered into a Management Agreement with the Investment Manager under which it has been appointed to manage the assets of the Company and the Subsidiaries which include research, analysis and selection of investment opportunities for the Company and the Subsidiaries and monitoring the ongoing performance of the investments.

The Directors consider that the interests of shareholders, as a whole, are best served by the continued appointment of the Investment Manager to achieve the Company's Investment Objective.

Political Contributions

Neither the Company nor any of the Subsidiaries made any political donations or incurred any political expenditure during the year.

Viability Statement

The Directors, in conjunction with the Manager, have conducted a robust assessment of the viability of the Company, taking into account the principal risks facing the Company and the Subsidiaries, and considered the impact that extreme, but plausible, market scenarios could have on the Company along with the ability for it to meet its Target Dividend and financial covenants over a four year period albeit the Directors consider the Company to be a much longer term investment proposition for its shareholders.

In establishing the time horizon over which to consider the longer term viability of the Company, the Directors considered the nature of the investment portfolio of the Company and the Subsidiaries and also the Investment Objective of the Company taking into account the working capital model forecasting in relation to the capital structure and the continuation vote in 2022.

The extreme market scenarios used in its stress testing included adverse movements in bank and insurance company default rates and recovery rates and foreign exchange movements in the Company's and the Subsidiaries' investment portfolio and working capital availability.

Having considered each of these scenarios and the potential for any negative impact of its principal risks and uncertainties, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the four-year assessment period.

By Order of the Board

Joanna Dentskevich

Chair

Date: 1 April 2019

Registered Office
47 Esplanade
St. Helier
Jersey
JE1 0BD
Channel Islands

DIRECTORS' REMUNERATION REPORT

The Directors are pleased to present their report on remuneration for the year ended 31 December 2018.

The Directors believe that due to the size and nature of the Company it would be unnecessarily burdensome to establish a separate remuneration committee. Remuneration matters are therefore included in matters reserved for the Board.

Remuneration Policy

Directors are entitled to receive a fixed fee based upon their duties, responsibilities and time spent up to an aggregate limit of £150,000 per annum as well as a fee for any special service at the request of the Company. As such the Chair of the Company and the Chair of the Audit Committee receive an additional fee. Directors are also paid all reasonable travel expenses.

No element of the Directors' remuneration is performance related nor does any Director have any entitlement to pensions, share options or any long term incentive plans from the Company. In accordance with the AIC Code, no Director is involved in deciding their remuneration.

No Director has a service contract with the Company, and no such contracts are proposed. Directors' appointments can be terminated in accordance with the Company's Articles of Association and without compensation.

Directors' Remuneration

The Directors are each entitled to a fee of £40,000 per annum with additional fees being paid to the Chair of the Company of £10,000 per annum and to the Chair of the Audit Committee of £5,000 per annum. Neal Wilson has waived his right to receive remuneration.

For the year under consideration, the Directors received the following amounts:

	2018 £	2017[1] £
Joanna Dentskevich	50,000	39,555
Alan Dunphy	45,000	47,186
Nick Watkins	40,000	31,644
Neal Wilson	-	-
Total	**135,000**	**118,385**

[1] Pro-rata amount paid to each Director from the date of their appointment to the Board.

Directors' expenses for the year were £13,364 (2017: £1,208), the majority of which were incurred in connection with the Directors' due diligence visit to the Manager's head office in Arlington, Virginia.

No other remuneration or compensation was paid by the Company to the Directors during the year (2017: £nil).

Directors' and officers' liability and professional indemnity insurance cover is maintained by the Company on behalf of the Directors.

The terms of the Directors' appointments as non-executive Directors are set out in letters issued in April 2017 (as amended in January 2019).

Ordinary Shares held by Directors

Shareholdings by the Directors in the Company as at year/period end were as follows:

Name	Ordinary Shares	Percentage of Ordinary Shares in Issue	Ordinary Shares	Percentage of Ordinary Shares in Issue
	31 December 2018[1]	31 December 2018[2]	31 December 2017[1]	31 December 2017
Neal Wilson	1,181,759	1.84%	1,131,184	2.07%
Joanna Dentskevich	20,548	0.03%	20,548	0.04%

[1] The Directors' shareholdings are either direct and/or indirect holdings of Ordinary Shares in the Company
[2] The calculation of shareholding % is based on number of Ordinary Shares in issue after adjusting for treasury shares

ZDP Shares held by Directors

Shareholdings by the Directors in the Company as at year end were as follows:

Name	ZDP Shares	Percentage of ZDP Shares in Issue	ZDP Shares	Percentage of ZDP Shares in Issue
	31 December 2018	31 December 2018	31 December 2017	31 December 2017
Neal Wilson	375,000	2.5%	375,000	2.5%

Joanna Dentskevich
Chair

Date: 1 April 2019

AUDIT COMMITTEE REPORT

The Board is supported by the Audit Committee with formally delegated duties and responsibilities with written terms of reference which are available from the Company Secretary upon request.

Chair and Membership

The Audit Committee is chaired by Alan Dunphy with its other members being Joanna Dentskevich and Nick Watkins. All members are independent, have no links with the Auditor and are independent of the Investment Manager. The Audit Committee's intention is to meet at least twice a year at appropriate times in the financial reporting cycle and to meet with the Auditor as appropriate. The membership of the Audit Committee and its terms of reference are kept under review.

The Board has considered the composition of the Audit Committee and is satisfied it has sufficient recent and relevant skills and experience. In particular the Board has considered the requirements of the UK Code that the Audit Committee should have at least one member who has recent and relevant financial experience and that the Audit Committee as a whole has competence relevant to the sector in which the Company invests. The Board considers all of the relevant requirements to have been met.

Key Responsibilities

The Audit Committee's primary role and responsibility is to review and monitor the integrity of the Company's Annual Report and Interim Report to ensure they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy and reporting to the Board accordingly. This includes reviewing the Independent Auditor's Report.

The Audit Committee's other roles and responsibilities include, but are not limited to:

- reporting to the Board on any significant financial reporting issues and judgements;
- reviewing and challenging where necessary significant accounting policies and practices;
- reviewing the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;
- assessing any correspondence from regulators in relation to the Company's financial reporting;
- reviewing the external auditor's performance, independence and objectivity to include a report from the external auditor on its own internal quality procedures;
- making recommendations to the Board in relation to the appointment, re-appointment or removal of the external auditor, the approval of the external auditor's remuneration and the terms of the engagement;
- developing and implementing policies surrounding the engagement of the external auditor to supply non-audit services, where appropriate;
- considering regularly whether the Company should have an internal audit function and making a recommendation to the Board accordingly; and
- reporting to the Board on how it has discharged its responsibilities.

How the Audit Committee has Discharged Its Responsibilities:

The Audit Committee has met twice during the year and the individual attendance of Directors is outlined in this report. Representatives of the Investment Manager, Auditor and Administrator were present. The main matters discussed at those meetings were:

- Detailed review of the 2017 Annual Report and recommendation for approval by the Board;
- Review of the Company's and the Subsidiaries' key risks and internal controls;
- Assessment of the final audit findings document presented by the Auditor in respect of the audit of the 2017 Annual Report;
- Reviewed the effectiveness of the Auditor as described below;

How the Audit Committee has Discharged Its Responsibilities (Continued):

- Review and approval of the interim review plan of the Auditor in respect of the 2018 Interim Report;

- Review and approval of the annual audit plan of the Auditor in respect of the 2018 Annual Report;
- Discussion and approval of the 2018 external audit fee for the interim review and annual audit;
- Detailed review of the Interim Report and recommendation for approval by the Board;
- Assessment of the independence of the Auditor; and
- Consideration of the UK Code, Guidance on Audit Committees and other regulatory guidelines, and the subsequent impact upon the Company.

Monitoring the Integrity of the Audited Financial Statements including Significant Judgement and Estimates:

The Audit Committee reviewed the Company's 2018 Interim Report and 2017 Annual Report prior to discussion and approval by the Board, and the significant financial reporting issues and judgements contained therein. It also reviewed the Auditor's reports thereon and reviewed the appropriateness of the Company's accounting principles and policies and monitored changes to, and compliance with, accounting standards on an ongoing basis.

Prior to the year end and the commencement of the audit, the Audit Committee met and determined that the Company's investment in EJFIH should be classified at Level 3, as it is not traded and contains unobservable inputs and due to its materiality in the context of the Audited Financial Statements as a whole, investments are considered to be the area which should have the greatest effect on the overall audit strategy and allocation of resources in planning and completing the audit.

In undertaking this review, the Audit Committee discussed with the Auditor, the Investment Manager and the Administrator the critical accounting policies and judgements that have been applied.

As requested by the Board, the Audit Committee also reviewed the Annual Report and was able to confirm to the Board that, in their view, the Annual Report, taken as a whole, was fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Significant and other accounting matters

The accounting matters associated with the preparation of the Annual Report are:

Significant accounting matter	How addressed by the Audit Committee
Valuation of the investment in EJFIH	EJFIH is not traded and contains unobservable inputs and is therefore classified as a Level 3 investment under IFRS 13 "Fair Value Measurement". The Company holds a direct investment in EJFIH and the Board considers that the NAV of EJFIH is representative of its fair value. The NAV of EJFIH has been presented in the Annual Report on a look through basis to the underlying investment positions held collectively by the Subsidiaries in notes 13, 14 and 20. The Company and Subsidiaries hold a number of different Level 3 investments which are also measured at fair value. The Company values the underlying positions held in the Subsidiaries as follows: **Armadillo Portfolio** The Armadillo Portfolio is valued based on the EJFIH's proportionate share of the reported net asset value of each entity. **Partnership**

	The Partnership is valued by reference to the Company's proportionate share of the net asset value. The underlying investments by the Partnership into Risk Retention Investments are marked clean to broker quotes with the Manager estimating the expected accrual of interest earned on each security. **CDO Manager** The Manager has appointed a recognised independent valuation agent to provide a range of values for the CDO management contracts held, using inputs and models developed by the Manager. **CDO Securities** Current cash-yielding securities are marked to broker quotes with interest accrued separately. Legacy CDO securities are valued dirty using acceptable probability based discounted cash flow methodologies by the Manager. **Bridge Loan** The security is marked clean to broker quotes with interest being accrued to each IPD, at which point some of the accrued interest may be capitalised into the principal balance. **Preference Shares** The investment is marked clean to broker quotes with the Manager estimating the expected accrual of interest earned on each security. **Derivative financial instruments at FVPL** The Manager determines the fair value of the forward foreign currency contracts using quoted mid forward exchange rates at the reporting date. **CDO Security pledged as Collateral** During December 2018, EJFIF entered into a repurchase agreement whereby cash was received in exchange for a CDO security pledged as collateral. EJFIF recognises the CDO security pledged as collateral at FVPL and is marked clean to broker quotes with interest accrued separately. The Audit Committee receives regular updates on the performance of the portfolio from the Manager. The Audit Committee are not aware of any discrepancies with the valuation methodologies adopted or the independent valuation procedures carried out by the valuation agents.
Other Accounting Matters	**How addressed by the Audit Committee**
IFRS 9 – first time adoption	The Board and the Audit Committee are satisfied that the Investment in EJFIH can continue to be recognised at FVPL upon adoption of IFRS 9 and that there are no significant impacts to the remaining assets held by the Company.

	Cash and cash equivalents, balance due from brokers and balance due from the Manager are subject to the impairment requirements of IFRS 9, however the identified impairment loss was assessed as immaterial due to the low probabilities of impairment.

Risk Management

The Board as a whole is responsible for the Company's system of internal controls and the Audit Committee assists the Board in meeting those obligations. The Board does not currently consider an internal audit function to be required given the size and nature of the Company's operations and instead places reliance on the external and internal audit controls applicable to the service providers as regulated entities. However, the Audit Committee receives confirmations from the service providers that no material issues have arisen in respect of the system of internal controls and risk management operated within the Company's service providers.

During the year, the Audit Committee visited the Manager's head office in Arlington, Virginia to review the internal processes and controls of the Manager. The Audit Committee confirms that, to date, there are no risk issues identified in this area which need to be brought to shareholders' attention.

External Auditor

It is the responsibility of the Audit Committee to monitor the performance, independence, objectivity and reappointment of the Auditor. The Audit Committee met with the Auditor to consider the audit strategy and plan for the audit. The audit plan for the reporting period was reviewed, including consideration of the key financial statements and audit risks, to seek to ensure that the audit was appropriately focused.

The Auditor attended the Audit Committee meetings throughout the period, which allowed the Auditor the opportunity to discuss any matters it wished to raise without the Investment Manager or other service providers being present. The Auditor provided feedback at each Audit Committee meeting on topics such as the key accounting matters, mandatory communications and the control environment.

During the year ended 31 December 2018, the Auditor provided non-audit services in the form of acting as the reporting accountant for supplementary prospectuses published. The non-audit services performed during the year complied with the FRC Revised Ethical Standard 2016. Whilst the Auditor confirmed that this had not impacted their independence and outlined the reasons why they considered this to be the case, the Audit Committee decided that it would be best practice to tender the reporting accountant work to several alternative firms, resulting in the appointment of PwC CI LLP. The Audit Committee confirm that the non-audit services performed during the year had no bearing on the independence of the Auditor.

	For the year ended 31 December 2018 £	For the period ended 31 December 2017 £
KPMG– audit services		
Annual audit	71,610	70,000
Annual audit – overruns for prior period audit	19,500	-

Interim review	18,000	18,000
KPMG– non-audit services		
Reporting accountant – ZDP Shares issue[1]	-	102,500
Reporting accountant – Supplementary prospectus	17,500	-
KPMG– fees earned prior to appointment as auditor		
Reporting accountant – Admission[1]	-	465,000
KPMG US – audit services		
Audit of EJF Investments LP[2]	-	37,000

The Audit Committee continues to be satisfied with the performance of the Auditor. We have therefore recommended to the Board that the Auditor, in accordance with agreed terms of engagement and remuneration, should continue as the Company's auditor. Accordingly, a resolution proposing the reappointment of KPMG as the Company's auditor will be put to the shareholders at the forthcoming AGM.

A member of the Audit Committee will be available to shareholders at the forthcoming AGM of the Company to answer any questions relating to the role of the Audit Committee.

KPMG LLP has been the Company's external auditor since its commencement of trading. The lead audit partner has remained unchanged during this time and the lead audit partner rotation is expected to occur three years following the conclusion of the 2018 Annual Report. Absent any major service or quality issues, the desirability of a change of lead audit partner is a delicate balance between a 'fresh pair of eyes' and accumulated knowledge applied to produce a robust audit. The Audit Committee is satisfied that the lead audit partner has the experience, independence and industry knowledge to be an effective lead audit partner.

The Audit Committee is also responsible for the audit tender process and will take all key decisions covering timing, approach, evaluation criteria and recommendations. The tender is expected to occur eight years following the conclusion of the 2018 Annual Report.

Alan Dunphy

Audit Committee Chair

Date: 1 April 2019

DIRECTORS' STATEMENT OF RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, including the Directors' Remuneration Report in accordance with applicable law and regulations.

The Companies Law requires the Directors to prepare Audited Financial Statements for each financial year. Under the Law they are required to prepare the Audited Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law.

[1] Paid by the Manager on behalf of the Company

[2] For the year ended 31 December 2018, there is no separate audit of the Partnership required and therefore any audit work carried out by KPMG US for the purpose of the audit of the Company, is included in the audit fee noted above.

Under the Companies Law the Directors must not approve the Audited Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that year. In preparing these Audited Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Audited Financial Statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping proper records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its Audited Financial Statements comply with the Companies Law. They are responsible for such internal control as they determine is necessary to enable the preparation of Audited Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of Audited Financial Statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual Report and Audited Financial Statements

We confirm that to the best of our knowledge:

- the Audited Financial Statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as at and for the year ended 31 December 2018, as required by DTR 4.1.12R; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces, as required by DTR 4.1.8R and DTR 4.1.11R.

We consider the Annual Report and Audited Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement has been approved by the Board of Directors of the Company on 1 April 2019 and is signed on its behalf by:

By Order of the Board

Joanna Dentskevich

Chair

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EJF INVESTMENTS LTD

1. Our opinion is unmodified

We have audited the financial statements of EJF Investments Limited ("the Company") for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes, including the accounting policies in note 3.

In our opinion the financial statements:

— *give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the Company's affairs as at 31 December 2018 and its profit for the year then ended; and*

— *have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.*

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality: *financial statements as a whole*	*£1.3m (2017:£1.0m)* *1% (2017: 1%) of Total Assets*	
Risks of material misstatement		***vs 2017***
New risk	*The impact of uncertainties due to the UK exiting the European Union on our audit*	*New*
Recurring risk	*Valuation of non-derivative financial assets at fair value through profit or loss*	◄►

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest *effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter was as follows:*

	The risk	***Our response***
The impact of uncertainties due to the UK exiting the European Union on our audit *Refer to page 15-19 (principal risks), page 30 (viability statement)*	***Unprecedented levels of uncertainty*** *All audits assess and challenge the reasonableness of estimates, in particular as described in the valuation of non-derivative financial assets at fair value through profit or loss below, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see section 4 of this report). All of these depend on assessments of the future economic environment and the Company's future prospects and performance.* *In addition, we are required to consider the other information presented in the annual report including the principal risks disclosure and viability statement and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.* *Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.*	*We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:* — ***Our Brexit knowledge:*** *We considered the directors' assessment of Brexit related sources of risk for the Company's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks.* — ***Sensitivity analysis:*** *When addressing the valuation of non-derivative financial assets at fair value through profit or loss and other areas, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty.* — ***Assessing transparency:*** *As well as assessing individual disclosures as part of our procedures on the valuation of non-derivative financial assets at fair value through profit or loss, we considered all of the Brexit related disclosures together, comparing the overall picture against our understanding of the risks.* *However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.*

Valuation of non-derivative financial assets at fair value through profit or loss *(£129.9 million; 2017: £100.2 million)* *Refer to page 33-37 for Audit Committee report, page 52-57 for accounting policies and page 63-67 for financial disclosures.*	***Subjective valuation*** *The non-derivative financial asset at fair value through profit or loss represents a 100% holding in EJF Investment Holdings Limited ("the Holdco") and constitutes 98% of the Company's total assets.* *As the investments held by the Holdco are all held at fair value, which ultimately represents the fair value of the investment in the Holdco, the valuation is calculated by reference to the underlying investments. As those investments are largely made up of financial instruments for which no reliable external price is readily available, determining the Holdco's fair value involves the application of significant judgement.*	*Our procedures included:* — ***Comparing valuations:*** *For certain investments in funds and entities valued on a net assets basis, we assessed whether this basis is an appropriate representation of the fair value of the investments.* *For the valuation of interests in funds, we obtained and agreed the net asset values to the latest audited fund financial statements and assessed the capability of the auditors. We recalculated the valuation of the interests by applying the relevant ownership percentages to the fund net asset values.* *For the valuation of interests in other entities, where audited financial statements were not available, we performed an independent assessment of the net asset values, including the use of our valuation specialist to independently value underlying investments held by those entities. We re-calculated the valuation of interests by applying the relevant ownership percentages to the applicable net asset value.* — ***Independent re-performance:*** *For other investments, our valuation specialist compared the investment market value with our own valuation derived from a valuation model with independently observed inputs.* — ***Assessing transparency:*** *Consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unlisted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions*

3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £1.3m (2017: £1.0m), determined with reference to a benchmark of total assets, of which it represents 1%.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.07m (2017: £0.05m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed at our offices in London.

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in Note 3 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- *the directors' confirmation within the viability statement page 30 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;*
- *the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and*
- *the directors' explanation in the viability statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.*

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- *we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or*
- *the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee;*

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- *adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or*
- *the financial statements to be audited are not in agreement with the accounting records and returns; or*
- *we have not received all the information and explanations we require for our audit.*

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 38, the directors are responsible for: the preparation of the financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of *accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.*

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Ravi Lamba

for and on behalf of KPMG LLP

Chartered Accountants and Recognized Auditor

15 Canada Square

London

E14 5GL

1st April 2019

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	1 January 2018 to 31 December 2018	0 October 2016 to 31 December 2017
		£	£
Dividend income	6	3,560,000	-
Investment income	7	511	572,393
Other income		-	26,722
Net foreign exchange (loss)/gain		(10,244)	198,601
Net gain on derivative financial assets held at fair value through profit or loss	13	-	3,052,586
Net gain on non-derivative financial assets held at fair value through profit or loss	8	16,945,046	14,425,582
Total revenue		**20,495,313**	**18,275,884**
Incentive fee	22	1,112,315	916,043
Management fee	22	942,779	128,529
Legal and professional fees		785,926	940,119
Administration fees		241,148	438,281
Directors' fees	22	135,000	125,942
Directors' and professional indemnity insurance	22	77,478	74,798
Audit fees	9	109,110	88,000
Amortised ZDP Share issue costs	16	105,000	8,750
Other operating expenses		28,375	57,326
Total operating expenses		**3,537,131**	**2,777,788**
Expenses reimbursed by the Manager	22	(1,466,714)	(1,199,950)
Net operating expenses		**2,070,417**	**1,577,838**

Operating profit		**18,424,896**	**16,698,046**
Finance costs	**10**	(995,308)	(430,821)
Profit and total comprehensive income for the year/period attributable to shareholders		**17,429,588**	**16,267,225**
Weighted average number of Ordinary Shares in issue during the year/period	**23**	**59,226,765**	**51,244,202**
Basic and diluted earnings per Ordinary Share		**29.4p**	**31.7p**

All items in the above statement are derived from continuing op

The accompanying notes form an integral part of these Audited Financial Statements

Company Number: 122353

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	31 December 2018	31 December 2017
		£	£
Non-current assets			
Non-derivative financial assets at fair value through profit or loss	**14**	129,922,605	100,177,557
Current assets			
Cash and cash equivalents	**11**	648,319	3,194,538
Balance due from the Manager	**22**	1,722,574	648,255
Balance due from brokers		-	126,088
Prepaid expenses and other assets	**12**	93,417	45,894
Total current assets		**2,464,310**	**4,014,775**
Total assets		**132,386,915**	**104,192,332**
Non-current liabilities			
ZDP Shares	**16**	15,545,525	14,556,533
Current liabilities			
Accounts payable and accrued expenses	**15**	2,340,899	3,333,854
Total liabilities		**17,886,424**	**17,890,387**
Net assets		**114,500,491**	**86,301,945**
Equity			
Stated capital		90,259,133	73,650,682
Retained earnings		24,241,358	12,651,263
Total Equity		**114,500,491**	**86,301,945**

Number of Ordinary Shares in issue at year/period end (excluding treasury shares)	64,175,306	54,543,142
Net Asset Value per Ordinary Share	**178.42p**	**158.23p**

The Audited Financial Statements were approved by the Board of Directors on 1 April 2019 and signed on their behalf by:

Alan Dunphy

Director

The accompanying notes form an integral part of these Audited Financial Statements

Company Number: 122353

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Number of shares	Stated capital £	Retained earnings £	Net assets attributable to shareholders £
Balance at 1 January 2018		**54,543,142**	**73,650,682**	**12,651,263**	**86,301,945**
Total comprehensive income for the year attributable to shareholders	**17**	-	-	**17,429,588**	**17,429,588**
Contributions and redemptions by shareholders					
Ordinary Shares issued via placing	**17**	6,014,050	10,300,920	-	**10,300,920**
Shares issued for repurchase	**17**	9,000,000	16,380,000	-	**16,380,000**
Purchase of own shares to hold in treasury	**17**	(9,000,000)	(16,380,000)	-	**(16,380,000)**
Share issue costs	**17**	-	(270,200)	-	**(270,200)**
Sale of treasury shares	**17**	3,618,114	6,577,731	-	**6,577,731**
Dividends paid	**18**	-	-	(5,839,493)	**(5,839,493)**
Balance at 31 December 2018		**64,175,306**	**90,259,133**	**24,241,358**	**114,500,491**

	Number	Stated	Retained	Net assets

	Note	of shares	capital	earnings	attributable to shareholders
			£	£	£
Balance at 20 October 2016		-	-	-	-
Total comprehensive income for the period attributable to shareholders	**17**	-	-	16,267,225	**16,267,225**
Contributions and redemptions by shareholders					
Ordinary Shares issued via offer	**17**	48,395,217	65,774,963	-	**65,774,963**
Ordinary Shares issued via placing	**17**	5,479,453	8,000,000	-	**8,000,000**
Ordinary Shares issued on conversion of warrants	**24,17**	668,472	1,031,452	-	**1,031,452**
Warrant issuance via offer	**24**	-	(1,031,452)	-	**(1,031,452)**
Share issue costs	**17**	-	(124,281)	-	**(124,281)**
Dividends paid	**18**	-	-	(3,615,962)	**(3,615,962)**
Balance at 31 December 2017		**54,543,142**	**73,650,682**	**12,651,263**	**86,301,945**

The accompanying notes form an integral part of these Audited Financial Statements

STATEMENT OF CASH FLOWS

	Note	1 January 2018 to 31 December 2018 £	20 October 2016 to 31 December 2017 £
Cash flows from operating activities			
Profit and total comprehensive income for the year/period		17,429,588	16,267,225
Adjustments for:			
Investment Income		(511)	-
Dividend Income		(3,560,000)	-
Amortisation of ZDP Shares, including finance costs	**11(a),16**	988,992	81,533
Net loss on derivative financial assets at fair value through profit or loss	**13**	-	(3,052,586)
Net loss on non-derivative financial assets held at fair value through profit or loss	**8**	(16,945,046)	(14,425,582)
Net foreign exchange loss/(gain)		10,244	(198,601)
		(2,076,733)	**(1,328,011)**
Changes in net assets and liabilities:			
Balance due from the Manager		(1,074,319)	(648,255)
Balance due from brokers		126,088	(126,088)
Prepaid expenses and other assets		(47,523)	(45,894)
Accounts payable and accrued expenses		(992,955)	3,333,854
		(1,988,709)	**2,513,617**
Dividend received		3,560,000	-

Distributions received		-	3,575,210
Interest income received		509	286,043
Purchase of financial assets held at fair value through profit or loss	**14**	(12,800,000)	(27,434,143)
Receipts from investments held at fair value through profit or loss		-	2,833,639
Receipts from the Partnership		-	4,153,190
Net cash used in operating activities		**(13,304,933)**	**(15,400,455)**
Cash flow from financing activities			
Proceeds from issue of Ordinary Shares		26,680,920	8,000,000
Purchase of own shares to hold in treasury		(16,380,000)	-
Sale of treasury shares		6,577,731	-
Ordinary Share issue costs		(270,200)	(107,427)
Proceeds on issue of ZDP Shares	**11(a),16**	-	15,000,000
ZDP Share issue costs paid	**11(a)**	-	(449,166)
Dividends paid	**18**	(5,839,493)	(3,615,962)
Net cash inflow from financing activities		**10,768,958**	**18,827,445**
Net (decrease)/increase in cash and cash equivalents		(2,535,975)	3,426,990
Cash and cash equivalents at the start of the year/period		3,194,538	-
Effect of movements in exchange rates on cash and cash equivalents		(10,244)	(232,452)
Cash and cash equivalents at the end of the year/period	**11**	**648,319**	**3,194,538**

The accompanying notes form an integral part of these Audited Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

1. General information

EJFI 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 Law 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 Law. The Company's share capital comprises Ordinary Shares and ZDP Shares admitted to trading on the SFS.

The investment activities of the Company and the Subsidiaries are managed by the Manager and the administration of the Company is delegated to the Administrator.

The Company is externally managed by the Manager, a wholly owned subsidiary of EJF, an investment adviser principally located in the USA and registered as such with the SEC and as a CPO and CTA with the CFTC. The Company has appointed the Manager as its investment manager and AIFM for the purposes of the AIFM Directive. EJF holds 100% of the voting rights in the Manager.

Since incorporation, the Company has incorporated two subsidiaries: EJFIH (incorporated on 9 June 2017), of which the Company owns 100% of the share capital, and EJFIF (incorporated on 5 September 2018), of which EJFIH owns 100% of the share capital.

EJFIF holds 85% (31 December 2017: 85% owned directly by EJFIH) of the Partnership's interests (refer to note 14 for further information).

Through the Subsidiaries, the Company primarily invests in opportunities created by regulatory and structural changes impacting the financial services sector. These opportunities can 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 USA, UK and Europe.

2. Compliance with International Financial Reporting Standards

The Audited Financial Statements have been prepared and approved by the Directors in accordance with IFRS.

The nature and impact of IFRS 9 and IFRS 15 is described below. All other standards and amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New and amended standards adopted for the year ended 31 December 2018

IFRS 9 – Financial Instruments

The Company adopted IFRS 9 'Financial Instruments' on its effective date of 1 January 2018. IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' and introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is not applicable to items that have already been derecognised at 1 January 2018, the date of initial application.

(a) Classification and measurement

The Company has assessed the classification of financial instruments as at the date of initial application and has applied such classification retrospectively. Based on that assessment:

- All financial assets previously held at fair value continue to be measured at fair value.
- Investment in EJFIH is measured at fair value in accordance with IFRS 10, as the Company is an investment entity.
- Financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal. Thus, such instruments continue to be measured at amortised cost under IFRS 9.
- The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains or losses for financial liabilities designated as at FVPL attributable to changes in credit risk. IFRS 9 requires that such element be recognised in other comprehensive income, unless this treatment creates or enlarges an accounting mismatch in profit or loss, in which case, all gains and losses on that liability (including the effects of changes in credit risk) should be presented in profit or loss. The Company has not designated any financial liabilities at FVPL. Therefore, this requirement has not had an impact on the Company.

(b) Impairment

IFRS 9 requires the Company to record ECLs on all financial assets measured at amortised cost, either on a 12-month or lifetime basis. This amendment has not had a material impact on the Company's Audited Financial Statements. The Company holds cash and cash equivalents and balance due from the Manager which are measured at amortised cost with no financing component and have maturities of less than 12 months. Therefore, it has adopted the simplified approach to ECLs.

(c) Hedge accounting

The Company has not applied hedge accounting under IAS 39 nor will it apply hedge accounting under IFRS 9.

Impact of adoption of IFRS 9

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1 January 2018. However, the Company has chosen to take advantage of the option not to restate comparatives. Therefore, the 2017 figures are presented and measured under IAS 39. The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the entity's financial assets and financial liabilities as at 1 January 2018:

Financial assets

1 January 2018	IAS 39 classification	IAS 39 measurement	IFRS 9 classification	IFRS 9 measurement
		£		£
Investment held in EJFIH	Designated at FVPL	100,177,557	FVPL	**100,177,557**
Cash and cash equivalents	Loans and receivables	3,194,538	Amortised cost	**3,194,538**
Balances due from brokers	Loans and receivables	126,088	Amortised cost	**126,088**
Balance due from the Manager	Loans and receivables	648,255	Amortised cost	**648,255**

Financial liabilities

1 January 2018	IAS 39 classification	IAS 39 measurement	IFRS 9 classification	IFRS 9 measurement
		£		£
ZDP Shares	Amortised cost	14,556,533	Amortised cost	**14,556,533**
Accounts payable and accrued expenses	Amortised cost	3,333,854	Amortised cost	**3,333,854**

In line with the characteristics of the Company’s financial instruments as well as its approach to their management, the Company neither revoked nor made any new designations on the date of initial application. IFRS 9 has not resulted in changes in the carrying amount of the Company's financial instruments due to changes in measurement categories. All financial assets that were classified as FVPL under IAS 39 are still classified as FVPL under IFRS 9. All financial assets that were classified as loans and receivables and measured at amortised cost continue to be measured at amortised cost.

In addition, the application of the ECL model under IFRS 9 has not significantly changed the carrying amounts of the Company’s amortised cost financial assets.

The carrying amounts of amortised cost instruments continued to approximate these instruments' fair values after transitioning to IFRS 9.

IFRS 15 Revenue from contracts with customers

The Company adopted IFRS 15 Revenue from contracts with customers on its effective date of 1 January 2018. IFRS 15 replaces IAS 18 Revenue and establishes a five-step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income has been moved from IAS 18 to IFRS 9 without significant changes to the requirements. The Company’s main source of revenue are dividends from EJFIH therefore there was no impact of adopting IFRS 15 for the Company.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Company.

The following standard has not been early adopted by the Company:

Effective for annual periods beginning on or after	
IFRS 16 Leases	1 January 2019

The Company’s assessment of the impact of this new standard which is relevant to the Company is set out below.

IFRS 16 “Leases”

IFRS 16 will replace the current guidance in IAS 17. IFRS 16 defines a lease as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting for lessors will not significantly change.

Effect on the Audited Financial Statements

As the Company does not have any leases, the Board has considered and assessed that the adoption of the standard has no impact on the disclosures, or on the amounts recognised in the Company's Annual Report.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

Classification

Certain prior period figures in the Statement of Comprehensive Income and their related notes to the Audited Financial Statements have been reclassified to correspond to current period presentation.

	20 October 2016 to 31 December 2017	20 October 2016 to 31 December 2017
	Reclassified	**As previously presented**
	£	**£**
Legal and professional fees	940,119	1,028,119
Audit fees	88,000	-
	1,028,119	**1,028,119**
Directors’ fees and insurance	-	200,740
Directors’ fees	125,942	-
Directors’ and professional indemnity insurance	74,798	-
	200,740	**200,740**
Finance costs	430,821	439,571
Amortised ZDP Share issue costs	8,750	
	439,571	**439,571**

3. Significant accounting policies

Basis of preparation

The Audited Financial Statements have been prepared on a going concern basis in accordance with IFRS and also in accordance with Companies Law and the Disclosure and Transparency Rules of the FCA.

Accounting for Subsidiaries

In accordance with IFRS 10 “Consolidated Financial Statements” as amended, the Board has determined that the Company meets the definition of an investment entity which is mandatorily exempted from the consolidation of investment entity subsidiaries and operating entity subsidiaries that provide management services. The services provided by the Subsidiaries 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 has been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:

- The Company has obtained funds from investors for the purpose of providing investors with professional investment and management services.
- The Company's business purpose, which was communicated directly to investors, is investing returns from capital appreciation and investment income.
- All its investments are measured and evaluated on a fair value basis.

The Company 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 ultimately owns 100% of the equity of the Subsidiaries. The Company is exposed to, and has rights to the returns from, the Subsidiaries and has the ability, either directly or through the Manager, to affect the amount of its returns from the Subsidiaries, representing all the elements of control as prescribed by IFRS 10.

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

As a result, under the terms of IFRS 10, the Company is not permitted to consolidate the Subsidiaries, but must measure its investment in the Subsidiaries at FVPL. The Company has determined that the fair value of the Subsidiaries is the Subsidiaries' net asset value and has concluded that each of the Subsidiaries meet the definition of an unconsolidated subsidiary under IFRS 12 and has made the necessary disclosures (see note 14 & 19).

Going concern

The Directors, at the time of approving the Audited 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 performance 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 Audited Financial Statements.

Taxation

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 is not subject to UK income tax or corporation tax. The Company is treated as a publicly traded partnership for U.S. federal income tax purposes.

Financial instruments

In the current year, the Company has adopted IFRS 9 Financial Instruments. See note 2 for an explanation of the impact. Comparative figures for the year ended 31 December 2017 have not been restated. There was no material impact on adoption from the application of the new impairment model.

(a) Classification

From 1 January 2018, the Company classifies its financial assets and financial liabilities in the following measurement categories:

- those to be measured subsequently at fair value, and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial instruments and the contractual terms of the cash flows.

Financial assets held at fair value through profit or loss

The Company has been classified as an investment entity and as such, its investment in EJFIH is held at FVPL and measured in accordance with the requirements of IFRS 9.

Cash and cash equivalents and trade and other receivables

(i) Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investments or other purposes.

(ii) Trade and other receivables

Trade and other receivables including balance due from brokers and balance due from the Manager which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition, and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Financial liabilities measured at amortised cost

These include trade payables and other short-term monetary liabilities, which are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue. They are subsequently carried at amortised cost using the effective interest rate method.

ZDP Shares

In accordance with IAS 32 – "Financial Instruments: Presentation", ZDP Shares have been disclosed as a financial liability as the shares are redeemable at a fixed date and holders are entitled to a final capital entitlement on the repayment date. ZDP Shares are measured at amortised cost using the effective interest rate method.

(b) Recognition and initial measurement

The measurement at initial recognition did not change on adoption of IFRS 9. Investments made by the Company in EJFIH are recognised on the trade date when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value. No transaction costs are incurred.

All other financial assets and financial liabilities are also recorded on the trade date and recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs.

The Company offsets financial assets and financial liabilities if the Company has a legally enforceable right to offset the recognised amounts and interests and intends to settle on a net basis or realise the asset and liability simultaneously.

(c) Subsequent measurement of financial assets

Non derivative financial assets at fair value through profit or loss ("Investment in EJFIH")

Subsequent to initial recognition, the Investment in EJFIH is measured at each subsequent reporting date at FVPL. The Company holds all of the shares in EJFIH, which is a holding vehicle used to hold the Company's investments. EJFIH is not traded and contains unobservable inputs and is therefore classified as a Level 3 investment under IFRS 13 "Fair Value Measurement". The Board considers that the net asset value of EJFIH is representative of its fair value. EJFIH itself holds a number of Level 3 investments which are also measured at fair value.

Changes in the fair value of financial assets held at FVPL are recognised in net gain on non-derivative financial assets held at FVPL in the Statement of Comprehensive Income as applicable.

Note 14, provides an analysis of the financial assets and financial liabilities of the Subsidiaries on a look-through basis that ties to the Company's investment in non-derivative financial assets at FVPL.

Cash and cash equivalents and trade and other receivables

Subsequent measurement of cash and cash equivalents and trade and other receivables depends on the entity's business model for managing the asset and the cash flow characteristics of the asset. These are subsequently measured at amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the Statement of Comprehensive Income.

(d) Impairment

From 1 January 2018, the Company assesses on a forward-looking basis the expected credit loss associated with its cash and cash equivalents and trade and other receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk or indicators of impairment.

For cash and cash equivalents and trade and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected 12-month losses to be recognised from initial recognition of the receivables, see note 20 for further details.

(e) Derecognition of financial assets and financial liabilities

A financial asset (in whole or in part) is derecognised either:

- when the Company has transferred substantially all the risks and rewards of ownership; or
- when it has neither transferred nor retained substantially all the risks and rewards and when it no longer has control over the assets or a portion of the asset; or
- when the contractual right to receive cash flow has expired.

A financial liability (in whole or in part) is derecognised when the Company has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to Statement of Comprehensive Income.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each financial reporting date. The resulting gain or loss is recognised in Statement of Comprehensive Income immediately.

The Company accounts for 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 in the 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 in the Statement of Financial Position at their fair value on the date of issuance and are subsequently remeasured to their fair value at each financial reporting date until such instruments are exercised or expire. The resulting gain or loss is recognised in the Statement of Comprehensive Income immediately.

Equity instruments

Equity instruments issued by the Company are recognised as the proceeds received, net of direct issue costs which include fees payable under the Placing Agreement, legal costs and any other applicable expenses.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and is recognised on an accruals basis. The Company will derive revenue in the form of dividend income from EJFIH. EJFIH's primary source of revenue during the period was income from investments in the Armadillo Portfolio, interest income from the Bridge Loan, investments in the CDO securities and structured entities, the CDO Manager and EJFIF's income from investments in the Partnership and the Preference Shares.

Dividend income

Dividend income is recognised in the Statement of Comprehensive Income on the date on which the right to receive payment is established. This is usually the date on which the shareholders approve the payment of a dividend. Dividend income from EJFIH is recognised in the Statement of Comprehensive Income as a separate line item.

Interest

Interest income and expense, including interest income from non-derivative financial assets carried at amortised cost, are recognised as investment income and finance costs, respectively in the Statement of Comprehensive Income, using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the carrying amount of the financial instrument on initial recognition. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Dividends payable

Dividends declared and approved are charged against equity. A corresponding liability is recognised for any unpaid dividends prior to year-end. Dividends approved but not declared will be disclosed in the notes to the Audited Financial Statements.

Expenses

Fees and other operating expenses are recognised in the Statement of Comprehensive Income on an accruals basis. Fees are generally accrued monthly for NAV reporting purposes and paid either quarterly or annually based on the terms of the various arrangements.

Foreign currency translations

(a) Transactions and balances

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.

(b) Functional and presentation currency

These Audited 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.

Ordinary Shares

The Ordinary 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 Ordinary Shares are recognised in the Statement of Changes in Equity, net of issue costs.

Where the Company re-purchases its own Ordinary Shares (treasury shares), the consideration paid, including any directly attributable issue costs, is deducted from equity attributable to the shareholders until the Ordinary Shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable issue costs, is included in equity attributable to the shareholders.

4. Use of judgements and estimates

In the application of the Company's accounting policies, the Board is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The critical judgements and estimations of uncertainty at the Statement of Financial Position date that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the Audited Financial Statements are as set out below:

(a) Significant Judgements

Classification of EJFIH as an investment entity:

On 18 December 2014, the IASB issued amendments to IFRS 10 (the Consolidation Exception Amendments) which clarified the scope of the exceptions to mandatory non-consolidation. In light of these amendments the Board has considered the investment entity status of EJFIH and has concluded that it is, like the Company, an investment entity. Classification of EJFIH as an investment entity requires a degree of judgement (see below).

EJFIH has been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:

(a) The entity has obtained funds from investors for the purpose of providing investors with professional investment and management services.
(b) The entity’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.

EJFIH obtains funding from the Company, to whom it has committed that its business purpose is to invest funds solely for the returns from capital appreciation and investment income.

EJFIH invests in a diverse portfolio comprising a large number of investments. The fair value method is used to represent the underlying investments of EJFIH. 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 demonstrate a clear exit strategy.

EJFIH is presented as an investment entity as a result.

Functional currency:

The Audited Financial Statements of the Company are presented in the currency that most faithfully represents the primary economic environment in which the Company operates (its functional currency). The Board has used its judgement to determine that Sterling is the Company's functional currency.

The Board has 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. The books and records are maintained in Sterling and, for the purpose of the Audited 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.

(b) Significant Estimates

Fair value measurements and valuation processes:

The Company's investment in EJFIH has been classified as a Level 3 investment and is measured at fair value for financial reporting purposes. The estimate of the net asset value of EJFIH relies heavily on the estimate of the fair value of the underlying assets and liabilities. EJFIH uses market-observable data to the extent it is available. Where appropriate, the Manager has appointed a recognised independent valuation agent to provide a range of values around the valuations derived from models developed by the Manager or the valuation agent at inception and, where required, periodically thereafter.

The Manager works closely with the independent valuation agent to establish the appropriate valuation techniques and inputs to the model. The fair value of assets and liabilities classified as Level 3 is determined by the use of valuation models. These include the net asset value model, discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs (see note 20 for further information).

5. Segmental reporting

IFRS 8 “Operating Segments” requires a “management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes.

The Board has considered the requirements of IFRS 8 “Operating Segments”, and is of the view that the Company is engaged in a single segment of business via its Investment in EJFIH mainly in one geographical area, Jersey, and therefore the Company has only a single operating segment.

6. Dividend Income

The Company received the following dividends from EJFIH during the year ended 31 December 2018:

Received date	**31 December 2018**	**31 December 2017**
	£	**£**
21 August 2018	1,780,000	-
16 November 2018	1,780,000	-
	3,560,000	-

7. Investment income

	1 January 2018 to 31 December 2018	**20 October 2016 to 31 December 2017**
	£	**£**
Interest income from non-derivative financial assets at fair value through profit or loss:		
CDO securities	-	157,213
Bridge loan	-	401,912
Total income from non-derivative financial assets at fair value through profit or loss	**-**	**559,125**
Interest income from financial assets carried at amortised cost:		
Cash and cash equivalents	**511**	**13,268**
Total investment income	**511**	**572,393**

Interest income from non-derivative financial assets at FVPL relates to income accrued by the Company before the transfer of assets to EJFIH on 29 June 2017.

8. Net gain on non-derivative financial assets held at fair value through profit or loss	1 January 2018 to 31 December 2018	20 October 2016 to 31 December 2017
	£	£
Investments in private investment companies:		
Armadillo I	-	447,424
Armadillo II	-	16,117
Partnership	-	(734,931)
	-	(271,390)
Investments in private operating company:		
CDO Manager	-	959,755
Investments in trading securities:		
CDO securities	-	2,826,993
Bridge loan	-	492,277
	-	3,319,270
Investment in EJFIH		
EJFIH	16,945,046	8,844,054
Total unrealised gain on non-derivative financial assets at fair value through profit or loss	**16,945,046**	**12,851,689**
Investments in private investment companies:		
Armadillo I	-	456,430
Investments in trading securities:		
CDO securities	-	1,117,463
Total realised gain on non-derivative financial assets at fair value through profit or loss	**-**	**1,573,893**

	1 January 2018 to 31 December 2018	20 October 2016 to 31 December 2017
	£	**£**
Net unrealised gain on non-derivative financial assets at fair value through profit or loss	16,945,046	12,851,689
Net realised gain on non-derivative financial assets at fair value through profit or loss	-	1,573,893
Net gain on non-derivative financial assets held at fair value through profit or loss	**16,945,046**	**14,425,582**

The unrealised gain from non-derivative financial assets at FVPL represents the difference between the carrying amount of a financial instrument at the beginning of the period, or the transaction price if it was purchased in the current reporting period, and its carrying amount at the end of the reporting period.

The realised gain or loss from non-derivative financial assets at FVPL represents the difference between the carrying amount of a financial instrument at the beginning of the reporting period, or the transaction price if it was purchased in the current reporting period, and its settlement price.

The net realised gain on non-derivative financial assets included above relates to gains accrued by the Company before the transfer of assets to EJFIH on 29 June 2017 (see note 14).

9. Auditor's remuneration

	1 January 2018 to 31 December 2018	20 October 2016 to 31 December 2017
	£	**£**
The analysis of KPMG's remuneration is as follows:		
KPMG– audit services		
Annual audit	71,610	70,000
Annual audit – overruns for prior period audit	19,500	-
Interim review	18,000	18,000
Total audit fees	**109,110**	**88,000**

KPMG– non-audit services		
Reporting accountant – ZDP Shares issue[1]	-	102,500
Reporting accountant – Supplementary prospectus	17,500	-
KPMG– fees earned prior to appointment as auditor		
Reporting accountant – IPO[1]	-	465,000
Total non-audit fees	**17,500**	**567,500**
KPMG US – audit services		
Audit of EJF Investments LP[2]	-	37,000
	-	**37,000**

10. Finance costs

	1 January 2018 to 31 December 2018	20 October 2016 to 31 December 2017
	£	£
Credit facility costs	-	230,520
ZDP Shares finance costs (see note 16)	883,992	72,783
Prime broker costs	109,752	80,713
Other finance costs	1,564	46,805
Total finance costs	**995,308**	**430,821**

[1] These fees were paid by the Manager on behalf of the Company (see note 22)

[2] For the year ended 31 December 2018, there is no separate audit of the Partnership required and therefore any audit work carried out by KPMG US for the purpose of the audit of the Company, is included in the audit fee noted above.

11. Cash and cash equivalents

	31 December 2018	31 December 2017
	£	£
Bank balances	648,319	3,194,538
	648,319	**3,194,538**

Cash and cash equivalents comprises cash held by the Company and short-term bank deposits held with maturities of up to three months. The carrying amounts of these assets approximate their fair value.

11. (a) Reconciliation of liabilities arising from financing activities

Changes in liabilities arising from changes in financing activities

The table below details changes in the Company's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Company's Statement of Cash Flows from financing activities.

	31 December 2018		31 December 2017	
	ZDP Shares	Total	ZDP Shares	Total
	£	£	£	£
Cash flows				
Proceeds from issue of shares	-	-	15,000,000	15,000,000
Issue costs paid	-	-	(449,166)	(449,166)
Total changes from financing cash flows	**-**	**-**	**14,550,834**	**14,550,834**
Non-cash changes				
Amortisation of issue costs during the year/period	105,000	105,000	8,750	8,750
Finance costs during the year/period	883,992	883,992	72,783	72,783

Total non-cash changes	**988,992**	**988,992**	**81,533**	**81,533**

12. Prepaid expenses and other assets

	31 December 2018	31 December 2017
	£	£
Prepaid Directors' and professional indemnity insurance	78,510	45,894
Prepaid legal and professional fees	14,907	-
	93,417	**45,894**

13. Derivative financial instruments at fair value through profit or loss

Maturity date	Counterparty	Contract amount (GBP)	Buy	Sell	31 December 2018 Unrealised gain £	31 December 2017 Unrealised gain £
27 March 2018	Citibank N.A.	55,000,000	GBP	USD	-	2,822,946
18 May 2018	Citibank N.A.	10,000,000	GBP	USD	-	229,640
Unrealised gain on forward foreign exchange contracts					**-**	**3,052,586**
Novation of forward foreign exchange contracts to EJFIH					**-**	**(3,052,586)**
Derivative financial assets at fair value through profit or loss					**-**	**-**

There were no derivative financial instruments held by the Company at 31 December 2018 or 31 December 2017.

The following forward foreign exchange contracts were held by EJFIH as at:

Maturity date	Counterparty	Contract amount (GBP)	Buy	Sell	31 December 2018 £	31 December 2017 £
27 March 2018	Citibank N.A.	55,000,000	GBP	USD	-	3,617,073
18 May 2018	Citibank N.A.	10,000,000	GBP	USD	-	381,192
5 November 2018	Citibank N.A.	7,000,000	GBP	USD	-	111,228
19 December 2018	Citibank N.A.	16,500,000	GBP	USD	-	200,470
25 January 2019	Citibank N.A.	10,000,000	GBP	USD	(1,122,155)	-
28 March 2019	Citibank N.A.	51,000,000	GBP	USD	(6,579,188)	-
20 May 2019	Citibank N.A.	8,647,550	GBP	USD	(616,423)	-
25 July 2019	Citibank N.A.	11,247,953	GBP	USD	(404,872)	-
05 August 2019	Citibank N.A.	8,607,527	GBP	USD	(322,160)	-
27 September 2019	Citibank N.A.	7,307,325	GBP	USD	(285,444)	-
21 June 2019	Citibank N.A.	27,370,458	GBP	USD	148,485	-
Derivative financial instruments held by EJFIH					**(9,181,757)**	**4,309,963**

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

Investment in EJFIH

On 30 May 2018 and 19 December 2018, the Company made further investments in EJFIH totalling £12,800,000 in exchange for 12,800,000 Ordinary Shares of no par value.

The investment in EJFIH is used to acquire exposure to a portfolio comprising a large number of investments. The investment in EJFIH is measured at FVPL. The Company has determined that the fair value of EJFIH is its net asset value.

Below is a summary of the movement in the investment in EJFIH, held by the Company:

	31 December 2018	31 December 2017
	£	£
Opening balance	100,177,557	-
Additions during the reporting year/period	12,800,000	155,127,927
Disposals during the reporting year/period	-	(69,375,952)
Realised gains during the reporting year/period (see note 8)	-	1,573,893
Closing balance	112,977,557	87,325,868
Unrealised gains on investment in EJFIH	16,945,048	14,895,038
Effect of foreign currency fluctuations	-	(2,043,349)
Investment in EJFIH at fair value through profit or loss at the end of the year/period	**129,922,605**	**100,177,557**

On a look-through basis, the following table discloses the Subsidiaries' financial assets at FVPL which agrees to the Company's financial assets at FVPL:

	31 December 2018	31 December 2017
Subsidiaries' investments at fair value through profit or loss:	£	£
Armadillo Portfolio	6,448,996	17,388,194
Investment in the Partnership[1]	66,961,764	31,114,057
Investment in the CDO Manager	9,606,049	7,565,445
CDO securities	9,695,693	17,943,025
Bridge Loan	9,161,668	7,742,458
Preference Shares[1]	5,506,737	4,917,953

Net Derivative financial (liabilities)/assets (note 13)	(9,181,757)	4,309,963
CDO security pledged as Collateral[1]	7,634,452	-
Total Subsidiaries' investment at fair value through profit or loss	105,833,602	90,981,095
Subsidiaries' other assets and liabilities:		
Cash and cash equivalents[2]	12,743,550	3,967,514
Cash and cash equivalents held as margin	16,118,038	3,262,458
Other receivables[2]	449,104	1,966,490
Due under repurchase agreement[3]	(5,221,689)	-
Subsidiaries' net asset value at the end of the year/period	**129,922,605**	**100,177,557**

[1] Held by EJFIF at 31 December 2018
[2] Held by the Subsidiaries at 31 December 2018
[3] Amount due under repurchase agreement by EJFIF at 31 December 2018

(a) Subsidiaries' Investments in private investment companies
Investments in the Armadillo Portfolio

The Subsidiaries' investments in private investment companies include the partnership interests in the Armadillo Portfolio. 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 Company, through its investment in EJFIH, had a 27.0% holding in Armadillo I and 0.8% holding in Armadillo II as at 31 December 2018 (27.0% holding in Armadillo I and 0.8% holding in Armadillo II as at 31 December 2017).

The following table summarises activity for the investment in the Armadillo Portfolio:

	31 December 2018	**31 December 2017**
	£	**£**
Opening balance	17,388,194	-
Additions	-	24,344,694
Distributions	(12,234,410)	(6,651,245)
Realised gains on distributions	637,263	1,177,142
Unrealised gains/(losses)[1]	657,949	(1,482,397)
Investments in the Armadillo Portfolio at fair value through		

profit or loss	**6,448,996**	**17,388,194**

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

Investment in the Partnership

As at 31 December 2018 EJFIH through EJFIF held 85% of the 96,198,309 units (31 December 2017: 85% of the 48,968,309 units held directly by EJFIH) issued by the Partnership. The Partnership's purpose is to retain an interest of at least 5% in securitisations sponsored by EJF pursuant to regulatory requirements within the Dodd-Frank reforms in the USA and EU risk retention rules. The investment in the Partnership is valued at £66,961,764 (31 December 2017: £31,114,057).

As at 31 December 2018, the remaining units outstanding are held by the Manager (14,429,746 units) (31 December 2017: 7,345,246 units) and EJF Investments GP Inc. (165 units) (31 December 2017: 165 units).

The following table summarises activity for the investment in the Partnership:

	31 December 2018	31 December 2017
	£	£
Opening balance	31,114,057	-
Acquisition of interest in private investment companies	28,517,586	31,407,943
Distributions of interest in private investment companies	(910,847)	(59,172)
Realised gains on distributions	910,847	59,172
Unrealised gains/(losses)[1]	7,330,121	(293,886)
Investment in the Partnership at fair value through profit or loss	**66,961,764**	**31,114,057**

(b) Subsidiaries' Investment in private operating company
Investment in the CDO Manager

The CDO Manager, which is 51% owned by the Manager and 49% owned by EJFIH, provides collateral management services to various CDO structures. The CDO Manager provides such services directly to those CDO structures on commercially reasonable terms. The CDO Manager is also expected to provide collateral management services to future EJF sponsored securitisations as it will have the benefit, for so long as the Manager is the manager of the Company, of a right of first refusal to be appointed as the provider of collateral administration, monitoring and management services in respect of each EJF Securitisation. The CDO Manager may also provide collateral management services to non-EJF securitisations. The CDO Manager is expected to benefit from collateral management fees on all CDOs it services and manages until maturity of such CDOs.

The following table summarises activity for the investment in the CDO Manager:

	31 December 2018	**31 December 2017**
	£	**£**
Opening balance	7,565,445	-
Additions	-	6,633,575
Distributions	(1,248,320)	-
Realised gains on distributions	1,248,320	-
Unrealised gains[1]	2,040,604	931,870
Investment in the CDO Manager at fair value through profit or loss	**9,606,049**	**7,565,445**

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

EJFIH through its 49% interest in the CDO Manager, has an exposure to the cash flows of five REIT TruPS CDO collateral management contracts plus cash flow from TFINS 2017-1, TFINS 2017-2, TFINS 2018-1, TFINS 2018-2 and TPINS. The CDO Manager has a total net asset value of £19,604,182 as at 31 December 2018 (31 December 2017: £15,439,684). EJFIH's interest in the CDO Manager has a net asset value of £9,606,049 as at 31 December 2018 (31 December 2017: £7,565,445).

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 15bps to 20bps of the outstanding collateral balance. The TFINS 2017-1 and TFINS 2017-2 securitisations produce management fees of 10bps on outstanding collateral. The TPINS, TFINS 2018-1 and TFINS 2018-2 securitisations produce management fees of 20bps on outstanding collateral.

(c) Subsidiaries' Investments in trading securities
CDO securities

The Subsidiaries' CDO securities portfolio is held by EJFIH and consists of REIT TruPS CDO securities issued prior to the financial crisis by an unaffiliated third-party sponsor. The remaining CDO securities are generating current income and the Manager believes that the cash flows from this portfolio will continue to 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 year ended 31 December 2018, EJFIH accrued £981,058 (2017: £157,213) of interest income presented as investment income in EJFIH.

The following table summarises activity for the investment in CDO securities:

	31 December 2018	31 December 2017
	£	£
Opening balance	17,943,025	-
Additions	10,549,189	21,273,427
Proceeds on disposal	(29,971,598)	(10,205,104)
Realised gains on disposal	14,567,589	3,585,668
Unrealised (losses)/gains from CDO securities[1]	(3,392,512)	3,289,034
CDO securities at fair value through profit or loss	**9,695,693**	**17,943,025**

Bridge Loan

The Bridge Loan is structured as a senior secured note with a three-year maturity and an interest rate of 14%. Additionally, the Bridge Loan investors received a 3% 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. For the year ended 31 December 2018, EJFIH accrued £1,234,829 (2017: £401,912) of interest income presented as investment income in EJFIH.

The following table summarises activity for the investment in the Bridge Loan:

	31 December 2018	31 December 2017
	£	£
Opening balance	7,742,458	-
Acquisition of interest in the Bridge Loan / PIK capitalised during the period	915,729	8,561,082
Disposals, repayment, write-offs	-	(43,525
Unrealised gains/(losses) from the Bridge Loan[1]	503,481	(775,099)
Bridge Loan at fair value through profit or loss	**9,161,668**	**7,742,458**

Preference Shares

EJFIH through EJFIF (31 December 2017: held directly by EJFIH), 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. The Subsidiaries started generating interest income on this investment in October 2017 and expects to receive quarterly payments.

The following table summarises activity for the investment in Preference Shares:

	31 December 2018	31 December 2017
	£	£
Opening balance	4,917,953	-
Acquisition of interest in Preference Shares	-	4,991,460
Distributions of interest	(475,260)	(199,466)
Realised gains on distribution	475,260	199,466
Unrealised gains/(losses) from Preference Shares[1]	588,784	(73,507)
Preference Shares at fair value through profit or loss	**5,506,737**	**4,917,953**

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

(d) Due under repurchase agreement

During December 2018, EJFIF entered into a repurchase agreement to borrow $6,650,000 whereby cash was received in exchange for a CDO security pledged as collateral valued at $9,787,500 equivalent to £7,742,542 on the transaction date. EJFIF continues to recognise the CDO security in the statement of financial position and presents it as CDO security pledged as collateral at FVPL. Interest is still accrued on the CDO security whilst interest is due on the principal of the cash received under the repurchase agreement. As at 31 December 2018, £7,917 of interest expense was accrued on the repurchase agreement. The table below shows the amount of collateral given in respect of the repurchase agreement.

	31 December 2018	31 December 2017
	£	£
Due under repurchase agreement	5,221,689	-

Value of collateral provided in respect of the above	7,634,452	-

15. Accounts payable and accrued expenses	31 December 2018	31 December 2017
	£	£
Amount due to EJFIH	143,374	1,755,134
Incentive fees payable	1,112,315	916,043
Legal and professional fees payable	348,723	405,459
Management fee payable	512,280	128,529
Audit fees payable	71,610	88,000
Directors' fees payable	33,750	40,366
Sundry creditors	118,847	323
	2,340,899	**3,333,854**

The amount due to EJFIH is interest free and repayable on demand. The balance consists of amounts paid by EJFIH in respect of the Company's expenses.

16. ZDP Shares

On 1 December 2017, the Company issued 15,000,000 Zero Dividend Preference shares at a Gross Redemption Yield of 5.75%. Approximately 30% of the available ZDP Shares were issued pursuant to the Initial Placing and Offer for Subscription at a price per ZDP Share of 100 pence. The holders of the ZDP Shares will have a final capital entitlement of 132.35 pence on the repayment date of 1 December 2022. As of 31 December 2018 and 31 December 2017, there were 15,000,000 ZDP Shares outstanding.

The ZDP Shares rank senior to the Ordinary Shares in respect of repayment of the final entitlement. However, they rank behind any borrowings that remain outstanding. They carry no entitlement to income and do not carry the right to vote at general meetings of the Company. The entire return from the ZDP Shares takes the form of capital.

Dividends paid by the Company are attributable to the Ordinary Shares only. The following table reconciles the liability for ZDP Shares, held at amortised cost, for the reporting period.

	31 December 2018	**31 December 2017**
	£	**£**
Opening balance	14,556,533	-
Issuance of ZDP Shares	-	15,000,000
Issue costs	-	(525,000)
Amortisation of issue costs	105,000	8,750
Finance costs	883,992	72,783
ZDP Shares closing balance	**15,545,525**	**14,556,533**

Capitalised issue costs are being amortised using the effective interest rate method. The remaining balance at 31 December 2018 is £411,250 (31 December 2017: £516,250).

17. Net assets attributable to shareholders

The Ordinary 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 Ordinary Shares are recognised in the Statement of Changes in Equity, and are net of the incremental issuance costs when applicable.

Net assets attributable to shareholders is represented by Ordinary Shares that carry one vote each and have equal voting rights. Ordinary Shares are entitled to dividends when declared. The Company has no restrictions or specific capital requirements on the issue and repurchase of Ordinary Shares.

The analysis of movements in net assets attributable to shareholders during the period were as follows:

	31 December 2018	**31 December 2017**
Number of shares		
Opening balance	54,543,142	-
Issued during the period at £1.36 per share	-	48,395,217
Issued during the period at £1.46 per share	-	5,479,453

Issued during the period at £1.54 per share	-	668,472
Issued during the year at £1.72 per share	3,379,050	-
Issued during the year at £1.71 per share	2,635,000	-
Issued during the year at £1.82 per share	9,000,000	-
Purchase of own shares to hold in treasury at £1.82 per share	(9,000,000)	-
Issued during the year at £1.82 per share	3,618,114	-
Closing balance	**64,175,306**	**54,543,142**

	31 December 2018	31 December 2017
Issued and fully paid	**£**	**£**
Opening balance	73,650,682	-
Issue of shares	10,300,920	73,774,963
Shares issued for repurchase	16,380,000	-
Purchase of own shares to hold in treasury	(16,380,000)	-
Sale of treasury shares	6,577,731	-
Issuance costs	(270,200)	(124,281)
Closing balance	**90,259,133**	**73,650,682**

	Number of shares	31 December 2018	31 December 2017
Treasury shares		**£**	**£**
Opening balance	-	-	-
Purchase of own shares to hold in treasury	9,000,000	16,380,000	-
Sale of treasury shares	(3,618,114)	(6,577,731)	
Closing balance	5,381,886	9,802,269	-

The treasury shares are Ordinary Shares held in custody on behalf of the Company by Numis Nominees (Client) Limited. The treasury shares are available to be sold by the Company to meet ongoing market demand.

	31 December 2018	**31 December 2017**
Reconciliation of net assets attributable to shareholders	**£**	**£**
Opening balance	86,301,945	-
Increase in net assets attributable to shareholders	17,429,588	16,267,225
Issue of shares	10,300,920	73,774,963
Shares issued for repurchase	16,380,000	-
Purchase of own shares to hold in treasury	(16,380,000)	-
Sale of treasury shares	6,577,731	-
Issuance costs	(270,200)	(124,281)
Dividends paid	(5,839,493)	(3,615,962)
Closing balance	**114,500,491**	**86,301,945**
Net Asset Value per Ordinary Share	**178.42p**	**158.23p**

18. Dividends Paid

The Company paid the following dividends on its Ordinary Shares during the year ended 31 December 2018:

Period to:	Declared date	Ex-dividend date	Record date	Payment date	Dividend rate per Ordinary Share £	Net dividend Paid £
31 Dec 2017	22 Jan 2018	01 Feb 2018	02 Feb 2018	02 Mar 2018	0.025	1,363,579
31 Mar 2018	24 Apr 2018	03 May 2018	04 May 2018	31 May 2018	0.025	1,448,054
30 June 2018	20 Jul 2018	02 Aug 2018	03 Aug 2018	31 Aug 2018	0.025	1,513,930
30 Sep 2018	19 Oct 2018	01 Nov 2018	02 Nov 2018	30 Nov 2018	0.025	1,513,930
						5,839,493

The Company paid the following dividends on its Ordinary Shares during the period ended 31 December 2017:

Period to:	Declared date	Ex-dividend date	Record date	Payment date	Dividend rate per Ordinary Share £	Net dividend Paid £
31 Mar 2017	19 Apr 2017	27 Apr 2017	28 Apr 2017	22 May 2017	0.024	1,161,485
30 Jun 2017	22 Jun 2017	29 Jun 2017	30 Jun 2017	28 Jul 2017	0.024	1,161,485
30 Sep 2017	13 Oct 2017	26 Oct 2017	27 Oct 2017	24 Nov 2017	0.024	1,292,992
						3,615,962

19. Interest in unconsolidated subsidiaries and associates

The table below discloses the unconsolidated subsidiaries and associates in which the Company holds an interest, but does not consolidate in accordance with IFRS 12 "Disclosure of Interests in Other Entities":

Name of entity	Type of entity	Principal place of business	Nature of purpose	Interest held by the Company	Interest held
EJFIH	Private Company	Jersey	To hold a portfolio of investments in order to generate capital appreciation and investment income.	100%	Direct
EJFIF	Private Company	Jersey	To hold a portfolio of investments in order to generate capital appreciation and investment income.	100%	Indirect
Partnership	Limited Partnership	Delaware	To hold a portfolio of investments in order to generate capital appreciation and investment income.	85%	Indirect
CDO Manager	Limited Liability Company	Delaware	To generate management fee income	49%	Indirect
Armadillo I	Limited Partnership	Delaware	To generate income from high-yielding loans to US law firms engaged in mass tort litigation.	27%	Indirect

20. Financial Risk Management

The Board has overall responsibility for the oversight of the Company's risk management framework. The Company's risk management policies are established by the Manager 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 by the Manager 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, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company is exposed to a number of risks through its investment in the Subsidiaries. The risks set out below relate to those risks faced by the Company through its underlying investments:

- market risk;
- credit risk; and
- liquidity risk;

(a) Market risk

Market risk is the risk that changes in market prices such as interest rates, foreign exchange rates, other price risk and credit spreads will affect the Company's income and/or the value of its holding in EJFIH. The changes in credit spreads affect the Subsidiaries' net equity or net income, and hence the value of the Company's investment in EJFIH.

The Company's exposure to market risk comes mainly from movements in the value of its investment in EJFIH and on a look-through basis to the underlying investments in the Subsidiaries' portfolio.

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, and may be issued by entities domiciled in the U.S., UK and Europe. 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 Subsidiaries, intends to mitigate market risk generally by not making investments that would cause it to have exposure to any one individual asset exceeding:

- 20% of the Company's gross assets invested in any single Capital Solutions, ABS Investment or Specialty Finance Investment at the time of investment; and
- 25% of the Company's gross assets in any single non-EJF sponsored Risk Retention Investment.

The Company's market positions are monitored on a quarterly basis by the Board 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 Company's and Subsidiaries' 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 and the Subsidiaries are exposed to the risk that the fair value of their investments or future cash flows of the financial instruments will fluctuate as a result of changes in market interest rates. The Company and the Subsidiaries are also exposed to cash flow interest rate risk in respect of their cash and cash equivalents and the investments held.

The Manager assesses interest rate risk at investment and on an ongoing basis and may, if deemed necessary, choose to utilise appropriate strategies to manage interest rate risk using, for example, interest rate swaps.

Sensitivity analysis
As at 31 December 2018 and 31 December 2017, the Manager did not believe that the Company had material interest rate risk and had not entered into any interest rate hedges. Accordingly, sensitivity analysis as at 31 December 2018 and 31 December 2017 has not been presented.

(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 and the Subsidiaries are directly exposed to currency risk in respect of their cash and cash equivalents and derivatives denominated in currencies other than Sterling, and their investments.

The Company and Subsidiaries invest in financial instruments and enters into transactions that are denominated in currencies other than their functional currency, primarily in US Dollar. Consequently, the Company and the Subsidiaries are exposed to risk that the exchange rate of their 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 financial assets or financial liabilities denominated in currencies other than Sterling.

As at 31 December 2018 and 31 December 2017, the following forward foreign exchange contracts were held by EJFIH and are included within the financial (liabilities)/assets of EJFIH:

					31 December 2018
Maturity date	**Counterparty**	**Contract amount (GBP)**	**Buy**	**Sell**	**£**
25 January 2019	Citibank N.A.	10,000,000	GBP	USD	(1,122,155)
28 March 2019	Citibank N.A.	51,000,000	GBP	USD	(6,579,188)
20 May 2019	Citibank N.A.	8,647,550	GBP	USD	(616,423)
25 July 2019	Citibank N.A.	11,247,953	GBP	USD	(404,872)
05 August 2019	Citibank N.A.	8,607,527	GBP	USD	(322,160)
27 September 2019	Citibank N.A.	7,307,325	GBP	USD	(285,444)
21 June 2019	Citibank N.A.	27,370,458	GBP	USD	148,485
Derivative financial liabilities held by EJFIH					**(9,181,757)**

Maturity date	Counterparty	Contract amount (GBP)	Buy	Sell	31 December 2017 £
27 March 2018	Citibank N.A.	55,000,000	GBP	USD	3,617,073
18 May 2018	Citibank N.A.	10,000,000	GBP	USD	381,192
5 November 2018	Citibank N.A.	7,000,000	GBP	USD	111,228
19 December 2018	Citibank N.A.	16,500,000	GBP	USD	200,470
Derivative financial assets held by EJFIH					**4,309,963**

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 NAV and income of a movement in the rates of exchange to which the assets, liabilities, income and expenses are exposed. A currency forward contract programme is in place at EJFIH, 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 Company and the Subsidiaries.

At 31 December 2018, the carrying amount of the Company'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
US Dollar	106,855,168	93%

At 31 December 2017, the carrying amount of the Company'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
US Dollar	90,981,095	105%

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 weakening of Sterling against the US Dollar by 10% at 31 December 2018 (5% at 31 December 2017). 10% is deemed reasonable as it reflects a possible movement as a result of Brexit based on rate movements since the referendum. The analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2018	31 December 2017
Effect in Sterling	£7,768,640	£4,397,362
Effect in % of net assets attributable to the holders of tradable Ordinary Shares	6.8%	4.4%
Effect in % of increase in total comprehensive income attributable to the holders of tradable Ordinary Shares	44.6%	49.7%

A strengthening of the Sterling against the US Dollar would have resulted in an equal but opposite effect to the amounts shown above.

(iii) Other price risk

Other price risk is the risk that the fair value of the investment in EJFIH 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.

Price risk is managed by the Investment Manager by diversifying the portfolio and economically hedging using derivative financial instruments such as currency contracts. Also, 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.

Exposure

The following table sets out the concentration of the portfolio profile which shows the total exposure to market risk, held by the Company and the Subsidiaries at the reporting date.

	31 December 2018		31 December 2017	
	£	%	£	%
Armadillo Portfolio	6,448,996	5	17,388,194	17
Investment in the Partnership[2, 3]	66,961,764	52	31,114,057	31
Investment in CDO Manager	9,606,049	7	7,565,445	8
CDO securities	9,695,693	8	17,943,025	18

Bridge Loan	9,161,668	7	7,742,458	8
Preference Shares[3]	5,506,737	4	4,917,953	5
Net Derivative financial (liabilities)/assets	(9,181,757)	(7)	4,309,963	4
CDO security pledged as Collateral[3]	7,634,452	6	-	-
Financial assets and liabilities at fair value through profit or loss	**105,833,602**	**76**	**90,981,095**	**91**
Due from an affiliate	143,374	0	1,755,133	2
Cash and cash equivalents[4]	12,743,550	10	4,309,963	4
Cash and Cash equivalents held as margin	16,118,038	12	3,262,458	3
Due under repurchase agreement[5]	(5,221,689)	(4)	-	
Other[1, 4]	305,730	0	211,357	0
Investment in EJFIH	**129,922,605**	**100**	**100,177,557**	**100**

1 No individual financial asset held by the Company and the Subsidiaries and included in this category exceeded 5% of the net assets attributed to the Company and the Subsidiaries as at 31 December 2018 and 31 December 2017.
2 See table below.
3 Held by EJFIF at 31 December 2018.
4 Held by the Subsidiaries at 31 December 2018.
5 Amount due under repurchase agreement by EJFIF at 31 December 2018.

The investment held in the Partnership includes the following underlying investment positions:

	31 December 2018	**31 December 2017**
	£	**£**
TFINS 2017-1	13,527,716	12,081,325
TFINS 2017-2	14,106,078	12,751,199
TFINS 2018-1	20,963,054	-
TFINS 2018-2	16,134,126	-
TPINS 2016-1 (Class A)	5,036,525	4,558,197

TPINS 2016-1 (Class B)	8,000,352	7,240,543
Investments held by the Partnership	**77,767,851**	**36,631,264**
Other net assets	1,010,853	(26,346)
Net asset value of the Partnership	**78,778,704**	**36,604,918**
% held by the Subsidiaries	85%	85%
Fair value of the Subsidiaries investment in the Partnership	**66,961,764**	**31,114,057**

Fair value of financial instruments

The Company holds all of the shares in EJFIH, which is a holding vehicle used to hold the Company's investments. The Board believe it is appropriate to value this entity based on the fair value of its portfolio of investment assets held plus its other assets and liabilities.

Valuation models

IFRS 13 'Fair Value Measurement' requires disclosure of fair value measurement by level. The level of fair value hierarchy within the financial assets or financial liabilities is determined on the basis of the lowest level input that is significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS 13 are as follows:

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.

The Company's investment in EJFIH, through the acquisition of shares, is classified within Level 3, as it is not traded and contains unobservable inputs. The Board considers that the net asset value of EJFIH is representative of its fair value.

The investments held by the Subsidiaries in the underlying portfolio are measured as below:

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.

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 uses proprietary valuation models, which are developed from discounted cash flow 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 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. Where appropriate, the Manager has appointed a recognised independent valuation agent to provide a range of values around the valuations derived from models developed by the Manager or the valuation agent at inception and, where required, periodically thereafter.

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.

Valuation approach for specific instruments held through the Company and the Subsidiaries

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 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 year ended 31 December 2018 and the period ended 31 December 2017.

Investments trading securities

At 31 December 2018, the investment portfolio included bonds issued by Kodiak, Attentus, Taberna, Narragansett and Credit Suisse, which are unaffiliated third-party CDO sponsors, and a bond issued by a monoline insurance subsidiary of a publicly listed insurance company. Cash yielding bonds issued by Kodiak, Narragansett and Credit Suisse are valued at their clean prices with the interest element recorded separately in the Subsidiaries’ financial statements, however the remaining distressed bonds issued by Attentus, Taberna and Kodiak are valued at their dirty prices (including interest accruals).

The fair value of distressed bonds is determined by third party vendors who receive quotes of similar securities in the market and validate these quotes against estimated future default probabilities using market standard models (Level 3 valuation). The cash yielding bonds have significant model inputs and credit spreads that are observable in the marketplace or set in the contract (Level 2 valuation). The Bridge Loan valuation is 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.

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, 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, understanding 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 understanding how fair value has been determined using those quotes.

For underlying instruments not traded in an active market and defined as 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 below.

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 reporting date at the underlying fund's quoted net asset value.

The Company's investment in EJFIH is classified within Level 3, as it is not traded and contains unobservable inputs. The Board considers that the net asset value of EJFIH 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 as at 31 December 2018. All fair value measurements below are recurring.

As at 31 December 2018	**Level 1**	**Level 2**	**Level 3**
Non-derivative financial assets at fair value through profit or loss	**£**	**£**	**£**
Investment held in EJFIH	-	-	129,922,605
Non-derivative financial assets at fair value through profit or loss	**-**	**-**	**129,922,605**

The following table shows the movement of level 3 assets during the year ended 31 December 2018:

	Opening fair value	**Additions**	**Realised gains / (losses)**	**Unrealised gains / (losses)**	**Disposals, repayment , write-offs**	**Ending fair value**
	£	**£**	**£**	**£**	**£**	**£**
EJFIH	100,177,557	12,800,000	-	16,945,048	-	129,922,605
Total non-derivative financial assets	**100,177,557**	**12,800,000**	**-**	**16,945,046**	**-**	**129,922,605**

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 as at 31 December 2017. All fair value measurements below are recurring.

As at 31 December 2017	**Level 1**	**Level 2**	**Level 3**
Non-derivative financial assets at fair value through profit or loss	**£**	**£**	**£**
Investment held in EJFIH	-	-	100,177,557
Non-derivative financial assets at fair value through profit or loss	**-**	**-**	**100,177,557**

The following table shows the movement of level 3 assets during the period ended 31 December 2017:

	Opening fair value	**Additions**	**Realised gains / (losses)**	**Unrealised gains / (losses)**	**Disposals, repayment , write-offs**	**Transfer out to EJFIH**	**Ending fair value**
	£	**£**	**£**	**£**	**£**	**£**	**£**
Armadillo Portfolio	-	26,999,932	456,430	463,541	(3,575,209)	(24,344,694)	-
Investment in the Partnership	-	10,487,517	-	(734,931)	(1,606,284)	(8,146,302)	-
Investment in the CDO Manager	-	5,673,820	-	959,755	-	(6,633,575)	-
CDO securities	-	12,781,917	1,117,463	2,826,993	(1,074,924)	(15,651,449)	-
Bridge Loan	-	7,851,238	-	492,277	(66,262)	(8,277,253)	-
Investment in	-	91,333,503	-	8,844,054	-	-	100,177,557

EJFIH							
Total financial assets	**-**	**155,127,927**	**1,573,893**	**12,851,689**	**(6,322,679)**	**(63,053,273)**	**100,177,557**

Fair value hierarchy—financial instruments measured at fair value held by the Subsidiaries

The table below is a supplemental disclosure of the financial instruments, held by the Subsidiaries, 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 as at 31 December 2018. All fair value measurements below are recurring.

As at 31 December 2018	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	**£**	**£**	**£**
Armadillo Portfolio	-	-	6,448,996
Investment in the Partnership	-	-	66,961,764
Investment in the CDO Manager	-	-	9,606,049
CDO securities	-	9,051,186	644,507
Bridge Loan	-	-	9,161,668
Investment in Preference Shares	-	-	5,506,737
CDO security pledged as collateral	-	7,634,452	-
Financial assets at fair value through profit or loss	**-**	**16,685,638**	**98,329,721**

As at 31 December 2018	**Level 1**	**Level 2**	**Level 3**
Financial liabilities at fair value through profit or loss	**£**	**£**	**£**
Derivative financial liability	-	9,181,757	-
Financial liabilities at fair value through profit or loss	**-**	**9,181,757**	**-**

The following table shows the movement of level 3 assets held by the Subsidiaries during the year ended 31 December 2018:

	Opening fair value	Additions	Realised gains / (losses)	Unrealised gains / (losses)	Disposals, repayment, write-offs	Transfer to Level 2	Ending fair value
	£	£	£	£	£	£	£
Armadillo Portfolio	17,388,194	-	637,263	657,949	(12,234,410)	-	6,448,996
Investments in the Partnership	31,114,057	28,517,586	910,847	7,330,121	(910,847)	-	66,961,764
Investment in CDO Manager	7,565,445	-	1,248,320	2,040,604	(1,248,320)	-	9,606,049
CDO securities	17,943,025	10,549,189	14,567,589	(3,392,512)	(29,971,598)	(9,051,186)	644,507
Bridge Loan	7,742,458	915,729	-	503,481	-	-	9,161,668
Investment in Preference Shares	4,917,953	-	475,260	588,784	(475,260)	-	5,506,737
Total financial assets	**86,671,132**	**39,982,504**	**17,839,279**	**7,728,427**	**(44,840,435)**	**(9,051,186)**	**98,329,721**

During the year, £9.1m of financial assets have been transferred from Level 3 to Level 2 following a reassessment of valuation techniques.

The table below is a supplemental disclosure of the financial instruments, held by the Subsidiaries, 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 as at 31 December 2017. All fair value measurements below are recurring.

	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	£	£	£
Armadillo Portfolio	-	-	17,388,194
CDO securities	-	-	17,943,025

Bridge Loan	-	-	7,742,458
Investment in the Partnership	-	-	31,114,057
Investment in the CDO Manager	-	-	7,565,445
Investment in Preference Shares	-	-	4,917,953
Derivative financial assets	-	4,309,963	-
Financial assets at fair value through profit or loss	**-**	**4,309,963**	**86,671,132**

The following table shows the movement of level 3 assets held by the Subsidiaries during the period ended 31 December 2017:

	Opening fair value	Transfer in from the Company	Additions	Realised gains / (losses)	Unrealised gains / (losses)	Disposals, repayment, write-offs	Ending fair value
	£	£	£	£	£	£	£
Armadillo Portfolio	-	24,344,694	-	1,177,142	(1,482,397)	(6,651,245)	17,388,194
CDO securities	-	15,651,449	5,621,978	3,585,668	3,289,034	(10,205,104)	17,943,025
Bridge Loan	-	8,277,253	283,829	-	(775,099)	(43,525)	7,742,458
Investments in the Partnership	-	8,146,302	23,261,641	59,172	(293,886)	(59,172)	31,114,057
Investment in CDO Manager	-	6,633,575	-	-	931,870	-	7,565,445
Investment in Preference Shares	-	-	4,991,460	199,466	(73,507)	(199,466)	4,917,953
Total financial assets	**-**	**63,053,273**	**34,158,908**	**5,021,448**	**1,596,015**	**(17,158,512)**	**86,671,132**

Significant unobservable inputs used in measuring fair value

The following table shows the sensitivity of fair values in Level 3 to the net asset value of the investment in EJFIH.

Financial assets	Company fair value at 31 December 2018 £	Company fair value at 31 December 2017 £	Valuation techniques and inputs	Significant unobservable inputs
Investment in EJFIH	129,922,605	100,177,557	The net asset value of EJFIH is based on the underlying investments which are held at FVPL and trade and other receivables at amortised cost. The carrying value of the trade and other receivables are considered a reasonable approximation of fair value. We have reviewed the valuation techniques of the underlying investments and consider them to be in line with those of the Company.	The net asset value of EJFIH, calculated under IFRS

It is assumed that the net asset value of EJFIH was changed by 10% while all the other variables were held constant. An increase in the net asset value of EJFIH would have resulted in an equal but opposite effect to the amounts shown below.

Financial assets	Company fair value at 31 December 2018 £	-10% £	Company fair value at 31 December 2017 £	-10% £
Investment in EJFIH	129,922,605	116,930,345	100,177,557	90,159,801

The estimated fair values of the Subsidiaries' investment in the CDO Manager was determined through the use of level 3 inputs. A discounted cash flows method was employed to estimate the fair values as of 31 December 2018 and 31 December 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 Subsidiaries' remaining Level 3 investments have been valued using broker quotes or the Subsidiaries' proportionate share of the net asset value of the entity.

There are no unobservable inputs that have been internally developed by the Manager in determining the fair value of the Subsidiaries' investment portfolio.

Financial instruments not measured at fair value

The financial assets not measured at FVPL 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.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company or the Subsidiaries or a vehicle in which the Company or the Subsidiaries invest, resulting in a financial loss to the Company. It arises principally from debt securities, 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 Company's and the Subsidiaries' 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. 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 and to liquidate holdings within a reasonable amount of time, however as the Subsidiaries' portfolio assets are illiquid in nature more time may be required to address the impact the credit risk has on the Subsidiaries' illiquid assets.

The Subsidiaries' activities 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 Manager 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.

(i) Analysis of credit quality

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

- Cash and cash equivalents
- Balances due from broker
- Balance due from the Manager
- Bridge Loan[1]
- CDO securities[1]
- Armadillo Portfolio[1]
- Investment in the Partnership[1]

Cash and cash equivalents

The Company's and the Subsidiaries' cash is predominantly held with Citibank N.A. and HSBC plc. EJFIH also uses ANB to hold cash deposits as part of the credit facility arrangement disclosed in note 25. 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 balance due from brokers was held by Citibank N.A.. The Manager monitors the financial position and credit worthiness of the brokers on a quarterly basis.

The following table shows the external ratings of the financial institutions holding cash or collateral deposits on behalf of the Company and the Subsidiaries, using available ratings from Moody's. Publicly available ratings are not published for ANB.

Institution	Rating Agency	31 December 2018	31 December 2017
Citibank N.A.	Moody's	A1	A1
HSBC plc	Moody's	Aa3	Aa3

[1] Held by the Subsidiaries

Balance due from the Manager

The balance due from the Manager relates to the arrangement with the Manager to absorb future ongoing operating expenses incurred by the Company, excluding management fees, incentive fees and expenses considered not ongoing, until no earlier than 1 July 2019. The Company applies the simplified approach permitted by IFRS 9, which requires expected 12 month losses to be recognised from initial recognition. The balance due from the Manager are considered to be low credit risk. Accordingly no impairment losses have been recognised in the Statement of Comprehensive Income.

Bridge Loan

At 31 December 2018, the Company, through its investment in EJFIH, held an interest in a Bridge Loan to an affiliate of a publicly listed insurer. In the event of any default on EJFIH's loan investments by a counterparty, EJFIH will bear a risk of loss of principal and accrued interest of the investment, which could have a material adverse effect on EJFIH's income and ability to meet financial obligations. This would also affect the Company's investment in EJFIH as it is exposed to any fair value movements in EJFIH.

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	**31 December 2018**	**31 December 2018**
	£	**% of Bridge Loan**
Caa1	**9,161,668**	**100%**

Rating	**31 December 2017**	**31 December 2017**
	£	**% of Bridge Loan**
Caa1	**7,742,458**	**100%**

Investment in CDO securities

At 31 December 2018, the Company, through its investment in EJFIH, was invested in distressed and cash yielding CDO securities issued by Kodiak, Attentus, Taberna, Narragansett and Credit Suisse, which are unaffiliated third-party CDO sponsors. During December 2018, EJFIH sold a cash yielding CDO security issued by Credit Suisse to EJFIF in exchange for shares in EJFIF. EJFIF subsequently entered into a repurchase agreement to borrow in exchange for the CDO security as collateral. EJFIF continues to recognise the CDO security in its statement of financial position and presents it as CDO security pledged as collateral at FVPL.

The Subsidiaries are exposed to the credit risk of their CDO security counterparties or the counterparties of the securitisations in which it invests. In the event of a bankruptcy or insolvency of such a counterparty, the Subsidiaries, or a securitisation in which such an investment is held, could suffer significant losses including the loss of that part of the Subsidiaries' or securitisation's portfolio financed through such a transaction, declines in the value of their investment, including declines that may occur during an applicable stay period, the inability to realise any gains on their investment during such period and fees and expenses incurred in enforcing their rights. This would also affect the Company's investment in the Subsidiaries as it is exposed to any fair value movements in the Subsidiaries.

The CDO securities have the following credit quality based on Moody's ratings.

Rating	**31 December 2018** £	**31 December 2018** % of CDO securities
Not rated	9,695,693	100%
	9,695,693	**100%**

Rating	**31 December 2017** £	**31 December 2017** % of CDO securities
Not rated	17,943,025	100%
	17,943,025	**100%**

The table below shows exchange and over-the-counter trading platforms used to buy and sell the distressed CDO securities and the Bridge Loan balance outstanding at 31 December 2018.

2018	**Fair Value**	**Notional Amount**

	£	$(1)
Exchange traded	9,051,185	12,500,000
OTC—central counterparties	644,506	212,200,000
OTC—other bilateral	9,161,668	11,390,946
Total	**18,857,359**	**236,090,946**

(1) Notional amounts are disclosed in the local currency of the security. As at 31 December 2018, all CDO securities and the Bridge Loan held by the Subsidiaries, are dominated in US Dollar.

The table below shows exchange and over-the-counter trading platforms used to buy and sell the distressed CDO securities and the Bridge Loan balance outstanding at 31 December 2017.

2017	**Fair Value**	**Notional Amount**
	£	**$(1)**
Exchange traded	7,259,678	12,500,000
OTC—central counterparties	10,683,347	264,200,000
OTC—other bilateral	7,742,458	10,663,429
Total	**25,685,483**	**287,363,429**

(1) Notional amounts are disclosed in the local currency of the security. As at 31 December 2017, all CDO securities and the Bridge Loan held by the Subsidiaries, are dominated in US Dollar.

Armadillo Portfolio

At 31 December 2018, the Company, through its investment in EJFIH, held an interest in the Armadillo Portfolio. In the event of any default on the Armadillo Portfolio's loan investments by a counterparty, EJFIH will bear a risk of loss of principal and accrued interest on the loan investment, which could have a material adverse effect on EJFIH's income and ability to meet financial obligations. This would also affect the Company's investment in EJFIH as it is exposed to any fair value movements in EJFIH.

The Armadillo Portfolio has the following credit quality based on Moody's ratings.

Rating	31 December 2018 £	31 December 2018 % of Armadillo Portfolio
Not rated	**6,448,996**	**100%**

Rating	31 December 2017 £	31 December 2017 % of Armadillo Portfolio
Not rated	**17,388,194**	**100%**

Investment in the Partnership

At 31 December 2018, the Company, through its investment in the Subsidiaries, held an interest in the Partnership. The Subsidiaries are exposed to the credit risk of its counterparties or the counterparties of the securitisations in which it invests. In the event of a bankruptcy or insolvency of such a counterparty, the securitisation in which such an investment is held could suffer significant losses, including the loss of that part of the Subsidiaries' or securitisation's portfolio financed through such a transaction, declines in the value of their investment, including declines that may occur during an applicable stay period, the inability to realise any gains on their investment during such period and fees and expenses incurred in enforcing their rights. This would also affect the Company's investment in the Subsidiaries as it is exposed to any fair value movements in the Subsidiaries.

The securitisations in which the Partnership has invested have the following credit quality based on Moody's ratings.

Rating	31 December 2018 £	31 December 2018 % of Bridge Loan
Not rated	**66,961,764**	**100%**

Rating	31 December 2017 £	31 December 2017 % of Bridge Loan
Not rated	**34,114,057**	**100%**

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 and the Subsidiaries' assets, in particular, the Company's and the Subsidiaries' cash deposits.

The Company's exposure was concentrated as below:

	31 December 2018 £	31 December 2018 %	31 December 2017 £	31 December 2017 %
Citibank N.A	369	0.1	1,654	0.1
HSBC Bank plc	647,950	99.9	3,192,884	99.9
Total	**648,319**	**100%**	**3,194,538**	**100%**

Collateral and other credit enhancements, and their financial effect

The Company and the Subsidiaries 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 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. EJFIH executes a credit support annex in conjunction with the ISDA agreement, which requires EJFIH and its counterparties to post collateral to mitigate counterparty credit risk.

The derivatives are entered into with Citibank N.A., which is rated A1 (31 December 2017: A1 to Aa2), based on Moody's Agency.

Impairment of financial assets

The Company is subject to the ECL model on its financial assets that are carried at amortised cost. While cash and cash equivalents and balances due from brokers are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial. The Company is also exposed to credit risk in relation to financial assets that are measured at FVPL. The maximum exposure at the end of the reporting period is the carrying amount of these financial assets.

Balance due from the Manager carried at amortised cost

The Company applies the IFRS 9 simplified approach permitted by IFRS 9, which requires expected 12-month losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, the balance due from the Manager has been considered based on its credit risk characteristics and its expected recovery. As the receivable is repayable on demand and the Manager has sufficient liquid assets to repay the loan at the reporting date, no expected credit loss has been provided for on the balance due from the Manager.

The restatement on transition to IFRS 9 as a result of applying the expected credit risk model was immaterial.

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 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:

31 December 2018	**Gross amounts of recognised financial assets offset in the Statement of Financial Position**	**Gross amounts of recognised financial liabilities offset in the Statement of Financial Position**	**Net amounts of financial assets presented in the Statement of Financial Position**
	£	**£**	**£**
Type of financial assets			
Cash held by Prime Broker	-	-	-
Total	**-**	**-**	**-**

31 December 2017	**Gross amounts of recognised financial assets offset in the Statement of Financial Position**	**Gross amounts of recognised financial liabilities offset in the Statement of Financial Position**	**Net amounts of financial assets presented in the Statement of Financial Position**
	£	**£**	**£**
Type of financial assets			
Cash held by Prime Broker	126,088	-	126,088
Total	**126,088**	**-**	**126,088**

The gross and net amounts of recognised financial assets and financial liabilities presented in the above table have been measured at fair value. The net amount of £nil (31 December 2017: £126,088) is the balance due from brokers included in the Statement of Financial Position.

(c) Liquidity risk

Liquidity risk is the risk that the Company or the Subsidiaries will encounter difficulty in meeting the obligations associated with their 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 the Company and the Subsidiaries are to ensure, as far as possible, that they will always have sufficient liquidity to meet their liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Prospectus provides for the Board to pay quarterly dividends of available cash to shareholders following the recommendation of the Manager. Therefore, the Company may be exposed to the liquidity risk of not meeting this target at each quarterly distribution date.

The Company's and Subsidiaries' financial assets include illiquid investment securities and investments in private investment companies. As a result, the Company and the Subsidiaries may not be able to liquidate some of their interest in these instruments in due time to meet their liquidity requirements.

The Company's liquidity is managed on a daily 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. Current liabilities are paid and reported to the Board on a quarterly basis unless a special meeting is required.

	31 December 2018	**31 December 2017**
Liquid assets	£2,370,893	£3,842,793
Current liabilities	£2,340,899	£3,333,854
Liquid assets as a % of current liabilities	101.28%	115.26%

The Company manages its liquidity risk by maintaining a current ratio (liquid assets divided by current liabilities) of no less than approximately 100%. The ratio of Company assets with an expected liquidation period within 90 days (liquid assets) to the Company's current liabilities (presented inclusive of interest) as at 31 December 2018 and 31 December 2017 is set out below:

31 December 2018	**Carrying Amount**	**Total**	**Less than 7 days**	**7 days to 1 month**	**1 month to 3 months**	**3 months to over 1 year**
Liquid Assets	**£**	**£**	**£**	**£**	**£**	**£**
Cash	648,319	648,319	648,319	-	-	-
Balance due from the Manager	1,722,574	1,722,574	-	1,722,574	-	-
Total	**2,370,893**	**2,370,893**	**648,319**	**1,722,574**	**-**	**-**

Financial liabilities	Carrying Amount £	Total £	Less than 7 days £	7 days to 1 month £	1 month to 3 months £	3 months to over 1 year £
Amount payable to EJFIH	143,374	143,374	-	-	143,374	-
Accounts payable and accrued expenses	2,197,525	2,197,525	-	-	2,197,525	-
ZDP Shares	19,852,500	19,852,500	-	-	-	19,852,500
Total	**22,193,399**	**22,193,399**	**-**	**-**	**2,340,899**	**19,852,500**

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.

31 December 2017 Liquid Assets	Carrying Amount £	Total £	Less than 7 days £	7 days to 1 month £	1 month to 3 months £	3 months to over 1 year £
Cash	3,194,538	3,194,538	3,194,538	-	-	-
Balance due from the Manager	648,255	648,255	-	648,255	-	-
Total	**3,842,793**	**3,842,793**	**3,194,538**	**648,255**	**-**	**-**

Financial liabilities	Carrying Amount £	Total £	Less than 7 days £	7 days to 1 month £	1 month to 3 months £	3 months to over 1 year £
Amount payable to EJFIH	1,755,134	1,755,134	-	-	1,755,134	-
Accounts payable and						-

accrued expenses	1,578,720	1,578,720	-	-	1,578,720	
ZDP Shares	19,852,500	19,852,500	-	-	-	19,852,500
Total	**23,186,354**	**23,186,354**	**-**	**-**	**3,333,854**	**19,852,500**

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:

	31 December 2018	**31 December 2017**
Liquid assets	£2,370,893	£3,842,793
Total Net Asset Value	£114,500,491	£86,301,945
Liquid assets as % of total Net Asset Value	2.07%	4.45%

21. Capital risk management

The Company's issued capital is represented by Ordinary Shares and ZDP Shares.

As a result of the ability to issue, repurchase and resell shares, the capital of the Company can vary. The Company is not subject to externally imposed capital requirements and has no restrictions on the issue, repurchase or resale of its shares. The Company's objectives for managing capital are:

• to invest the capital in investments meeting the description, risk exposure and expected return indicated

in its Prospectus;

• to achieve consistent returns while safeguarding capital by investing in a diversified portfolio;

• to maintain sufficient liquidity to meet the expenses of the Company; and

• to maintain sufficient size to make the operation of the Company cost-efficient.

The policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, as well as the level of dividends to Ordinary Shareholders.

The Company may utilise borrowings for share buybacks, short-term liquidity purposes and investments, seeking leverage via bank financing, term loans, or debt instruments. The Company has the availability to borrow up to 35% of its NAV (calculated at the time of drawdown), provided that:

i. the maximum amount for borrowings for long-term investment purposes within such limit will be 30% of the NAV; and
ii. borrowings for long-term investment purposes may only be incurred when the minimum cover amount, 3.5x for ZDP Shares, is met (calculated at the time of drawdown).

As disclosed in note 25, the Company has a revolving credit facility with ANB for the purpose of supporting working capital needs and to fund the Company's general business requirements. EJFIH is also party to this agreement. In order to achieve the Company's capital risk management objective, the Company aims to ensure that it meets financial covenants attached to the facility. The Company tests compliance with the financial covenants on a quarterly basis and considers the results in making decisions affecting dividend payments to shareholders or issue of new shares.

The Company's net debt equity ratio at the year/period end was as follows:

	31 December 2018	31 December 2017
	£	£
ZDP Shares	15,545,525	14,556,533
Accounts payable and accrued expenses	2,340,899	3,333,854
Less: cash and cash equivalents	(648,319)	(3,194,538)
Net debt	**17,238,105**	**14,695,849**
Total equity	114,500,491	86,301,945
Net debt to adjusted equity ratio	**0.17**	**0.17**

22. Related Party Transactions and Other Material Contracts

Transactions

On 30 June 2017, the Company, through its investment in the Subsidiaries, entered into a cross-transaction with two private funds affiliated with the Manager for the purchase of interest 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 EJFIF at a value of £5,506,737 (31 December 2017: £4,917,953 and was held directly by EJFIH). The transaction was executed using pricing established through independent third-party valuations and following the review and approval by the independent non-conflicted members of the Board.

On 8 May 2018, the Company, through its investment in the Subsidiaries, closed on a new Risk Retention Investment, TFINS 2018-1, totalling approximately £16.8 million. TFINS 2018-1 is a securitisation sponsored by EJF and primarily consists of TruPS issued by 62 US community banks and 4 US insurance companies with an aggregate par value of approximately $538 million. The fair value of these preference securities is included in the Partnership at a value of £20.9 million (31 December 2017: £nil). The transaction was executed using pricing established through independent third-party valuations and following the review and approval by the independent non-conflicted members of the Board.

On 20 December 2018, the Company, through its investment in the Subsidiaries, closed on a new Risk Retention Investment, TFINS 2018-2, totalling approximately £13.8 million. TFINS 2018-2 is a securitisation sponsored by EJF and primarily consists of TruPS issued by 45 US community banks and 17 US insurance companies with an aggregate par value of approximately $351 million. The fair value of these preference securities is included in the Partnership at a value of £16.1 million (31 December 2017: £nil). The transaction was executed using pricing established through independent third-party valuations and following the review and approval by the independent non-conflicted members of the Board.

In January and February 2019, the Company, through its investment in the Subsidiaries made further investments in TFINS 2017-1, TFINS 2017-2 and TFINS 2019-1. See note 26 for more details of the transaction.

Investment Management fee

On 31 January 2017, the Company, the General Partner of the Partnership and the Partnership entered into a Management Agreement with the Manager and EJF. 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 and the Subsidiaries, including: (i) managing the Company's assets and its day-to-day operations; (ii) the selection, purchase and sale of investment securities held via its Subsidiaries; (iii) providing financing and risk management services; and (iv) providing advisory services to the Board. 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 quarterly in arrears commencing with the period ended 31 March 2017. Subject to certain limitations, the management fee is equal to 0.0833% (one-twelfth of 1%) of the Company's NAV. In May 2017, the Manager elected to assign to the Company its share of the dividends generated from the legacy collateral management contracts of the CDO Manager for the period 1 February 2017 to 31 January 2018. In lieu of paying such share of dividends, the Manager reduced the management fees charged to the Company by the same amount.

For the year from the 1 January to 31 December 2018, the Company accrued management fees of £942,779 (2017: £128.529) and an outstanding liability of £512,280 (31 December 2017: £128,529), which is presented within operating expenses on the Statement of Comprehensive Income and accounts payable and accrued expenses on the Statement of Financial Position.

Directors' fees

The Directors are entitled to a fee for their services at a rate to be determined from time to time by the Board. For the year ended 31 December 2018, the Company recorded Directors' fees of £135,000 (2017:

£125,942). As at 31 December 2018, £33,750 (31 December 2017: £40,366) of this amount was outstanding and included in accounts payable and accrued expenses in the Statement of Financial Position.

Director's fees are currently £40,000 each per annum. Neal Wilson has waived his right to receive remuneration for his service as Director.

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

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

Neal Wilson, also serves as an officer (Chief Executive 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 the Company, EJF and other programmes and activities in which they are involved. The independent Directors 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' and Officers' liability and professional indemnity insurance cover is maintained by the Company on behalf of the Directors. During the year ended 31 December 2018, the Company recorded Directors' and Officers' liability and professional indemnity insurance expense of £77,478 (2017: £74,798).

Incentive fee

The Manager is entitled to an incentive fee which is calculated in relation to the assets attributable to Ordinary Shares, in accordance with the Management Agreement. The Incentive Fee amount is equal to 10% 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.

The Incentive Fee is calculated in respect of each Incentive Fee Period, save for the first Incentive Fee Period which is the period commencing on 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 as defined in the Management Agreement.

For the year from the 1 January to 31 December 2018, the Company accrued an Incentive Fee liability of £1,112,315 (2017: £916,043), which is presented within operating expenses on the Statement of Comprehensive Income and accounts payable and accrued expenses on the Statement of Financial Position.

On 7 March 2018, the Company procured and delivered to the Manager 534,135 Ordinary Shares in the Company at an average price of 171.5p pence per share. This transaction was in satisfaction of the

Incentive Fee payable to the Manager for the Incentive Fee period ended 31 December 2017 and the Incentive Shares are subject to its Lock-Up Deed.

Ordinary Shares held by related parties

Shareholdings by the Directors in the Company as at the year/period end were as follows:

Name	Ordinary Shares	Percentage of Ordinary Shares in Issue	Ordinary Shares	Percentage of Ordinary Shares in Issue
	31 December 2018[1]	31 December 2018[2]	31 December 2017[1]	31 December 2017
Neal Wilson	1,181,759	1.84%	1,131,184	2.07%
Joanna Dentskevich	20,548	0.03%	20,548	0.04%

The Manager owned 534,135 Ordinary Shares as at 31 December 2018 (31 December 2017: nil).

As at 31 December 2018, affiliated entities to Emanuel J. Friedman, chair and Co-CIO of the Manager, held an aggregate of 11,117,344 Ordinary Shares issued by the Company, equal to 17.32%[1] of the issued share capital (31 December 2017: 10,732,306 Ordinary Shares issued by the Company, equal to 19.68% of the issued share capital). These affiliated entities include Cheetah Holdings which is one of the top 5 Ordinary Shareholders in the Company, as previously outlined in the Directors Report.

ZDP Shares held by related parties

Shareholdings by the Directors in the Company as at year end were as follows:

Name	ZDP Shares	Percentage of ZDP Shares in Issue	ZDP Shares	Percentage of ZDP Shares in Issue
	31 December 2018	31 December 2018	31 December 2017	31 December 2017
Neal Wilson	375,000	2.5%	375,000	2.5%

The Manager owned 375,000 ZDP Shares as at 31 December 2018 (31 December 2017: 375,000).

Other Material Contracts

The Manager has voluntarily committed to absorb future ongoing operating expenses incurred by the Company excluding management fees, incentive fees and one-off expenses, until no earlier than 1 July 2019. For the year ended 31 December 2018, £1,466,714 (2017: £1,199,950) of operating expenses were offset by reimbursements from the Manager and is presented in the Statement of Comprehensive Income.

As at 31 December 2018, the Company had a receivable balance of £1,722,574 (31 December 2017: £648,255) from the Manager relating to the reimbursement of these operating expenses and is included in the balance due from the Manager on the Statement of Financial Position.

[1] The Directors' holdings of Ordinary Shares are either direct and/or indirect holdings of Ordinary Shares in the Company

[2] The calculation of shareholding % is based on number of Ordinary Shares in issue after adjusting for treasury shares

23. Basic and Diluted Earnings per Share

Basic earnings per share is calculated by dividing the earnings for the year/period by the weighted average number of Ordinary Shares in issue during the year/period.

The weighted average number of Ordinary Shares in issue is 59,226,765 (31 December 2017: 51,244,202) and is based on the average number of Ordinary Shares in issue during the year.

The diluted earnings per share is calculated by considering adjustments required to the earnings and weighted average number of shares for the effects of potential dilutive Ordinary Shares. The weighted average of the number of Ordinary Shares is adjusted for any convertible instruments. At 31 December 2018 and 31 December 2017, there were no convertible instruments which would have an impact on the weighted average number of Ordinary Shares.

24. Warrant Issuance via Offer

On 28 February 2017, the Company issued warrants to two shareholders, which had an option to be exercised on or before 3 December 2017 for the issue of 624,000 Ordinary Shares to each holder thereof. On 1 December 2017, each holder exercised their warrants in return for Ordinary Shares of no par value in the Company.

The warrants were issued to these two shareholders based on their investment in the Partnership. As part of the restructure which took place on 9 February 2017, the investors were issued like-for-like warrant instruments in respect of shares in the Company.

In accordance with the terms of the warrants, the Warrant Holders chose to make a cashless exercise and were each issued 334,236 Ordinary Shares at a price of £1.54 per Ordinary Share.

25.Commitments and Contingencies

On 9 May 2018, the Company and ANB extended a financing and security agreement pursuant to which ANB agreed to provide a revolving credit facility of up to $15 million. The Revolving Credit Facility also includes EJFIH and EJFIF as a borrower. The Revolving Credit Facility may be used by the Company and/or the Subsidiaries for the purposes of supporting working capital needs and to fund their respective general business requirements where necessary. Unless repaid earlier, the unpaid loan amount together with accrued interest, shall be payable in full on 30 November 2019. 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 and the Subsidiaries' 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 over fees received in relation to its management of the Company, (iv) an assignment granted by the Company and the Manager over Risk Retention Proceeds distributions made by the Partnership, and (v) an assignment granted by the Manager and the Company over dividends from the CDO Manager. As at 31 December 2018 and 31 December 2017 there were no amounts outstanding in relation to the Revolving Credit Facility.

26. Events After the End of Reporting Year

On 25 January 2019, the Company declared a final dividend of 2.675p per Ordinary Share in respect of the quarter ended 31 December 2018 which was paid on 28 February 2019. The Company has announced its new Target Dividend of 10.7p per Ordinary Share for the financial year to 31 December 2019, which is intended to be distributed evenly in four quarterly payments.

The Company held an EGM of the Ordinary Shareholders on 14 February 2019 to seek approval for authority to purchase up to 9,619,878 Ordinary Shares and to either cancel or hold in treasury any Ordinary Shares so purchased and to dis-apply pre-emption rights on the allotment of Ordinary Shares in respect of up to 20 per cent of the Ordinary Shares in issue. All resolutions were passed.

On 31 January 2019, the Company, through its investment in EJFIF, entered into a cross-transaction with another fund affiliated with the Manager. The transaction involved the acquisition of $860,869 (par value) of the 2017-1 Preferred Shares and $1,631,250 (par value) of the 2017-2 Preferred Shares at an aggregate purchase price of $2,656,284. The transaction was executed using pricing established through independent third-party valuations and following the review and approval by the independent non-conflicted members of the Board.

On 27 February 2019, an amended and restated management agreement was entered into between the Company, the Partnership, the General Partner, the Manager and EJF effective from the date of the agreement which amended and restated the Management Agreement.

On 8 March 2019, the Company, through its investment in EJFIF, closed on a new Risk Retention Investment, TFINS 2019-1, totalling approximately £11.9 million. TFINS 2019-1 is a securitisation sponsored by EJF and primarily consists of TruPS and surplus notes issued by 32 US community banks and 18 US insurance companies with an aggregate par value of approximately $314 million. The transaction was executed using pricing established through independent third-party valuations and following the review and approval by the independent non-conflicted members of the Board.

GLOSSARY OF TERMS

TERM	DEFINITION
ABS	Asset Backed Securities
Adjusted NAV attributable to Ordinary Shares	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 Shares; (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
Administrator	Crestbridge Fund Administrators Limited
Admission	The Company's Ordinary Shares which were admitted to trading on the Specialist Fund Segment of the London Stock Exchange on the 7th April 2017
AGM	Annual General Meeting
AIC	The Association of Investment Companies
AIC Code	The AIC Code of Corporate Governance, Jersey Edition
AIF	An alternative investment fund, as defined in the AIFM Directive
AIFM	An alternative investment fund manager, as defined in the AIFM Directive
AIFMD or AIFM Directive	The Alternative Investment Fund Managers Directive 2011/61/EU
ANB	Access National Bank
Annual Report	Annual Report and Audited Financial Statements

Annualised Dividend Yield	Has the meaning in the Alternative Performance Measures section
APM	Alternative Performance Measure. The calculation methodology and rationale for disclosing each of the APMs has been disclosed in the Alternative Performance Measures section
Armadillo I	Armadillo Financial Fund LP
Armadillo II	Armadillo Financial Fund II LP
Armadillo Portfolio	A portfolio of high-yielding loans to US law firms engaged in mass tort litigation by way of the holding of limited partner interests in Armadillo I and Armadillo II
Articles	The articles of association of the Company
Auditor	KPMG LLP
Brexit	Brexit is the withdrawal of the UK from the EU
Board	The Board of Directors of the Company
Bridge Loan	An interest in a bridge loan to an affiliate of a publicly listed insurer
CDO	Collateralised Debt Obligation
CDO securities	Bonds issued by Kodiak, Attentus, Taberna, Narragansett and Credit Suisse, which are unaffiliated third-party CDO sponsors
CDO Manager	EJF CDO Manager LLC, a Delaware limited liability company
CFTC	US Commodities and Futures Trading Commission
Companies Law	The Companies (Jersey) Law 1991, as amended
Company or EJFI	EJF Investments Ltd, a closed-ended investment company incorporated with limited liability in the Bailiwick of Jersey under the Companies Law on 20 October 2016 with registered number 122353
Corporate Broker or Numis	Numis Securities Limited
CPO	Commodity Pool Operator
CTA	Commodity Trading Adviser
Dodd-Frank	The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
ECL	Expected Credit Loss

EGM	Extraordinary General Meeting
EJF	EJF Capital LLC
EJFIF	EJF Investments Funding Limited
EJFIH	EJF Investments Holdings Limited
EJF Risk Retention Securities	Has the meaning given to it in paragraph 5.1(a) of Part I: "The Company" of the Prospectus
EJF Securitisations	EJF or EJF Affiliate-sponsored securitisations
EU	The European Union
FRC	Financial Reporting Council
FVPL	Fair Value through Profit or Loss
General Partner	EJF Investments GP Inc., being general partner of the Partnership
High Watermark	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
IFRS	International Financial Reporting Standards as adopted by the European Union
Incentive Fee	The incentive fee to which the Manager is entitled as described in the section entitled "Fees and Expenses" in Part IV: "Directors, the Manager and Administration" of the Prospectus
Incentive Fee Period	Each 12-month period starting on 1 January and ending on 31 December in each calendar year
Incentive Hurdle	Incentive Hurdle is calculated using the Adjusted NAV attributable to Ordinary Shares on the date of Admission, and then the beginning NAV of each subsequent period, compounded annually (with effect from 31 December 2017) at a rate equal to an internal rate of return of 8% per annum
Incentive Shares	the Ordinary Shares used to pay the Incentive Fee
Interim Report	Interim Report and Unaudited Condensed Interim Financial Statements
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, and may be issued by entities domiciled in the USA, UK and Europe
Investment Policy	The Company seeks to achieve its Investment Objective by pursuing a policy of investing in a diversified portfolio of investments that are derived from the changing financial services landscape
JFSC	Jersey Financial Services Commission
Listing Rules	The listing rules made by the FCA under Part VI of the FSMA
Lock-Up Deed	Has the meaning given to it in paragraph 11.6 of Part XIII: "Additional Information" of the Prospectus
LSE	London Stock Exchange plc
Management Agreement	The Amended and Restated Management Agreement dated 30 March 2017 between the Company, the Partnership, the General Partner, the Manager and EJF (as amended)
Manager or Investment Manager	EJF Investments Manager LLC
MAR	Market Abuse Regulations
NAV per Ordinary Share	Has the meaning in the Alternative Performance Measures section
Net Asset Value or NAV	The NAV means the Company's assets less liabilities. The Company's assets and liabilities will be valued in accordance with International Financial Reporting Standards
NMPI	Non-Mainstream Pooled Investment
Ordinary Shares	The non-redeemable Ordinary Shares of no par value in the share capital of the Company which, for the avoidance of doubt, includes all classes of Ordinary Shares (denominated in such currency) as the Directors may determine in accordance with the Articles (and for the purposes of the Prospectus, the Ordinary Shares shall be denominated in Sterling) having the rights and subject to the restrictions set out in the Articles
Ordinary Shareholders	The holder or one or more Ordinary Shares
Ordinary Share Placing	Ordinary Shares issued pursuant to the Company's Placing Programme
Ordinary Share Price	Closing price as the respective reporting date as published on the London Stock Exchange

Partnership	EJF Investments LP (a Delaware limited partnership formed under the laws of the US state of Delaware)
Placing Agreement	Placing Agreement relating to the placing of ZDP Shares, Ordinary Shares and/or C Shares of the Company
Placing Programme	The Placing Programme of up to 100 million Ordinary Shares and/or C Shares and up to 50 million ZDP Shares
Portfolio	The Company's and the Subsidiaries' portfolio of investments from time to time
Preference Shares	TFINS 2017-1 depositor vehicle and subsequent to the year end for the Investment in TFINS 2017-2 depositor vehicle
Prospectus	The Company's prospectus dated 9 November 2017 and the supplementary prospectus dated 1 May 2018 and 13 September 2018
Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 and repealing Directive 2003/71/EC
REIT	Real estate investment trust
Revolving Credit Facility	On 9 May 2018, the Company and ANB entered into a financing and security agreement pursuant to which ANB agreed to provide a revolving credit facility of up to $15 million.
Risk Retention	Has the meaning given to it in Part II: "The Market Opportunity" of the Prospectus
Risk Retention and Related Investments	Risk Retention Investments, together with investments in non-risk retention securities of EJF securitisations and other non-EJF sponsored securitisations
Risk Retention Investments	Has the meaning given to it in paragraph 5.1(a) of Part I: "The Company" of the Prospectus
SBHC	Small Bank Holding Company Policy Statement
SEC	US Securities and Exchange Commission
Securitisation and Related Investments	Risk Retention and related investments, capital solutions and ABS Investments and the CDO Manager
SFS	The Specialist Fund Segment of the London Stock Exchange
SIFI	Systemically important financial institution
Sterling or GBP or £	Pound sterling – the currency of the UK

Subsidiaries	EJF Investments Holdings Limited and EJF Investments Funding Limited
Target Dividend	The Company targeted an annual dividend of 10 pence per Ordinary Share for the financial year to 31 December 2018. The Target Dividend for the year ending 31 December 2019 is 10.7p per Ordinary Share
Target Investments	Investments that consist primarily of securitisation and related investments and specialty finance investments. Has the meaning given to it in Part I: "The Company" of the Prospectus
Target Return	The Company targets an annual total return of 8% to 10% per annum
TFINS 2017-1	TruPS Financials Note Securitization 2017-1 Ltd
TFINS 2017-2	TruPS Financials Note Securitization 2017-2 Ltd
TFINS 2018-1	TruPS Financials Note Securitization 2018-1 Ltd
TFINS 2018-2	TruPS Financials Note Securitization 2018-2 Ltd
TFINS 2019-1	TruPS Financials Note Securitization 2019-1 Ltd
The Bill or Regulatory Relief Bill	Senate Bill S.2155 -- known as the "Economic Growth, Regulatory Relief and Consumer Protection Act" (Pub.L. 115–174, S. 2155)
Total Return	Has the meaning in the Alternative Performance Measures section
TPINS	Insurance-backed TruPS CDO, Trust Preferred Insurance Note Securitization 2016-1
TruPS	Trust preferred securities
TruPS CDO Collateral	Has the meaning given in paragraph 3.3(d) in the section entitled "Risk Factors" in the Prospectus
UK	United Kingdom
UK Code	2016 UK Corporate Governance Code
US or USA	United States of America
US Dollar or USD or $	United States Dollar
Warrant Holders	Wolfson Equities LLC and CNF Investments II, LLC
Warrant Shares	Has the meaning given to it in paragraph 11.12 of Part XIII: "Additional Information" of the Prospectus
ZDP Shares	The redeemable Zero Dividend Preference shares of no par value in

	the Company with a repayment date during November 2022 and a bearing a gross redemption yield of 5.86%
ZDP Shareholder	The holder of one or more ZDP Shares
ZDP Share Price	Closing price as at the respective reporting date as published on the London Stock Exchange

ALTERNATIVE PERFORMANCE MEASURES

NAV per Ordinary Share

NAV per Ordinary Share means an amount equal to, as at the relevant date, the NAV attributable to Ordinary Shares divided by the Ordinary Shares in Issue as at such date.

Reason for use

Common industry performance benchmark for calculating the Total Return, Share Price (Discount)/Premium to NAV Per Ordinary Share and Annualised Dividend Yield. This key performance highlight has been classified as an APM following a reassessment of the APMs.

Recalculation

NAV per Ordinary Share is calculated as follows:

	31 December 2018	**31 December 2017**
Net Assets as per Statement of Financial Position	£114,500,491	£86,301,945
Number of Ordinary Shares in issue at year/period end (excluding treasury shares)	64,175,306	54,543,142
NAV per Ordinary Share	**178.42p**	**158.23p**

Total Return

Compounded monthly returns per the monthly published performance reports, inclusive of dividends.

Reason for use

To provide transparency in the Company's performance and to help investors identify and monitor the compounded returns of the Company.

Recalculation

Total Return has been calculated using the following monthly returns and compounded as follows:

	From inception to 31 December 2018	**2018**	**2017**
Compounded 2017 monthly return	23.47%		
January	8.28%	8.28%	-
February	0.70%	0.70%	2.96%
March	0.12%	0.12%	3.65%
April	2.70%	2.70%	0.24%
May	2.10%	2.10%	2.85%
June	1.62%	1.62%	0.34%
July	0.50%	0.50%	0.90%
August	2.39%	2.39%	1.37%
September	0.08%	0.08%	0.54%
October	0.32%	0.32%	4.92%
November	0.22%	0.22%	0.59%
December	(1.13)%	(1.13)%	2.53%
Compounded monthly return	**47.03%**	**19.08%**	**23.47%**

Annualised Dividend Yield

Dividends declared in respect of the relevant period divided by the share price mid quote as at the end of the relevant period.

Reason for use

To measure the Company's distribution of dividends to the Company's Ordinary Shareholders relative to share price to allow comparability to other companies in the market.

Recalculation

Annualised Dividend Yield is calculated as follows:

	31 December 2018
Dividends declared and paid for the quarter ended 31 March 2018 (see note 18)	2.5p
Dividends declared and paid for the quarter ended 30 June 2018 (see note 18)	2.5p
Dividends declared and paid for the quarter ended 31 September 2018 (see note 18)	2.5p
Dividends declared for the quarter ended 31 December 2018 (see note 26)	2.675p
Total Dividends declared in respect of the year ended 31 December 2018	**10.175p**
NAV Per Ordinary Share	178.4p
Annualised Dividend Yield	**5.7%**

	31 December 2017
Dividends declared and paid for the quarter ended 31 March 2017 (see note 18)	2.4p
Dividends declared and paid for the quarter ended 30 June 2017 (see note 18)	2.4p
Dividends declared and paid for the quarter ended 31	2.4p

September 2017 (see note 18)	
Dividends declared for the quarter ended 31 December 2017 (see note 18)	2.5p
Total Dividends declared in respect of the period ended 31 December 2017	**9.7p**
NAV Per Ordinary Share	158.2p
Annualised Dividend Yield	**6.1%**

Share Price Discount to NAV Per Ordinary Share

Closing price as at such date as published on the London Stock Exchange divided by the NAV per Ordinary Share.

Reason for use

Common industry measure to understand the price of the Company's shares relative to its net asset valuation. This performance measure has been reclassified as an APM in the current year. This key performance highlight has been classified as an APM following a reassessment of the APMs.

Recalculation

Share Price Discount to NAV Per Ordinary Share is calculated as follows:

	31 December 2018	**31 December 2017**
Closing price as at 31 December as published on the London Stock Exchange.	178.0p	154.5p
NAV per Ordinary Share	178.4p	158.2p
Share Price Discount to NAV Per Ordinary Share	**(0.2)%**	**(2.4)%**