EJF Investments Ltd

Annual Report and Audited Financial Statements 2019

Contents

2019 Performance Highlights

Outstanding performance

Total Return for the year[1]
2019: 11.88%
2018[1]: 19.08%

Total Return since Inception[1]
64.53%

Delivered on dividends

Dividend
2019: 10.7p
2018: 10.175p

Annualised Dividend Yield[1]
2019: 6.3%
2018[1]: 5.7%

Market view

Ordinary Share Price
171p
2018: 178p

ZDP Share Price
116.5p
2018: 109p

Market Capitalisation
£109.7m
2018: £114.2m

Asset performance

Net Asset Value
2019: £121.0m
2018: £114.5m

NAV per ordinary share[1]
2019: 189p
2018[1]: 178p

Share price discount to NAV per ordinary share[1]
2019: (9.5)%
2018[1]: (0.2)%

Portfolio investments

Securitisation & Related Investments
£96.9m

Specialty Finance
£16.3m

Other
£8.2m

1 These are APMs as defined on pages 87-88.

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 IFC1, The Esplanade, St. Helier, Jersey, JE1 4BP, Channel Islands. The principal legislation under which the Company operates is the Companies Law. The Company's capital comprises Ordinary Shares and ZDP Shares admitted to trading on the SFS.

Purpose

The Company is an essential part of EJF's overall strategy and acts as a public vehicle to provide exposure to investments in the equity tranches of EJF sponsored securitisations, subject to Director approval. The Manager believes the Company offers attractive risk adjusted returns for its shareholders in a niche asset class, with a target of paying quarterly dividend payments and growing the Net Asset Value.

Strategy

The Company aims to achieve its purpose 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 cash and potentially synthetic formats issued by entities domiciled in the US, UK and Europe.

Values

To promote the long-term success of the Company through responsible investing, focussing on the values of the Company in a world with constantly evolving social and economic demographics. We believe that a strong corporate governance structure is crucial to the pursuit of this goal along with trusted relationships with our advisors. This was exemplified recently with the Board being one of fifteen European funds to have been awarded by IFI Global an expert rating for "Board Composition Capability" for independence and diversity of experience.

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 US, UK and Europe. Investments consist primarily of Securitisation and Related Investments and Specialty Finance Investments.

The Company targeted a Total Return of 8% to 10% per annum for the financial year to 31 December 2019, and the Company paid the Target Dividend for the year of 10.7 pence per Ordinary Share. The Company's Target Dividend for the financial year to 31 December 2020 is also 10.7p per Ordinary Share, although its ability to meet this may be impacted by COVID-19, the full effects of which are currently uncertain. Subject to that, 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 pages 64 to 67 of its Prospectus, which is available on the Company's website, **www.ejfi.com**.

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 cash flow 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 Investment Manager, a wholly owned subsidiary of EJF, an investment adviser principally located in the US and registered as such with the SEC and as a CPO and CTA with the CFTC.

To meet the requirements of Rule 206(4)-2 under the Investment Advisors Act 1940 (the "Custody Rule") the Audited Financial Statements of the Company have also been audited in accordance with US GAAS.

The Company has appointed the Investment Manager to act as the AIFM for the purposes of the AIFM Directive. EJF holds 100% of the voting rights in the Investment Manager.

Share Issuance

There were no Ordinary Shares issued during 2019.

Listing information

The table below is representative for the years ended 31 December 2019 and 31 December 2018.

	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	–

Significant Events during the Year

EGM

On 14 February 2019, the Company announced that the following resolutions were duly passed at the EGM held on the same date:

i) To authorise the Company to purchase up to 9,619,878 Ordinary Shares and to either cancel or hold in treasury any Ordinary Shares so purchased;

ii) A general disapplication authority of pre-emption rights in respect of up to 6,955,719 Ordinary Shares, representing approximately 10% of the Ordinary Shares in issue; and

iii) Conditional on the above general disapplication resolution being passed, an additional disapplication authority of pre-emption rights in respect of up to 6,955,719 Ordinary Shares, representing approximately a further 10% of the Ordinary Shares in issue.

AGM

On 21 June 2019, the Company announced that the following special resolutions were duly passed at the AGM held on the same date:

i) To authorise the Company to purchase up to 10,426,623 of its own Ordinary Shares, representing approximately 14.99% of the Company's total issued ordinary share capital and to either cancel or hold in treasury any Ordinary Shares so purchased;

ii) To authorise the Directors to allot and issue pursuant to the Placing Programme up to 150,000,000 Ordinary Shares and/or C Shares as if the pre-emption rights in the Articles did not apply;

iii) To authorise the Directors to allot and issue up to a further 6,955,715 Ordinary Shares, representing approximately a further 10% of the Company's total issued ordinary share capital as if the pre-emption rights in the Articles did not apply;

iv) To authorise the Directors to allot and issue up to a further 6,955,719 Ordinary Shares, representing approximately a further 10% of the Company's total issued ordinary share capital as if the pre-emption rights in the Articles did not apply;

EGM

On 18 December 2019, the Company announced that the following resolutions were duly passed at the EGM held on the same date:

i) Subject to receipt of any required approval from the US Internal Revenue Service, the Company shall be authorised to change its tax status from a partnership to "an association taxable as a corporation" for US federal income tax purposes; and

ii) The Articles of Association of the Company be amended to reflect the changes set out in Schedule 2 to the Letter from the Chair dated 22 November 2019.

Change of Company Secretary, Administrator and Registered Office

On 1 May 2019, the Company announced that it had appointed BNP Paribas Securities Services S.C.A., Jersey Branch, effective 1 May 2019, as its secretary and administrator in place of Crestbridge Fund Administrators Limited. The registered office address of the Company changed to IFC1, The Esplanade, St. Helier, Jersey, JE1 4BP, Channel Islands.

Incentive Fee

On 25 February 2019, the Company announced that the Investment Manager allocated and distributed 534,135 Ordinary Shares of no par value in the Company as follows:

- Neal J. Wilson, the Chief Executive Officer of the Investment Manager, acquired 106,826 Ordinary Shares from the Investment Manager;
- Lindsay J. Sparacino, the Co-Chief Investment Officer of the Investment Manager, acquired 53,414 Ordinary Shares from the Investment Manager;
- Peter A. Stage, the Chief Financial Officer of the Investment Manager, acquired 53,414 Ordinary Shares from the Investment Manager;
- Hammad W. Khan, the Senior Managing Director, Europe, of the Investment Manager, acquired 53,414 Ordinary Shares from the Investment Manager; and
- EJF Capital Limited, a wholly-owned subsidiary of EJF Capital LLC, acquired 267,067 Ordinary Shares from the Investment Manager.

The above 534,135 Ordinary Shares had been received by the Investment Manager in March 2018 in satisfaction of the incentive fee payable to it by the Company for the incentive fee period ended 31 December 2017.

On 28 February 2019, the Company announced that the Investment Manager had acquired 207,135 Ordinary Shares of no par value in the Company at an average price of 179 pence per share. The Company was also notified on the same date that the Investment Manager had allocated these Ordinary Shares as follows:

- Neal J. Wilson, the Chief Executive Officer of the Investment Manager, acquired 41,427 Ordinary Shares from the Investment Manager;
- Lindsay J. Sparacino, the Co-Chief Investment Officer of the Investment Manager, acquired 20,714 Ordinary Shares from the Investment Manager;
- Peter A. Stage, the Chief Financial Officer of the Investment Manager, acquired 20,714 Ordinary Shares from the Investment Manager;
- Hammad W. Khan, the Senior Managing Director, Europe, of the Investment Manager, acquired 20,714 Ordinary Shares from the Investment Manager; and
- EJF Capital Limited, a wholly-owned subsidiary of EJF Capital LLC, acquired 103,566 Ordinary Shares from the Investment Manager.

On 29 May 2019, the Company announced that the Investment Manager acquired 390,286 Ordinary Shares of no par value in the Company at an average price of 190 pence per share. The Company was also notified on the same date that the Investment Manager allocated these Ordinary Shares as follows:

- Neal J. Wilson, the Chief Executive Officer of the Investment Manager, acquired 78,058 Ordinary Shares from the Investment Manager;
- Lindsay J. Sparacino, the Co-Chief Investment Officer of the Investment Manager, acquired 39,029 Ordinary Shares from the Investment Manager;
- Peter A. Stage, the Chief Financial Officer of the Investment Manager, acquired 39,029 Ordinary Shares from the Investment Manager;
- Hammad W. Khan, the Senior Managing Director, Europe, of the Investment Manager, acquired 39,029 Ordinary Shares from the Investment Manager; and
- EJF Capital Limited, a wholly-owned subsidiary of EJF Capital LLC, acquired 195,141 Ordinary Shares from the Manager.

The latter two transactions represent full satisfaction of the Incentive Fee payable by the Company to the Investment Manager for the Incentive Fee Period ended 31 December 2018 and the recipients of the Ordinary Shares are subject to the Lock-Up Deed.

Publication of Prospectus and Placing Programme

On 24 June 2019, the Company announced the publication of a prospectus in relation to the 12 month Placing Programme of up to 150 million Ordinary Shares and/or C Shares and up to 75 million new ZDP Shares.

Publication of Supplementary Prospectus

On 19 December 2019, the Company announced that the FCA had approved a supplementary prospectus (the "Supplementary Prospectus") relating to the proposed change in US tax classification status of the Company from a partnership to a non-US corporation.

Refer to note 20 for details on the significant events post year end.

General Information

Board of Directors

Joanna Dentskevich (Chair)
Alan Dunphy
Nick Watkins
Neal J. Wilson
All c/o the Company's registered office

Registered Office

IFC1
The Esplanade
St. Helier
Jersey JE1 4BP
Channel Islands

Administrator and Company Secretary[1]

BNP Paribas Securities Services S.C.A. Jersey Branch
IFC1
The Esplanade
St. Helier
Jersey JE1 4BP
Channel Islands

Manager/Investment Manager

EJF Investments Manager LLC
The Corporation Trust Company
Corporation Trust Center
1209 Orange Street
Wilmington, DE 19801-1120
USA

Corporate Broker & Financial Adviser

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT
UK

Custodians

Citigroup Global Markets Inc.
390 Greenwich Street
New York City
NY 10013-2396
USA

Citibank N.A.
399 Park Avenue
New York City
NY 10043
USA

Registrar

Computershare Investor Services (Jersey) Limited
Hilgrove Street
St. Helier
Jersey JE1 1ES
Channel Islands

Legal Adviser to the Group

(as to English and US law)

Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ
United Kingdom

(as to Jersey law)

Carey Olsen
47 Esplanade
St. Helier
Jersey JE1 0BD
Channel Islands

(as to Delaware law)

Richards, Layton & Finger, P.A.
One Rodney Square
920 N. King Street
Wilmington, DE 19801
USA

Investor screening service[2]

The ID Register
5th Floor Market Building
Fountain Street
St. Peter Port
Guernsey GY1 1BX
Channel Islands

Websites

Company: www.ejfi.com
Manager: ww.ejfimanager.com
Company number: 122353

1 BNP Paribas Securities Services S.C.A., Jersey Branch was appointed the Company's Administrator and Secretary as from 1 May 2019. Crestbridge Fund Administrators Limited was the Company's administrator and secretary up to 30 April 2019.

2 The ID Register was appointed as from 3 January 2020.

Chair's Statement

Introduction

On behalf of the Board, I am pleased to present the Annual Report and Audited Financial Statements for the year ended 31 December 2019.

In a year which saw continued market volatility, political uncertainty, notably in the UK, and increasing trade tensions the Company maintained its robust performance recording a Total Return for the year of 11.88%[1], thereby exceeding its stated Target Return of 8% to 10%. This further demonstrates its ability to benefit from the sustained strengthening of the US community banking system and US insurance industry.

Performance and portfolio activity

The overall robust performance of the Company's investments was boosted by the redemptions of two of its risk retention investments and the closing of a further three, taking the total of risk retention investments since listing to eight as further described below.

In March, approximately £11.9 million was invested in the preferred shares issued by TFINS 2019-1 and as with other similar investments, through its 49% ownership of the CDO Manager, the Company will receive its share of a 20 bps p.a. collateral management fee in addition to earning an incentive management fee, subject to certain criteria.

In April, the redemption of the Company's investment in the equity tranche of TFINS 2017 realised a total return of £8.9 million due to the underlying collateral having been contributed at a significant discount at origination. This investment was originally made in March 2017 and the call was a positive development, allowing the Company to realise an IRR of greater than 24% from its investment in the equity tranche of this securitisation.

1 Inclusive of declared dividends for the year

"The redemption of TFINS 2017 realised a Total Return of £8.9 million."

In June, the bridge loan to a monoline insurance company was redeemed at par enabling it to be refinanced at an attractive coupon of 12% with extended maturity of January 2022.

FINS 2019-1, the Company's seventh risk retention investment, closed in September comprising an investment of approximately £10.3 million in the preferred shares of FINS 2019-1. This was the Company's first securitisation primarily collateralised by bank subordinated notes and senior unsecured notes issued in 2018 and 2019, as opposed to the primarily TruPS collateralised securitisations held to date. This is expected to be a growth area for the Company. Anticipated return scenarios estimate that this investment should generate a gross return in the high single digits.

In November, the CDO equity investment in TPINS was redeemed at NAV with a total return in excess of £2.8 million. The TPINS equity position generated an IRR in excess of 11% and, when including the revenue stream from the collateral management fee, the IRR was even higher.

Readers will note cash balances of the Group were high during the year. These funds were conservatively set aside for any adverse foreign exchange moves necessitating the posting of associated variation margin on foreign exchange forward contracts. As Sterling strengthened and held its ground during the second half of 2019, the Manager made strategic investments into UK specialist bank sub-debt, which offer attractive risk adjusted returns and benefit from not having the hedging costs associated with the Group's US assets.

"In December the Company committed £12 million to TFINS 2019-2."

Following the decisive UK election result, the Manager anticipated investing a sizeable portion of the cash balances that were put aside for potential margin calls. Indeed, in December the Company committed to make its eighth risk retention investment in TFINS 2019-2 for approximately £12 million.

TFINS 2019-2 is another securitisation containing collateral consisting mainly of trust preferred securities, surplus notes, and senior notes issued by 34 US banks and 24 US insurance companies.

The Company's investment in the Armadillo Portfolio was disappointing this year with the remaining tail of impaired loans taking longer than expected to be recovered from the respective borrowers. However, the position only represents 3.5% of NAV as at the year end and thus did not have a significant impact on performance.

Corporate activity

During 2019, the Company held two EGMs. The first, in February, allowed the Company to remain well positioned to take advantage of investment opportunities by obtaining shareholder authorisation to grant the Company the option to buy back some Ordinary shares and for disapplication of pre-emption rights of up to 10% of the Ordinary Shares in issue. The second, in December, was to gain approval from shareholders for the Company to be treated as a non-US corporation for US federal income tax purposes from 1 January 2020. Pleasingly, all resolutions were passed and with the subsequent approval from the IRS, the Company is now able to eliminate the associated annual US tax reporting and compliance costs.

"The Manager has agreed to absorb at least 75% of recurring operating expenses until the NAV exceeds £300 million."

The Company's AGM was held on 21 June 2019. Again, all resolutions were approved by the shareholders, including the re-election of all the Directors to the Board.

In November, the Directors were very pleased to announce that, with effect from 1 January 2020, the Manager agreed to absorb 80% of the Company's recurring operating expenses, aside from management and incentive fees, until no earlier than 1 January 2021. This is in addition to the Manager's previously announced intention to absorb at least 75% of the Company's recurring operating expenses, aside from management and incentive fees, until no earlier than the date on which the unaudited net asset value of the Company reaches £300 million. This arrangement demonstrates the Manager's ongoing commitment to, and alignment with the Company and its shareholders.

Post year-end, under the authorities granted at the AGM, the Directors approved a share buy-back programme for up to £5,000,000 to address any imbalance between the supply and demand for the Ordinary Shares, to increase the NAV per Ordinary Share and to assist in minimising any discount to the NAV per Ordinary Share at which Ordinary Shares may be trading. This resulted in a total of 3,030,108 Ordinary Shares being purchased to be held in treasury.

Share price

The Company's Ordinary share price began the year trading around the NAV. At the year end, the share price was £1.71 representing a discount of 9.5% with which the Directors and Manager were disappointed considering there had been no adverse changes in the portfolio's performance and that returns had outperformed the Target Return.

Dividends

Cash dividends in respect of 2019 of 2.675p per Ordinary Share were announced in April 2019, July 2019, October 2019 and January 2020. This equates to an annualised dividend yield of 6.3% of the share price at 31 December 2019.

Corporate governance

The Company continues to uphold the principles of good corporate governance and by reporting against the AIC Code meeting our obligations in relation to the UK Code and in particular for this year section 172(1).

I am pleased also to note that the Board is one of fifteen European funds to have been awarded by IFI Global an expert rating for "Board Composition Capability" for our independence and diversity of experience.

With respect to section 172(1), the table on pages 28 to 29 identifies the Company's key stakeholders, their particular focus and how we engage with them. Through this we aim to ensure understanding of each stakeholder's issues and the importance of consideration and engagement in building the long-term success of the Company.

Principal risks and uncertainties

The Directors have carried out a robust review and assessment of the emerging and principal risks facing the Company along with the continued uncertainty of the impact of Brexit and of the unprecedented and evolving situation that COVID-19 is presenting. A summary of those risks and any changes from last year can be found on pages 15 to 21.

Outlook

The COVID-19 pandemic is causing substantial movements and volatility in all markets with the long term impact on the global economy expected to be substantial.

The Directors believe it is currently not possible to understand or quantify the full extent of the impact of the COVID-19 pandemic and therefore consider its' impact on the Company to be an uncertainty. The Directors and the Investment Manager are closely monitoring the situation to ensure liquidity is preserved where possible, to analyse whether underlying assets continue to remain robust and withstand significant stress and to ensure that business continuity plans remain working efficiently.

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

2020 AGM

The Directors recognise the importance of shareholder engagement and the opportunity for Shareholders to attend the AGM should they wish. However, in light of the current restrictions placed on social gatherings due to COVID-19, the Company has decided to delay the decision regarding when it will be held. Shareholders will be updated in due course.

Joanna Dentskevich
Chair
24 April 2020

Investment Manager's Report

We are pleased to present our review of the year ended 31 December 2019 and outlook for 2020.

The Group delivered a Total Return of 11.9%, inclusive of dividends totalling 10.7p per Ordinary Share declared in respect of the period ended 31 December 2019. This compares favourably to the Group's stated Target Return of 8-10% p.a. inclusive of dividends.

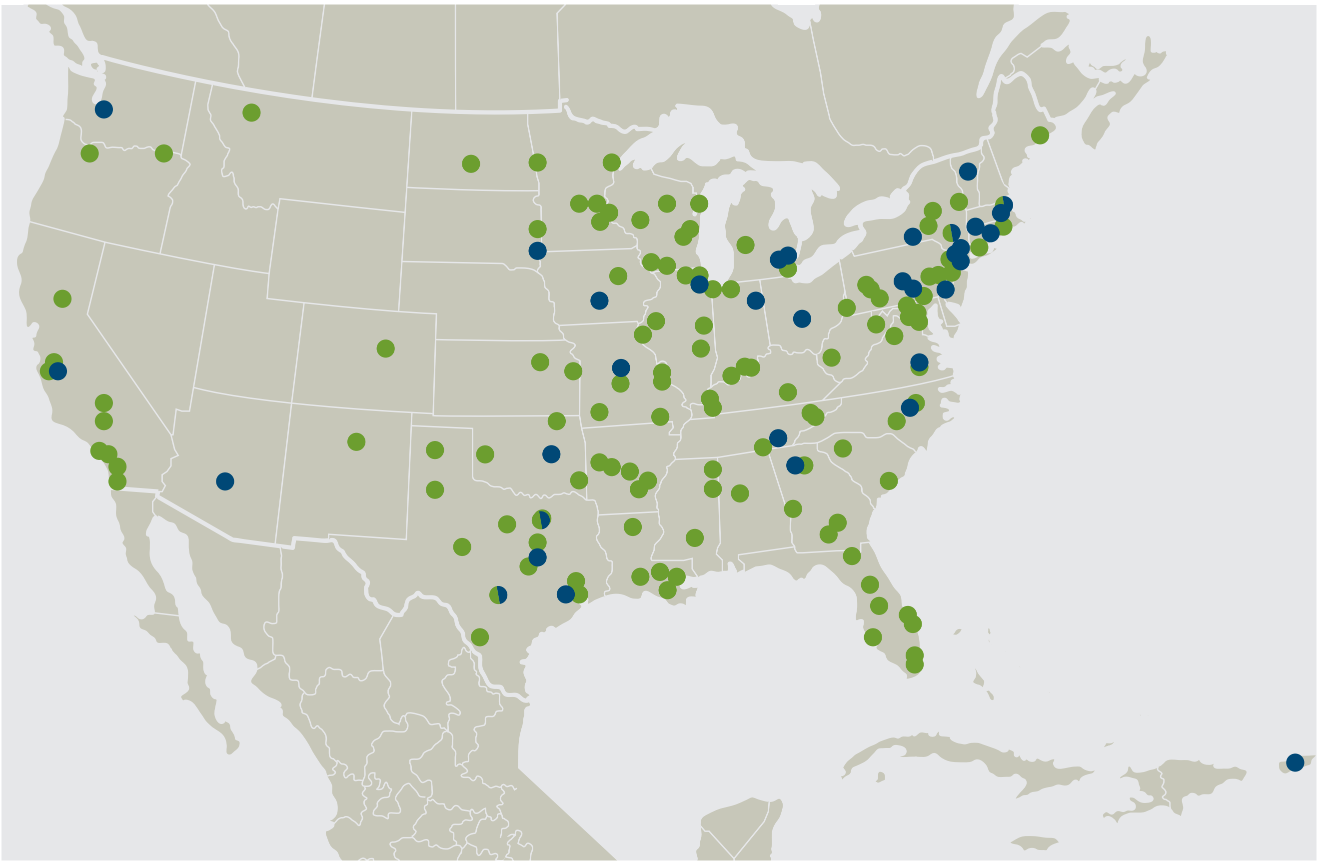
Through its main investment strategy of acquiring bank and insurance CDO equity positions as the risk retention partner to EJF, the Group has exposure to a diversified portfolio of more than 150 banks and 40 insurance companies located across the US.

Although the operating landscape is rapidly changing as a result of the COVID-19 pandemic, the Group's investment strategy should continue to perform well. We believe measures taken by the United States Congress, principally through the CARES Act, as well as actions taken by the Federal Reserve and banking and insurance regulatory bodies, should provide sufficient liquidity and a sound backstop to allow the financial system to weather the current crisis. Programs such as the $349 billion PPP, administered by the United States SBA and the US Treasury, provide direct support to small businesses to maintain payroll, service rent or mortgage obligations, and pay utilities, in the form of a forgivable loan. Although meaningful uncertainty remains, we believe this program significantly mitigates near term credit risks for many community and regional banks in the United States.

Swift monetary policy response from the Federal Reserve in the form of interest rate cuts and expanded access to the Federal Reserve Discount and expanded credit facilities has significantly enhanced overall market liquidity while also allowing banks to lower their cost of funds. These measures should help stabilize bank net interest margins.

In addition, factors benefiting the Group's investments prior to the COVID-19 pandemic, such as favourable regulatory climate and robust M&A should remain upon a resumption of stability. The operating leverage improvements gained through M&A remain and many banks will seek to find a partner following this crisis. We believe many bank boards of directors will have fatigue which may accelerate their desire to sell.

Geographic diversification of bank and insurance debt[1]



Bank   Insurance

1 Based on the headquarters of the underlying collateral issuers of TFINS 2017-2, TFINS 2018-1, TFINS 2018-2, TFINS 2019-1, FINS 2019-1, and TFINS 2019-2; as of the closing date.

US bank market update

During 2019, the US bank merger & acquisition activity continued apace as 266 deals were announced while the number of large bank deals (i.e. more than $10 billion of assets) was the highest since 2008. Given an estimated 4,880 insured depositories at year end, the current annual pace represents a 5% consolidation rate approximately. Although we observed average M&A transaction pricing being modestly lower than previous years, stock valuations rose in the fourth quarter as the Federal Reserve signalled an end to interest rate cuts.

In our estimation, the structurally lower interest rate environment created two notable themes in 2019. The first important theme has been the continued growth of the subordinated debt market for smaller banks and the recent growth of the non-cumulative preferred market for larger banks.

Subordinated debt markets continued to be accessible at ever tighter (cheaper cost of funding) levels in 2019. As the market continues to mature, smaller issuers with below $3 billion of assets could take advantage of the Small Bank Holding Group Policy Statement and use this Tier-1 qualifying regulatory capital for growth and M&A. The relatively low cost of capital also supports a compelling argument for issuing subordinated debt to refinance legacy debt securities, particularly TruPS. Indeed, during 2019, $2.9 billion of sub-debt was issued by small banks where yields have generally declined from 7%+ to 5%+ for banks with fewer than $3 billion in assets.

For larger banks, we have seen an increase in the issuance of non-cumulative preferred equity at levels that provide a very flexible, cheap alternative to TruPS, in addition to counting as Tier 1 capital from a regulatory perspective. Banks recognized that they could lock in an attractive fixed rate coupon in a perpetual security at attractive low levels while retaining the right to call the capital if rates were to decline. In 2019, there was $7.7 billion of non-cumulative preferred issuance, a healthy increase from the $3.3 billion raised in 2018.

The second theme emerging from the lower interest rate environment is that the flatter yield curve played a role in incentivising banks to merge or find other levers to offset declining revenues. As mentioned previously, 2019 saw the greatest number of large deals involving banks greater than $10 billion in assets since 2008. A part of the reason for this occurring is due to the regulatory change in the SIFI designation as part of the Regulatory Relief Bill that was passed with bipartisan support in May 2018. The SIFI definition change provides a clearer regulatory paradigm for banks with less than $100 billion in assets. Importantly, though, the economics of so-called MOEs can be quite powerful.

Examples of MOEs in 2019:

- TCF Financial ($23.7 billion) & Chemical Financial ($21.5 billion) announced 1/28/2019
- BB&T Corp ($236.8 billion) & Suntrust Banks ($227.4 billion) announced 2/7/2019
- First Horizon ($43.7 billion) & IberiaBank Corp ($31.7 billion) announced 11/4/2019
- Texas Capital Bank ($33.5 billion) & Independent Bank ($15.0 billion) announced 12/9/2019

US insurance market update

The secular trend for consolidation among US insurance companies continued through the year ended 31 December 2019. In 2019, there were 86 announced US insurance group merger and acquisition transactions, which represented a slight decrease from the 90 deals announced in 2018. Of note, total 2019 transaction volume was $23.3 billion, which was almost twice as much as 2018's total transaction volume of $12.4 billion. Given the current low-rate environment and competitive market, we expect small and mid-size insurance companies to experience pressure on their investment income. As a result, we expect further asset liability management, including potential M&A, early redemptions and expense optimisation, all of which could benefit and de-lever some of the Group's investments.

Although insurance group headlines have been dominated by natural catastrophes around the globe, we believe the impact of such events on the underlying credits that collateralise EJFI's CDO equity investments is not material, as these smaller and niche insurers have little exposure to catastrophic events such as hurricanes and typhoons. Whilst the COVID-19 pandemic has caused uncertainty in the insurance market as a whole, we remain confident of the enterprise risk management, strong balance sheets and capitalisation of the underlying insurance credits despite this. The situation is however very fluid and we continue to actively monitor this.

We currently retain confidence in the underlying insurance credits in the Group's portfolio, even when considering COVID-19, for a variety of reasons. Generally, these credits have lower loss ratios than the industry average due to the specialised nature of their businesses and long operating histories. Furthermore, 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. In addition, given potential M&A synergies and cost benefits, we believe many of the underlying insurance credits are prime targets for acquisition or affiliation.

Bank and insurance CDO market update

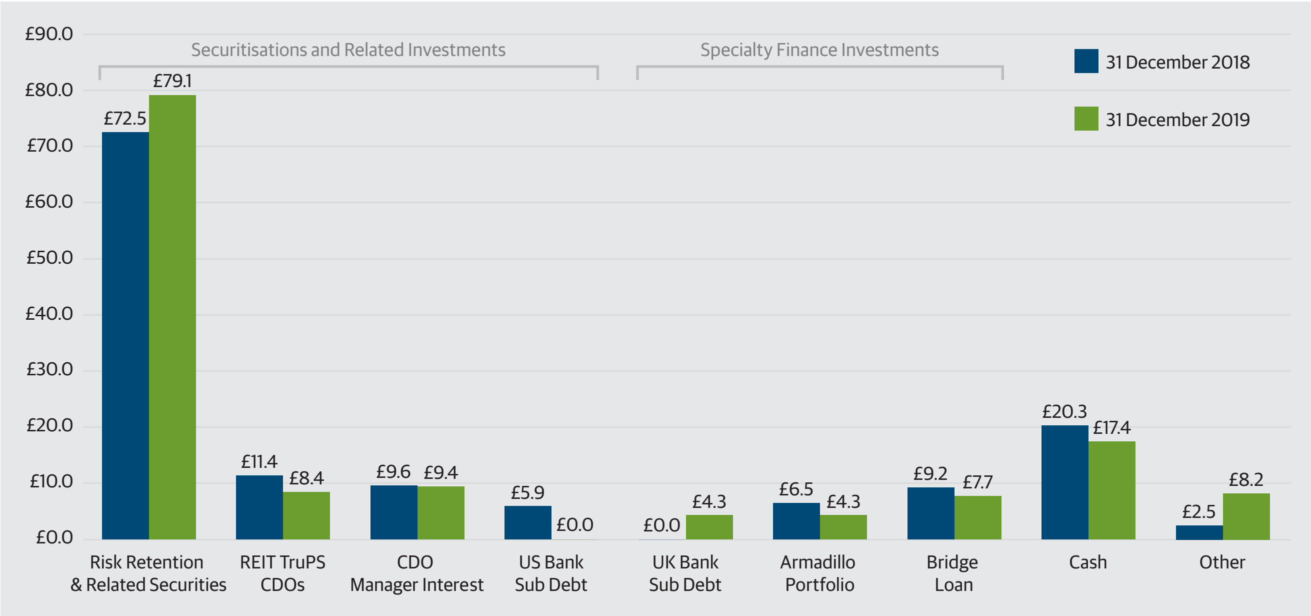
Activity in the bank and insurance CDO segment remained elevated in 2019 despite some weakness in the broader credit markets. Although interest rates declined during the year, investors continued to build exposure to the asset class as it provides attractive yields with lower than average volatility.

2019 new issuance volume in bank and insurance CDOs totaled approximately $1.2 billion across four transactions, two of which were sponsored by EJF. This compares to 2018 bank and insurance CDO transactions totaling approximately $1.5 billion across four deals, two of which were sponsored by EJF.

Portfolio update

The clear majority of the Group's investment portfolio continued to perform in line with expectations from an income yield perspective which was boosted by an additional realised uplift from the Securitisations and Related Investments segment. The Group made both Risk Retention and Related Investments in addition to Specialty Finance Investments during the year.

Portfolio Composition (£ million)



Specifically, the Group invested approximately £22.2 million across the equity tranches of two securitisations sponsored by EJF, bringing total risk retention and related investments to £79.1 million across five securitisations as at 31 December 2019. Risk Retention and Related Investments, in addition to the other Securitisation and Related Investments, represented approximately 70% of the Group's assets as of 31 December 2019 and we expect this segment to continue to grow. These investments are consistent with the Group'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 on the next page.

Deal Name	Closing Date	Original Collateral Balance	Original CDO Size	Equity Tranche	EJFI Portion of Equity Tranche	Original Leverage
TFINS 2017-2	Oct 2017	$353.0m	$340.4m	$54.5m	30%	4.3x
TFINS 2018-1	May 2018	$537.8m	$534.5m	$66.7m	34%	6.7x
TFINS 2018-2	Dec 2018	$349.1m	$348.5m	$50.2m	35%	5.7x
TFINS 2019-1	Mar 2019	$313.9m	$314.2m	$56.8m	28%	4.6x
FINS 2019-1	Sep 2019	$250.5m	$258.4m	$50.6m	25%	4.9x

Deal Name	Bank	Insurance	# Bank Issuers	# Insurance Issuers	Total Issuers
TFINS 2017-2	55%	45%	27	21	48
TFINS 2018-1	93%	7%	59	4	63
TFINS 2018-2	81%	19%	44	15	59
TFINS 2019-1	62%	38%	32	18	50
FINS 2019-1	100%	0%	45	0	45

Deal Name	Floating Rate	WA Asset Spread	Moody's WARF	Implied Rating (based on WARF)
TFINS 2017-2	89%	3.07%	918	Ba1
TFINS 2018-1	93%	2.68%	603	Baa3
TFINS 2018-2	100%	3.04%	697	Baa3
TFINS 2019-1	89%	3.20%	728	Baa3
FINS 2019-1	0%	4.59%	695	Baa3

Banks

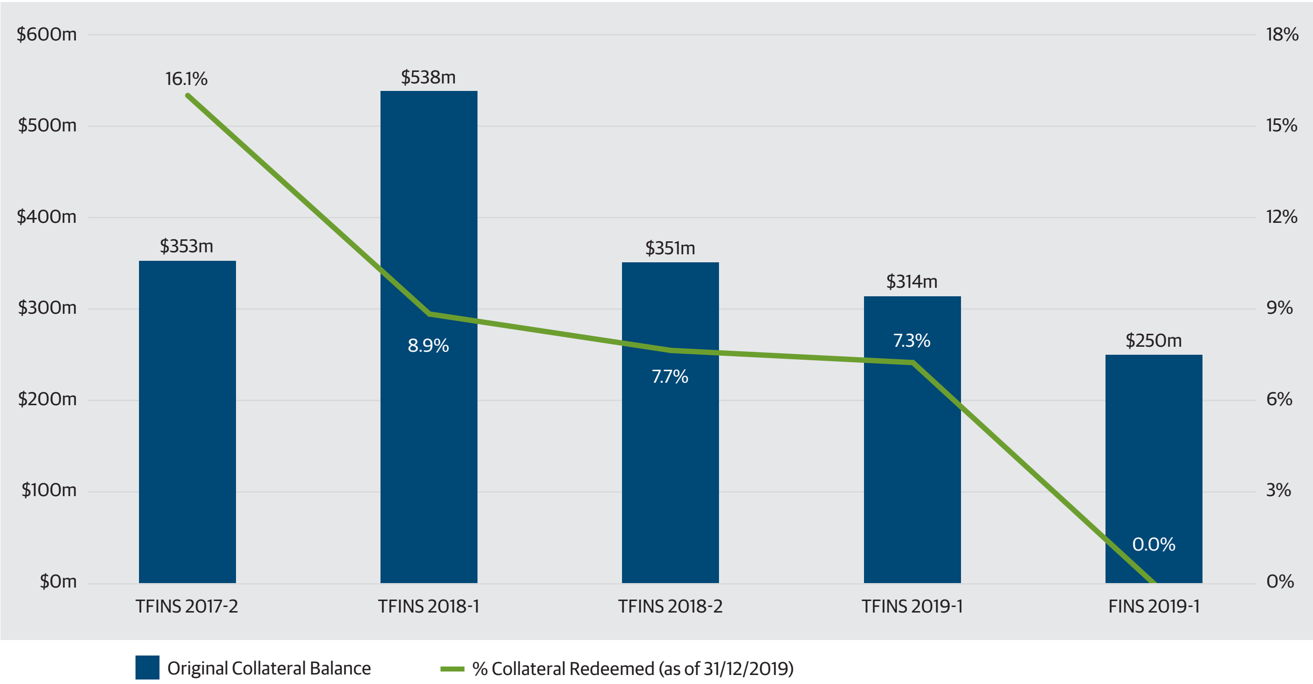
Asset Size	Amount	Concentration
$0-$1B	$317.0m	23.93%
$1-$10B	$660.8m	49.89%
$10-$50B	$300.7m	22.70%
$50-$250B	$29.0m	2.19%
$250B+	$17.0m	1.28%
Total	$1,324.5m	100.00%

Insurance Companies

Asset Size	Amount	Concentration
$0-$1B	$164.0m	50.27%
$1-$10B	$135.3m	41.45%
$10-$50B	$0.0m	0.00%
$50-$250B	$27.0m	8.28%
$250B+	$0.0m	–
Total	$326.3m	100.00%

An important part of the Group's investment thesis is the consolidation trend among US banks and insurance companies and the potential prepayment impact on the Group'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 Group's investment portfolio.

Redemptions



During the year, two of the Group's CDO equity investments were redeemed prior to maturity at the option of the majority of preferred shareholders. The Group's £10.6 million CDO equity investment in TFINS 2017-1 was redeemed in April 2019. Since making the investment, the TFINS 2017-1 equity position generated an internal rate of return in excess of approximately 25.0% for the Group. When factoring in the revenue stream from the collateral management fee, the internal rate of return was even higher.

The Group's £10.3 million CDO equity investment in TPINS was redeemed in November 2019 at the option of the majority of preferred shareholders. Since making the investment, the TPINS equity position generated an internal rate of return in excess of approximately 11.8% for the Group. Again, when factoring in the revenue stream from the collateral management fee, the internal rate of return was even higher.

Investment activity

As previously mentioned, the Group invested approximately £22 million across two securitisations during the year. The first CDO transaction was a £11.9 million investment in the equity tranche of TFINS 2019-1 in March 2019. TFINS 2019-1 is a securitisation primarily consisting 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. Approximately 89% of the TFINS 2019-1 collateral is indexed to three-month LIBOR, while the balance of the collateral is fixed rate. The weighted average spread of the floating assets is approximately 3.2% and the fixed-rate assets have a weighted average coupon of approximately 7.0%. TFINS 2019-1 has a final maturity date in 2039, and the securitisation is callable after February 2021 at the option of the majority preferred shareholders, with mandatory auction calls commencing after February 2027. The CDO Manager, in which the Group has a 49% share, will serve as the collateral manager for TFINS 2019-1 and will receive a 20bps p.a. collateral management fee in addition to earning an incentive management fee equal to 20% of profits over a 10% hurdle, subject to certain criteria.

The second CDO transaction was a £10.3 million investment in the equity tranche of FINS 2019-1. The underlying collateral of FINS 2019-1 mainly consists of bank subordinated notes and senior unsecured notes issued by 45 US community and regional banks and their holding companies, with an aggregate par value of approximately $250.5 million. Approximately 87% of the FINS 2019-1 collateral accrues interest at a weighted average fixed coupon of 6.3% for an initial period of five years after which the interest rate floats at a weighted average spread of 3.6% over US 3-month LIBOR. The remaining 13% of the collateral has a fixed interest rate with a weighted average coupon of 6.5%. The majority of the collateral was issued in 2018 and 2019 and was structured with 10-year maturities and 5-year non-call periods. FINS 2019-1 has a final maturity date in 2034 and is callable after July 2021 at the option of the majority preferred shareholders. As part of this transaction, the Group contributed its £6.3 million US bank sub debt security to the securitisation. One differentiating feature of this CDO is that the CDO Manager, in which the Group has a 49% share, can reinvest any proceeds from collateral that experiences an M&A event. Given this active management feature, the collateral management fee payable to the CDO Manager is 30bps, in addition to an incentive management fee equal to 20% of profits over a 10% hurdle, subject to certain criteria.

The Group invested approximately £13 million in Specialty Finance Investments in 2019. In June, the Group invested £3.0 million in a subordinated note issued by a specialist UK bank with approximately £1 billion of assets. The note carries a 7.5% coupon, has a March 2030 maturity and is non-callable prior to September 2024. During the summer, the Group participated in the refinancing transaction of its bridge loan to an affiliate of a public monoline insurance group. As part of this transaction, the Group's original loan was redeemed at par and the Group invested approximately £8.6 million in a new loan with a 12% "PIKable" coupon and a January 2022 maturity date. In connection with the refinancing transaction, the Group also received a 2% commitment fee. In December 2019, the Group invested approximately £1.3 million in a subordinated note issued by a specialist UK bank with approximately £2.9 billion of assets. The note carries a 7.75% coupon, has a June 2028 maturity and is non-callable prior to July 2023.

The Armadillo portfolio continues to wind down as the underlying loans repay. During the year, the Armadillo strategy experienced a write-down on a portion of its loan portfolio, which negatively impacted the Group's NAV (by £1,141,199). The Group's remaining exposure to the Armadillo strategy is approximately £4.3 million or 3% of NAV. EJF is working toward maximising the recovery value of the remaining Armadillo loan portfolio.

Subsequent to year end, the Group invested £12.6 million in the equity tranche of FINS 2019-2.

Risk management

We believe the Group's investment portfolio contains a diversified portfolio of strong borrowers 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 Group's base currency is denominated in Sterling although most of the Group's investments are denominated in US Dollars. Throughout 2019 these assets were hedged to reduce NAV volatility arising from exchange rate movements and necessitated margin to be posted to collateralise any negative mark-to-market movement of the hedge instrument. This hedging strategy remained in place up to 20 March 2020.

In light of the ongoing uncertainty and the resultant volatility of foreign exchange rates driven by the spread of COVID-19, the Board and the Investment Manager decided that the preservation of liquidity was essential. In keeping with this, the Board and the Investment Manager resolved to cancel the Subsidiaries' forward foreign exchange instruments, which were used to hedge US Dollar denominated assets into Sterling. Replacement foreign exchange hedges may be entered into as the situation evolves and as liquidity allows but it should be noted that the NAV will be impacted by the gains or losses associated with the translation of USD assets in Sterling.

Outlook

As the impact of COVID-19 and the responses of various authorities permeate, we continue to closely monitor all relevant markets. We continue to believe that the Company's underlying assets remain robust and are able to withstand significant stress following various financial and regulatory improvements witnessed in recent years.

Additionally, EJF continues to support the operations of the Group through its commitment to cover 80% of ongoing operating expenses until 1 January 2021, with an additional commitment to cover a minimum of 75% of ongoing operating expenses until the NAV of the Company exceeds £300 million.

Statement of Principal Risks

Principal Risks, Uncertainties and Emerging Risk

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 Group 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 to 49.

In determining the principal risks, a robust assessment of all risk factors the Directors believe the Company is exposed to was performed. In doing so, the Directors have also considered the impact of the ongoing uncertainty of the outcome that the post Brexit negotiations and the COVID-19 pandemic might have on the structure and economies within which the Group operate.

As at 31 December 2019, the principal risks and uncertainties that the Company faces, along with related mitigants and changes to the principal risks from last year, and consideration of emerging risks, are set out below.

Principal Risks: Strategic

Changes in the macro economic environment

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

Mitigants

The Investment 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 Investment 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

It is the opinion of the Directors that there were no significant changes to market and economic conditions adversely impacting the US primary securitisation market on which the Company is currently reliant for sourcing risk retention investments.

The Directors note there is an active pipeline of securitisation investments and thus 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 Group's 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 Investment 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 Investment 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 post Brexit trade negotiations should not impact availability of investment opportunities, noting that most investments are US based. The changes within the new EU Securitisation Regulation that came into force on 1 January 2019 have been adhered to by the Company when structuring the EU securitisations.

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. Therefore, 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 Group is 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 Investment 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. The Company takes a pro-active approach to tax structuring as evidenced by:

- The EGM resolutions passed in December in respect of the US tax classification of the Company.
- The engagement of PwC and Carey Olsen to assess and advise the Company on the new substance requirements in the Channel Islands.

Changes are communicated to the Board on a regular basis through its committee and Board meetings. The staff at the Investment 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 upcoming legal, tax or regulatory changes that are likely to materially impact the Investment Policy. The Company, the Investment 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

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 post Brexit trade negotiations and volatility 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; and

(iii) the complex nature of the underlying investments continues to have the potential to deter some investors from investing.

Mitigants

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

The Investment Manager and the Board regularly evaluate these resources to ensure that they are compatible with the Company's objectives. In addition, the Investment 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

The Directors originally 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 which have confirmed this to be an ongoing principal risk 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.

Whilst the outcome of the UK general election has somewhat steadied capital markets and reduced the volatility of Sterling, it is still difficult to raise capital for alternate investment credit funds. Raising capital is also made significantly more difficult due to the current share price discount the Company has had since August 2019.

In terms of currency volatility, the Company went through a period of posting significant cash balances to margin as a result of Sterling weakening throughout the third quarter. The Company was able to meet all margin calls without impacting the portfolio and whilst Sterling volatility has reduced as a result of the UK general election, currency volatility still poses a risk to the availability of cash to make further investments as the UK negotiates a trade deal with the EU.

The Directors increased the risk in the previous Annual Report and still consider the risks to be similar as there is still significant uncertainty in the markets.

Dependency on the Investment Manager

The Company is dependent on the Investment 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 Investment Manager's management team could adversely impact the ability of the Investment Manager to support the Company in pursuing its Investment Objective.

Mitigants

The Investment 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 Investment Manager employs experienced individuals and regularly reviews remuneration levels against the employment market and the requirements for skills and headcount. The Investment 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 were visited by representatives of the Investment Manager so that they could carry out an update to the 2018 due diligence visit at EJF's headquarters in Arlington, VA. The independent Directors reaffirm their positive view of the Investment 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.

Valuation

The nature of the Group's 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, reviewed and updated periodically for all underlying investments which is applied by the Investment Manager and the Administrator when preparing the monthly NAV. Where appropriate, the Investment Manager has appointed a recognised independent valuation agent to provide valuations derived from models developed by the Investment Manager or the valuation agent at inception and, where required, periodically thereafter.

The Investment 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 Investment Manager and the Board.

Analysis and change during the year

The Group's investment allocation continues to be focused on 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.

Principal Risks: Investments

Credit Risk

The performance of the Group's 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 Investment 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 Investment 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 be focused on 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 Group's 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 depending on the effective duration of each asset.

Mitigants

The Investment 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 Investment Manager.

The Investment 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

The Investment Manager is currently assessing the impacts of the cessation of LIBOR and recognises the importance of facilitating the transition from US Dollar LIBOR-based floating rates to SOFR-based floating rates on its sponsored securitisations.

It is anticipated that the Manager will be able to implement a "Designated Alternate Rate" from one of the following:

- the three-month reference rate recognized or acknowledged as being the industry standard for obligations similar to the collateral obligations (which recognition may be in the form of a press release, a member announcement, a member advice, letter, protocol, publication of standard terms or otherwise) by the LSTA or the ARC, which in either case may include a spread adjustment recognised or acknowledged by LSTA or ARC, respectively; or
- the reference rate adopted in any "reference rate amendments" passed by the Manager.

It is not anticipated that the change from LIBOR will materially impact the economics of EJF sponsored securitisations and the Investment Manager notes that both the collateral and interest due to noteholders would both be using the same reference rate.

Principal Risks: Operational

Dependency on service providers

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 Investment 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 further changes to service providers during 2019 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.

Uncertainty

Brexit

As a Jersey domiciled entity with a US Manager, the Company 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 primarily US Dollar denominated investments, is expected to afford the Group a relative safe harbour from many of the potential structural and regulatory impacts of Brexit.

For these reasons, the Directors continue to believe that Brexit itself is not a principal risk for the Company but factors such as long term uncertainty, negative investor sentiment, sector contagion and a weak Sterling arising as a result of the next stage of Brexit could increase the principal risks of the Company.

The potential negative impact of these factors has been considered when applying the scenarios used to stress test the Company's working capital model and when assessing the Company viability.

COVID-19

The Directors believe it is currently not possible to understand or quantify the full extent of the impact of the COVID-19 pandemic and therefore consider it's impact on the Company to be an uncertainty.

The Investment Manager is constantly monitoring the situation and continues to believe that the Company's underlying assets remain robust and are able to withstand significant stress following various financial and regulatory improvements witnessed in recent years with all expected near-term cash inflows being received to date.

As a result of the volatility seen in foreign exchange rates in order to preserve liquidity the Company's forward foreign exchange instruments used to hedge US Dollar denominated assets into Sterling were cancelled and will be replaced if and when appropriate as the situation evolves.

Elsewhere, the Board has been informed that the business continuity plans of all of the Company's service providers have been successfully implemented.

The potential factors resulting from the situation that could increase the principal risks which include, but are not limited to, long term uncertainty, reduced investment opportunities, negative investor sentiment and a weak Sterling/strong USD have been integrated into the scenarios used to stress test the Company's working capital model and considered when assessing the Company's viability.

Emerging Risks

Emerging risks, along with all other risks the Directors have identified the Company to be exposed to, are monitored via the Company's risk register which, for each risk, identifies current aggravants and mitigants, their potential impact on the Investment Objective and key performance indicators and the Director's risk appetite.

As part of their regular review and assessment of risk, the Directors have considered the impact of the emerging risk of climate risk on the Company's business model and long-term viability. At present, the Directors do not consider climate risk to represent a material risk to the Company's business model or long-term viability, but will continue to monitor its possible impact as it continues to evolve.

Board of Directors

Joanna Dentskevich

Non-executive Chair
Appointed in 2017

Considered to be independent

Skills & experience
Joanna Dentskevich has over 30 years of finance, risk and investment banking experience gained in London and Asia. She started her career in 1986 as an auditor in financial services group of a London accountancy firm before moving into investment risk at Bankers Trust. Prior to moving to Jersey in 2008, she was director of risk at Deutsche Bank and Morgan Stanley and chief risk officer and a co-founder of a London based systematic hedge fund. Joanna sits on the board of a number of investment companies.

Committees
Audit Committee
Management Engagement Committee

Other public appointments
GCP Asset Backed Income Fund Ltd
Middlefield Canadian Income PCC

Executive appointments
None

Alan Dunphy

Non-executive Director
Appointed in 2016

Considered to be independent

Skills & experience
Alan Dunphy has over 20 years of experience in the offshore financial industry moving to Jersey in 2008 to join the Assurance and Business Advisory Division of PricewaterhouseCoopers. He currently works for LGL Group as a director on fund and corporate client structure before which he was managing director of Bennelong Asset Management, a director of Capital Fiduciary Group. He also worked at Abacus Financial Services Group. Alan is a fellow of the Institute of Chartered Accountant in Ireland.

Committees
Audit Committee (Chair)
Management Engagement Committee

Other public appointments
None

Executive appointments
LGL Trustees

Nick Watkins

Non-executive Director
Appointed in 2017

Considered to be independent

Skills & experience
Nick Watkins 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 in Jersey, assistant managing director and senior in-house legal counsel at Citco in the Cayman Islands. Nick is a qualified solicitor in England and Wales.

Committees
Audit Committee
Management Engagement Committee (Chair)

Other public appointments
None

Executive appointments
Altair Partners Limited

Neal J. Wilson

Non-executive Director
Appointed in 2017

Considered to be non-independent

Skills & experience
Neal Wilson has over 28 years of capital market and asset management experience and is Co-CEO of EJF which he co-founded in 2005. Neal is also the CEO of the Manager. Prior to EJF, Neal was in charge of the Alternative Asset Investments and Private Wealth Management divisions at FBR, a senior securities attorney at Dechert LLP and Branch Chief of the Division of Enforcement at the SEC in Washington, D.C. Neal is a non-active member of the bars of Pennsylvania and Washington, DC.

Committees
None

Other public appointments
None

Executive appointments
CEO of EJF and the Manager

The Manager

EJF Capital LLC

EJF Capital LLC ("EJF") is a global alternative asset management firm focused primarily on regulatory event-driven investing within the financial sector. EJF was founded by Manny Friedman and Neal Wilson in 2005 and is headquartered just outside of Washington, D.C., with additional offices in London and Shanghai. EJF manages approximately $7.4 billion[1] of hedge fund assets, separately managed accounts, and private equity assets, as well as $2.9 billion1 of CDO assets through its affiliates. EJF's approach combines investment expertise across the capital structure with a corporate finance focus to unearth creative solutions for investing in complex, mispriced securities and other assets.

The key employees of the Investment Manager involved with the Company, excluding Neal Wilson who has been included in the Directors on v 22, are listed below:

Peter Stage

Co-chief Investment Officer of the Investment Manager and Member of the Investment Committee

Skills & experience

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

Co-chief Investment Officer of the Investment Manager and Member of the Investment Committee

Skills & experience

Mr. Khan has 14 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 US 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

Chief Financial Officer of the Investment Manager

Skills & experience

Mr. Gill has 9 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 CFA charterholder, Chartered Accountant (ICAEW) and holds a BSc. (hons) in Physics from the University of Leeds.

1 As of 31 December 2019. Firm AUM includes $121.5 million of uncalled capital.

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 58 of the Prospectus.

The Directors recognise the value of the 2018 UK Code and have also considered the principles and recommendations of the 2019 AIC Code. The 2018 UK Code and the 2019 AIC Code apply from 1 January 2019. The 2019 AIC Code addresses all the principles set out in the 2018 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 2019 AIC Code will provide better information to shareholders. Consequently, throughout the year from 1 January 2019 to 31 December 2019, the Company complied with the provisions of the 2018 UK Code and the recommendations of the 2019 AIC Code, with the exception of the recommendations from the 2018 UK Code and the 2019 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 appoint a senior independent director. However, should a situation arise where it is felt necessary, the Chair of the Audit Committee will perform the role.
- 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 and the matters are reserved for the Board.
- The Chair of the Company is 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 2019, the Board comprised four non-executive Directors, the biographies of which are disclosed on page 22. The Company has no executive directors or any employees.

The Board assesses and reviews the independence of each Director with respect to the 2019 AIC Code annually, having regard to the potential relevance and materiality of any Directors' interests and relationships.

For the reasons disclosed on page 94 of the Prospectus, the Directors believe it is appropriate that Alan Dunphy be considered as independent.

The Directors do not consider Neal Wilson to be independent given he is an officer of the Investment Manager but believe his position on the Board does not compromise the independence of the Company from the Investment 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 Investment 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 Investment 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 and Succession

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.

The Board does not consider length of service in itself to necessarily undermine a Director's independence nor that each Director, including the Chair, should serve for a finite fixed period. However, subject to re-election, succession will be measured by rotation in order that Directors can continue to be considered independent.

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 considers that the re-election of all Directors on an annual basis to be in the best interests of the Company.

All Directors were subject to re-election at the Company's AGM, which was held on 21 June 2019.

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.

Over-boarding

As a member of the AIC, the Company reports against the principles and provisions of the AIC Code, as endorsed by the FRC and the Jersey Financial Services Commission, and considers by doing so it provides better information to shareholders on specific relevance to investment companies.

Principle H of the AIC Code states that non-executive directors should have sufficient time to discharge their Board responsibilities.

As an investment company, the Directors consider the Company to demand less time commitment than would be required of an executive of an operating company and that a formulaic approach to assessing whether a Director is able to effectively discharge their duties is not appropriate.

Prior to accepting the appointment as a Director of the Company, each Director must disclose existing significant commitments and confirm they have sufficient time to attend to the business of the Company. In addition, before accepting another significant role a Director should confirm to the Chair their ability to meet the ongoing commitments of the Company. The Company Secretary must also be informed in order the appropriate records can be updated and announcements made if required.

Prior to recommendation for re-election to the Board, each Directors' continuing ability to meet the requirements of the role will be assessed by the other Directors by considering, amongst other things, their attendance at board, committee and other ad hoc meetings or events held during the year.

Director Meetings and Attendance

The table below shows the attendance at Board and Committee meetings held from 1 January 2019 to 31 December 2019.

Name	Quarterly Board	Audit Committee	Management Engagement Committee
Joanna Dentskevich	4/4	3/3	1/1
Alan Dunphy	4/4	3/3	1/1
Nick Watkins	4/4	3/3	1/1
Neal J. Wilson	3/4	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.

Director Remuneration

Details of the Director's remuneration can be found on page 33 to 34.

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 monthly 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 Broker and the Investment 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 on pages 35 to 39 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 Investment 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 Investment Manager, the Administrator, the Registrar and the 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. Subsequent to the Board's visit to the Investment Manager's head office in 2018, the independent Directors met with representatives of the Investment Manager in Jersey in August 2019 to review any changes to controls and operating effectiveness of existing controls. 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 Investment Manager is the AIFM of the Company. In such capacity, the Investment 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 XII: "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 Investment 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 Investment Manager and how much was paid to members of staff. As the Investment Manager has no employees there is no information to report in that respect and details of the remuneration paid to the Investment Manager is disclosed in note 17.

Community, Social, Employee, Human Rights and Environmental Issues

In carrying out its activities, the Company aims to conduct itself responsibly, ethically and fairly. Whilst the Investment Objective of the Company has no direct impact on the environment per se, the Directors strongly believe that it is in shareholders' interests to consider environmental, social and ethical factors when pursuing it and in the selection of the service providers and advisers it works with.

The Investment Manager and our service providers and advisers recognise the importance of strong corporate governance with a culture based on integrity, respect and diversity and have adopted ESG standards based on internationally recognised principles and international conventions in the areas of human rights, labour standards, environmental stewardship and anti-corruption.

Further, they have documented and implemented policies on day-to-day functioning and supporting initiatives to minimise the environmental impact they have on the climate and, where possible or relevant, have integrated ESG criteria into their investment processes through the larger group within which they operate.

Measures that the Directors take when conducting their duties include the use of virtual boardrooms and conducting annual reviews of the Investment Manager by video or telephone conferencing on a rotational basis. There is also the option for shareholders to receive electronic copies of financial reports with hard copies being printed on recycled paper.

Further details on the ESG and corporate responsibility of our service providers are available on their websites.

Modern slavery

The Company is not within scope of the Modern Slavery Act 2015, because it has no turnover as defined by the Modern Slavery Act 2015 and is therefore not obliged to make a human trafficking statement.

Section 172(1) report

The Board believes in a strong corporate governance structure to ensure responsible investing focussed on the values of the Company and that building trusted relationships with the Company's stakeholders is crucial for the long-term success of the Company.

Through the Company's policies and procedures, internal controls and corporate governance, the Directors believe they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole having regard to the stakeholders, as identified below, and matters set out in Section 172(1) as required through their compliance with the AIC Code, in the decisions taken during the year.

Stakeholders

An analysis has been carried out, as shown in the diagram below, to identify the key stakeholders of the Company, interests and how the Directors have considered the interests of the Company's stakeholders.

Ordinary Shareholders
ZDP Shareholders

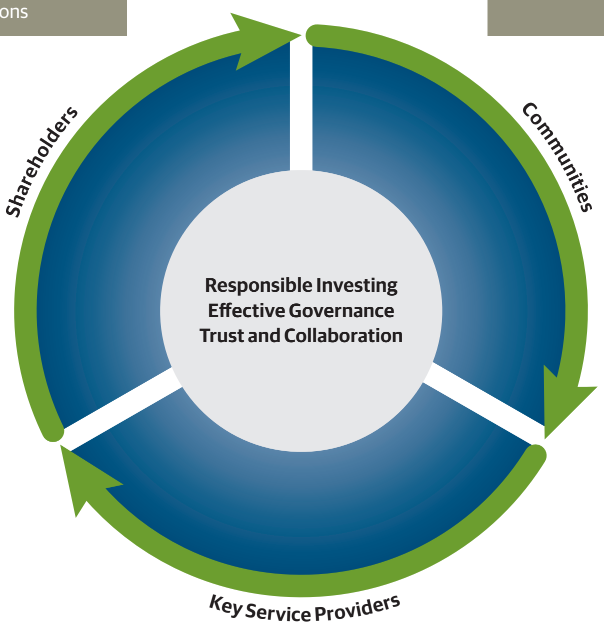
Interests
Provision of capital to pursue the Investment Policy and targeting growth and income for the long-term success of the Company. Robust governance framework and safeguarding of assets

Engagement
Investor Meetings, Broker and Registrar, Annual General Meeting, Extraordinary General Meetings, RNS announcements, Financial Reports, Fact Sheets, Ad Hoc Manager Communications

Regulators
Local Governments and Jurisdictions

Interests
Compliance, openness and transparency within a respected framework to protect, joint interests of long-term success

Engagement
Annual returns, official reporting and communications, ad hoc requests and approvals



Investment Manager, Administrator, Broker, Registry Services, Lawyers, Auditors, Reporting Accountant, Printer, PR Firm

Interests
Knowledge, experience, aligned values and culture within an effective framework for pursuance of the Investment Policy and long-term success of the Company

Engagement
Quarterly and Ad Hoc Board Meetings, Committee Meetings, Due Diligence Meetings and Reviews, Audit and Interim Review, Specialist Advice, Informal Meetings, Board Training

Principal Decisions

Beyond that of usual engagement and decision making by the Directors, the table below highlights specific actions where the Directors have had regard for stakeholder interests during the year.

Principal decisions taken during the year	Description	Stakeholders
Ensuring the Company meets its AML obligations	Due to the large number of certificated Ordinary Shareholders, it was decided to appoint ID Register to provide additional CDD services, including for certificated secondary transactions.	Ordinary shareholders Local Regulator
Continued appointment of the Auditors	Following the change in auditor of the Investment Manager's other funds, having assessed the independence and quality of KPMG's work in respect of the 2018 Interim Review and Audit, the Directors concluded it was in the best interests of the shareholders to continue to retain KPMG as independent Auditor of the Company.	Auditor Shareholders
Approving conflicted investments	During the year the Board was asked to consider three investments where, through its affiliates or in provision of investment management, advisory or support services, a conflict of interest existed for the Investment Manager.	Shareholders The Investment Manager
Change of US company status	Further to the EGM in December the Company changed its US tax classification status from a partnership to a non-US corporation thereby reducing ongoing costs associated with issuing US Schedule K-1s for US shareholders.	Shareholders
Approving the change in administrator	On the recommendation of the Management Engagement Committee, the Board approved the change of Administration and Company Secretary services to BNPP, leveraging their expertise in LSE traded credit products and global network.	Administrator

By Order of the Board

Joanna Dentskevich
Chair
24 April 2020

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 2019. The Corporate Governance Report set out on pages 24 to 29 forms part of this report.

Principal Activities, Business Review and Future Developments

The principal activities of the Group 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 Group's 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 US, UK and Europe. Information about the use of financial instruments by the Group is given in note 15 to the Audited Financial Statements.

Details of significant events since the Statement of Financial Position date are contained in note 20 to the Audited Financial Statements.

An indication of likely future developments in the business of the Company are included in the Chair's Statement on pages 6 to 8 and the Investment Manager's report on pages 9 to 14.

Results and Dividends

Results for the year ended 31 December 2019 are set out in the Statement of Comprehensive Income on page 46.

The Directors declared dividends of £6,866,756 (2018: £5,839,493) in respect of the year ended 31 December 2019. Further details in notes 13 and 20.

Share Capital

At 31 December 2019, the Company's issued share capital comprised 69,557,192[1] Ordinary Shares (31 December 2018: 69,557,192 Ordinary Shares), of which 5,381,886 were held in treasury (31 December 2018: 5,381,886). Further details can be found in note 12.

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 15 to the Audited Financial Statements.

Directors and Directors' Interests

The Directors are listed on page 22.

Details of the Directors' remuneration are included in the Remuneration Report on pages 33 to 34.

Director's Insurance

During the financial year ended 31 December 2019 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.

1 The calculation of shareholding % is based on number of Ordinary Shares in issue after adjusting for treasury shares.

Significant Shareholdings

On 31 December 2019, the Company had been notified, in accordance with chapter five of the Disclosure Guidance and Transparency Rules, of the following voting rights as shareholders of the Company:

	31 December 2019		31 December 2018	
Name	Ordinary Shares	% of Issued Ordinary Shares[1]	Ordinary Shares	% of Issued Ordinary Shares
Cheetah Holdings	**11,552,344**	**18.00**	11,117,344	17.32
MP CDO Investments Limited	**8,673,552**	**13.52**	15,200,000	23.69
Newton Investment Management Limited	**4,387,666**	**6.84**	–	–
Leon Cooperman	**4,000,000**	**6.23**	4,000,000	6.23
Expert Investor V ICAV – TwinFocus Global Asset Fund	**3,588,358**	**5.59**	–	–
Wolfson Equities	**3,314,960**	**5.17**	3,314,960	5.17
CNF Investments*	**–**	**–**	3,209,785	5.00
Morstan Nominees Limited seg acct*	**–**	**–**	–	–
	35,516,880	**55.35**	36,842,089	57.41
Total Issued shares (after adjusting for treasury shares)	**64,175,306**	**100.00**	64,175,306	100.00

* The CNF Investments and Morstan Nominees Limited seg acct have gone below 5% and therefore are not included in 2019 as significant shareholders.

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

Independent Auditor

A resolution to re-appoint KPMG as the Independent Auditor will be put at the AGM.

Investment Manager

The Directors are responsible for the determination of the Company's Investment Policy and have overall responsibility for the Group's 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 Group which include research, analysis and selection of investment opportunities for the Group 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

The Group didn't make any political donations or incur any political expenditure during the year.

Viability Statement

The Directors, in conjunction with the Investment Manager, have conducted a robust assessment of the viability of the Company, taking into account the principal risks and uncertainties that the Group faces, including that of COVID-19 and the impact of extreme but plausible market scenarios on the viability of the Company and the ability to meet its Target Dividend and financial covenants over a three 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 Group, and also the Investment Objective of the Company taking into account the working capital model forecasting 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 Group's investment portfolio and working capital availability and the potential impact of the COVID-19 pandemic on its principal risks as detailed further on page 21.

Having considered each of these scenarios and the potential for any of its principal risks or uncertainties to increase, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its financial covenants and operating expenses as they fall due over the three-year assessment period.

2020 AGM

The Directors recognise the importance of shareholder engagement and the opportunity for Shareholders to attend the AGM should they wish. However, in light of the current restrictions placed on social gatherings due to COVID-19, the Company has decided to delay the decision regarding when it will be held. Shareholders will be updated in due course.

By Order of the Board

Joanna Dentskevich
Chair
24 April 2020

Registered Office
IFC1
The Esplanade
St. Helier
Jersey JE1 4BP
Channel Islands

Directors' Remuneration Report

The Directors are pleased to present their report on remuneration for the year ended 31 December 2019.

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 2019 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:

	2019 **£**	**2018** **£**
Joanna Dentskevich	**50,000**	50,000
Alan Dunphy	**45,000**	45,000
Nick Watkins	**40,000**	40,000
Neal Wilson	**–**	–
Total	**135,000**	135,000

Directors' expenses for the year were £4,112 (2018: £13,364).

No other remuneration or compensation was paid by the Company to the Directors during the year (2018: £nil).

Directors' and officers' liability 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 end were as follows:

Name	Ordinary Shares 31 December 2019[1]	Percentage of Ordinary Shares in Issue 31 December 2019[2]	Ordinary Shares 31 December 2018[1]	Percentage of Ordinary Shares in Issue 31 December 2018[2]
Neal Wilson	**1,408,070**	**2.194%**	1,181,759	1.84%
Joanna Dentskevich	**49,548**	**0.077%**	20,548	0.03%
Nick Watkins	**3,000**	**0.005%**	–	–

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 31 December 2019	Percentage of ZDP Shares in Issue 31 December 2019	ZDP Shares 31 December 2018	Percentage of ZDP Shares in Issue 31 December 2018
Neal Wilson	**375,000**	**2.5%**	375,000	2.5%

Joanna Dentskevich
Chair
24 April 2020

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 2018 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. The relevant qualifications and experience of each member are detailed on page 22.

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 met two times during the year and the individual attendance of Directors is outlined on page 25. Representatives of the Investment Manager, Auditor and Administrator were present. The main matters discussed at those meetings were:

- Detailed review of the 2018 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 2018 Annual Report;
- Review and approval of the annual audit plan of the Auditor in respect of the 2019 Annual Report;
- Review and approval of the interim review plan of the Auditor in respect of the 2019 Interim Report;
- Detailed review of the 2019 Interim Report and recommendation for approval by the Board; and
- Review of the effectiveness of the Auditor as described on the next page.

Subsequent to year end, up to the date of approval of these Audited Financial Statements the Audit Committee met two times to undertake detailed reviews of the 2019 Annual Report. The main matters discussed at those meetings were:

- Discussion and approval of the 2019 external audit fee for the interim review and annual audit;
- Assessment of the independence of the Auditor; and
- Consideration of the 2018 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 2019 Interim Report and 2019 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. 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 9 and 15. The Group 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 Investment Manager estimating the expected accrual of interest earned on each security. CDO Manager The Manager has appointed a recognised independent valuation agent to value the CDO Manager based on the underlying CDO management contract cash flows expectations, using inputs and models developed by the Investment Manager. CDO Securities Current cash-yielding securities are marked clean to broker quotes with interest accrued separately. Legacy CDO securities are valued dirty using acceptable probability based discounted cash flow methodologies by the Investment Manager. UK Bank Sub-debt UK Bank Sub-debt securities are marked clean to broker quotes with interest accrued separately. 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 or paid. Preference Shares The shares are marked clean to broker quotes with the Investment Manager estimating the expected accrual of interest earned on each security. Derivative financial instruments at FVTPL The Investment Manager determines the fair value of the forward foreign currency contracts using quoted mid forward exchange rates as at the reporting date. The Audit Committee receives regular updates on the performance of the portfolio from the Board. The Audit Committee is not aware of any discrepancies with the valuation methodologies adopted or the independent valuation procedures carried out by the valuation agents. Further information regarding the valuation methodologies and the resultant valuations can be found on pages 67 to 72.

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. The Audit Committee has reviewed the Administrator's ISAE 3402 report (Report on the description of controls placed in operation, their design and operating effectiveness for the period from 1 October 2018 to 30 September 2019) on Fund Administration and is pleased to note that no significant issues were identified. Additionally, 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 independent Directors were visited by representatives of the Investment Manager and they carried out an update to the 2018 due diligence visit at EJF's headquarters in Arlington, VA. The Audit Committee reaffirms 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 Audited 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. 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 2019, no non-audit services were provided.

	For the year ended 31 December 2019 £	For the year ended 31 December 2018 £
KPMG – audit services		
Annual audit	**151,520**	71,610
Annual audit – overruns for prior year audit	**–**	19,500
Interim review	**18,000**	18,000
Total audit fees	**169,520**	109,110
KPMG – non-audit services		
Reporting accountant – Supplementary prospectus	**–**	17,500
Total non-audit fees	**–**	17,500
Total fees to KPMG	**169,520**	126,610

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 changed during the year. 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 2019 Annual Report.

Alan Dunphy
Audit Committee Chair
24 April 2020

Statement of Directors' 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 Companies 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.

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 2019, 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 24 April 2020 and is signed on its behalf by:

By Order of the Board

Joanna Dentskevich
Chair
24 April 2020

Independent Auditor's Report to the Members of EJF Investments Limited

KPMG

1. Our opinion is unmodified

We have audited the financial statements of EJF Investments Limited ('the Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes, including the accounting policies in note 2.

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 (IFRSs as adopted by the EU) of the state of the Company's affairs as at 31 December 2019 and its profit for the year then ended; and
- have been prepared in accordance with the requirements of the Companies Law (Jersey) 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	£1.4m (2018: £1.3m) 1% (2018: 1%) of Total assets	
Key audit matters		**vs 2018**
Recurring risks	Valuation of financial assets at fair value through profit or loss	⟷

2. Key audit matters: 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 follow:

	The risk	Our response
Valuation of financial assets at fair value through profit or loss (£138.1 million; 2018: £129.9) Refer to pages 35–39 for Audit Committee Report, pages 52–53 for accounting policies and pages 56–59 for financial disclosures	**Subjective valuation:** The financial assets at fair value through profit or loss represent a 100% holding in EJF Investment Holdings Limited ("the Holdco") and constitute 99% of the Company's total assets. As the underlying investments held by the Holdco are all held at fair value, the valuation of financial assets is determined 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 investments in funds and entities valued on a net asset value 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 value to the latest audited funds' financial statements. We recalculated the valuation of the investment by applying the ownership percentages confirmed by the investment manager to the audited net asset value of the funds. For the valuation of interests in other entities, where audited financial statements were not available, we used our valuation specialists to independently value underlying investments held by those entities. We re-calculated the valuation of interests by applying the ownership percentages to the relevant 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.

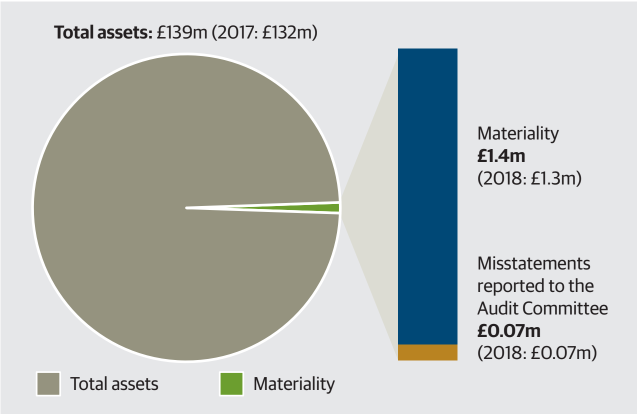
We previously reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. As a result of developments since the prior year report, including the Company's own preparation, the relative significance of this matter on our audit work has reduced. Accordingly, we no longer consider this a key audit matter.

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 £1.4m (2018: £1.3m), 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 (2018: £0.07m), 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 their 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 their 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 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 2 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 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 on page 32 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.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

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 40, 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 Law (Jersey), 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.

Fang Fang Zhou
for and on behalf of KPMG LLP

Chartered Accountants and Recognised Auditor
15 Canada Square
London
E14 5GL
24 April 2020

Independent Auditors' Report

The Board of Directors
EJF Investments Limited

Report on the Financial Statements

We have audited the accompanying financial statements of EJF Investments Limited, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EJF Investments Limited as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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 Law (Jersey), 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.

London, United Kingdom
April 24, 2020

Statement of Comprehensive Income for the years ended 31 December 2019 and 31 December 2018

	Notes	1 January 2019 to 31 December 2019 £	1 January 2018 to 31 December 2018 £
Dividend income	5	**8,500,000**	3,560,000
Other income		**–**	511
Net foreign exchange gain/(loss)		**20,868**	(10,244)
Net gain on financial assets held at fair value through profit or loss	9	**8,191,118**	16,945,046
Total income		**16,711,986**	20,495,313
Incentive fee	17	**(496,023)**	(1,112,315)
Management fee	17	**(1,118,440)**	(942,779)
Legal fees		**(342,228)**	(251,087)
Professional fees		**(426,048)**	(497,339)
Prospectus expenses		**(509,387)**	(37,500)
Administration fees		**(310,159)**	(241,148)
Directors' fees	17	**(135,000)**	(135,000)
Directors' liability and professional indemnity insurance	17	**(73,097)**	(77,478)
Audit fees	6	**(169,520)**	(109,110)
Amortised ZDP Share issue costs	11	**(105,000)**	(105,000)
Other operating expenses		**(17,536)**	(28,375)
Total operating expenses		**(3,702,438)**	(3,537,131)
Expenses reimbursed by the Investment Manager	17	**1,211,581**	1,466,714
Net operating expenses		**(2,490,857)**	(2,070,417)
Operating profit		**14,221,129**	18,424,896
Finance costs	7	**(871,319)**	(995,308)
Total comprehensive income for the year attributable to shareholders		**13,349,810**	17,429,588
Weighted average number of Ordinary Shares in issue during the year		**64,175,306**	59,226,765
Basic and diluted earnings per Ordinary Share	18	**20.8p**	29.4p

All items in the above statement are derived from continuing operations. No operations were acquired or discontinued during the year.

The accompanying notes on pages 50 to 82 form an integral part of these Audited Financial Statements

Statement of Financial Position as at 31 December 2019 and 31 December 2018

	Note	31 December 2019 £	31 December 2018 £
Non-current assets			
Financial assets at fair value through profit or loss	9	**138,113,723**	129,922,605
Current assets			
Cash and cash equivalents		**263,781**	648,319
Balance due from the Investment Manager	17	**563,525**	1,722,574
Prepaid expenses and other assets	8	**13,822**	93,417
Total current assets		**841,128**	2,464,310
Total assets		**138,954,851**	132,386,915
Non-current liabilities			
ZDP Shares			
Current liabilities	11	**16,586,361**	15,545,525
Accounts payable and accrued expenses	10	**1,384,945**	2,340,899
Total liabilities		**17,971,306**	17,886,424
Net assets		**120,983,545**	114,500,491
Equity			
Stated capital		**90,259,133**	90,259,133
Retained earnings		**30,724,412**	24,241,358
Total Equity		**120,983,545**	114,500,491
Number of Ordinary Shares in issue at year end (excluding treasury shares)	11	**64,175,306**	64,175,306
Net Asset Value per Ordinary Share		**189p**	178p

The Audited Financial Statements were approved and authorised for issue by the Board of Directors on 24 April 2020 and signed on their behalf by:

Alan Dunphy
Director

The accompanying notes on pages 50 to 82 form an integral part of these Audited Financial Statements

Statement of Changes in Equity for the years ended 31 December 2019 and 31 December 2018

	Note	Number of shares	Stated capital £	Retained earnings £	Net assets attributable to shareholders £
Balance at 1 January 2019		**64,175,306**	**90,259,133**	**24,241,358**	**114,500,491**
Total comprehensive income for the year attributable to shareholders		**–**	**–**	**13,349,810**	**13,349,810**
Transactions with shareholders					
Dividends paid	13	**–**	**–**	**(6,866,756)**	**(6,866,756)**
Balance at 31 December 2019	12	**64,175,306**	**90,259,133**	**30,724,412**	**120,983,545**

	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		–	–	17,429,588	17,429,588
Transactions with shareholders					
Ordinary Shares issued via placing		6,014,050	10,300,920	–	10,300,920
Shares issued for repurchase		9,000,000	16,380,000	–	16,380,000
Purchase of own shares to hold in treasury		(9,000,000)	(16,380,000)	–	(16,380,000)
Share issue costs		–	(270,200)	–	(270,200)
Sale of treasury shares		3,618,114	6,577,731	–	6,577,731
Dividends paid	13	–	–	(5,839,493)	(5,839,493)
Balance at 31 December 2018	12	64,175,306	90,259,133	24,241,358	114,500,491

The accompanying notes on pages 50 to 82 form an integral part of these Audited Financial Statements.

Statement of Cash Flows
for the years ended 31 December 2019 and 31 December 2018

	Notes	1 January 2019 to 31 December 2019 £	1 January 2018 to 31 December 2018 £
Cash flows from operating activities			
Total comprehensive income for the year		**13,349,810**	17,429,588
Adjustments for:			
Other income		**-**	(511)
Dividend income		**(8,500,000)**	(3,560,000)
Amortisation of ZDP Shares, including finance costs	11	**1,040,836**	988,992
Net gain on financial assets held at fair value through profit or loss	9	**(8,191,118)**	(16,945,046)
Net foreign exchange (gain)/loss		**(20,868)**	10,244
		(2,321,340)	(2,076,733)
Changes in net assets and liabilities:			
Balance due from the Investment Manager		**1,159,049**	(1,074,319)
Balance due from brokers		**-**	126,088
Prepaid expenses and other assets		**79,595**	(47,523)
Accounts payable and accrued expenses		**(955,954)**	(992,955)
		282,690	(1,988,709)
Dividend received		**8,500,000**	3,560,000
Interest income received		**-**	509
Purchase of financial assets held at fair value through profit or loss	9	**-**	(12,800,000)
Net cash generated from/(used in) operating activities		**6,461,350**	(13,304,933)
Cash flow from financing activities			
Proceeds from issue of Ordinary Shares		**-**	26,680,920
Purchase of own shares to hold in treasury		**-**	(16,380,000)
Sale of treasury shares		**-**	6,577,731
Ordinary Share issue costs		**-**	(270,200)
Dividends paid	13	**(6,866,756)**	(5,839,493)
Net cash (used in)/generated from financing activities		**(6,866,756)**	10,768,958
Net decrease in cash and cash equivalents		**(405,406)**	(2,535,975)
Cash and cash equivalents at the start of the year		**648,319**	3,194,538
Effect of movements in exchange rates on cash and cash equivalents		**20,868**	(10,244)
Cash and cash equivalents at the end of the year		**263,781**	648,319

The accompanying notes on pages 50 to 82 form an integral part of these Audited Financial Statements.

Notes to the Audited Financial Statements for the year ended 31 December 2019

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 IFC1, The Esplanade, St. Helier, Jersey, JE1 4BP, Channel Islands. The principal legislation under which the Company operates is the Companies Law. The Company's stated capital comprises Ordinary Shares admitted to trading on the SFS.

Additional information has been provided in Note 21 to allow the Investment Manager to avail of the audit exemption as prescribed in Rule 206 (4)-2 of the US Investment Adviser Act 1940.

The Investment Manager has been appointed by the Company to provide management and investment management services and the Administrator has been appointed to provide administration services to the Company.

The Company is externally managed by the Investment Manager, a wholly owned subsidiary of EJF, an investment adviser principally located in the US and registered as such with the SEC and as a CPO and CTA with the CFTC. The Company has appointed the Investment Manager to act as its AIFM for the purposes of the AIFM Directive. EJF holds 100% of the voting rights in the Investment 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. Refer to note 14.

EJFIF holds 85% (31 December 2018: 85%) of the Partnership's interests (refer to note 9 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 US, UK and Europe.

2. Significant accounting policies

2.1 Basis of preparation

(a) Statement of Compliance

The Audited Financial Statements of the Company have been prepared in accordance with IFRS which comprise standards and interpretations approved by the International Accounting Standards Board together with the interpretations of the International Accounting Standards and Standing Interpretations Committee as approved by the International Accounting Standards Committee which remain in effect. The Audited Financial Statements give a true and fair view of the Company's affairs and comply with the requirements of the Companies Law.

(b) Basis of measurement

These Audited Financial Statements have been prepared on the historical cost basis except for the revaluation of financial assets held at fair value through profit or loss.

(c) Going concern

The Directors have performed a detailed reassessment of the Company's ability to meet its liability as they fall due, including evaluating the scenarios of a significant reduction in the liquidity positions and fair value of its investments due to the current economic conditions caused by the outbreak of the COVID-19. The reassessment was completed with reference to the cash position of the Company and its subsidiaries, the operating expenses, the valuations of the assets subsequent to the year end and the potential default risk of the investments held. The Directors also considered the ZDP liabilities, which will mature on 30 November 2022. In light of this analysis, the directors are satisfied that, at the time of approving the financial statements, there is a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future (a period of at least twelve months after the date the financial statements are signed), therefore, have prepared the financial statements on a going concern basis.

(d) Functional and presentation currency

The Company's functional currency is Sterling, which the Directors deem to be the currency of the primary economic environment in which it operates, 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 Company's performance is evaluated and its liquidity is managed in Sterling. Sterling is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Audited Financial Statements are presented in Sterling, except where otherwise indicated, and are rounded to the nearest Sterling.

(e) Standards and amendments to existing standards effective from 1 January 2019

IFRS 16 replaced the 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.

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, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2019 that have a material effect on the Audited Financial Statements of the Company.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been early adopted in preparing these Audited Financial Statements. None of these are expected to have a material effect on the Audited Financial Statements of the Company.

(f) Standards, amendments and interpretations issued but not yet effective

Standards that become effective in future accounting periods and have not been early adopted by the Company:

Standard	Effective for annual periods beginning on or after
IFRS 17	1 January 2023

As the Company does not participate in insurance contracts in the normal course of its business, the Directors believe that the application of this standard will not have an impact on the Company's Audited Financial Statements.

2.2 Foreign currency translations

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses arising from translation are included in the Statement of Comprehensive Income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Statement of Comprehensive Income within 'net foreign exchange gain/(loss)'.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at FVTPL are presented in the Statement of Comprehensive Income within 'Net gain on financial assets held at fair value through profit or loss'.

2.3 Accounting for subsidiaries

In accordance with IFRS 10 as amended, the Board has determined that the Company meets the definition of an investment entity which is exempted from the consolidation of investment entity subsidiaries. The services provided by the Subsidiaries are undertaken to maximise the Company's investment returns and do not represent a separate substantial business activity.

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 investment management services.
- The Company's business purpose, which was communicated directly to investors, is investing funds solely for returns from capital appreciation and investment income.
- The Company measures and evaluates all of its investments 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 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 Investment 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 Investment Manager considers demonstrate a clear exit strategy.

As a result, under the terms of IFRS 10, the Company does not consolidate the Subsidiaries, and must measure its investment in the Subsidiaries at FVTPL. 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 notes 9 & 14).

2. Significant accounting policies (continued)

2.4 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 was treated as a publicly traded partnership for US federal income tax purposes up until 31 December 2019.

As the Company's operations and shareholder base have expanded, the administrative requirements associated with the Company's US tax classification have become an administrative and cost burden on the Company. The Directors recommended that the Company change its US tax classification status from a partnership to a non-US corporation from 1 January 2020. This resolution was approved at the EGM of the Company held on 18 December 2019.

2.5 Financial instruments

(a) Classification

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 FVTPL 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 Investment Manager, are balances that have been contracted for but not yet delivered on the Statement of Financial Position date. 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.

On initial recognition, the Company classifies financial assets as measured at amortised cost or fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest.

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.

ZDP Shares

In accordance with IAS 32, 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

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 (cash and cash equivalents and balance due from Investment Manager) and financial liabilities (accounts payables and accrued expenses) 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

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 FVTPL. 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. 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 FVTPL are recognised in net gain on financial assets held at FVTPL in the Statement of Comprehensive Income as applicable.

Note 9 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 financial assets at FVTPL.

Derivative financial instruments held by EJFIH

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

Derivatives are classified as financial assets or financial liabilities at fair value through profit or loss, attributable transaction costs are recognised in the Statement of Comprehensive Income when incurred. EJFIH holds derivative financial instruments to minimise its exposure to foreign exchange risks.

The fair values of derivative transactions are measured at their market prices at the reporting date.

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.

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 de-recognition 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

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 15 for further details.

(e) De-recognition 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 de-recognition is taken to Statement of Comprehensive Income.

2.6 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 directors approve the payment of a dividend. Dividend income from EJFIH is recognised in the Statement of Comprehensive Income as a separate line item.

2.7 Interest income and expense

Interest income and expense, are recognised as other income 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.

2.8 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.

2.9 Expenses

Fees and other operating expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

2.10 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 repurchases its own Ordinary Shares (treasury shares), the consideration paid, including any directly attributable 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.

3. 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

Non-consolidation of EJFIH

The Directors have used their judgement to determine that the Company meets the definition of an investment entity as defined in IFRS 10.

As the Company satisfies the criteria for an investment entity and has the typical characteristics of an investment entity as explained in note 2.3 "Accounting for subsidiaries", the Board considers that the Company is an investment entity. Accordingly the Company's subsidiary, EJFIH, has not been consolidated but has been fair valued and accounted for at fair value through profit or loss.

Functional currency

As outlined above in note 2.1 (d) the Directors have used their judgement to determine that the Company's presentation and functional currency is Sterling.

(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 Investment Manager has appointed a recognised independent valuation agent to provide a range of values around the valuations derived from models developed by the Investment Manager or the valuation agent at inception and, where required, periodically thereafter.

The Investment 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 (see note 15 for further information).

4. Segmental reporting

IFRS 8 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, 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.

5. Dividend income

The Company received the following dividends from EJFIH during the years ended 31 December 2019 and 31 December 2018:

Date received	31 December 2019 £	31 December 2018 £
21 August 2018	**–**	1,780,000
16 November 2018	**–**	1,780,000
28 February 2019	**1,750,000**	–
16 May 2019	**1,750,000**	–
30 June 2019	**3,000,000**	–
29 October 2019	**2,000,000**	–
	8,500,000	3,560,000

6. Auditor's remuneration

	1 January 2019 to 31 December 2019 £	1 January 2018 to 31 December 2018 £
The analysis of KPMG's remuneration is as follows:		
KPMG LLP – audit and audit related services		
Annual audit	**151,520**	71,610
Annual audit – overruns for prior year audit	**–**	19,500
Audit related services – interim review	**18,000**	18,000
Total audit and audit related fees	**169,520**	109,110
KPMG LLP – non-audit services		
Reporting accountant – Supplementary prospectus	**–**	17,500
Total non-audit fees	**–**	17,500
Total fees to KPMG LLP	**169,520**	126,610

7. Finance costs

	1 January 2019 to 31 December 2019 £	1 January 2018 to 31 December 2018 £
ZDP Shares finance costs (see note 11)	**935,836**	883,992
Prime broker costs	**(63,422)**	109,752
Other finance costs	**(1,075)**	1,564
Total finance costs	**871,319**	995,308

8. Prepaid expenses and other assets

	31 December 2019 £	31 December 2018 £
Prepaid Directors' and professional indemnity insurance	**5,413**	78,510
Prepaid professional fees	**8,409**	14,907
	13,822	93,417

9. Financial assets at fair value through profit or loss

Investment in EJFIH

During the year ended 31 December 2019 the Company made no further investment in EJFIH (31 December 2018: £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 FVTPL. 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 2019 £	31 December 2018 £
Opening balance	**129,922,605**	100,177,557
Additions during the reporting year	**–**	12,800,002
Closing balance	**129,922,605**	112,977,559
Net gains on investment in EJFIH*	**8,191,118**	16,945,046
Investment in EJFIH at fair value through profit or loss at the end of the year	**138,113,723**	129,922,605

* Net gains comprise of distributions received during the reporting year in the amount of £8,500,000 (31 December 2018: £3,560,000) and unrealised gains on investment in EJFIH in the amount of £16,691,118 (31 December 2018: £20,505,046).

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

	31 December 2019 £	31 December 2018 £
Subsidiaries' investments at fair value through profit or loss:		
Armadillo Portfolio	**4,260,152**	6,448,996
Investment in the Partnership[1]	**77,794,613**	66,961,764
Investment in the CDO Manager	**9,399,029**	9,606,049
CDO securities	**8,383,554**	9,695,693
UK bank sub-debt	**4,337,960**	–
Bridge Loan[4]	**7,669,797**	9,161,668
Preference Shares[1]	**1,315,095**	5,506,737
Net Derivative financial assets/(liabilities) (note 15)	**6,649,760**	(9,181,757)
CDO security pledged as Collateral[1]	**–**	7,634,452
Total Subsidiaries' investment at fair value through profit or loss	**119,809,960**	105,833,602
Subsidiaries' other assets and liabilities:		
Cash and cash equivalents[2]	**16,765,867**	12,743,550
Cash and cash equivalents held as margin	**375,590**	16,118,038
Other receivables[2]	**1,162,306**	449,104
Due under repurchase agreement[3]	**–**	(5,221,689)
Subsidiaries' net asset value at the end of the year	**138,113,723**	129,922,605

1 Held by EJFIF at 31 December 2019 and 31 December 2018

2 Held by the Subsidiaries at 31 December 2019 and 31 December 2018

3 Amount due under repurchase agreement by EJFIF at 31 December 2019 and 31 December 2018

4 Held by EJFIF (31 December 2018: Held by EJFIH)

(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 30.2% holding in Armadillo I and 0.3% holding in Armadillo II as at 31 December 2019 (27.0% holding in Armadillo I and 0.8% holding in Armadillo II as at 31 December 2018).

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

	31 December 2019 £	31 December 2018 £
Opening balance	**6,448,996**	17,388,194
Distributions	**(918,564)**	(12,234,410)
Realised (losses)/gains on distributions[1]	**(129,081)**	637,263
Unrealised (losses)/gains[1]	**(1,141,199)**	657,949
Investments in the Armadillo Portfolio at fair value through profit or loss	**4,260,152**	6,448,996

1 Includes fluctuations in foreign exchange rates

Investment in the Partnership

As at 31 December 2019 EJFIH through EJFIF held 85% of the 96,821,048 units (31 December 2018: 85% of the 96,198,309 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 US and EU risk retention rules. The investment in the Partnership is valued at £77,794,613 (31 December 2018: £66,961,764).

As at 31 December 2019, the remaining units outstanding are held by the Investment Manager (17,086,096 units) (31 December 2018: 14,429,746 units) and EJF Investments GP Inc. (165 units) (31 December 2018: 165 units).

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

	31 December 2019 £	31 December 2018 £
Opening balance	**66,961,764**	31,114,057
Additions	**22,400,379**	28,517,586
Distributions	**(20,657,215)**	(910,847)
Realised gains on distributions[1]	**9,979,943**	910,847
Unrealised (losses)/gains[1]	**(890,258)**	7,330,121
Investment in the Partnership at fair value through profit or loss	**77,794,613**	66,961,764

1 Includes fluctuations in foreign exchange rates

(b) Subsidiaries' investment in private operating company

Investment in the CDO Manager

The CDO Manager, which is 51% owned by the Investment 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 Investment 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 2019 £	31 December 2018 £
Opening balance	**9,606,049**	7,565,445
Distributions	**–**	(1,248,320)
Realised gains on distributions[1]	**–**	1,248,320
Unrealised (losses)/gains[1]	**(207,020)**	2,040,604
Investment in the CDO Manager at fair value through profit or loss	**9,399,029**	9,606,049

1 Includes fluctuations in foreign exchange rates

9. Financial assets at fair value through profit or loss (continued)

EJFIH through its 49% interest in the CDO Manager, has an exposure to the cash flows of four REIT TruPS CDO collateral management contracts plus cash flow from TFINS 2017-2, TFINS 2018-1, TFINS 2018-2, TFINS 2019-1, TFINS 2019-2 and FINS 2019-1. The CDO Manager has a total net asset value of £19,181,694 as at 31 December 2019 (31 December 2018: £19,604,182). EJFIH's interest in the CDO Manager has a net asset value of £9,399,029 as at 31 December 2019 (31 December 2018: £9,606,049).

The Investment Manager expects these contracts will 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 2017-2 securitisation produces management fees of 10bps on outstanding collateral. The TFINS 2018-1, TFINS 2018-2, TFINS 2019-1 and TFINS 2019-2 securitisations produce management fees of 20bps on outstanding collateral. The FINS 2019-1 securitisation produces management fees of 30bps 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. The bond holdings range from senior class A bonds to subordinated class F bonds. For the year ended 31 December 2019, EJFIH accrued £316,742 and EJFIF accrued £304,843 (EJFIH 2018: £981,058 and EJFIF 2018: £nil) of interest income presented as investment income in EJFIH and EJFIF respectively.

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

	31 December 2019 £	31 December 2018 £
Opening balance	**9,695,693**	17,943,025
Reclassification from – (d) Due under repurchase agreement	**7,634,452**	–
Additions	**–**	10,549,189
Proceeds on disposal	**(9,201,266)**	(29,971,598)
Realised gains on disposal[1]	**313,285**	14,567,589
Unrealised losses from CDO securities[1]	**(58,610)**	(3,392,512)
CDO securities at fair value through profit or loss	**8,383,554**	9,695,693

1 Includes fluctuations in foreign exchange rates

UK Bank Sub-Debt

The Subsidiaries' UK Bank Sub-Debt portfolio is held by EJFIF and consists of UK specialised bank securities issued in 2019. The securities offer fixed coupons of 7.5-7.75% and are denominated in Sterling.

The following table summarises activity for the investment in UK Bank Sub-Debt:

	31 December 2019 £
Opening balance	**–**
Additions	**4,313,000**
Unrealised gains from UK bank sub-debt	**24,960**
UK Bank Sub-Debt at fair value through profit or loss	**4,337,960**

Bridge Loan

The 14% Bridge loan held by EJFIH was disposed during the year and EJFIF acquired the new Bridge Loan which is structured as a senior secured note with a three-year maturity and an interest rate of 12%. Additionally, the Bridge Loan investors received a 2% commitment fee. 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 2019, EJFIF accrued £491,233 and EJFIH accrued £600,721 (2018: EJFIH accrued £1,234,829) of interest income presented as investment income in the relevant Subsidiary.

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

	31 December 2019 £	31 December 2018 £
Opening balance	**9,161,668**	7,742,458
Acquisition of interest in the Bridge Loan/PIK capitalised	**8,717,966**	915,729
Repayments	**(9,902,170)**	–
Realised gains[1]	**91,722**	–
Unrealised (losses)/gains from the Bridge Loan[1]	**(399,389)**	503,481
Bridge Loan at fair value through profit or loss	**7,669,797**	9,161,668

1 Includes fluctuations in foreign exchange rates

Preference Shares

EJFIH through EJFIF owns interests in depositor vehicles which holds interests in the TFINS 2017-1 and TFINS 2017-2 preference shares originally issued as part of the securitisation in October 2017. The interests in the TFINS 2017-1 preference shares were realised in April 2019 on redemption of the securitisation.

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

	31 December 2019 £	31 December 2018 £
Opening balance	**5,506,737**	4,917,953
Acquisition of interest in Preference Shares	**2,106,563**	–
Distributions	**(8,253,312)**	(475,260)
Realised gains on distribution[1]	**2,150,053**	475,260
Unrealised (losses)/gains from Preference Shares[1]	**(194,946)**	588,784
Preference Shares at fair value through profit or loss	**1,315,095**	5,506,737

1 Includes fluctuations in foreign exchange rates

(d) Due under repurchase agreement

During December 2018, EJFIF entered into a repurchase agreement to borrow $6,650,000 in exchange for a CDO security valued at $9,787,500 (equivalent to £7,634,542) as collateral as at 31 December 2018. In May 2019, EJFIF repaid the amount received under the repurchase agreement. Refer to 9 (c) for the fair value movements of the outstanding CDO security.

	31 December 2019 £	31 December 2018 £
Due under repurchase agreement	**–**	5,221,689
Value of collateral provided in respect of the above	**–**	7,634,452

10. Accounts payable and accrued expenses

	31 December 2019 £	31 December 2018 £
Amount due to EJFIH and EJFIF	**201,828**	143,374
Incentive fees payable	**496,023**	1,112,315
Legal fees payable	**22,391**	117,571
Professional fees payable	**154,622**	231,152
Management fee payable	**287,418**	512,280
Audit fees payable	**151,522**	71,610
Directors' fees payable	**–**	33,750
Sundry creditors	**71,141**	118,847
	1,384,945	2,340,899

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

11. ZDP shares

On 1 December 2017, the Company issued 15,000,000 ZDP 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 2019 and 31 December 2018, 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.

Holders of ZDP Shares are not entitled to any dividends paid by the Company. The following table reconciles the liability for ZDP Shares, held at amortised cost, for the reporting period.

The table below details changes in the Company's liabilities from financing activities, including both cash and non-cash changes.

	31 December 2019 £	31 December 2018 £
Opening balance	**15,545,525**	14,556,533
Amortisation of issue costs	**105,000**	105,000
Finance costs	**935,836**	883,992
ZDP Shares closing balance	**16,586,361**	15,545,525

Capitalised issue costs are being amortised using the effective interest rate method. The remaining balance at 31 December 2019 is £306,250 (31 December 2018: £411,250).

12. Stated capital

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 2019 £	31 December 2018 £
Number of shares		
Opening balance	**64,175,306**	54,543,142
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**	64,175,306

	31 December 2019 £	31 December 2018 £
Issued and fully paid		
Opening balance	**90,259,133**	73,650,682
Issue of shares	**-**	10,300,920
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)
Closing balance	**90,259,133**	90,259,133

5,381,886 (31 December 2018: 5,381,886) treasury shares are available to be sold by the Company to meet ongoing market demand.

13. Dividends paid

The Company paid the following dividends on its Ordinary Shares during the year ended 31 December 2019:

Period to:	Declared date	Ex-dividend date	Record date	Payment date	Dividend rate per Ordinary Share £	Net dividend paid £
31 Dec 2018	25 Jan 2019	7 Feb 2019	8 Feb 2019	4 Mar 2019	**0.02675**	**1,716,689**
31 Mar 2019	25 Apr 2019	9 May 2019	10 May 2019	7 Jun 2019	**0.02675**	**1,716,689**
30 June 2019	26 Jul 2019	8 Aug 2019	9 Aug 2019	6 Sep 2019	**0.02675**	**1,716,689**
30 Sep 2019	23 Oct 2019	31 Oct 2019	1 Nov 2019	29 Nov 2019	**0.02675**	**1,716,689**
						6,866,756

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	19 Jan 2018	1 Feb 2018	2 Feb 2018	2 Mar 2018	0.025	1,363,579
31 Mar 2018	23 Apr 2018	3 May 2018	4 May 2018	31 May 2018	0.025	1,448,054
30 June 2018	19 Jul 2018	2 Aug 2018	3 Aug 2018	31 Aug 2018	0.025	1,513,930
30 Sep 2018	18 Oct 2018	1 Nov 2018	2 Nov 2018	30 Nov 2018	0.025	1,513,930
						5,839,493

14. 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:

Name of entity	Type of entity	Principal place of business	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.	30%	Indirect

15. 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 Investment 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 Investment 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.

(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 US, UK and Europe. The various components of the Company's market risk are managed on an ongoing 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 position exposure is monitored on an ongoing basis by the Investment Manager and reviewed on a quarterly basis by the Board and the Administrator.

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 Group is 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 Group is also exposed to interest rate risk in respect of their cash and cash equivalents and the investments held.

The Investment Manager assesses interest rate risk 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.

15. Financial risk management (continued)

Sensitivity analysis

The weighted average effective duration of the portfolio has been used to identify the potential NAV impact of a 0.25% parallel shift in the relevant reference rate curve.

The percentage has been determined as reasonable by the Directors based on potential volatility due to changes in interest reference rates.

	31 December 2019 Change in fair value	
	£	£
Change in rate	0.25%	(0.25%)
Net asset value	(493,485)	493,485

As at 31 December 2018, the Investment 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 has not been presented.

(i) 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 Group is 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 Group enters into transactions that are denominated in currencies other than their functional currency, primarily in US Dollar. Consequently, the Group is 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.

The Investment Manager monitors the exposure to foreign currencies and reports to the Board monthly. The Investment 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 Group.

As at 31 December 2019 and 31 December 2018, the following forward foreign exchange contracts were held by EJFIH and are included within the financial assets/(liabilities) of EJFIH:

Maturity date	Counterparty	Contract amount (GBP)	Buy	Sell	31 December 2019 £
31 January 2020	Citibank N.A.	15,924,339	GBP	USD	**1,076,577**
31 January 2020	Citibank N.A.	7,898,202	GBP	USD	**511,984**
3 February 2020	Citibank N.A.	62,212,168	GBP	USD	**4,183,747**
10 February 2020	Citibank N.A.	7,910,618	GBP	USD	**602,444**
25 February 2020	Citibank N.A.	3,162,060	GBP	USD	**(964)**
22 June 2020	Citibank N.A.	22,128,588	GBP	USD	**275,972**
Derivative financial assets held by EJFIH					**6,649,760**

Refer to note 20 for further details on changes to the foreign exchange hedging after the year end.

Maturity date	Counterparty	Contract amount (GBP)	Buy	Sell	31 December 2018 £
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)

There were no forward foreign exchange derivatives held by the Company during the years ended 31 December 2019 and 31 December 2018.

At 31 December 2019, the carrying amount of the Group'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	108,822,242	93%

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%

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 2019 (10% at 31 December 2018). 10% continued to be deemed reasonable as it reflects movements experienced in 2019 as a result of Brexit negotiations and UK general election. The analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2019	31 December 2018
Effect in Sterling	£ 14,424,638	£7,768,640
Effect in % of net assets attributable to the holders of tradable Ordinary Shares	12%	7%
Effect in % of increase in total comprehensive income attributable to the holders of tradable Ordinary Shares	108%	45%

A strengthening of the Sterling against the US Dollar would have resulted in an equal but opposite effect to the amounts shown above. The analysis does not consider the effects of the hedges.

(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 geographically across the US and UK and through holding diversified collateral in the underlying securitisation. Also, if the price risk is not in accordance with the Investment Policy or guidelines of the Company, then the Investment Manager is required to rebalance the portfolio prior to the end of the reporting period following each determination of such occurrence.

15. Financial risk management (continued)

Exposure

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

	31 December 2019		31 December 2018	
	£	%	£	%
Armadillo Portfolio	**4,260,152**	**3**	6,448,996	5
Investment in the Partnership[1,2]	**77,794,613**	**56**	66,961,764	52
Investment in CDO Manager	**9,399,029**	**7**	9,606,049	7
CDO securities	**8,383,554**	**6**	9,695,693	8
UK bank sub-debt	**4,337,960**	**3**	–	–
Bridge Loan	**7,669,797**	**6**	9,161,668	7
Preference Shares[2]	**1,315,095**	**1**	5,506,737	4
Net Derivative financial asset/(liabilities)	**6,649,760**	**5**	(9,181,757)	(7)
CDO security pledged as Collateral[2]	**–**	**–**	7,634,452	6
Financial assets and liabilities at fair value through profit or loss	**119,809,960**	**87**	105,833,602	82
Due from an affiliate	**–**	**–**	143,374	0
Cash and cash equivalents[3]	**16,765,867**	**12**	12,743,550	10
Cash and Cash equivalents held as margin	**375,590**	**0**	16,118,038	12
Due under repurchase agreement[4]	**–**	**–**	(5,221,689)	(4)
Other[3,5]	**1,162,306**	**1**	305,730	0
Investment in EJFIH	**138,113,723**	**100**	129,922,605	100

1 See table below.
2 Held by EJFIF at 31 December 2019 and 31 December 2018.
3 Held by the Subsidiaries at 31 December 2019 and 31 December 2018.
4 Amount due under repurchase agreement by EJFIF at 31 December 2019 and 31 December 2018.
5 No individual financial asset held by the Group and included in this category exceeded 5% of the net assets attributed to the Group as at 31 December 2019 and 31 December 2018.

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

	31 December 2019		31 December 2018	
	£	% of NAV	£	% of NAV
TFINS 2017-1	**–**	**–**	13,527,716	12
TFINS 2017-2	**13,705,123**	**11**	14,106,078	12
TFINS 2018-1	**20,473,434**	**17**	20,963,054	18
TFINS 2018-2	**15,430,539**	**13**	16,134,126	14
TPINS 2016-1 (Class A)	**105,242**	**0**	5,036,525	4
TPINS 2016-1 (Class B)	**167,173**	**0**	8,000,352	7
FINS 2019-1	**11,538,704**	**10**	–	–
TFINS 2019-1	**14,119,570**	**12**	–	–
Investments held by the Partnership	**75,539,785**	**63**	77,767,851	67
Other net assets	**15,983,290**	**13**	1,010,853	1
Net asset value of the Partnership	**91,523,075**	**76**	78,778,704	68
% held by the Subsidiaries	**85**	**85**		
Fair value of the Subsidiaries investment in the Partnership	**77,794,613**	**64**	66,961,764	58

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 requires disclosure of fair value measurement by level. The level of financial assets or financial liabilities within the fair value hierarchy 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.

15. Financial risk management (continued)

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.

Where appropriate, the Investment Manager has appointed a recognised independent valuation agent to provide a range of values around the valuations derived from models developed by the Investment 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 mid forward exchange rates at the reporting date.

Valuation approach for specific instruments held through the Group

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 2019 and the year ended 31 December 2018.

Investments trading securities
At 31 December 2019, the investment portfolio included bonds issued by Kodiak, Attentus, Taberna and Credit Suisse, which are unaffiliated third-party CDO sponsors, and the Bridge Loan. The cash yielding bond issued by Credit Suisse is valued at its clean price 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 any expected interest accruals).

As at 31 December 2019, the portfolio also included UK bank sub-debt valued clean, using broker quotes with the interest element recorded separately in the Subsidiaries' financial statements.

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 reporting 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 valuation committee, which is independent of management and feeds into the monthly NAV process for review by the Board, and has 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;
- analysis and investigation of significant 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 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 Investment 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 assets at fair value through profit or loss held by the Company

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include private equity, CDO securities and the Bridge loan. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair 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 2019. All fair value measurements below are recurring.

As at 31 December 2019	Level 1 £	Level 2 £	Level 3 £
Investment held in EJFIH	–	–	**138,113,723**
Financial assets at fair value through profit or loss	–	–	**138,113,723**

15. Financial risk management (continued)

The following table shows the movement of level 3 assets during the year ended 31 December 2019:

	Opening fair value £	Additions £	Realised gains £	Unrealised gains £	Distributions £	Ending fair value £
EJFIH	**129,922,605**	**–**	**–**	**16,691,118**	**(8,500,000)**	**138,113,723**
Total financial assets	**129,922,605**	**–**	**–**	**16,691,118**	**(8,500,000)**	**138,113,723**

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 £
Investment held in EJFIH	–	–	129,922,605
Financial assets at fair value through profit or loss	–	–	129,922,605

Fair value hierarchy – financial assets at fair value through profit or loss held by the Subsidiaries

The tables below are supplemental disclosures 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 2019 and 31 December 2018. All fair value measurements below are recurring.

As at 31 December 2019	Level 1 £	Level 2 £	Level 3 £
Armadillo Portfolio	**–**	**–**	**4,260,152**
Investment in the Partnership	**–**	**–**	**77,794,613**
Investment in the CDO Manager	**–**	**–**	**9,399,029**
CDO securities	**–**	**7,305,930**	**1,077,624**
UK bank sub-debt	**–**	**4,337,960**	**–**
Bridge Loan	**–**	**–**	**7,669,797**
Investment in Preference Shares	**–**	**–**	**1,315,095**
Financial assets at fair value through profit or loss	**–**	**11,643,890**	**101,516,310**

	Level 1 £	Level 2 £	Level 3 £
Derivative financial assets	**–**	**6,649,760**	**–**
Financial assets at fair value through profit or loss	**–**	**6,649,760**	**–**

As at 31 December 2018	Level 1 £	Level 2 £	Level 3 £
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

	Level 1 £	Level 2 £	Level 3 £
Derivative financial liability	–	(9,181,757)	–
Financial liabilities at fair value through profit or loss	–	(9,181,757)	–

Level 3 reconciliation

The following tables show a reconciliation of all movements in the fair value of financial assets held at fair value through profit or loss of level 3 assets held by the Subsidiaries categorised within level 3 between the beginning and the end of the reporting period:

	Opening fair value as at 1 January 2019 £	Additions £	Realised gains/ (losses) £	Unrealised gains/ (losses) £	Disposals £	Transfer to Level 2 £	Ending fair value as at 31 December 2019 £
Armadillo Portfolio	**6,448,996**	**–**	**(129,081)**	**(1,141,199)**	**(918,564)**	**–**	**4,260,152**
Investments in the Partnership	**66,961,764**	**22,400,379**	**9,979,942**	**(890,257)**	**(20,657,215)**	**–**	**77,794,613**
Investment in CDO Manager	**9,606,049**	**–**	**–**	**(207,020)**	**–**	**–**	**9,399,029**
CDO securities	**644,507**	**–**	**–**	**433,117**	**–**	**–**	**1,077,624**
Bridge Loan	**9,161,668**	**8,717,966**	**91,722**	**(399,389)**	**(9,902,170)**	**–**	**7,669,797**
Investment in Preference Shares	**5,506,737**	**2,106,563**	**3,285,217**	**(194,944)**	**(9,388,478)**	**–**	**1,315,095**
Total financial assets	**98,329,721**	**33,224,908**	**13,227,800**	**(2,399,692)**	**(40,866,427)**	**–**	**101,516,310**

During the year ended 31 December 2019 there were no reclassifications between levels of the fair value hierarchy.

The following table is for the year ended 31 December 2018.

	Opening fair value as at 1 January 2018 £	Additions £	Realised gains/ (losses) £	Unrealised gains/ (losses) £	Disposals £	Transfer to Level 2 £	Ending fair value as at 31 December 2018 £
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 31 December 2018, £9.1m of financial assets were transferred from Level 3 to Level 2 following a reassessment of valuation techniques.

Significant unobservable inputs used in measuring fair value held by the Company – Level 3

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 2019 £	Company fair value at 31 December 2018 £	Valuation techniques and inputs	Significant unobservable inputs
Investment in EJFIH	138,113,723	129,922,605	Net asset value of EJFIH	The net asset value of EJFIH is calculated under IFRS

Sensitivity analysis for significant changes for unobservable inputs within Level 3 hierarchy

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	31 December 2019 £	31 December 2018 £
Investment in EJFIH	138,113,723	129,922,605
Increase by 10%	151,925,095	142,914,866
Decrease by 10%	124,302,351	116,930,345

15. Financial risk management (continued)

Significant unobservable inputs used in measuring fair value held by the Subsidiaries – Level 3

The estimated fair values of EJFIH's 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 2019 and 31 December 2018. 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. An independent valuation agent was used to provide a final valuation report for CDO Manager.

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.

(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 an ongoing basis by the Investment Manager in accordance with the policies and procedures in place. The Investment Manager monitors the Company's and the Subsidiaries' 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 Investment Manager is obliged to address the impact and to liquidate holdings within a reasonable amount of time, however as the Subsidiaries' portfolio assets are generally illiquid in nature more time may be required to address the impact the credit risk has on any such 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 Investment 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.

In the opinion of the Board, the carrying amount of financial assets best represent the maximum credit risk exposure to the Company. The Company's financial assets exposure to credit risk amounted to the following:

	31 December 2019 £
Cash and cash equivalents[1]	**16,765,867**
Cash and cash equivalents held as margin[1]	**375,590**
Derivative financial assets[1]	**6,649,760**
Bridge Loan[1]	**7,669,797**
CDO securities[1]	**8,383,554**
Armadillo Portfolio[1]	**4,260,152**
UK bank sub-debt[1]	**4,337,960**
Investment in the Partnership[1]	**77,794,613**
Preference Shares[1]	**1,315,095**
Investment in CDO Manager[1]	**9,399,028**
Other[1]	**1,162,306**
Investment in EJFIH	**138,113,723**
Cash and cash equivalents	**263,781**
Balance due from the Investment Manager	**563,525**
Total financial assets	**138,941,029**

1 Held by the Subsidiaries

Cash and cash equivalents

The Company's and the Subsidiaries' cash is predominantly held with BNPP, AUB, Citibank N.A. and HSBC plc. The Investment Manager monitors the financial position and creditworthiness 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 Investment Manager monitors the financial position and creditworthiness 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 Group, using available ratings from Moody's. Publicly available ratings are not published for AUB.

Institution	Rating Agency	31 December 2019	31 December 2018
Citibank N.A.	Moody's	Aa3	A1
BNPP[1]	Moody's	Aa3	–
HSBC plc[2]	Moody's	Aa3	Aa3

1 The Group did not hold any cash with BNPP as at 31 December 2018. Hence, no rating has been presented.

2 The Group did not hold any cash with HSBC plc as at 31 December 2019. Hence, no rating has been presented.

As at the Statement of Financial Position date, an insignificant cash balance is held with AUB, hence the credit risk is minimal.

Balance due from the Investment Manager

The balance due from the Investment Manager relates to the arrangement with the Investment Manager to absorb ongoing operating expenses incurred by the Company, excluding management fees, incentive fees and expenses considered not ongoing. 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 Investment 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 2019, the Company, through its investment in EJFIF, held an interest in a Bridge Loan to an affiliate of a publicly listed insurer. In the event of any default on such Bridge Loan by the counterparty, EJFIF will bear a risk of loss of principal and accrued interest of the investment, which could have a material adverse effect on EJFIF'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 EJFIF.

The credit rating of a related surplus note issued by the publicly listed insurer is rated Caa1 (31 December 2018: Caa1) based on Moody's Agency.

Preference shares

The Company, through its investment in the Subsidiaries, is exposed to the credit risk of its counterparties or the counterparties of the securitisation preference shares in which it invests. In the event of a bankruptcy or insolvency of such a counterparty, the preference shares could suffer significant losses resulting in declines in the value of the shares, including 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 preference shares in which the Subsidiaries have invested are not rated.

Investment in CDO securities

At 31 December 2019, the Company, through its investment in EJFIH, was invested in distressed and cash yielding CDO securities issued by Attentus, Kodiak and Taberna, 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. This repurchase agreement was settled in May 2019. EJFIF continues to recognise the CDO security issued by Credit Suisse in its statement of financial position and presents it as CDO securities.

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 are not rated (31 December 2018: not rated).

Investment in UK bank sub-debt

EJFIF made the Group's first Sterling denominated investment in 2019. Both securities are subordinated notes issued by UK banks.

15. Financial risk management (continued)

The Subsidiaries are exposed to credit risk of the underlying issuer who do not have any published credit ratings.

Armadillo Portfolio

At 31 December 2019, 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 is not rated (31 December 2018: not rated).

Investment in the Partnership

At 31 December 2019, 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 are not rated (31 December 2018: not rated).

Concentration of credit risk

The Investment 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 Group's exposure was concentrated as below:

	31 December 2019		31 December 2018	
	£	**%**	**£**	**%**
Citibank N.A	**15,585,100**	**91.5**	23,157,687	97.0
BNPP	**1,120,791**	**6.6**	–	–
AUB	**323,758**	**1.9**	72,872	0.3
HSBC Bank plc	**–**	**–**	652,394	2.7
Total	**17,029,649**	**100%**	23,882,953	100%

Collateral and other credit enhancements, and their financial effect

The Group 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 has executed 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 2018: A1), 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 nil. The Company is also exposed to credit risk in relation to financial assets that are measured at FVTPL. The maximum exposure at the end of the reporting period is the carrying amount of these financial assets.

(c) Liquidity risk

Liquidity risk is the risk that the Group 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 Group is to ensure, as far as possible, that the Group 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 Investment Manager. Therefore, the Company may be exposed to the liquidity risk of not meeting this target at each quarterly distribution date.

The Group's financial assets include illiquid investment securities and investments in private investment companies. As a result, the Group 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 an ongoing basis by the Investment 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 2019	31 December 2018
Liquid assets	**£17,593,173**	£15,114,443
Current liabilities	**£1,388,320**	£2,340,899
Liquid assets as a % of current liabilities	**1227%**	645%

The Group manages its liquidity risk by maintaining a current ratio (liquid assets divided by current liabilities) of no less than approximately 100%. The tables below set out the Group 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 2019 and 31 December 2018:

31 December 2019	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	**17,029,648**	**17,029,648**	**17,029,648**	**–**	**–**	**–**
Balance due from the Investment Manager	**563,525**	**563,525**	**–**	**563,525**	**–**	**–**
Total	**17,593,173**	**17,593,173**	**17,029,648**	**563,525**	**–**	**–**

31 December 2019	Carrying Amount £	Total £	Less than 7 days £	7 days to 1 month £	1 month to 3 months £	3 months to over 1 year £
Financial liabilities						
Amount payable to EJFIH	**201,828**	**201,828**	**–**	**–**	**201,828**	**–**
Accounts payable and accrued expenses	**1,183,122**	**1,183,122**	**–**	**–**	**1,183,122**	**–**
Total	**1,384,950**	**1,384,950**	**–**	**–**	**1,384,950**	**–**

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	13,391,869	13,391,869	13,391,869	–	–	–
Balance due from the Investment Manager	1,722,574	1,722,574	–	1,722,574	–	–
Total	15,114,443	15,114,443	13,391,869	1,722,574	–	–

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 £
Financial liabilities						
Amount payable to EJFIH	143,374	143,374	–	–	143,374	–
Accounts payable and accrued expenses	2,197,525	2,197,525	–	–	2,197,525	–
Total	2,340,899	2,340,899	–	–	2,340,899	–

The tables 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.

15. Financial risk management (continued)

The Group 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 2019	31 December 2018
Liquid assets	**£17,593,173**	£15,114,443
Total Net Asset Value	**£120,983,545**	£114,500,491
Liquid assets as % of total Net Asset Value	**15%**	13%

16. Capital risk management

The Company's issued capital is represented by Ordinary 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 19, the Company had a revolving credit facility with AUB for the purpose of supporting working capital needs and to fund the Company's general business requirements. EJFIH and EJFIF were also party to this agreement. There was no drawdown up to expiration date in 2019 and the revolving credit facility was not renewed.

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

	31 December 2019 £	31 December 2018 £
ZDP Shares	**16,586,361**	15,545,525
Accounts payable and accrued expenses	**1,384,945**	2,340,899
Less: cash and cash equivalents	**(263,781)**	(648,319)
Net debt	**17,707,525**	17,238,105
Total equity	**120,983,545**	114,500,491
Net debt to adjusted equity ratio	**0.15**	0.15

17. Related party transactions and other material contracts

Transactions

On 31 January 2019, the Company, through its investment in the Partnership, entered into a cross-transaction with another fund affiliated with the Investment 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 8 March 2019, the Company, through its investment in the Partnership, 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.

The Company also participates in the collateral management fee income via its 49% ownership interest in EJF CDO Manager LLC, which serves as the collateral manager for TFINS 2019-1 and receives its share of a 20bps collateral management fee in addition to earning an incentive management fee, subject to certain criteria.

On 17 April 2019, the Company announced the commencement of the redemption through the Partnership of all of the outstanding notes and preferred shares issued by TFINS 2017-1. This redemption realised a total return of £8.9 million for the Company and an IRR greater than 24%.

On 23 September 2019, the Company, through its investment in the Partnership, made an investment in TFINS 2019-1, totalling approximately £10.3 million. TFINS 2019-1 is a securitisation sponsored by EJF and primarily consists of bank subordinated notes and senior unsecured notes issued by 45 US community and regional banks and their holding companies, with an aggregate par value of approximately $250.5 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.

EJF CDO Manager LLC serves as the collateral manager for FINS 2019-1 and receives a 30bps collateral management fee in addition to earning an incentive management fee, subject to certain criteria. The Company also benefits from the economics generated by the CDO Manager through the Company's 49% ownership interest in the CDO Manager.

On 12 November 2019, the Company redeemed in full the preferred shares held through the Partnership in TPINS 2016-1. TPINS 2016-1 was a securitisation of approximately $ 350 million trust preferred securities, senior notes and surplus notes issued by US insurance companies primarily within the small-cap insurance sector. The investment was redeemed at a value greater than par and generated an IRR in excess of 11.8% for the Company; when taking into account the revenue stream from the collateral management fee, the internal rate of return was even higher.

On 18 December 2019, the Company, through its investment in the Subsidiaries, entered into a cross-transaction with two private funds affiliated with the Investment Manager for the purchase of interest in a £50 million subordinated debt issuance by OakNorth Bank plc. The security has a fixed coupon of 7.75%, a stated maturity of 2028 and is callable in 2023. 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.

Investment Management fee

The Company, the General Partner of the Partnership and the Partnership entered into a Management Agreement with the Investment Manager and EJF on 31 January 2017. In accordance with the Management Agreement, the Investment Manager has been appointed as the manager of the Company, the Partnership and the Partnership's General Partner. In such capacity, the Investment Manager is responsible for the portfolio and risk management of the Group, 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.

On 27 February 2019, the Management Agreement was further amended and restated to allow settlement of the Incentive Fee through multiple transactions over an agreed upon timeframe between the Company and the Investment Manager.

On 22 August 2019, the Management Agreement was again further amended and restated to provide flexibility in the cash settlement of the Incentive Fee being used to facilitate a share purchase on the secondary market or subscription for new shares.

17. Related party transactions and other material contracts (continued)

In accordance with the terms of the Management Agreement, the Company pays a management fee calculated monthly and payable quarterly in arrears. Subject to certain limitations, the management fee is equal to 0.0833% (one-twelfth of 1%) of the Company's NAV.

For the year from the 1 January to 31 December 2019, the Company accrued management fees of £1,118,440 (2018: £942,779) which is presented within operating expenses on the Statement of Comprehensive Income.

The Company recognised an outstanding liability of £287,418 as at 31 December 2019 (31 December 2018: £512,280 presented in 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 2019, the Company recorded Directors' fees of £135,000 (2018: £135,000). As at 31 December 2019, £nil (31 December 2018: £33,750) of this amount was outstanding.

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

Alan Dunphy is 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 Investment Manager and an officer and director of other affiliates of the Investment 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 insurance cover is maintained by the Company on behalf of the Directors. During the year ended 31 December 2019, the Company recorded Directors' and Officers' liability and professional indemnity insurance expense of £73,097 (2018: £77,478).

Incentive fee

The Investment 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 was 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 Investment Manager of the Non-Retained Services as defined in the Management Agreement.

For the year from 1 January to 31 December 2019, the Company accrued an incentive fee liability of £496,023 (31 December 2018: £1,112,315), 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 28 February 2019, the Company announced that the Investment Manager had acquired 207,135 Ordinary Shares of no par value in the Company at an average price of 179 pence per share. The Company was also notified on the same date that the Investment Manager had allocated these Ordinary Shares as follows:

- Neal J. Wilson, the Chief Executive Officer of the Investment Manager, acquired 41,427 Ordinary Shares from the Investment Manager;
- Lindsay J. Sparacino, the Co-Chief Investment Officer of the Investment Manager, acquired 20,714 Ordinary Shares from the Investment Manager;
- Peter A. Stage, the Chief Financial Officer of the Investment Manager, acquired 20,714 Ordinary Shares from the Investment Manager;
- Hammad W. Khan, the Senior Managing Director, Europe, of the Investment Manager, acquired 20,714 Ordinary Shares from the Investment Manager; and
- EJF Capital Limited, a wholly-owned subsidiary of EJF Capital LLC, acquired 103,566 Ordinary Shares from the Investment Manager.

On 29 May 2019, the Company announced that the Investment Manager acquired 390,286 Ordinary Shares of no par value in the Company at an average price of 190 pence per share. The Company was also notified on the same date that the Investment Manager allocated these Ordinary Shares as follows.

- Neal J. Wilson, the Chief Executive Officer of the Investment Manager, acquired 78,058 Ordinary Shares from the Investment Manager;
- Lindsay J. Sparacino, the Co-Chief Investment Officer of the Investment Manager, acquired 39,029 Ordinary Shares from the Investment Manager;
- Peter A. Stage, the Chief Financial Officer of the Investment Manager, acquired 39,029 Ordinary Shares from the Investment Manager;
- Hammad W. Khan, the Senior Managing Director, Europe, of the Investment Manager, acquired 39,029 Ordinary Shares from the Investment Manager; and
- EJF Capital Limited, a wholly-owned subsidiary of EJF Capital LLC, acquired 195,141 Ordinary Shares from the Manager.

Both transactions represent full satisfaction of the Incentive Fee payable by the Company to the Investment Manager for the Incentive Fee Period ended 31 December 2018 and the recipients of the Ordinary Shares are subject to the Lock-Up Deed.

Ordinary shares held by related parties

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

Name	Ordinary Shares 31 December 2019[1]	Percentage of Ordinary Shares in Issue 31 December2019[2]	Ordinary Shares 31 December 2018[1]	Percentage of Ordinary Shares in Issue 31 December 2018[2]
Neal Wilson	**1,408,070**	**2.19%**	1,181,759	1.84%
Joanna Dentskevich	**49,548**	**0.05%**	20,548	0.03%
Nick Watkins	**3,000**	**0.00%**	–	–

The Investment Manager owned nil Ordinary Shares as at 31 December 2019 (31 December 2018: 534,135). Ordinary shares previously held by the Investment Manager have been allocated to EJF affiliates, including EJF Capital Limited. EJF Capital Limited owned 565,774 (0.88%) as of 31 December 2019 (31 December 2018: nil)

As at 31 December 2019, affiliated entities to Emanuel J. Friedman, chair and Co-CIO of the Investment Manager, held an aggregate of 11,552,344 Ordinary Shares issued by the Company, equal to 18.00%[2] of the issued share capital (31 December 2018: 11,117,344 Ordinary Shares issued by the Company, equal to 17.32% of the issued share capital).

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

ZDP Shares held by related parties

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

Name	ZDP Shares 31 December 2019	Percentage of ZDP Shares in Issue 31 December 2019	ZDP Shares 31 December 2018	Percentage of ZDP Shares in Issue 31 December 2018
Neal Wilson	375,000	2.5%	375,000	2.5%

The Investment Manager owned 375,000 ZDP Shares as at 31 December 2019 (31 December 2018: 375,000).

Other material contracts

Until 1 May 2019, the Investment Manager voluntarily committed to absorb 100% of future ongoing operating expenses, aside from management and incentive fees, incurred by the Company until no earlier than 1 July 2019.

On 1 May 2019, with effect from 1 July 2019 the Investment Manager voluntarily committed to absorb 90% of future ongoing operating expenses, aside from management and incentive fees, incurred by the Company until no earlier than 1 January 2020.

On 13 June 2019, the Company announced that with effect from 1 July 2019 the Investment Manager will absorb at least 75% of the Company's recurring operating expenses, aside from management and incentive fees, until no earlier than the date on which the unaudited net asset value of the Company reaches £300 million.

17. Related party transactions and other material contracts (continued)

On 12 November 2019, the Company announced that with effect from 1 January 2020 the Investment Manager voluntarily committed to absorb 80% of future ongoing operating expenses, aside from management and incentive fees, incurred by the Company until no earlier than 1 January 2021. For the year ended 31 December 2019, £1,211,581 (2018: £1,466,714) of operating expenses were offset by reimbursements from the Investment Manager and are presented in the Statement of Comprehensive Income.

As at 31 December 2019, the Company had a receivable balance of £563,525 (31 December 2018: £1,722,574) from the Investment Manager relating to the reimbursement of these operating expenses and is included in the balance due from the Investment Manager on the Statement of Financial Position.

18. Basic and diluted earnings per share

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

The weighted average number of Ordinary Shares in issue is 64,175,306 (31 December 2018: 59,226,765).

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 2019 and 31 December 2018, there were no convertible instruments which would have an impact on the weighted average number of Ordinary Shares.

19. Commitments and contingencies

On 9 May 2018, the Company and AUB extended a financing and security agreement pursuant to which AUB agreed to provide a revolving credit facility of up to $15 million. The Revolving Credit Facility also included EJFIH and EJFIF as a borrower. The Revolving Credit Facility was available for the purposes of supporting working capital needs and to fund respective general business requirements where necessary. No amounts were ever drawn from the facility and thus it was not renewed on expiry in November 2019.

20. Subsequent events

The Board has evaluated subsequent events for the Company through to 24 April 2020, the date the Audited Financial Statements are available to be issued, and other than those listed below, concluded that there are no material events that require disclosure or adjustment to the Audited Financial Statements.

On 16 January 2020, the Company, through its investment in the Partnership, made an investment in preference shares, TFINS 2019-2, totalling approximately £12.6 million. TFINS 2019-2 is a securitisation sponsored by EJF and primarily consists of trust preferred securities, surplus notes, and senior notes issued by 34 US banks and 24 insurance companies and their holding companies with an aggregate par value of approximately $338.4 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.

On 23 January 2020, the Company declared a dividend of 2.675p per Ordinary Share in respect of the quarter ended 31 December 2019. The dividend was payable to Ordinary Shareholders on the register at 7 February 2020 with corresponding ex-dividend date of 6 February 2020 and paid on 28 February 2020.

On 23 January 2020, the Board approved payment of the 2019 Incentive Fee in the amount £496,023.

On 9 March 2020, the Company approved a share buy-back, under the authorities given at the last AGM, of up to £5 million of the Company's Ordinary Shares. Between 10 and 13 March 2020, the Company bought back a total number of 3,030,108 Ordinary Shares.

On 20 March 2020, in light of the ongoing uncertainty and the resultant volatility of foreign exchange rates driven by the spread of COVID-19, the Board resolved to cancel its forward foreign exchange instruments. The Company may enter into new foreign exchange hedges as the situation evolves.

Subsequent to the Statement of Financial Position date, the COVID-19 outbreak has caused extensive disruptions to businesses and economic activities around the world. The uncertainties over the emergence and spread of COVID-19 have caused market volatility on a global scale. The quantum of the effect is difficult to determine, however the Company is monitoring the situation and considering the effect it may have on the valuation of any impacted underlying portfolio companies in the future. The Board consider it is a non-adjusting event. The Board and Investment Manager will continue to monitor COVID-19 effects subsequently.

On 23 April 2020 the Company declared a dividend of 2.675 pence per share in respect of the quarter ended 31 March 2020. The dividend will be payable to shareholders on the register as at close of business on 11 May 2020, and the corresponding ex-dividend date will be 7 May 2020. Payment will be made on or about 29 May 2020.

On 24 April 2020 the Company reported that the 31 March 2020 NAV was £98.7 million or 161p per share, representing a monthly fall of 13.57% as the impact and ramifications of the COVID-19 pandemic were felt across markets globally. The entirety of the negative performance in March was due to marked-to-market declines in valuation (7.9%) and currency losses from removing hedges as a measure to preserve liquidity (7.5%). All interest income was received as expected contributing 1.9% positive performance and there were no credit defaults.

21. Reconciliation of IFRS to US GAAP

To meet the requirements of Rule 206(4)-2 under the Investment Advisors Act 1940 (the "Custody Rule") the Audited Financial Statements of the Company have also been audited in accordance with US GAAS. As such, two independent Auditor's reports are included on pages 41 to 45, one under International Standards on Auditing as required by the Crown Dependencies Audit Rules and the other under US GAAS. Compliance with the Custody Rule also requires a reconciliation of the operating profit and net assets under IFRS to US GAAP.

The Company has been assessed to be an investment entity in accordance with IFRS 10 as well as an investment company in accordance with ASC 946. Hence, under both accounting frameworks, the Company does not need to consolidate its investment in EJFIH and instead has accounted for it at fair value through profit or loss.

The Directors have assessed the operating profit and NAV of the Company under both IFRS and US GAAP and have concluded that no material differences were identified and therefore no reconciliation has been presented in these Audited Financial Statements.

Under US GAAP, the Company is required to disclose its financial highlights and a schedule of investments.

Financial highlights

The Investment Manager is a registered adviser with the SEC. The information below is provided to facilitate the Investment Manager to make use of the audit exemption as prescribed in Rule 206 (4)-2 of the US Investment Adviser Act 1940.

Financial highlights for the year ended 31 December 2019 are as follow:

NAV total return, since inception	
Beginning of year	47.03%
End of year	64.53%
Expense ratio to average NAV	
Expenses before incentive fees	2.68%
Expenses reimbursed by the Investment Manager	(1.01%)
Incentive fees	0.41%
Expenses, including incentive fees	**3.09%**
Investment income	7.10%
Expenses	(2.68%)
Net investment income ratio	**4.42%**

21. Reconciliation of IFRS to US GAAP (continued)

Schedule of investments

31 December 2019 Investments in trading securities	Cost	Cost £	Fair Value £	% of NAV
Cayman Islands				
TR PFD INS NOTE 2017-2 – Equity Notes (Z Notes), 1,631,250	**$1,726,424**	**1,369,138**	**1,315,095**	**1.1**
ATTN 2006-1X J 2% 06-10/05/2036 DFLT – Combination Notes, 10,074,040	**$404,932**	**303,990**	**1,048,091**	**0.9**
ATTN 2007-3A F 9.532% 07-11/10/2042 DFLT – Class F Notes, 62,634,884	–	–	**29,533**	**0.0**
TBRNA 2006-6A C 06-05/12/2036 FRN DFLT – Class C Notes, 2,500,000	**$1,563**	**1,166**	–	–
ATTN 2006-1A D 06-10/05/2036 FRN – Class D Notes, 11,000,000	–	–	–	–
KDIAK 2006-1A G 06-07/08/2037 FRN – Class G Notes, 49,500,000	–	–	–	–
KDIAK 2007-2A F 07-07/11/2042 FRN – Class F Notes, 43,000,000	–	–	–	–
TBRNA 2005-4A C3 0% 05-05/05/2036 – Class C-3 Notes, 35,000,000	–	–	–	–
TBRNA 2006-5A A3FV 06-05/08/2036 FRN – Class A-3 Notes, 35,000,000	–	–	–	–
Total Cayman Islands	**$2,139,919**	**1,674,295**	**2,392,719**	**2.0**
United States				
MZ FUNDING LLC 12% 19-20/01/2022 – Senior Secured Notes, 10,900,000	**$9,799,031**	**7,837,396**	**7,669,797**	**6.3**
CSRT 2018-PS1 A 18-01/01/2037 FRN – Class A Notes, 9,983,692	**$9,771,538**	**7,729,915**	**7,305,930**	**6.0**
Total United States	**$19,570,569**	**15,567,312**	**14,975,727**	**12.3**
Great Britain				
UNITED TRUST BANK 7.5% 19-31/03/2030 Coupon Sub-debt Bonds, 3,000,000	**£3,000,000**	**3,000,000**	**3,000,000**	**2.5**
OAKNORTH BANK 18-01/06/2028 FRN Coupon Sub-debt Bonds, 1,300,000	**£1,313,000**	**1,313,000**	**1,337,960**	**1.1**
Total Great Britain	**£4,313,000**	**4,313,000**	**4,337,960**	**3.6**

Investments in private investment companies

United States				
EJF Investments LP – Shares, 96,821,048	**$98,313,395**	**76,456,197**	**77,794,613**	**64.3**
INVESTMENT IN ARMADILLO FINANC FD LP	**$10,047,105**	**6,967,272**	**4,140,579**	**3.4**
INVESTMENT IN ARMADILLO FINANC FD II LP	**$1**	**1**	**119,573**	**0.1**
Total United States	**$108,360,501**	**83,423,470**	**82,054,765**	**67.8**

Investments in private operating company

United States				
EJF CDO MANAGER LLC	**$8,547,026**	**6,379,606**	**9,399,029**	**7.8**
Total United States	**$8,547,026**	**6,379,606**	**9,399,029**	**7.8**

Derivatives

Foreign currency	Fair Value £	% of NAV £
31 January 2020	1,588,561	1.3
3 February 2020	4,183,747	3.5
10 February 2020	602,444	0.5
25 February 2020	(964)	0.0
22 June 2020	275,972	0.2
Total Derivatives	**6,649,760**	**5.5**
Other net assets[1]	**18,303,763**	**15.1**
Total investments	**138,113,723**	**114.2**

1 Other net assets comprises the Subsidiaries' cash and cash equivalents, cash and cash equivalents held as margin and other receivables.

Refer to note 20 for further details on changes to the foreign exchange hedging after the year end.

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	BNP Paribas Securities Services S.C.A. Jersey Branch.
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 Code	The AIC Code of Corporate Governance.
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.
Annual Report	Annual Report and Audited Financial Statements.
Annualised Dividend Yield	Has the meaning on page 88.
APM	Alternative Performance Measure. The calculation methodology and rationale for disclosing each of the APMs has been disclosed on pages 87 to 88.
ARC	Alternative Reference Rates Committee.
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.
AUB	Atlantic Union Bank.
Auditor	KPMG LLP.
AUM	Assets under management
Brexit	Brexit is the withdrawal of the UK from the EU.
BNPP	BNP Paribas Securities Services S.C.A.
Board	The Board of Directors of the Company.
Bridge Loan	An interest in a bridge loan to an affiliate of a publicly listed insurer.
CARES	Coronavirus Aid, Relieve and Economic Security.
CDO	Collateralised Debt Obligation.
CDO securities	Bonds issued by Kodiak, Attentus, Taberna 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 Limited, 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.

Term	Definition
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.
FCA	Financial Conduct Authority.
FDIC	Federal Deposit Insurance Corporation.
FINS 2019-1	Financial Note Securitization 2019-1 Ltd.
FRC	Financial Reporting Council.
FVTPL	Fair Value through Profit or Loss.
General Partner	EJF Investments GP Inc., being general partner of the Partnership.
Group	Represent the Company and its subsidiaries EJFIH and EJFIF.
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 Investment Manager.
IAS 32	Financial Instruments: Presentation.
IFRS	International Financial Reporting Standards as adopted by the European Union.
IFRS 8	IFRS 8 IFRS 8 Operating Segments.
IFRS 10	IFRS 10 Consolidated Financial Statements.
IFRS 12	IFRS 12 Disclosure of Interest in Other Entities.
IFRS 13	IFRS 13 Fair Value Measurement.
IFRS 16	IFRS 16 Leases.
IFRS 17	IFRS 17 Insurance Contracts.
Incentive Fee	The incentive fee to which the Investment Manager is entitled as described in the section entitled "Fees and Expenses" in Part IV: "Directors, the Investment 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 US, 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.
IPD	Interest Payment Date.
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.
LSTA	Loan Syndication and Trading Association.
Management Agreement	The Amended and Restated Management Agreement dated 30 March 2017 between the Company, the Partnership, the General Partner, the Investment Manager and EJF (as amended).
Manager or Investment Manager	EJF Investments Manager LLC.
MAR	Market Abuse Regulations.
MOEs	Mergers of Equals.
NAV per Ordinary Share	Has the meaning on page 87.
Net Asset Value or NAV	The NAV means the Company's assets less liabilities. The Company's assets and liabilities are valued in accordance with International Financial Reporting Standards as adopted by the European Union.

Term	Definition
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 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 Programme	The Placing Programme of up to 150 million Ordinary Shares and/ or C Shares and up to 75 million ZDP Shares.
Portfolio	The Company's and the Subsidiaries' portfolio of investments from time to time.
PPP	Paycheck Protection Program.
Preference Shares	Investment in TFINS 2017-2 depositor vehicle.
Prospectus	The Company's prospectus dated 24 June 2019 and the supplementary prospectus dated 19 December 2019.
REIT	Real estate investment trust.
Revolving Credit Facility	On 9 May 2018, the Company and AUB entered into a financing and security agreement pursuant to which AUB agreed to provide a revolving credit facility of up to $15 million. The Facility expired during 2019 and was not renewed.
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.
SBA	Small Business Administration.
SEC	US Securities and Exchange Commission.
Section 172 (1)	Section 172(1) of the UK Companies Act 2006
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.
SOFR	Secured Overnight Financing Rate.
Specialty Finance Investments	Represent less liquid UK, European and US specialty finance investments such as (but not limited to): (i) growth equity capital to newly formed companies with scalable specialty finance platforms; (ii) secured and unsecured lending; (iii) investments collateralised by real estate and real estate related assets; and (iv) other illiquid, specialty finance investment opportunities.
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 10.7p per Ordinary Share for the financial year to 31 December 2019. The Target Dividend for the year ending 31 December 2020 is also 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 on NAV per Share 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.
TFINS 2019-2	TruPS Financials Note Securitization 2019-2 Ltd.

Term	Definition
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 on page 87.
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	2018 UK Corporate Governance Code.
US	United States of America.
US Dollar or USD or $	United States Dollar.
US GAAS	Generally Accepted Auditing Standards applicable in the United States.
US Treasury	United States Department of the Treasury.
WARF	Weighted Average Rating Factor.
ZDP Shares	The redeemable Zero Dividend Preference shares of no par value in the Company with a repayment date during November 2022 and bearing a gross redemption yield of 5.75% from issuance.
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 and Share Price (Discount)/Premium to NAV per Ordinary Share.

Recalculation

NAV per Ordinary Share is calculated as follows:

	31 December 2019	31 December 2018
Net Assets as per Statement of Financial Position	**£120,983,547**	£114,500,491
Number of Ordinary Shares in issue at year (excluding treasury shares)	**64,175,306**	64,175,306
NAV per Ordinary Share	**189p**	178p

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:

Rating	From inception to 31 December 2019	2019	2018	2017
Compounded monthly return				
January		**0.35%**	8.28%	0.51%
February		**0.41%**	0.70%	2.96%
March		**1.77%**	0.12%	3.65%
April		**5.61%**	2.70%	0.24%
May		**0.83%**	2.10%	2.85%
June		**0.26%**	1.62%	0.34%
July		**0.56%**	0.50%	0.90%
August		**0.62%**	2.39%	1.37%
September		**0.21%**	0.08%	0.54%
October		**0.04%**	0.32%	4.92%
November		**0.13%**	0.22%	0.59%
December		**0.63%**	(1.13)%	2.53%
Compounded monthly return	**64.53%**	**11.88%**	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 2019
Dividends declared and paid for the quarter ended 31 March 2019 (see note 13)	**2.675p**
Dividends declared and paid for the quarter ended 30 June 2019 (see note 13)	**2.675p**
Dividends declared and paid for the quarter ended 31 September 2019 (see note 13)	**2.675p**
Dividends declared for the quarter ended 31 December 2019 (see note 20)	**2.675p**
Total Dividends declared in respect of the year ended 31 December 2019	**10.700p**
Share price mid quote	**171p**
Annualised Dividend Yield	**6.3%**

	31 December 2018
Dividends declared and paid for the quarter ended 31 March 2018 (see note 13)	2.5p
Dividends declared and paid for the quarter ended 30 June 2018 (see note 13)	2.5p
Dividends declared and paid for the quarter ended 31 September 2018 (see note 13)	2.5p
Dividends declared for the quarter ended 31 December 2018	2.675p
Total Dividends declared in respect of the year ended 31 December 2018	10.175p
Share price mid quote	178p
Annualised Dividend Yield	5.7%

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.

Recalculation

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

	31 December 2019	31 December 2018
Closing price as at 31 December as published on the London Stock Exchange	**171.0p**	178.0p
NAV per Ordinary Share	**189.0p**	178.4p
Share Price Discount to NAV Per Ordinary Share	**(9.5)%**	(0.2)%

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