EJF Investments Ltd

Annual Report and Audited Financial Statements 2021

Contents

2021 Performance Highlights

Performance

Total Return[1]
2021: 11.02%
2020[1]: (7.02)%

Total Return since inception[1]
69.8%

Market View

Ordinary Share Price
2021: 129p
2020: 117p

2022 ZDP Share Price[2]
2021: 127p
2020: 117.5p

2025 ZDP Share Price[3]
2021: 116.5p
2020: 102p

Market Capitalisation
2021: £78.9m
2020: £71.5m

Asset Performance

Net Asset Value
2021: £104.8m
2020: £100.6m

NAV per ordinary share[1]
2021: 171p
2020[1]: 164p

Share price discount to NAV per ordinary share[1]
2021: (24.6)%
2020[1]: (28.7)%

Delivered on Dividends

Dividends paid
2021: 10.7p
2020: 10.7p

Annualised Dividend Yield[1]
2021: 8.3%
2020[1]: 9.1%

Portfolio Investments

Securitisation & Related Investments
£99.4m

Specialty Finance
£13.9m

Other
£0.4m

1 These are APMs as defined on pages 86-87.
2 Issued in December 2017 at par.
3 Issued in June 2020 at par.

Corporate Summary

Overview

The Company 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.

The Company does not have a fixed life. Under the Company's Articles, on or about each fifth anniversary of the Company's Shares being admitted to trading on London Stock Exchange on 7 April 2017, the Directors shall procure that an EGM of the Company be convened at which a Continuance Resolution will be proposed.

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 Directors' 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 dividends and growing the Net Asset Value.

Strategy

The Company aims to achieve its purpose by pursuing a policy of investing in a diversified portfolio of investments that are derived from the changing financial services landscape. These investments 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.

Investment Objective

The Company seeks to generate risk adjusted returns for its shareholders by investing, through its Subsidiary, 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 year ended 31 December 2021 (31 December 2020: 8% to 10%), and paid the Target Dividend for the year of 10.7 pence per Ordinary Share (31 December 2020: 10.7 pence per Ordinary Share). The Target Dividend for the financial year to 31 December 2022 remains at 10.7 pence per Ordinary Share.

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 stated capital, and EJFIF (dissolved on 15 December 2020), of which EJFIH owned 100% of the stated capital.

The holding of assets via EJFIH allows the Company to manage the upstreaming of portfolio income with greater flexibility and cash flow management and 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.

Manager

The Company is externally managed by the Manager. EJF holds 100% of the voting rights in the Manager. EJF is 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 Manager to act as the AIFM for the purposes of the AIFM Directive.

Listing Information

As at 31 December 2021 and 31 December 2020.

	Ordinary Shares	2022 ZDP Shares	2025 ZDP Shares
ISIN	JE00BF0D1M25	JE00BDG12N48	JE00BK1WV903
SEDOL	BF0D1M2	BDG12N4	BK1WV90
TICKER	EJFI	EJFZ	EJF0
Total issued shares at year end	76,953,707	15,000,000	6,000,000
Total issued shares held in treasury at year end	15,808,509	–	–
Total issued shares with voting rights at year end	61,145,198	–	–

Significant Events during the Year

Hedging Strategy Update

On 29 January 2021, the Company announced that, with effect from 15 February 2021, it would no longer hedge 100% of its USD exposure and would enter into contracts to hedge only the final Sterling capital entitlement of its outstanding 2022 and 2025 zero dividend preference shares.

Continuance Resolution and ZDP Shares

During the year, the Directors met with the Manager on several occasions to review and discuss the Continuance Resolution and the options in relation to the 2022 ZDP Shares due for maturity on 30 November 2022.

As a result of these discussions, it was decided that at the EGM to be held for the Continuance Resolution, a resolution will be put to Ordinary Shareholders to roll electing 2022 ZDP Shareholders into the 2025 ZDP Shares.

General Information

The Board

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

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

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
(up to 7 January 2022)
The London Stock
Exchange Building
10 Paternoster Square
London EC4M 7LT
UK

Liberum Capital Limited
(from 10 January 2022)
Ropemaker Place
Level 12
25 Ropemaker Street
London EC2Y 9LY
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
13 Castle Street
St. Helier
Jersey JE1 1ES
Channel Islands

Independent Auditor

KPMG LLP
15 Canada Square
London E14 5GL
UK

Legal Adviser to the Group
(as to Jersey law)

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

Investor Screening Service

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

Websites

Company: www.ejfi.com
Manager: www.ejfimanager.com

Chair's Statement

Introduction

On behalf of the Board, I am pleased to present the Annual Report for the year ended 31 December 2021.

In another unprecedented year, the global response to COVID-19 and emergence of several new variants continued to cause volatility in the financial markets. However, even with such a backdrop, I am pleased to report a Total Return for the year of 11.02%. Furthermore, the Company suffered no material write-downs in the credit worthiness of its investments and paid its Target Dividend.

Performance and portfolio activity

The Total Return of 11.02% was predominantly driven by normal interest accruals on the Company's Securitisation and Related Investments, which includes investments in seven securitisations as at the year end.

In September 2021, the Company redeemed its outstanding notes and preferred shares issued by FINS 2019-1 and acquired additional positions in the underlying collateral. Although this resulted in an associated loss of recurring monthly income from the CDO management contract, the successful sell-off of the majority of collateral positions realised modest gains.

It is also pleasing to report that there continue to be no delinquencies or defaults in any of the underlying collateral across all of the securitisations in which the Company is invested, a reflection of the credit quality and strength of community banks in the US.

"...the Company suffered no material write-downs in the credit worthiness of its investments and paid its Target Dividend..."

The Company's initial investment in MSRs was made on 31 December 2020, with further investments during 2021, all of which have performed very strongly. The valuation of the underlying MSRs, which are a contractual stream of senior cash flows from Fannie Mae and Freddie Mac acquired mortgages, are heavily influenced by prepayments on the associated mortgages. As a result of the increasing yields on the US Treasury 10 year during 2021, prepayment levels have been in decline, which has benefitted MSRs.

Elsewhere, the Armadillo portfolio continues to reduce. The Board was pleased to see an underlying settlement on one of the remaining heavily discounted loans at a value above where it was marked. In the final quarter of 2021, the Manager also invested opportunistically in two FinTech debt investments as part of the specialty finance mandate and continues to actively seek opportunities in this area.

"The Company's initial investment in MSRs was made on 31 December 2020, with further investments during 2021, all of which have performed very strongly."

At the beginning of the year, the Company changed its FX hedging strategy to only hedge the final Sterling capital entitlement of the ZDP Shares in order to reduce hedging costs and release encumbered cash for pipeline investments. The Total Return net of foreign exchange effects was 8.83%.

Corporate activity

The year saw little corporate activity for the Company aside from the AGM on 1 July 2021. All resolutions were approved by shareholders, including the re-election of all the Directors to the Board.

The Company continued to benefit from the Manager's absorption of 75% of the Company's recurring operating expenses during the year. Whilst this has been reduced to 60% for 2022, the continued significant financial backing by the Manager demonstrates its ongoing commitment to, and alignment with, the Company.

In anticipation of the first Continuance Resolution for the Company and the maturity of the 2022 ZDP Shares, the Board held various discussions with the Manager and its advisers during the year, in particular around the timing of the Continuance Resolution, in conjunction with identifying and assessing the refinancing options available to the Company.

After due consideration, the Directors, on the recommendation of the Manager, agreed that it would be in the best interest of the Company to offer the existing 2022 ZDP Shareholders the opportunity to roll their investment into the 2025 ZDP Shares, with the aim of securing the financing required to enable the Company to continue to invest in pursuance of its Investment Objective and meet the Target Return for the foreseeable future. As such at the EGM to be held for the Continuance Resolution, a resolution will also be put to the Ordinary Shareholders to roll the 2022 ZDP Shares into the 2025 ZDP Shares.

"The Directors and Manager are working closely to develop the Company's ESG Strategy & Policy recognising that the integration of ESG principles at both a corporate and investment portfolio level is their joint responsibility and is likely to contribute to the long term success of the Company."

The Directors and the Manager believe that any 2022 ZDP Shareholders electing to roll into 2025 ZDP Shares would benefit from an uptick in their yield from 5.75% to an expected 6.00% and improved trading liquidity as a result of the higher share count. The 3.5x ZDP minimum cover amount would remain unchanged, thus benefitting all ZDP Shareholders from a higher level of asset cover.

Initial discussions between the Manager and larger 2022 ZDP Shareholders have been positive and the Board believe that rolling the 2022 ZDP Shares is in the best interests of the Company, as the refinancing will result in more cash available for investment and so allow the Company to continue to pursue its Investment Objective more effectively.

Share price

The Company's Ordinary Share price began the year trading around a 28.7% discount. At the year end, the share price was £1.29 representing a discount of 24.6%. The Board and the Manager have been discussing the discount with the Company's broker, Liberum, since its appointment in January 2022 with a view to narrowing this over time.

Dividends

Cash dividends in respect of 2021 of 2.675p per Ordinary Share were announced in April 2021, July 2021, October 2021 and January 2022, and are a reflection of the continued positive performance of the investment portfolio.

The total dividend paid for 2021 equates to an annualised dividend yield of 8.3% of the share price as at 31 December 2021. This is consistent with Target Dividend of 10.7 pence per share, which also remains the target for the 2022 financial year.

Corporate governance

The Company continues to uphold the principles of good corporate governance and by reporting against the AIC Code, meets its obligations in relation to the UK Code, and in particular for this year, section 172(1). With respect to Section 172(1), the diagram on page 27 identifies the Company's key stakeholders, their particular focus and how the Company engages with them. Through this, the Company aims to ensure understanding of each stakeholder's issues and recognise the importance of engagement with the Company's stakeholders in building the long-term success of the Company.

ESG

The Board believes in a strong corporate governance framework to ensure responsible investing focused 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.

Whilst the Company is not a sustainable investment fund and the Investment Policy of the Company has no direct impact on the environment per se, when pursuing the Investment Objective and in the selection of the service providers and advisers of the Company, the Company aims to conduct itself responsibly, ethically and fairly with the impact of all material factors, including ESG, on its financial risk and return being considered in the decisions it makes.

As detailed further on pages 25 to 26, the Directors and Manager are working closely to develop the Company's ESG Strategy & Policy recognising that the integration of ESG principles at both a corporate and investment portfolio level is their joint responsibility and is likely to contribute to 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 effects of the COVID-19 pandemic. Post Brexit trade negotiations were highlighted in the previous Annual Report but is no longer considered to be a factor that could impact the principal risks. A summary of the risks and any changes from last year can be found on pages 14 to 18.

Outlook

The Directors believe the Company is well positioned to participate in further investment opportunities as and when they arise and that the Company's shares continue to represent an attractive risk adjusted return for investors, in particular taking into account the expected benefit to the majority of the portfolio from a rising interest rate environment.

As well as the extremely distressing humanitarian impact on the people of Ukraine, the invasion of Ukraine by Russia has potential for far reaching implications for the global economy and financial volatility. Whilst it is too early to understand the full impact this conflict may have, the Board is closely monitoring the situation.

The Company and its underlying investments have no exposure to Russia or to the imposed sanctions. However, the Board is cognisant of the uncertainty over the future pressure on energy prices, interest rates and inflation that may arise in addition to stock market volatility and changes in investor sentiment.

The Board again expresses its thanks for the continued support from its shareholders and, along with the Manager and the Group's advisers, looks forward to maintaining consistent returns and working on closing the discount.

General Meetings

The 2022 AGM is due to be held on 22 June 2022, at the Company's registered office in Jersey.

In due course, the Company will announce details on an EGM to consider the Continuance Resolution and the 2022 ZDP Shares due to mature in November 2022.

Joanna Dentskevich
Chair
29 March 2022

Manager's Report

We are pleased to present our review for the year ended 31 December 2021 and our outlook for 2022.

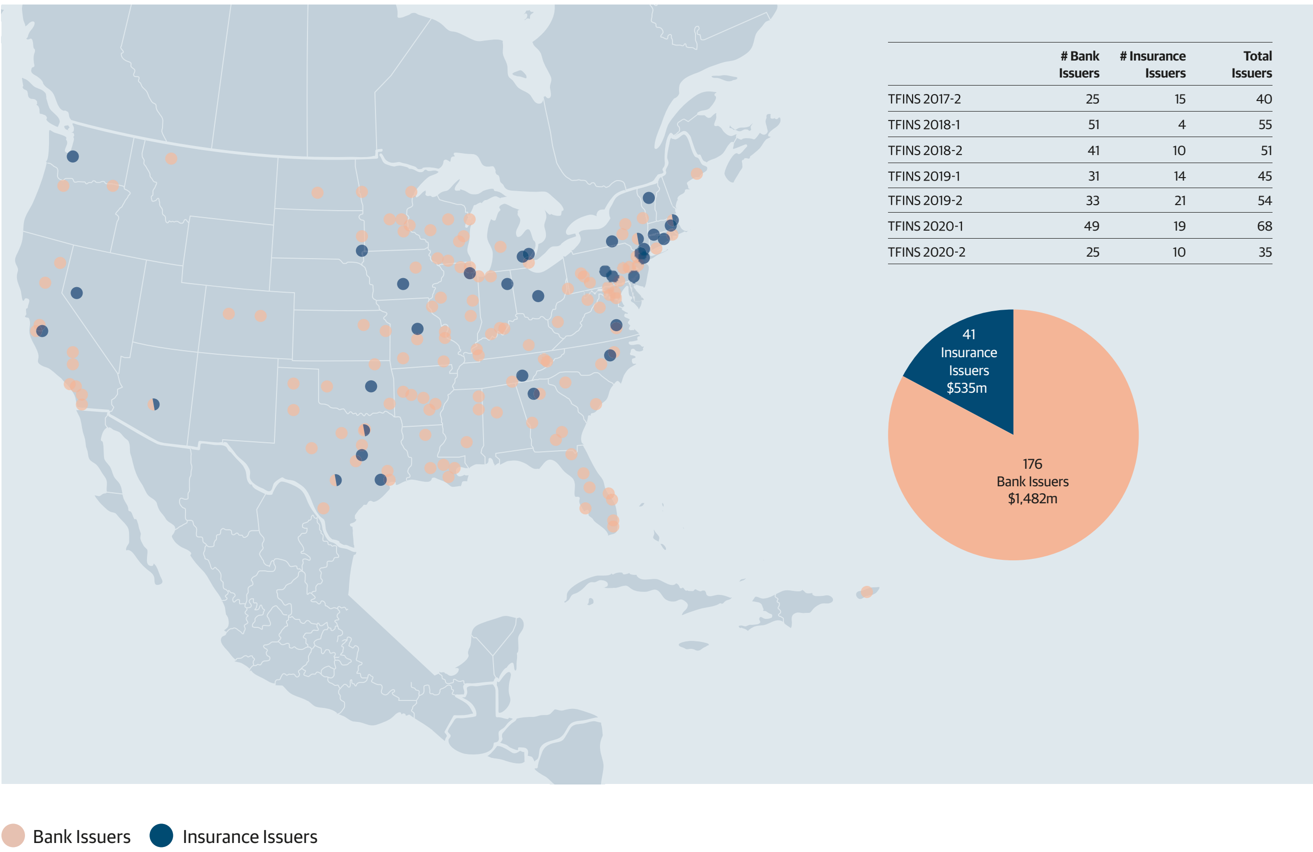
The Company delivered a Total Return of 11.02%, inclusive of dividends totalling 10.7 pence per share declared for the year ended 31 December 2021. This equates to a Total Return since inception of 69.8% for the Company and compares favourably to the Target Return of 8-10% p.a. inclusive of dividends.

Through its main investment strategy of acquiring bank and insurance CDO equity positions as the risk retention partner to EJF, the Company has exposure to a diversified portfolio of more than 175 banks and 40 insurance companies located across the US. We believe the Company's investment strategy will benefit from a rising interest rate environment and continued consolidation in the US banking and insurance sectors, which has been driven by favourable regulatory developments.

US Bank Market Update

The US community banks and insurance sectors remain in a strong position and well-positioned for a rising rate environment. The banking industry has the most earnings leverage of all US industry groups to interest rate increases and any yield curve steepening as a result of inflation continuing to run high into 2022. We estimate that a typical US bank's earnings could increase by upwards of 20% with just a 1% rise in short-term interest rates. US bank loss absorbing capacity is at modern highs post the COVID-19 pandemic, with robust loss reserves and tangible common equity levels. Credit quality remains pristine with aggregate non-performing assets for the US Banking

Geographic diversification of bank and insurance debt[1]



	# Bank Issuers	# Insurance Issuers	Total Issuers
TFINS 2017-2	25	15	40
TFINS 2018-1	51	4	55
TFINS 2018-2	41	10	51
TFINS 2019-1	31	14	45
TFINS 2019-2	33	21	54
TFINS 2020-1	49	19	68
TFINS 2020-2	25	10	35

1 Based on the headquarters of the underlying collateral issuers of TFINS 2017-2, TFINS 2018-1, TFINS 2018-2, TFINS 2019-1, TFINS 2019-2, TFINS 2020-1 and TFINS 2020-2; as of 31 December 2021.

Industry of 50bps[1] and net charge-offs for average loans year to date for 2021 of just 26bps[1]. Furthermore, banks are actively reducing overhead costs and employing new technologies to better serve consumers and small business customers. Our estimate is that since the end of 2019 through 2021, non-interest expense to average assets has declined by 16% as banks reduce physical branching and associated overhead costs.

We also note that as at the year end, many banks had considerable excess liquidity held in short term securities and cash which, as this liquidity is reinvested into loans, should generate additional spread income. Furthermore, should Congress authorise further stimulus beyond the US$1 trillion infrastructure bill signed by President Biden during 2021, it is our estimate that loan growth may exceed the mid to high single digit growth rates generally experienced over the last decade.

Throughout the first quarter of 2021, many bank management teams highlighted their strong fundamental performance and provided optimistic views on future loan growth on earnings calls and at public investor conferences, which would in our opinion be supportive of their credit profiles. Furthermore, there may still be opportunities to call or monetise prior securitisations which should benefit the Company due to a combination of higher short-term rates and M&A activity leading to early redemption of TruPS and other high-cost liabilities or inefficient forms of capital. In this regard, a call on FINS 2019-1 was exercised during 2021 and collateral was sold at an aggregate profit on the secondary market.

We also believe that industry consolidation will continue, and credit quality will remain strong, which will underpin the Company's performance. In terms of credit, the Portfolio has exposure to more than 1,600 underlying positions with no deferrals or delinquencies since inception. Our opinion is that the assets remain of pristine credit quality and are supported by historically highs levels of capitalisation.

On the policy front and in keeping with the above theme, the end of 2021 was eventful for monetary policy as the Fed chairman, Jerome Powell, was re-elected for a second term, and the expected pace of monetary tightening by the Fed increased significantly throughout the fourth quarter. At the Fed's early-November meeting, the FOMC began tapering the pace of net asset purchases and at their subsequent meeting in mid-December, the word 'transitory' to describe inflation was removed. While the yield curve compressed during 2021, in our view interest rates are becoming a positive factor for the banking industry for the first time since mid-May 2021.

In terms of regulatory developments, there has been limited change for US financial services companies, particularly small and mid-sized banking institutions. Biden's agenda includes key priorities of COVID-19, the economy, racial inequality, and climate change. The Fed and US Treasury are also quite focused on digital currency and "stablecoins" to set the "rules of the road" for the future of cryptocurrencies and payments.

On 1 November 2021, President Biden's Working Group on Financial Markets released its first report and recommendations on stablecoins, which we believe is the first step in creating a regulatory framework and the potential for mass adoption of this emerging asset class. We continue to believe the regulatory environment in the US remains very supportive of smaller and medium sized banks and insurance companies.

US Insurance Market Update

The insurance market experienced diverging performance across business lines during the year. The continued recovery in economic activities, elevated inflation expectations, and rising interest rates brought both opportunities and challenges to the sector.

On the life insurance side, although the current omicron variant of COVID -19 still overhangs the short-term mortality rate, underwriters generally benefitted substantially from the current macro backdrop. Higher interest rates, strong premium growth and solid capital levels put life insurance companies in a fundamentally stronger position. Even with certain incoming accounting changes, we are optimistic for life insurance and expect strong capital returns to continue during 2022. In light of a more supportive macro backdrop, we are also expecting the capital market transactions in the life insurance segment to extend into 2022, especially in the annuity/PRT (pension risk transfer) sub-sectors.

P&C insurance underwriting will in our opinion encounter diverging risks. While we are optimistic about commercial, marine, and excess & surplus lines that benefit from higher economic activity, we remain cautious with respect to personal lines, especially auto, given the ongoing loss normalisation. We believe the outlook for P&C insurance is stable and the industry remains well capitalised. The auto insurers reported solid underwriting results. The homeowners underwriters continued to experience relatively elevated claims however, the industry is addressing this with price increases. Commercial lines reported healthy results across the board with growth in written premium and improving core margins. On the reinsurance front, pricing has been hardening but we don't feel there is longevity to the trend pointing to the still large amount of capital in the sector. All in all, credit seems to be benign as capital levels remain high and reinsurance is readily available.

After a tough 2020 and a slow recovery in 2021, we expect to see a more robust ILS market in 2022 as more alternative capital investment flows into the market. While we are generally optimistic around insurance policy underwriters, we feel very different among insurance brokers or Insurtech players; the so-called Insurtech names would face real challenges for capital market valuation and operations. We are very cautious about Insurtech players who don't have cash flow or earnings to support their businesses in a higher interest rate environment.

1 S&P Global Markets.

FinTech Debt Securities

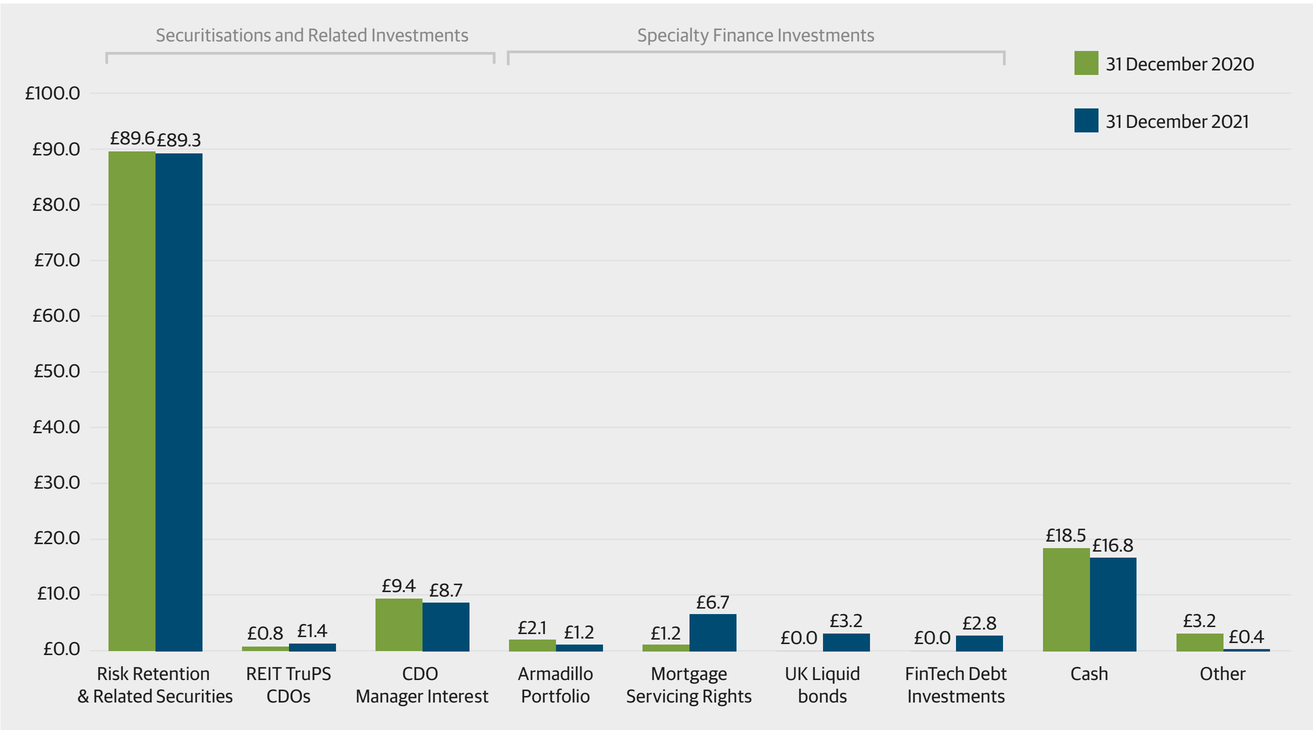
Banks are increasingly focused on technology as a mechanism to increase productivity, reach new customers, preserve their core businesses, and make informed decisions on business expansion and capital allocation. FinTech has numerous potential applications including technology that helps banks streamline operations so banks can do more with less human involvement, underwrite and manage loans, and more efficiently manage anti-money laundering compliance and cybersecurity risk. The Manager believes that the industry is undergoing a sea change when it comes to technology and digitisation. US banks are achieving better expense leverage as non-interest expense to average assets continues to decline, with the Manager noting a 16% improvement[1] industrywide since the end of 2019 and this trend is expected to continue. Additionally, banks are leveraging FinTech in revenue-generating ways through creation of fee-based "Banking As a Service" business as well as the opportunity to leverage high levels of non-interest bearing deposits as interest rates rise. Moody's forecasts a GDP increase in the US of 4.4% for 2022 and 2.8% for 2023 following a robust 5.4% increase for 2021. Healthy GDP forecasts across the board are supportive of premium increases and the inflationary environment also provides impetus for premium growth in our opinion, further combating any elevated loss experience going forward.

Portfolio Update

The Portfolio continues to perform in line with expectations from an income yield perspective with the MSRs investments recording a very strong IRR since the first investment in December 2020.

The Company has also invested £2.8 million equivalent into two FinTech debt opportunities as at the year end, one of which is short-term (the initial investment has already been exchanged for cash and a new debt instrument which was part of the investment thesis).

Portfolio comparison in £ million



1 S&P Capital IQ Pro as at 30/09/2021.

Risk Retention and Related Investments, in addition to the other Securitisation and Related Investments, represented approximately 76% of the Group's assets as of 31 December 2021. 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 below, along with forward projected returns analysis:

EJF Investments Ltd – Risk Retention Investments as of 31 December 2021

	TFINS 2017-2 October 2017	TFINS 2018-1 May 2018	TFINS 2018-2 December 2018	TFINS 2019-1 March 2019	TFINS 2019-2 December 2019	TFINS 2020-1 September 2020	TFINS 2020-2 December 2020
EJFI — CDO Equity amount ($ million)	14.5	22.7	17.4	15.7	16.4	11.6	8.9
Estimated return profile[1]							
Yield to Call[2] (%)	12.24	8.82	8.09	7.45	11.75	12.66	12.96
Yield to Call[2] including CDO management fee income (%)	**12.46**	**9.49**	**8.71**	**7.96**	**12.42**	**13.33**	**13.94**
Collateral overview (on closing date) TruPS, senior, subordinated and surplus notes issued by US banks and insurers. • Insurance companies • Banks	49% / 51%	7% / 93%	21% / 79%	38% / 62%	50% / 50%	31% / 69%	33% / 67%
CDO structure							
Original collateral principle balance ($ million)	353.0	537.8	351.0	313.9	338.4	282.9	177.2
Implied rating	Ba1	Baa3	Baa3	Baa3	Ba1	Ba2	Ba3
Leverage ratio	4.3x	6.7x	5.7x	4.6x	5.8x	4.5x	5x
Other key terms							
Non call/Auction call	Passed/ Sept 2025	Passed/ Mar 2026	Passed/ Dec 2026	Passed/ Feb 2026	Jan 2023/ Nov 2027	July 2022/ July 2028	Oct 2022/ Oct 2028
Senior collateral management fee (bps)	10	20	20	20	20	30	30

1. Estimated returns are as of 31 December 2021 and they reflect the fair valuation of the bonds. Estimated returns assume, among other things, no delinquency, deferral or other non-payment by collateral, and do not include cash flows previously received. Prepayments are estimated by EJF based on past experience and judgements. Any changes in cash flows can materially impact returns. There can be no assurances that the estimated returns will be realised as portrayed in this document and investors should place no reliance on such estimated returns in making any investment decision. Estimated returns are targets only and not a profit forecast. This information is intended to be illustrative only and is not designed to predict the future performance of the Company or its investment portfolio.
2. Call assumed to be in 5 years from yield calculation date.

Investment Activity

As previously mentioned, the option to call and redeem FINS 2019-1 was exercised with additional capital being invested to acquire a larger share of the underlying collateral of the vehicle. The majority of these collateral positions were subsequently sold off on the secondary market to generate returns and liquidity, that in our view are better than would have been achieved by the ongoing securitisation vehicle.

The Group also continued to make investments into MSRs as deals became available, with the total capital invested in MSRs over the year, reaching $7.6 million of the $10 million limit approved by the Board. The increase in value of the MSRs over the year was driven mainly by the increase in the US 10-year Treasury yield and the impact a rising rate environment which reduced the expected prepayment rates on the underlying mortgages being serviced.

The Armadillo Portfolio continues to wind down as the underlying loans repay. During the year, one of the underlying positions in the Armadillo strategy came to a settlement at a valuation well in excess of where it was marked. The Group's remaining exposure to the Armadillo strategy is approximately £1.2 million or 1.1% of NAV. EJF is still working toward realising the recovery value on the remaining Armadillo Portfolio.

As mentioned above, EJF is actively seeking FinTech debt investments in addition to the two made already in 2021.

Risk Management

We believe the Portfolio contains a diversified portfolio of strong borrowers. The Manager's credit team conducts regular surveillance on issuer financial and business profiles and the broader portfolio and there continue to be no delinquencies or defaults on the underlying securitisation collateral positions.

The Group's base currency is denominated in Sterling although most of the Group's investments are denominated in US Dollars. Since February 2021, the Company hedges only the final Sterling capital entitlement of its outstanding ZDP Shares. The reduction in hedges allowed the Company to reduce cash held on margin but did create volatility in the monthly NAV reporting due to the effects of foreign exchange.

For 2021, the Portfolio returned approximately 8.8% net of foreign exchange effects which is in line with the Target Return of 8-10%.

Outlook

The Manager continues to believe that the Company remains well positioned to benefit from the rising interest rate environment, and that its Investment Policy provides ample opportunity to allow it to continue to harvest and add attractive risk-adjusted returns, particularly in respect of MSRs and FinTech debt investments.

Anticipated securitisations and CDO management fees are expected to offer similar risk and return profiles to recent securitisation investments. Additionally, EJF continues to support the Company through its commitment to cover 60% of operating expenses for at least 12 months from 1 January 2022 or until such time as the Company's NAV exceeds £300 million.

Statement of Principal Risks

Principal Risks, Uncertainties and Emerging Risks

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 Objective, solvency, liquidity or viability.

Risks faced by the Company 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 that the Directors believe the Company is exposed to has been performed. In doing so, the Directors have also considered the impact of the ongoing uncertainty of the outcome that the COVID-19 pandemic might have on the principal risks, and the structure and economies within which the Company operates.

As at 31 December 2021, the principal risks and uncertainties that the Group 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 Manager's ability to source and securitise investments and prevent the Company from meeting its Investment Objective.

Mitigants

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

Analysis and Change during the year

The Manager continues to see a healthy pipeline of investments with the Company's target investment sectors which remain attractive in a rising rate environment, and thus the Directors believe that despite fluctuations in this risk during 2021, overall there has been no material change in the residual risk at the year end.

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 Manager, along with the Company's Financial Adviser, Administrator and legal advisers, continually monitors and evaluates the legal and regulatory horizon for any new or changes to existing legislation and regulation that could potentially invalidate the Investment Policy. The Board is kept abreast of any potential changes on a regular basis through its committee and Board meetings and regular communication with the Manager and advisers.

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

Analysis and Change during the year

The Directors believe that any changes as a result of the COVID-19 pandemic should not impact availability of investment opportunities. In addition, as at the date of the Annual Report, the Directors have not been advised of any expected changes in law, tax or regulation that would materially impact the Investment Policy.

Therefore, the Directors believe there has been no material change in the residual risk during the year.

Changes in law, taxes and regulation undermine the Company's or Subsidiary's 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 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 proactive approach to engagement with its advisors to ensure the Group has an effective structure.

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

Analysis and Change during the year

As at the date of the Annual Report, the Directors have not been advised of any upcoming legal, tax or regulatory changes that are likely to materially impact the Company's group structure.

The Directors believe there has been no material change in the residual risk during the year.

Availability of cash for investment opportunities and payment of liabilities

The Company requires regular ongoing funding and available cash to be in a position to take full advantage of investment opportunities as and when they arise, along with meeting liabilities as and when they fall due. The risk of the Company having insufficient cash to meet investment opportunities continues to be a principal risk due to several factors:

(i) the potential for the volatility of Sterling to require unencumbered cash to be used to meet margin calls on the currency hedge;

(ii) the share price discount to NAV per ordinary share and difficulty in raising capital;

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

(iv) the approaching maturity of the 2022 ZDP Shares in November 2022 which may require a payment of cash depending on the outcome of the decision to roll the 2022 ZDP Shares into the 2025 ZDP Shares and the subsequent level of participation by shareholders.

Mitigants

The Manager continually monitors the current and projected cash flows required by the Company to meet its current and future liabilities, including control over the timing of entry into investments and expectations on when the Manager may recommend calling and/or refinancing underlying securitisations.

On a quarterly basis, the Manager produces for the Board a working capital memo showing forecast balances covering a period of at least 18 months which is also supplemented every six months by appropriate scenario analysis.

In addition, the Company continually seeks to improve the discount of the share price to NAV and the liquidity of the Ordinary Shares stock by working with the Corporate Broker, public relations consultant and research agent and meeting investors and conducting roadshows to raise market awareness and explain the Company's strategy and investment thesis.

Analysis and Change during the year

Until February 2021, the Company adopted a hedging strategy whereby 100% of its US Dollar exposure was hedged against Sterling. As a result, the Company was required to hold significant levels of cash, including amounts already on margin as a buffer to protect against margin calls. With effect from 15 February 2021, it was decided that the Company would no longer hedge 100% of its US Dollar exposure and would enter into contracts to hedge only the final Sterling capital entitlement of its outstanding 2022 and 2025 ZDP Shares. This change in strategy has resulted in a reduction in hedging costs and the release of cash on hand for pipeline investments.

The Directors note that whilst steps have been taken to reduce the impact of currency volatility in 2021, they believe that overall there has been no material change in the residual risk during the year given the other prevailing factors which continue to contribute to this principal risk.

Dependency on the Manager

The Company is dependent on the Manager for successfully pursuing its Investment Objective and on its ability to retain and recruit staff. The loss of one of a small number of key individuals in key operational roles at the Manager could adversely impact the ability of the Manager to support the Company in pursuing its Investment Objective.

Mitigants

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

Analysis and Change during the year

The Company continues to have no direct competitors with the same investment thesis. The independent Directors carried out their planned due diligence visit to the London office of the Manager during the year and held meetings with each key function within the Manager to gain comfort over their continued performance and operations. The independent Directors reaffirm their positive view of the Manager and believe that the senior management team, and the business generally, is highly cohesive and aligned with the Company in pursuing its Investment Objective.

The Directors believe there has been no material change in the residual 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 Manager and the Administrator when preparing the monthly NAV. In most cases, the Manager obtains quotes from multiple independent brokers to mark the securities. The Manager has also appointed a recognised independent valuation agent to provide comfort over the valuations derived from models developed by the Manager where appropriate.

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

Analysis and change during the year

The Group's core 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 residual risk during the year.

Principal Risks: Investments

Credit Risk

The value of the Group's investments may be impacted by adverse credit events with recovery of initial investments being lengthy and uncertain.

Mitigants

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

Analysis and change during the year

The Group's 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 and continue to be no material deferrals or delinquencies on any of the underlying securitisation collateral since inception.

The Directors believe there has been no material change in the residual risk during the year.

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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 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 performance of all key service providers on an annual basis.

Analysis and change during the year

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 review for the year also considered the continued ability of each service provider to continue without disruption whilst regulations changed in respect of local lockdowns at various times throughout the year requiring the continuance of working from home due to COVID-19. The Directors noted business continuity plans continued to operate with no material impact on the Company, which demonstrated a high level of robustness in the plans being operated.

As a result, the Directors believe there has been no material change in the residual risk during the year.

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Previously, the Directors had considered interest rate risk to be a Principal Risk for the Company. As the Portfolio is well-placed to benefit from a rising interest rate environment and it is not anticipated that the change from USD LIBOR to SOFR-based rates will materially impact the Portfolio, the Directors no longer consider Interest Rate Risk to be a Principal Risk for the Company.

Uncertainties

COVID-19

The Directors continue to consider the impact of the COVID-19 pandemic on the Company as an uncertainty.

The 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.

Throughout the COVID-19 pandemic, the impact of any market volatility has been handled very effectively by the Manager with little impact on overall performance.

Business continuity plans of all of the Company's service providers continue to be successfully implemented and there has been no material impact on the Company's operations.

As noted above, there has been no change in the residual risk of the Principal Risks due to several factors including, but not limited to, continuing market volatility arising from the COVID-19 pandemic, reduced investment opportunities, negative investor sentiment and a weak Sterling/strong USD, which have been integrated into the scenarios used to stress test the Company's working capital model and considered when assessing the Company's ability to continue as a going concern.

Geopolitical Risk

The invasion of Ukraine by Russia has potential for far reaching implications for the global economy and financial volatility. Whilst it is too early to understand the full impact this conflict may have, the Board is closely monitoring the situation.

The Group has no exposure to Russia or to imposed sanctions. However, the Board is cognisant of the uncertainty over the future pressure on energy prices, inflation and interest rates that may arise as well as on stock market volatility and changes in investor sentiment.

The Directors believe that it is currently not possible to understand the full extent of the impact and therefore consider its impact on the Company at this time to be an uncertainty.

Emerging Risks

Emerging risks, along with all other risks that the Directors consider the Company is 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 Company's risk appetite.

As part of their review of risks for the period, the Directors have not identified any new risk they consider to be an emerging risk to the Company.

The Board

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 and Risk Committee
Management Engagement Committee

Other public appointments

GCP Asset Backed Income Fund Ltd

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 Capita Fiduciary Group. He also worked at Abacus Financial Services Group. Alan is a fellow of the Institute of Chartered Accountants in Ireland.

Committees

Audit and Risk Committee (Chair)
Management Engagement Committee

Other public appointments

None

Executive appointments

LGL Group

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 and prior to that was 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 and Risk 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 29 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

The key employees of EJF involved with the Company, excluding Neal Wilson who has been included with the Board on page 19, are listed below:

Peter Stage

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

Skills & experience

Peter Stage joined EJF in 2013, and is a member of the Executive Committee. Peter is responsible for identifying investment opportunities in the European fixed income, equity and private markets with a focus on the banking sector. Peter was previously Head of Credit Research at F&C Asset Management ("F&C") where he also analysed the banking sector. Prior to joining F&C in 2008, Peter 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.

Omer Ijaz

Member of the Investment Committee

Skills & experience

Omer Ijaz serves as a Senior Managing director, Portfolio Management, at EJF. Omer joined EJF in 2011 as a specialty finance insurance and bank analyst, and currently leads the credit analysis and trust preferred CDOs structuring for the Insurance and Bank TruPS. He has designed the framework for four EJF sponsored securitisations, totalling approximately $1.3 billion. Omer also manages the investments of legacy TruPS CDOs. Omer came to EJF from Merrill Lynch, where he was employed as a summer research analyst in the Global Private Client Division. Prior to his time at Merrill Lynch, he worked for Citibank N.A. and Muslim Commercial Bank. Omer earned a BA in Business Economics from the College of Wooster.

Matthew Gill

Chief Financial Officer of the Manager

Skills & experience

Matthew Gill joined EJF in 2018 and is responsible for operations and financial functions with over 10 years' experience in the financial services industry. Matthew also serves as a member of EJF's ESG Committee. Prior to joining EJF, he spent 7 years at PricewaterhouseCoopers managing assurance engagements for both London listed and private alternate investment funds focused on debt origination, asset backed securities and private equity.

He also managed reporting accountant engagements for investment fund initial price offerings on the London Stock Exchange. Mr. Gill is a Chartered Accountant (ICAEW), a CFA charter holder and also holds the CFA Institute Certificate in ESG Investing. He holds a BSc. (Hons) in Physics from the University of Leeds.

Emanuel J. Friedman

Member of the Investment Committee

Skills & experience

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

He received his BA in Education from the University of North Carolina at Chapel Hill and his JD from Georgetown University.

Jason Ruggiero

Member of the Investment Committee

Skills & experience

Jason Ruggiero joined EJF at its founding in 2005 and is a member of the Executive Committee. Prior to joining EJF, Jason was an equity trader in FBR's Alternative Asset Investment group, where he assisted Emanuel in the day-to-day operations of FBR Ashton, L.P., a long/short hedge fund. In 2004, Jason assumed co-portfolio manager responsibilities for FBR Ashton, L.P. Before joining FBR, Jason was an auditor for Deloitte and Touche in Washington, DC, where he focused on the financial services industry.

He holds a BBA in accounting from James Madison University and an MBA in finance from the University of Maryland.

1 As of 31 December 2021. Firm AUM includes US $104.9 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 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 2021 to 31 December 2021, 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 to appoint a senior independent director, the Chair of the Audit and Risk 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 continue to 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 these matters are reserved for the Board.
- The Chair of the Company is a member of the Audit and Risk 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 2021, the Board comprised four non-executive Directors, the biographies of which are disclosed on page 19. 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, whilst it is noted that Alan Dunphy no longer acts as a director of Urban Exposure Finance Limited as of 2 July 2021.

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

Matters Reserved for the Board

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

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

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

The Board and relevant personnel of the Manager acknowledge and adhere to the MAR 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 or 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 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, held on 1 July 2021, and were duly re-elected.

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 it is appropriate not to have a formulaic approach to assessing whether a Director is able to effectively discharge their duties.

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 that the appropriate records can be updated and announcements made if required.

Prior to recommendation for re-election to the Board, each director's 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 2021 to 31 December 2021.

Name	Quarterly Board	Audit and Risk Committee	Management Engagement Committee
Joanna Dentskevich	4/4	7/7	1/1
Alan Dunphy	4/4	7/7	1/1
Nick Watkins	4/4	7/7	1/1
Neal J. Wilson	4/4	N/A	N/A

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

There were six other ad-hoc Board meetings held during the year relating to matters such as approval of interim and annual reports, investment updates, change in advisor 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 Manager and other key service providers.

Director Remuneration

Details of the Director's remuneration can be found on pages 32 to 33.

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 Manager by way of webinars and arranged video conferencing. Any concerns raised by major shareholders are 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 and Risk Committee

The Audit and Risk Committee comprises Alan Dunphy, Joanna Dentskevich and Nick Watkins and meets at least three times 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 and Risk 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 and Risk 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 and Risk Committee Report on pages 34 to 38 provides further detail of the Audit and Risk Committee's activities during the year.

Management Engagement Committee

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

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

Internal Control and Risk Management System

The Board is responsible for putting in place a system of internal controls relevant to the Company and for reviewing the effectiveness of those systems. It is the responsibility of the Board to undertake risk assessment and review of the internal controls in the context of the Company's objectives that cover business strategy, operational, compliance and financial risks faced by the Company. The internal controls are implemented by the Company's main service providers: the Manager, the Administrator, 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. The independent Directors met with representatives of the Manager in November 2021 to review any changes to the Manager's controls and the operating effectiveness of the Manager's 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 Manager is the AIFM of the Company. In such capacity, the Manager is responsible for the portfolio and risk management of the Company, including managing the Company's assets and its day-to-day operations, further details of which are set out in paragraph 11.2 in the section entitled "Material Contracts" in Part 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 Manager as AIFM, providing analysis between fixed and variable fees along with information on how much of such remuneration was paid to senior management at the Manager and how much was paid to members of staff. As the Manager has no employees there is no information to report in that respect and details of the remuneration paid to the Manager are disclosed in note 17.

ESG

COP26 and the World Economic Forum's Global Risk Report have highlighted the failure of countries to address climate change and the growing likelihood and increasing impact of extreme weather events. Climate risk is further compounded by additional social megatrends, presenting risks that could affect all business, including the underlying business of an investment fund's investee companies.

As a result, climate change is at the top of the global risk agenda, with lack of adequate preparation potentially resulting in financial loss, reputational damage, regulatory penalties and loss of market share.

The Board believes in the importance of a strong corporate governance framework 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.

The Company is not a sustainable investment fund, and whilst the Investment Policy of the Company has no direct impact on the environment per se, when pursuing the Investment Objective and in the selection of the service providers and advisers of the Company, the Company aims to conduct itself responsibly, ethically and fairly with the impact of all material factors, including ESG, on the financial risk and return being considered in the decisions it makes.

The Manager believes that companies which successfully manage their ESG risks, and proactively follow ESG best practices, may experience risk-adjusted outperformance over the longer-term and underpins their commitment to being a responsible fiduciary.

When conducting due diligence on new investments and post investment monitoring, as well as when taking investment decisions for the Company, the Manager takes into account its view of ESG issues and the overall impact they may have on the creation of long-term investor value.

As the Company's investment exposure is predominantly in lower information issuances and securities, an internal framework to evaluate ESG risks and exposures of the Company's investment universe is being developed by the Manager using commoditised data supplemented by existing information to evaluate material ESG risks for each investment.

The Manager recognises that there are several reporting frameworks to build from when considering relevant materiality factors and have chosen to focus on the SASB approach to its ESG framework. The SASB focuses on financial materiality using an overall assessment which is applied to each industry to determine the relative importance of each factor and sub-factor depending on external environment and business model, using existing metrics where possible.

More information can be found within the Company's ESG Policy on the Company's website.

ESG Accomplishments during the year

- The Board has expanded the remit of the Audit and Risk Committee to include consideration of ESG.
- Through the Management Engagement Committee, service providers' ESG policies are checked to ensure broad alignment with the Company's ESG policies.
- Following the establishment of the Manager's ESG Committee in 2020, the Manager has begun the process of developing a policy to integrate ESG risks into its investment processes with the goals of:
  i. making better and more informed decisions;
  ii. harmonising existing ESG risks practices across all of its investment strategies;
  iii. increasing the depth and breadth of this information to position itself for future initiatives; and
  iv. establishing a framework that can be easily incorporated into future strategies.

Further detail of this can be found in the Company's ESG policy.

- The Chair and the Manager have worked closely on the development of the Company's ESG Strategy & Policy which was approved in March 2022 and is now available on the Company's website.

ESG Strategy

i. ESG will be incorporated into the Company's decision-making processes, policies and procedures and will be kept up to date.

ii. The Company will ensure that the ESG policies of it's service providers and advisers are broadly aligned with the Company's ESG policy to the extent reasonably practicable.

iii. ESG risks will be considered in investment decisions.

iv. The Company will promote ESG acceptance with those it deals with and invests in.

v. The Company will regularly report on its progress.

ESG Goals for 2022

- To form an ESG working group comprising a Director and a representative of EJF that will facilitate:
  i. an assessment of the impact of ESG associated risks on the Company;
  ii. the integration of ESG risks into the Company's risk register;
  iii. ensure appropriate mitigants exist to ensure a sustainable business model;
  iv. ensure compliance with all legal and regulatory requirements and reporting; and
  v. develop meaningful qualitative and quantitative metrics relevant to the Company's Investment Objective to allow for clear and transparent reporting to investors.

As the Company, by virtue of it being deemed an investment trust, does not have any specific regulatory obligation to provide any disclosures on sustainability, in considering Section 172 (1), the Directors believe it is in the best interest of the Company to report to investors and other stakeholders through the Annual Report on the progress it has made towards becoming compliant within the required timeframe.

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 a 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
2022 ZDP Shareholders
2025 ZDP Shareholders

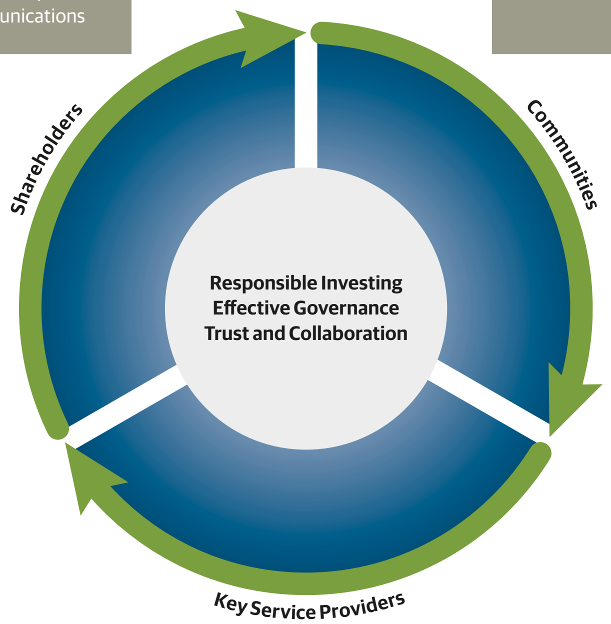
Interests
Provision of capital to pursue the Investment Policy and targeting growth and income for the long term success of the Company. Robust governance framework and safeguarding of assets

Engagement
Investor Meetings, Broker and Registrar, AGM, EGMs, RNS announcements, Financial Reports, Fact Sheets, Ad-hoc Manager Communications

Regulators
Local Governments and Jurisdictions

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

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



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

Interests
Knowledge, experience, aligned values and culture within an effective framework for pursuance of the Investment Objective 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
Approving conflicted investments	A majority of the Company's investments are securities which EJF or an affiliate of EJF has structured or originated or otherwise has an interest in as a member of the original lending group. Any such investment requires the consent and approval of the independent Directors. During the year, following the redemption of FINS 2019-1, the Directors provided consent and approval for further investment into the Partnership to purchase the underlying collateral with other EJF affiliated funds and then sell it on the secondary market.	Shareholders The Manager
FX Hedge	On 29 January 2021, the Company announced that, with effect from 15 February 2021, it would no longer hedge 100% of its US dollar exposure and would enter into contracts to hedge only the final Sterling capital entitlement of its outstanding 2022 and 2025 zero dividend preference shares.	Shareholders The Manager
ZDP Shares	During the year, the Directors met with the Manager on several occasions to review and discuss options in relation to the 2022 ZDP Shares due for maturity on 30 November 2022. After due consideration, the Directors, on the recommendation of the Manager, agreed that it would be in the best interest of the Company to offer the existing 2022 ZDP Shareholders the opportunity to roll their investment into the 2025 ZDP Shares, with the aim of securing the financing required to enable the Company to continue to invest in pursuance of its Investment Objective and meet the Target Return for the foreseeable future.	Shareholders The Manager

By Order of the Board

Joanna Dentskevich
Chair
29 March 2022

Directors' Report

The Directors present their Annual Report on the affairs of the Company, together with the Independent Auditor's Reports, for the year ended 31 December 2021. The Corporate Governance Report set out on pages 22 to 28 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 19 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 Manager's report on pages 9 to 13.

Results and Dividends

Results for the year ended 31 December 2021 are set out in the Statement of Comprehensive Income on page 48.

The Directors declared and paid dividends of £6,542,536 (2020: £6,623,592) during the year ended 31 December 2021. Further details can be found in notes 13 and 19.

Stated Capital

At 31 December 2021, the Company's issued share capital comprised 76,953,707 Ordinary Shares (31 December 2020: 76,953,707 Ordinary Shares), of which 15,808,509 were held in treasury (31 December 2020: 15,808,509). The total number of voting rights of the Ordinary Shares is 61,145,198 (31 December 2020: 61,145,198). 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 EJFIH's 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 19.

Details of the Directors' remuneration are included in the Remuneration Report on pages 32 to 33.

Directors' Insurance

During the financial year ended 31 December 2021 and up until the date of the signing of the Audited Financial Statements, the Company has maintained directors' and officers' liability insurance, which is deemed to give appropriate cover for any potential legal action that could be brought against the Directors.

Significant Shareholdings

On 31 December 2021, 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 2021	
Name	Ordinary Shares	% of Issued Ordinary Shares[1]
Cheetah Holdings Limited	**11,816,558**	**19.33**
Premier Miton Investors	**5,018,666**	**8.21**
Leon Cooperman	**4,000,000**	**6.54**
Newton Investment Management Limited	**3,921,851**	**6.41**
Expert Investor V ICAV – TwinFocus Global Asset Fund	**3,588,358**	**5.87**
Wolfson Equities	**3,314,960**	**5.42**
William E Conway Jr	**3,113,415**	**5.09**
	34,773,808	**56.87**
Total Issued shares (after adjusting for treasury shares)	**61,145,198**	**100.00**

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 the Auditor will be put to shareholders at the AGM.

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 Manager under which the Manager 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 Manager to achieve the Company's Investment Objective.

Political Contributions

The Group did not make any political donations or incur any political expenditure during the year.

Going Concern

The Directors have performed a detailed assessment of the Company's ability to meet its liabilities as they fall due for the period of at least twelve months from the date of signing the Audited Financial Statements, including evaluating severe but plausible downside scenarios of a significant reduction in the liquidity positions and the fair value and cash flow generation of its investments. The assessment was completed with reference to the cash position of the Group, 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 2022 ZDP Shares liabilities, which will mature on 30 November 2022 and the Continuance Resolution to be proposed and expected to take place in or around April 2022. Discussions have taken place with existing 2022 ZDP Shareholders in respect of rolling their investment into the 2025 ZDP Shares, and the Directors have reviewed forecasts to assess the going concern of the Company if the 2022 ZDP Shares do not roll.

Based on the Company's performance, the voting history in the general meetings, and the future prospects of the Company, the Directors consider the risk of the Continuance Resolution not being passed to be low. The Continuance Resolution, requires a majority of greater than 50% of those voting to be passed. It is noted that in the event the Continuance Resolution is not passed, an orderly liquidation of assets would ensue, having regard to the prevailing liquidity of the assets of the Company and the rules imposed by the Risk Retention Regulations. This would likely result in a relatively long timeframe for the orderly return of capital to shareholders. In light of the analysis, the Directors are satisfied that, at the time of approving the Audited Financial Statements, there is a reasonable expectation that the Company will have adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the Audited Financial Statements, and have therefore prepared the Audited Financial Statements on a going concern basis.

Viability Statement

The Directors, in conjunction with the Audit and Risk Committee and the 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 the volatility of markets in the wake 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 the Investment Objective of the Company taking into account the working capital model forecasting and the maturity of the 2022 ZDP Shares in November 2022. In making their assessment, the Directors have assumed the passing of the upcoming Continuance Resolution, based on the Company's performance, the voting history in the general meetings, and the future prospects of the Company and have considered varying outcomes of the refinancing proposal of the 2022 ZDP Shares.

The extreme market scenarios used in its stress testing included severe but plausible adverse movements in bank and insurance company default rates and recovery rates, foreign exchange movements impacting margin calls on the forward currency contracts, the refinancing of the 2022 ZDP Shares and working capital availability.

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.

General Meetings

The 2022 AGM is scheduled for 22 June 2022 at the Company's registered office in Jersey. The Directors recognise the importance of shareholder engagement and the opportunity for shareholders to attend the AGM should they wish. Any changes to the AGM date will be communicated via the Company's website, www.ejfi.com, and the London Stock Exchange.

Details regarding the EGM to consider the Continuance Resolution and the refinancing of the 2022 ZDP Shares will be announced shortly.

By Order of the Board

Joanna Dentskevich
Chair
29 March 2022

Directors' Remuneration Report

The Directors are pleased to present their report on remuneration for the year ended 31 December 2021.

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 and Risk 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 and Risk 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:

Director	2021 £	2020 £
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 £1,107 (2020: £204).

No other remuneration or compensation was paid by the Company to the Directors during the year (2020: £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 2021[1]	Percentage of Ordinary Shares in Issue 31 December 2021[2]	Ordinary Shares 31 December 2020[1]	Percentage of Ordinary Shares in Issue 31 December 2020[2]
Neal Wilson	**1,622,607**	**2.654%**	1,516,381	2.480%
Joanna Dentskevich	**77,896**	**0.127%**	49,548	0.081%
Nick Watkins	**3,000**	**0.005%**	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

2025 ZDP shares held by the Directors as at year end were as follows:

Name	2025 ZDP Shares 31 December 2021	Percentage of 2025 ZDP Shares in Issue 31 December 2021	2025 ZDP Shares 31 December 2020	Percentage of 2025 ZDP Shares in Issue 31 December 2020
Neal Wilson	**1,000,000**	**16.667%**	1,000,000	16.667%
Joanna Dentskevich	**30,000**	**0.500%**	30,000	0.500%
Nick Watkins	**10,000**	**0.167%**	10,000	0.167%

The Directors did not hold any 2022 ZDP Shares as at 31 December 2021 (31 December 2020: nil).

Joanna Dentskevich
Chair
29 March 2022

Audit and Risk Committee Report

The Board is supported by the Audit and Risk Committee with formally delegated duties and responsibilities relating to audit and risk, as set out in written terms of reference which are available from the Company's website.

Chair and Membership

The Audit and Risk 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 Manager. The Audit and Risk Committee meets at least three times a year at appropriate times in the financial reporting cycle and to meet with the Auditor as appropriate. The membership of the Audit and Risk Committee and its terms of reference are kept under review.

The Board has considered the composition of the Audit and Risk 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 and Risk Committee should have at least one member who has recent and relevant financial experience and that the Audit and Risk 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 19.

Key Responsibilities

The Audit and Risk 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 and Risk 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, including the basis on which the Company is determined as a going concern and a review of the viability statement included in the Annual Report taking into account the Company's financial position and principal risks identified;
- 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;
- advising the Board on the Company's overall risk strategy and to establish the risk assessment measures and methodologies to be employed by the Company; and
- reporting to the Board on how it has discharged its responsibilities.

How the Audit and Risk Committee has Discharged Its Responsibilities

The Audit and Risk Committee met seven times during the year and the individual attendance of the Committee members is outlined on page 23. Representatives of the Manager, Auditor and Administrator were present as required. The main matters discussed at those meetings were:

- Detailed review of the 2020 Annual Report and recommendation for approval by the Board;
- Review of the Company's and EJFIH's key risks and internal controls;
- Assessment of the final audit findings document presented by the Auditor in respect of the audit of the 2020 Annual Report;
- Consideration of the independence of the Auditor;
- Review and approval of the interim review plan of the Auditor in respect of the 2021 Interim Report;
- Review and approval of the annual audit plan of the Auditor in respect of the 2021 Annual Report;
- Detailed review of the 2021 Interim Report and recommendation for approval by the Board; and
- Review of the effectiveness of the Auditor.

Subsequent to year end, up to the date of approval of the Annual Report, the Audit and Risk Committee met three times to discuss risk matters and undertake detailed reviews of the 2021 Annual Report. The main matters discussed at those meetings were:

- Review and update of the Company's risk register and corresponding principal risks for inclusion in the Annual Report;
- Review and challenge of the Manager's stress tests for the purposes of the viability statement and consideration of the duration of the viability period;
- Review of the Company's proposed ESG policy;
- Review of the 2021 Annual Report and recommendation for approval by the Board;
- Assessment of the final audit findings document presented by the Auditor in respect of the audit of the 2021 Annual Report;
- Discussion and final approval of the 2021 external auditor fees for the annual audit; and
- Assessment of the independence of the Auditor.

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

The Audit and Risk Committee reviewed the Company's 2021 Interim Report and 2021 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.

The Audit and Risk Committee have considered and determined that the Company continues to meet the definition of an Investment Entity in accordance with IFRS 10 and further 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 and Risk Committee discussed with the Auditor, the Manager and the Administrator the critical accounting policies and judgements that have been applied.

As requested by the Board, the Audit and Risk 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 significant accounting matters associated with the preparation of the Annual Report are:

Significant accounting matter	How addressed by the Audit and Risk 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. See details in notes 9 and 15. The Group holds a number of different Level 3 investments which are also measured at fair value. The Audit and Risk Committee receives regular updates on the performance of the Portfolio from the Board and the Manager. It also reviews the Manager's valuation policy and challenge the Manager on the valuation. The Audit and Risk Committee is not aware of any discrepancies with the valuation methodologies adopted or the independent valuation procedures carried out by the valuation agents. The Company values the underlying positions held in EJFIH as per below (further information regarding the valuation methodologies and the resultant valuations can be found on pages 68 to 69): Partnership The Partnership is valued by reference to the Company's proportionate share of the net asset value. The underlying investments by the Partnership into Risk Retention Investments are marked clean to broker quotes with the Manager estimating the expected accrual of interest earned on each security. CDO Manager The Manager has appointed a recognised independent valuation agent to value the CDO Manager based on the underlying CDO management contract cash flows expectations, using inputs and models developed by the 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 Manager. FinTech debt securities The securities are marked clean to broker quotes with interest accrued separately. Preference Shares The shares are marked clean to broker quotes with the Manager estimating the expected accrual of interest earned on each security. Derivative financial instruments at FVTPL The Manager determines the fair value of the forward foreign currency contracts using quoted mid forward exchange rates as at the reporting date. Seneca Portfolio Seneca is valued based on EJFIH's proportionate share of the reported net asset value. Armadillo Portfolio The Armadillo Portfolio is valued based on EJFIH's proportionate share of the reported net asset value of each entity.

Risk Management

The Board as a whole is responsible for the Company's system of internal controls and the Audit and Risk Committee assists the Board in meeting those obligations, as set out in its terms of reference. 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 controls applied by the Company's service providers as regulated entities. The Audit and Risk Committee has reviewed the Administrator's most recent ISAE 3402 Report on Fund Administration (Report on the description of controls placed in operation, their design and operating effectiveness for the period from 1 October 2020 to 30 September 2021) and is pleased to note that no significant issues were identified. In addition, the Administrator has provided a bridging letter covering the period from 1 October 2021 to 31 December 2021, which confirms the controls referenced in the ISAE 3402 Report are still in place and operated effectively in this period. Additionally, the Company receives confirmations from its principal service providers that no material issues have arisen in respect of their systems of internal controls and risk management.

During the year, the independent Directors met with representatives of the Manager at their London office to review any changes to the Manager's controls and the operating effectiveness of the Manager's existing controls. The Audit and Risk 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 and Risk Committee to monitor the performance, independence, objectivity and reappointment of the Auditor. The Audit and Risk 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 a number of the Audit and Risk Committee meetings throughout the year, which allowed the Auditor the opportunity to discuss any matters it wished to raise. The Auditor provided feedback at each Audit and Risk Committee meeting on topics such as the key accounting matters, mandatory communications and the control environment. The Audit and Risk Committee chair meets with the Auditor ahead of Audit and Risk Committee meetings to review key audit and review areas for discussion with the Audit and Risk Committee. The Auditor is not in attendance when their performance and/or levels of remuneration are discussed.

The Auditor's valuation specialists have been engaged to provide support for the audit of the Company's asset valuations. The team are based in Frankfurt and consists of 75 valuation specialists. They perform valuation testing by repricing complex financial assets. The team undertook an independent revaluation exercise, which resulted in an acceptable level of deviation from an audit perspective for any differences between the repricing and the Company's valuations. A senior representative of the team attended the Audit and Risk Committee meeting at which the final audit findings document was presented by the Auditor in respect of the audit of the 2021 Annual Report, to present an overview of the valuation work and methodology undertaken.

During the years ended 31 December 2021 and 31 December 2020, no non-audit services were provided by the Auditor to the Company.

During the years ended 31 December 2021 and 31 December 2020, the Auditor was remunerated as follows:

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Audit services		
Annual audit	**142,750**	133,250
Interim review	**19,250**	18,000
Total audit fees	**162,000**	151,250
Total fees to the Auditor	**162,000**	151,250

The Audit and Risk 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 the Company's auditor will be put to the shareholders at the forthcoming AGM.

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

The Auditor has been appointed since the Company commenced trading. The Audit and Risk Committee is satisfied that the lead audit partner has the experience, independence and industry knowledge to be an effective lead audit partner.

The Audit and Risk 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 six years following the conclusion of the 2021 Annual Report.

Alan Dunphy
Audit and Risk Committee Chair
29 March 2022

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 IFRS 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 issued by IASB, 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 2021, 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 on 29 March 2022 and is signed on its behalf by:

By Order of the Board

Joanna Dentskevich
Chair
29 March 2022

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

1. Our opinion is unmodified

We have audited the financial statements of EJF Investments Limited ("the Company") for the year ended 31 December 2021 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 issued by the International Accounting Standards Board ("IASB"), of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

Overview

Materiality: financial statements as a whole	£1.3m (2020: £1.2m) 1% (2020: 1%) of Total assets	
Key audit matters		**vs 2020**
Recurring risks	Valuation of financial asset 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. We summarise below the key audit matter in arriving at our audit opinion above, together with our key audit procedures to address this matter and our findings from those procedures in order that the Company's members, as a body, may better understand the process by which we arrived at our audit opinion. This matter was addressed, and our findings are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter. In arriving at our audit opinion above, the key audit matter was as follows:

	The risk	Our response
Valuation of financial asset at fair value through profit or loss (£129.5 million; 2020: £124.2 million) Refer to page 34 to 38 for Audit Committee Report, page 52 to 56 for accounting policies and page 58 to 61 for financial disclosures Risk level remains unchanged from prior year.	**Subjective valuation:** The financial asset at fair value through profit or loss represents a 100% (2020: 100%) holding in EJF Investment Holdings Limited ("the Holdco") and constitutes 99% (2020: 99%) of the Company's total assets. The investment in the Holdco is valued based on the net asset value of the company. The net asset value is calculated by reference to the underlying investments. As those investments are financial instruments for which no observable market price is readily available. Fair value is determined through the application of valuation techniques which involve significant judgement by the Company and has a high degree of estimation uncertainty with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 15) disclose the sensitivity estimated by the Company.	Our procedures included: • **Control Design:** We obtained an understanding of the Company's processes for determining the fair value of unquoted investments. We evaluated the design and implementation of the investment valuation processes and controls. We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. • **Comparing valuations:** For investments in funds and investment entities valued on a net assets 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 investment entities, where audited financial statements were not available, we performed an independent assessment of the net asset values, including the use of our valuation specialists to independently value underlying investments held by those entities. We recalculated the valuation of interests by applying the ownership percentages to the relevant net asset value. • **Independent re-performance:** Our valuation specialists compared the reported valuation with the valuation derived by us using an independently derived valuations model and market observable data. • **Assessing transparency:** We considered the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions. • **Our findings:** We found the Company's valuation of the financial asset at fair value through the profit and loss to be balanced (2020: balanced).

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

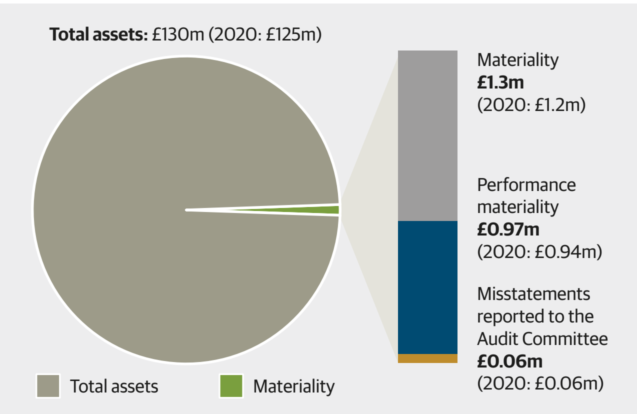
Materiality for the financial statements as a whole was set at £1.3m (2020: £1.2m), determined with reference to a benchmark of total assets, of which it represents 1% (2020: 1%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to £0.97m million (2020: £0.94 million). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.06m (2020: £0.06m), 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 by a single audit team.

The scope of the audit work performed was fully substantive as we did not rely upon the Company's internal control over financial reporting.



4. We have nothing to report on going concern

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

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources, and its ability to operate over this period were:

- The impact of a significant reduction in the valuation of the assets in the portfolio including default on underlying collateral in securitization investments;
- Adverse foreign exchange margin calls reducing the availability of cash to meet ongoing obligations as they fall due;
- Insufficient votes secured for the continuation vote in April 2022; and
- The impact of repayment of the ZDP liability falling due within the going concern assessment period.

We considered whether these risks could plausibly affect the liquidity of the Company in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Company's financial forecasts.

We considered whether the going concern disclosure in note 2.1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and related sensitivities.

Our conclusion based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period;

- we have nothing material to add or draw attention to in relation to the Directors' statement in note 2.1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for the going concern period, and we found the going concern disclosure in note 2.1 to be acceptable; and

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 above conclusions are not a guarantee that the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Directors and Administrator as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Assessing the segregation of duties in place between the Directors, the Administrator and the Company's Investment Manager; and
- Reading Board minutes and Audit Committee minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular to the risk that management may be in a position to make inappropriate accounting entries. We evaluated the design and implementation of the controls over journal entries and other adjustments and made inquiries of the Administrator about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. We substantively tested all material post-closing entries by comparing the identified entries to supporting documentation and, based on the results of our risk assessment procedures and understanding of the process, including the segregation of duties between the Directors and the Administrator, no further high-risk journal entries or other adjustments were identified.

On this audit we have rebutted the fraud risk related to revenue recognition because the revenue is non-judgemental and straightforward, with limited opportunity for manipulation.

We did not identify any significant unusual transactions or additional fraud risks.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors and the Administrator (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation as set out by Companies (Jersey) Law 1991and the Listing Rules, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: anti-bribery, data protection, anti-money laundering, market abuse regulations and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and the Administrator and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

5. Fraud and breaches of laws and regulations – ability to detect (continued)

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. 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, uncertainties and emerging risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement on page 31 that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks, Uncertainties and Emerging Risks disclosures describing these risks and how emerging risks are identified, 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.

Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

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 judgements 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 perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- 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;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Company's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

7. 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:

- proper accounting records have not been kept by the Company, or
- proper returns adequate for our audit have not been received from branches not visited by us; or
- the Company's accounts 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.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 39, the Directors are responsible for: the preparation of 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.

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

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991 and the terms of our engagement by the Company. 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 the further matters we are required to state to them in accordance with the terms agreed with the Company, 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
29 March 2022

Independent Auditor's Report

To EJF Investments Limited and the members of EJF Investments Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of EJF Investments Limited ("The Company"), which comprise the statement of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of EJF Investments Limited as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with the International Financial Reporting Standards as adopted by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the International Accounting Standards Board and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

Our report has been prepared for the Company solely in accordance with the terms of our engagement. Our report was designed to meet the agreed requirements of the Company determined by the Company's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company for any purpose or in any context.

Subject to the terms and conditions of our letter of engagement dated 9 September 2021 ("the Engagement Letter"), this report is addressed to the members of the Company ("the Investors"), who may rely on this report under the Contracts (Rights of Third Parties) Act 1999. The terms of the Engagement Letter are available to Investors on request.

This report should not be regarded as suitable to be used or relied on by any party wishing to acquire any rights against KPMG LLP, other than the Company and the Investors for any purpose or in any context. Any party other than the Company or the Investors who obtain access to this report or a copy and choose to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG LLP, will accept no responsibility or liability in respect of this report to any other party.

London, United Kingdom
March 29, 2022

Statement of Comprehensive Income for the years ended 31 December 2021 and 31 December 2020

	Notes	1 January 2021 to 31 December 2021 £	1 January 2020 to 31 December 2020 £
Dividend income	5	**8,200,000**	7,700,000
Net foreign exchange gain		**466**	756
Net unrealised gain/(loss) on financial assets held at fair value through profit or loss	9	**5,366,624**	(13,962,324)
Total income/(loss)		**13,567,090**	(6,261,568)
Investment Management fee	17	**(887,308)**	(902,003)
Legal fees		**(124,168)**	(199,732)
Professional fees		**(251,252)**	(346,313)
Administration fees		**(186,161)**	(246,114)
Directors' fees	17	**(135,000)**	(135,000)
Directors' and professional indemnity insurance	17	**(131,786)**	(95,914)
Audit fees	6	**(162,000)**	(151,250)
Printing fees		**(27,067)**	(28,226)
Listing fees		**(14,843)**	(36,866)
Tax services fees		**73,680**	(207,036)
Other expenses		**(17,273)**	(83,459)
Total operating expenses		**(1,863,178)**	(2,431,913)
Expenses reimbursed by the Manager	17	**654,605**	1,161,981
Net operating expenses		**(1,208,573)**	(1,269,932)
Operating profit/(loss)		**12,358,517**	(7,531,500)
Finance costs	7	**(1,585,306)**	(1,254,786)
Profit/(Loss) and total comprehensive income/(loss) for the year attributable to shareholders		**10,773,211**	(8,786,286)
Weighted average number of Ordinary Shares in issue during the year		**61,145,198**	61,740,143
Basic and diluted earnings/(losses) per Ordinary Share	18	**17.6p**	(14.2)p

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 52 to 81 form an integral part of these Audited Financial Statements.

Statement of Financial Position as at 31 December 2021 and 31 December 2020

	Notes	31 December 2021 £	31 December 2020 £
Non-current assets			
Financial assets at fair value through profit or loss	9	**129,518,023**	124,151,399
Current assets			
Cash and cash equivalents		**592,603**	347
Balance due from the Manager	17	**329,711**	570,728
Prepaid expenses and other assets	8	**18,030**	39,788
Total current assets		**940,344**	610,863
Total assets		**130,458,367**	124,762,262
Non-current liabilities			
ZDP Shares	11	**(6,484,818)**	(23,606,438)
Current liabilities			
Accounts payable and accrued expenses	10	**(448,509)**	(587,163)
ZDP Shares	11	**(18,725,704)**	–
Total current liabilities		**(19,174,213)**	(587,163)
Total liabilities		**(25,659,031)**	(24,193,601)
Net assets		**104,799,336**	100,568,661
Equity			
Stated capital	12	**85,254,127**	85,254,127
Retained earnings		**19,545,209**	15,314,534
Total Equity		**104,799,336**	100,568,661
Number of Ordinary Shares in issue at year end (excluding treasury shares)	12	**61,145,198**	61,145,198
NAV per Ordinary Share		**171p**	164p

The Audited Financial Statements were approved and authorised for issue by the Board on 29 March 2022 and signed on its behalf by:

Alan Dunphy
Director

The accompanying notes on pages 52 to 81 form an integral part of these Audited Financial Statements.

Statement of Changes in Equity for the years ended 31 December 2021 and 31 December 2020

For the year ended 31 December 2021	Notes	Number of shares	Stated capital £	Retained earnings £	Net assets attributable to shareholders £
Balance at 1 January 2021		**61,145,198**	**85,254,127**	**15,314,534**	**100,568,661**
Total comprehensive income for the year attributable to shareholders		**–**	**–**	**10,773,211**	**10,773,211**
Transactions with shareholders					
Dividends paid	13	**–**	**–**	**(6,542,536)**	**(6,542,536)**
Balance at 31 December 2021	12	**61,145,198**	**85,254,127**	**19,545,209**	**104,799,336**

For the year ended 31 December 2020	Notes	Number of shares	Stated capital £	Retained earnings £	Net assets attributable to shareholders £
Balance at 1 January 2020		64,175,306	90,259,133	30,724,412	120,983,545
Total comprehensive loss for the year attributable to shareholders		–	–	(8,786,286)	(8,786,286)
Transactions with shareholders					
Shares issued for repurchase		7,396,515	11,982,354	–	11,982,354
Purchase of own shares to hold in treasury		(7,396,515)	(11,982,354)	–	(11,982,354)
Share buyback		(3,030,108)	(5,005,006)	–	(5,005,006)
Dividends paid	13	–	–	(6,623,592)	(6,623,592)
Balance at 31 December 2020	12	61,145,198	85,254,127	15,314,534	100,568,661

The accompanying notes on pages 52 to 81 form an integral part of these Audited Financial Statements.

Statement of Cash Flows
for the years ended 31 December 2021 and 31 December 2020

	Notes	1 January 2021 to 31 December 2021 £	1 January 2020 to 31 December 2020 £
Cash flows from operating activities			
Profit/(Loss) and total comprehensive income/(loss) for the year		**10,773,211**	(8,786,286)
Adjustments for:			
Amortisation of ZDP Shares	7	**1,604,084**	1,233,597
Net unrealised (gain)/loss on financial assets held at fair value through profit or loss	9	**(5,366,624)**	13,962,324
Net foreign exchange gain		**(466)**	(756)
Changes in net assets and liabilities:			
Balance due from the Manager		**241,017**	(7,203)
Prepaid expenses and other assets		**21,758**	(25,966)
Accounts payable and accrued expenses		**(138,654)**	(797,782)
Net cash generated from operating activities		**7,134,326**	5,577,928
Cash flow from financing activities			
Proceeds from issue of ZDP Shares	11	**-**	6,000,000
2025 ZDP Shares issue costs		**-**	(213,520)
Purchase of own shares to hold in treasury		**-**	(5,005,006)
Dividends paid	13	**(6,542,536)**	(6,623,592)
Net cash used in financing activities		**(6,542,536)**	(5,842,118)
Net increase/(decrease) in cash and cash equivalents		**591,790**	(264,190)
Cash and cash equivalents at the start of the year		**347**	263,781
Effect of movements in exchange rates on cash and cash equivalents		**466**	756
Cash and cash equivalents at the end of the year		**592,603**	347

The accompanying notes on pages 52 to 81 form an integral part of these Audited Financial Statements.

Notes to the Audited Financial Statements for the year ended 31 December 2021

1. General information

The Company is a registered closed-ended investment company incorporated with limited liability in the Bailiwick of Jersey on 20 October 2016 under the provisions of the Companies 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.

The Company does not have a fixed life. Under the Company's Articles, on or about each fifth anniversary of the Company's Shares being admitted to trading on London Stock Exchange, the Directors shall procure that an EGM of the Company be convened at which a Continuance Resolution will be proposed. The first such Continuance Resolution is required to take place in or around April 2022, being the fifth anniversary since Admission. Refer to note 2 for further information.

The 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.

EJF holds 100% of the voting rights in the Manager. EJF is 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 Manager to act as its AIFM for the purposes of the AIFM Directive.

Additional information has been provided in Note 20 to allow the Manager to avail of the audit exemption as prescribed in Rule 206 (4)-2 of the US Investment Adviser Act 1940.

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 and liquidated on 15 December 2020), of which EJFIH owned 100% of the share capital. Refer to note 14 for further information.

EJFIH holds 85% (31 December 2020: 85%) of the Partnership's interests (refer to note 9 for further information).

Through EJFIH, 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 assessment of the Company's ability to meet its liabilities as they fall due for the period of at least twelve months from the approval of the Audited Financial Statements, including evaluating severe but plausible downside scenarios of significant reduction in the liquidity positions and fair value of its investments. The assessment was completed with reference to the cash position of the Group, 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 expected outcome of the 2022 'Continuance Resolution' and the 30 November 2022 maturity date for the 2022 ZDP Shares. The Directors and the Manager are proposing that 2022 ZDP Shareholders may elect to roll their existing investment in 2022 ZDP Shares into the 2025 ZDP shares or otherwise be repaid on 30 November 2022.

Based on the Company's performance, the voting history in the general meetings, and the future prospects of the Company, the Directors consider the risk of the 'Continuance Resolution' not being passed to be low. The Continuance Resolution, which is required to be held five years from Admission, and every five years thereafter, requires a majority of greater than 50% of those voting to be passed.

In light of the analysis, the Directors are satisfied that, at the time of approving the Audited Financial Statements, there is a reasonable expectation that the Company will have adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the Audited Financial Statements, and have therefore prepared the Audited 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 finance is raised, the currency in which distributions are made, the currency in which investment management fees are paid and ultimately the currency that would be returned to shareholders if the Company was wound up. The Group enters into investment transactions that are denominated in currencies other than the functional currency, primarily in US Dollars and therefore is exposed to currency risk. The Company's performance is evaluated and reported to shareholders in Sterling 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 Pound.

(e) Standards and amendments to existing standards effective from 1 January 2021

Interest Rate Benchmark Reform – Phase 2

These amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and hedge accounting.

The amendments require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2021 that 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
Annual improvements to IFRS standard 2018 to 2020	1 January 2022
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 IFRS 17 will not have an impact on the Company's Audited Financial Statements.

A number of other new standards, amendments to standards and interpretations have been issued, but are not yet effective 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.

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'.

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 unrealised gain/(loss) 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. EJFIH was established to hold investments for the Company and to maximise the Company's investment returns. It does 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 owns 100% of the equity of the Subsidiary. The Company is exposed to, and has rights to the returns from, the Subsidiary and has the ability, either directly or through the Manager, to affect the amount of its returns from the Subsidiary, representing all the elements of control as prescribed by IFRS 10.

2. Significant accounting policies (continued)

The Subsidiary is used to acquire exposure to a portfolio comprising a large number of investments. The fair value method is used to represent the Subsidiary's performance in its internal reporting to the Board, and to evaluate the performance of the Subsidiary's investments and to make investment decisions for mature investments.

Those investments have documented maturity/redemption dates, or will be sold if other investments with a better risk/reward profile are identified, which the Manager considers demonstrate a clear exit strategy.

As a result, under the terms of IFRS 10, the Company does not consolidate the Subsidiary, and must measure its investment in the Subsidiary at FVTPL. The Company has determined that the fair value of the Subsidiary is the Subsidiary's net asset value and has concluded that the Subsidiary meets the definition of an unconsolidated subsidiary under IFRS 12 and has made the necessary disclosures (see notes 9 & 14 for further information).

Additionally, the Subsidiary has been deemed to meet the definition of an investment entity per IFRS 10 as the above-mentioned conditions are met.

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 changed its US tax classification status from a partnership to a non-US corporation from 1 January 2020.

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 investment or other purposes.

(ii) Trade and other receivables

Trade and other receivables, including balance due from the 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 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 EJFIH 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 of the relevant company 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

2. Significant accounting policies (continued)

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.

(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. The Manager has also appointed a recognised independent valuation agent to provide comfort over the valuations derived from models developed by the Manager where appropriate.

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

Date received	1 January 2021 to 31 December 2021 £	1 January 2020 to 31 December 2020 £
28 January 2020	-	2,700,000
29 April 2020	-	2,000,000
24 July 2020	-	1,200,000
4 November 2020	-	1,800,000
10 February 2021	**2,100,000**	–
6 May 2021	**2,200,000**	–
19 August 2021	**2,000,000**	–
10 November 2021	**1,900,000**	–
Total dividend income	**8,200,000**	7,700,000

6. Auditor's remuneration

The analysis of the Auditor's remuneration is as follows:

	1 January 2021 to 31 December 2021 £	1 January 2020 to 31 December 2020 £
The analysis of KPMG's remuneration is as follows:		
Audit and audit related services		
Annual audit	**142,750**	133,250
Audit related services - interim review	**19,250**	18,000
Total audit and audit related fees	**162,000**	151,250
Total fees to the Auditor	**162,000**	151,250

7. Finance costs

	1 January 2021 to 31 December 2021 £	1 January 2020 to 31 December 2020 £
ZDP Shares finance costs (see note 11)	**1,604,084**	1,233,597
Prime broker costs	**(18,778)**	21,596
Other finance costs	-	(407)
Total finance costs	**1,585,306**	1,254,786

8. Prepaid expenses and other assets

	31 December 2021 £	31 December 2020 £
Prepaid Directors' and professional indemnity insurance	**9,577**	6,921
Prepaid listing fee	**1,918**	1,919
Prepaid website fee	**6,535**	6,132
Prepaid professional fees	**–**	24,816
Total prepaid expenses and other assets	**18,030**	39,788

9. Financial assets at fair value through profit or loss

Investment in EJFIH

During the year ended 31 December 2021, the Company made no further investment in EJFIH (31 December 2020: no investment made).

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 NAV.

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

	31 December 2021 £	31 December 2020 £
Opening balance	**124,151,399**	138,113,723
Net gain/(loss) on investment in EJFIH[1]	**5,366,624**	(13,962,324)
Investment in EJFIH at FVTPL at the end of the year	**129,518,023**	124,151,399

1 Net gain/(loss) comprise distributions received during the reporting year in the amount of £8,200,000 (31 December 2020: £7,700,000) and net unrealised gains on investment in EJFIH in the amount of £13,566,624 (31 December 2020: unrealised loss of £6,262,324).

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

	31 December 2021 £	31 December 2020 £
EJFIH's investments at FVTPL:		
Armadillo Portfolio	**1,169,018**	2,053,370
Investment in the Partnership	**88,051,619**	88,334,641
Investment in the CDO Manager	**8,711,100**	9,463,395
CDO securities	**1,395,298**	772,225
Preference Shares	**1,246,613**	1,234,324
Net Derivative financial (liabilities)/assets (note 15)	**(921,722)**	2,533,786
Investment in Seneca	**6,671,007**	1,244,059
Investment in UK listed bond	**3,161,940**	–
FinTech debt securities	**2,830,682**	–
EJFIH's investments at FVTPL	**112,315,555**	105,635,800
EJFIH's other assets and liabilities:		
Cash and cash equivalents	**14,319,541**	14,867,476
Cash and cash equivalents held as margin	**2,836,856**	3,611,325
Other receivables	**46,071**	36,798
EJFIH's net asset value at the end of the year	**129,518,023**	124,151,399

(a) EJFIH's investments in private investment companies

Investment in the Armadillo Portfolio

EJFIH's 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 50.3% holding in Armadillo I and 1% holding in Armadillo II as at 31 December 2021 (35.9% holding in Armadillo I and 0.5% holding in Armadillo II as at 31 December 2020).

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

	31 December 2021 £	31 December 2020 £
Opening balance	**2,053,370**	4,260,152
Distributions	**(1,738,360)**	(1,970,153)
Realised gains on distributions[1]	**84,335**	268,359
Unrealised gains/(losses)[1]	**769,673**	(504,988)
Investment in the Armadillo Portfolio at FVTPL	**1,169,018**	2,053,370

1 Includes fluctuations in foreign exchange rates.

Investment in the Partnership

As at 31 December 2021, EJFIH held 85% or 122,851,798 units (31 December 2020: 85% or 122,851,798 units held) 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 £88,051,619 (31 December 2020: £88,334,641).

As at 31 December 2021, the remaining units outstanding are held by the Manager and totalled 20,012,174 units (31 December 2020: 21,680,346 units) and EJF Investments GP Inc. totalled 165 units (31 December 2020: 165 units).

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

	31 December 2021 £	31 December 2020 £
Opening balance	**88,334,641**	77,794,613
Additions	**17,640,992**	29,972,364
Return of Capital	**(22,044,476)**	(10,390,904)
Distributions	**(5,997,811)**	(8,992,709)
Realised gains on distributions[1]	**5,997,811**	8,829,146
Unrealised gains/(losses)	**4,120,462**	(8,877,869)
Investment in the Partnership at FVTPL	**88,051,619**	88,334,641

1 Includes fluctuations in foreign exchange rates.

Investment in Seneca

EJFIH's investments in private investment companies include the partnership and loan interests in Seneca. The investment strategy of Seneca is to invest in MSRs.

MSRs represent a stream of servicing income attached to mortgages originated in the US, producing regular and predictable cash-flows. Seneca only invests in MSRs originally attached to prime mortgages underwritten to Fannie Mae and Freddie Mac standards.

The following table summarises activity for the investment in Seneca:

	31 December 2021 £	31 December 2020 £
Opening balance	**1,244,059**	–
Additions	**4,367,696**	1,248,056
Unrealised gains/(losses)[1]	**1,059,252**	(3,997)
Investment in Seneca at FVTPL	**6,671,007**	1,244,059

1 Includes fluctuations in foreign exchange rates.

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

(b) EJFIH's investment in private operating company

Investment in the CDO Manager

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

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

	31 December 2021 £	31 December 2020 £
Opening balance	**9,463,395**	9,399,029
Distributions	**(426,213)**	(2,179,635)
Unrealised (losses)/gains[1]	**(326,082)**	2,244,001
Investment in the CDO Manager at FVTPL	**8,711,100**	9,463,395

1 Includes fluctuations in foreign exchange rates.

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, FINS 2019-1[2], TFINS 2020-1 and TFINS 2020-2. The CDO Manager has a total net asset value of £17,777,755 as at 31 December 2021 (31 December 2020: £19,313,053). EJFIH's interest in the CDO Manager has a NAV of £8,711,100 as at 31 December 2021 (31 December 2020: £9,463,395).

The management fees of each REIT TruPS CDO collateral management contract vary, ranging from 15bps to 30bps 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 2019-1 securitisations produced management fees of 20bps on outstanding collateral. The FINS 2019-1[2] securitisation produced management fees of 30bps on outstanding collateral. TFINS 2020-1 and TFINS 2020-2 securitisations produce management fees of 30bps on outstanding collateral.

(c) EJFIH's investments in trading securities

CDO securities

EJFIH's CDO securities portfolio consists of REIT TruPS CDO securities issued prior to the financial crisis by an unaffiliated third-party sponsor. The remaining CDO security is generating current income. The bond holdings range from senior class A bonds to subordinated class F bonds. For the year ended 31 December 2021, EJFIH accrued £59,170 (31 December 2020: EJFIH accrued £64,791 and EJFIF accrued £195,494) of interest income presented as investment income in EJFIH.

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

	31 December 2021 £	31 December 2020 £
Opening balance	**772,225**	8,383,554
Proceeds on disposal	**–**	(7,280,472)
Distributions	**(20,334)**	–
Realised losses on disposal[1]	**–**	(449,444)
Unrealised gains from CDO securities[1]	**643,407**	118,587
CDO securities at FVTPL	**1,395,298**	772,225

1 Includes fluctuations in foreign exchange rates.

2 FINS 2019-1 was fully redeemed in September 2021, with substantially all of the collateral sold as at 31 December 2021.

Preference Shares

EJFIH owns an interest in a depositor vehicle which holds an interest in the TFINS 2017-2 Preference Shares originally issued as part of the securitisation in October 2017.

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

	31 December 2021 £	31 December 2020 £
Opening balance	**1,234,324**	1,315,095
Distributions	**(122,410)**	(138,704)
Unrealised gains from Preference Shares[1]	**134,699**	57,933
Preference Shares at FVTPL	**1,246,613**	1,234,324

1 Includes fluctuations in foreign exchange rates.

Investment in UK listed bond

At 31 December 2021, the Company, through its investment in EJFIH, was invested in a Sterling denominated UK listed fixed rate note held with a large UK bank. The security has a fixed coupon of 5.875% and is due to mature in 2049.

The following table summarises activity for the investment in UK listed bond:

	31 December 2021 £
Opening balance	–
Additions	**3,228,750**
Unrealised losses	**(66,810)**
Investment in UK listed bond at FVTPL	**3,161,940**

There were no investments held in UK listed bonds as at 31 December 2020.

FinTech debt securities

At 31 December 2021, the Company, through its investment in EJFIH, was invested in FinTech debt securities held with entities in the US and Europe. The securities are denominated in different currencies, have fixed coupons between 4 – 11.5% and are due to mature in 2026.

The following table summarises activity for the investment in FinTech debt securities:

	31 December 2021 £
Opening balance	-
Additions	**3,048,735**
Unrealised losses[1]	**(218,053)**
FinTech debt securities at FVTPL	**2,830,682**

1 Includes fluctuations in foreign exchange rates.

There were no investments held in FinTech debt securities as at 31 December 2020.

10. Accounts payable and accrued expenses

	31 December 2021 £	31 December 2020 £
Amount due to EJFIH	**1,662**	36,412
Management fee payable	**228,983**	212,083
Legal fees payable	**42,167**	9,064
Professional fees payable	**–**	141,944
Audit fees payable	**142,750**	133,250
Sundry creditors	**32,947**	54,410
	448,509	587,163

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

11. ZDP shares

On 1 December 2017, the Company issued 15,000,000 2022 ZDP Shares at a gross redemption yield of 5.75%. Approximately 30% of the available 2022 ZDP Shares were issued pursuant to the initial placing and offer for subscription at a price per 2022 ZDP Share of 100 pence. The holders of the 2022 ZDP Shares will have a final capital entitlement of 132.25 pence on the repayment date of 30 November 2022. As of 31 December 2021 and 31 December 2020, there were 15,000,000 2022 ZDP Shares outstanding.

On 17 June 2020, the Company issued 6,000,000 2025 ZDP Shares at a gross redemption yield of 7.00%. The 2025 ZDP Shares were issued pursuant to the initial placing and offer for subscription at a price per 2025 ZDP Share of 100 pence. The holders of the 2025 ZDP Shares will have a final capital entitlement of 140 pence on the repayment date of 18 June 2025. As of 31 December 2021 and 31 December 2020, there were 6,000,000 2025 ZDP Shares outstanding.

The 2022 ZDP Shares rank senior to the 2025 ZDP Shares which in turn 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.

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.

	2022 ZDP Shares 31 December 2021 £	2025 ZDP Shares 31 December 2021 £	2022 ZDP Shares 31 December 2020 £	2025 ZDP Shares 31 December 2020 £
Opening balance	**17,588,170**	**6,018,268**	16,586,361	–
Issuance of ZDP Shares	**–**	**–**	–	6,000,000
Issue costs	**–**	**–**	–	(213,520)
Finance costs	**1,137,534**	**466,550**	1,001,809	231,788
ZDP Shares closing balance	**18,725,704**	**6,484,818**	17,588,170	6,018,268

Capitalised issue costs are being amortised using the effective interest rate method.

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 the number of Ordinary Shares and the corresponding changes to the Company's stated capital as a result of transactions with shareholders during the year were as follows:

Ordinary Shares issued and fully paid	Number of Shares	Stated Capital £
Opening balance as at 1 January 2021	**61,145,198**	**85,254,127**
Closing balance as at 31 December 2021	**61,145,198**	**85,254,127**

Ordinary Shares issued and fully paid	Number of Shares	Stated Capital £
Opening balance as at 1 January 2020	64,175,306	90,259,133
Issuance of Ordinary Shares	7,396,515	11,982,354
Repurchased during the year at £1.62 per share	(7,396,515)	(11,982,354)
Repurchased during the year at £1.65 per share	(2,998,000)	(4,951,653)
Repurchased during the year at £1.66 per share	(32,108)	(53,353)
Closing balance as at 31 December 2020	61,145,198	85,254,127

On 9 March 2020, before the effects of the COVID-19 pandemic were realised, the Directors approved and subsequently completed the buyback of 3,030,108 Ordinary Shares totalling £5,005,006 (inclusive of transaction costs of £5,006) to address any imbalance between the supply of, 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 the Ordinary Shares were trading.

As at 31 December 2021, the Company had 15,808,509 treasury shares (31 December 2020: 15,808,509).

13. Dividends paid

The Company paid the following dividends on its Ordinary Shares during the year ended 31 December 2021:

Period to:	Declared date	Ex-dividend date	Record date	Payment date	Dividend rate per Ordinary Share £	Net dividend paid £
31 Dec 2020	28 Jan 2021	4 Feb 2021	5 Feb 2021	26 Feb 2021	**0.02675**	**1,635,634**
31 Mar 2021	28 Apr 2021	6 May 2021	7 May 2021	28 May 2021	**0.02675**	**1,635,634**
30 June 2021	29 Jul 2021	6 Aug 2021	6 Aug 2021	31 Aug 2021	**0.02675**	**1,635,634**
30 Sep 2021	28 Oct 2021	4 Nov 2021	5 Nov 2021	30 Nov 2021	**0.02675**	**1,635,634**
						6,542,536

The Company paid the following dividends on its Ordinary Shares during the year ended 31 December 2020:

Period to:	Declared date	Ex-dividend date	Record date	Payment date	Dividend rate per Ordinary Share £	Net dividend paid £
31 Dec 2019	23 Jan 2020	6 Feb 2020	7 Feb 2020	28 Feb 2020	0.02675	1,716,687
31 Mar 2020	23 Apr 2020	7 May 2020	11 May 2020	29 May 2020	0.02675	1,635,635
30 June 2020	23 Jul 2020	6 Aug 2020	7 Aug 2020	28 Aug 2020	0.02675	1,635,635
30 Sep 2020	23 Oct 2020	5 Nov 2020	6 Nov 2020	30 Nov 2020	0.02675	1,635,635
						6,623,592

14. Interest in unconsolidated subsidiary 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
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.	50.3% (31 December 2020: 35.9%)	Indirect
Seneca	Limited Partnerships	Delaware	To generate income from MSRs.	100%	Indirect

There has been no change in the Interest held by the Company in the above mentioned entities since the year ended 31 December 2020, except where stated.

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 Manager to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly by the Manager to reflect changes in market conditions and the Company's activities. This note presents information about the Company's exposure to each of the financial risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company is exposed to a number of risks through its investment in EJFIH. 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 EJFIH's 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 its 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 Manager in accordance with policies and procedures in place, as detailed below.

In addition, the Company, through EJFIH, 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 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 Group's interest-bearing financial assets and liabilities expose the Company 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 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.

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 2021 Change in fair value	
	£	**£**
Change in rate	**0.25%**	**(0.25%)**
Net asset value	**(185,099)**	**185,099**

	31 December 2020 Change in fair value	
	£	**£**
Change in rate	0.25%	(0.25%)
Net asset value	644,510	(644,510)

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 its cash and cash equivalents and derivatives denominated in currencies other than Sterling, and its 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 its currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value or future cash flows of financial assets or financial liabilities denominated in currencies other than Sterling.

The Manager monitors the exposure to foreign currencies and reports to the Board monthly. The Manager measures the risk of the foreign currency exposure by considering the effect on the NAV and income of a movement in the rates of exchange to which the assets, liabilities, income and expenses are exposed.

15. Financial risk management (continued)

As at 31 December 2021 and 31 December 2020, the following forward foreign exchange contracts were held by EJFIH and are included within the financial (liabilities)/assets of EJFIH:

Maturity date	Counterparty	Contract amount (GBP)	Buy	Sell	31 December 2021 £
21 February 2023	Citibank N.A.	8,400,000	GBP	USD	**(268,528)**
30 November 2022	Citibank N.A.	19,837,500	GBP	USD	**(653,194)**
Derivative financial liabilities held by EJFIH					**(921,722)**

Maturity date	Counterparty	Contract amount (GBP)	Buy	Sell	31 December 2020 £
8 January 2021	Citibank N.A.	106,267,878	GBP	USD	2,323,977
8 January 2021	Citibank N.A.	5,641,608	GBP	USD	154,512
8 January 2021	Citibank N.A.	1,430,393	GBP	USD	3,748
8 January 2021	Citibank N.A.	2,978,000	GBP	USD	51,549
Derivative financial assets held by EJFIH					2,533,786

There were no forward foreign exchange derivatives held by the Company during the years ended 31 December 2021 and 31 December 2020.

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:

	31 December 2021	
Currency	**£**	**% of net assets**
US Dollar	**126,325,357**	**121%**
Euro	**843,013**	**1%**

	31 December 2020	
Currency	**£**	**% of net assets**
US Dollar	114,360,669	114%

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 2021 (10% at 31 December 2020). 10% is considered to continue to be deemed reasonable as it reflects movements experienced in 2020 as a result of Brexit negotiations and the COVID-19 pandemic. The analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2021	31 December 2020
Effect in Sterling	**£ 14,036,151**	£ 12,706,741
Effect in % of net assets attributable to the holders of tradable Ordinary Shares	**13%**	13%
Effect in % of increase in total comprehensive income/(loss) attributable to the holders of tradable Ordinary Shares	**130%**	145%

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.

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

Exposure

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

	31 December 2021		31 December 2020	
	£	%	£	%
Armadillo Portfolio	**1,169,018**	**1**	2,053,370	2
Investment in the Partnership[1]	**88,051,619**	**68**	88,334,641	71
Investment in CDO Manager	**8,711,100**	**7**	9,463,395	8
CDO securities	**1,395,298**	**1**	772,225	0
Preference Shares	**1,246,613**	**1**	1,234,324	1
Net Derivative financial assets	**(921,722)**	**(1)**	2,533,786	2
Investment in Seneca	**6,671,007**	**5**	1,244,059	1
Investment in UK listed bond	**3,161,940**	**3**	–	–
FinTech debt securities	**2,830,682**	**2**	–	–
Financial assets and liabilities at fair value through profit or loss	**112,315,555**	**87**	105,635,800	85
Cash and cash equivalents	**14,319,541**	**11**	14,867,476	12
Cash and Cash equivalents held as margin	**2,836,856**	**2**	3,611,325	3
Other[2]	**46,071**	**0**	36,798	0
Investment in EJFIH	**129,518,023**	**100**	124,151,399	100

1 See table below.

2 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 2021 and 31 December 2020.

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

	31 December 2021		31 December 2020	
	£	% of NAV	£	% of NAV
TFINS 2017-2	**12,939,700**	**12**	12,561,821	12
TFINS 2018-1	**19,753,178**	**19**	18,969,375	19
TFINS 2018-2	**14,543,305**	**14**	14,098,212	14
TFINS 2019-1	**13,248,973**	**13**	12,711,085	13
FINS 2019-1	**–**	**–**	10,564,514	11
TFINS 2019-2	**13,726,042**	**13**	13,447,514	13
TFINS 2020-1	**12,304,168**	**12**	12,181,382	12
TFINS 2020-2	**7,705,439**	**7**	7,628,545	8
TFINS 2021 Securitization Ltd[1]	**3,163,570**	**3**	–	–
Investments held by the Partnership	**97,384,375**	**93**	102,162,448	102
Other net assets	**6,205,765**	**6**	1,760,882	2
Net asset value of the Partnership	**103,590,140**	**99**	103,923,330	104
% held by EJFIH		**85**		85
Fair value of EJFIH's investment in the Partnership	**88,051,619**	**84**	88,334,641	88

1 TFINS 2021 Securitization Ltd is a warehousing vehicle for the collateral redeemed from FINS 2019-1 yet to be securitised or sold on the secondary market.

15. Financial risk management (continued)

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 believes 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 EJFIH in the underlying portfolio are measured as below:

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

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

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

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

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

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

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

The Manager has also appointed a recognised independent valuation agent to provide comfort over the valuations derived from models developed by the Manager where appropriate.

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 2021 and the year ended 31 December 2020.

Investments trading securities
At 31 December 2021, the investment portfolio included bonds issued by Kodiak, Attentus and Taberna, which are unaffiliated third-party CDO sponsors. These distressed bonds are valued at their dirty prices (including any expected interest accruals).

The fair value of distressed bonds is determined by the Manager using acceptable probability based discounted cash flow methodologies.

Valuation framework

The Company has an established control framework with respect to the measurement of fair values. This framework includes the Manager's valuation committee, which operates independently of the Manager's investment team, 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 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 and CDO securities. 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 2021. All fair value measurements below are recurring.

15. Financial risk management (continued)

As at 31 December 2021	Level 1 £	Level 2 £	Level 3 £
Investment held in EJFIH	–	–	**129,518,023**
Financial assets at FVTPL	–	–	**129,518,023**

The following table shows the movement of level 3 assets during the year ended 31 December 2021:

	Opening fair value 1 January 2021 £	Additions £	Realised gains £	Unrealised gains £	Distributions £	Ending fair value 31 December 2021 £
EJFIH	**124,151,399**	–	–	**5,366,624**	–	**129,518,023**
Total financial assets	**124,151,399**	–	–	**5,366,624**	–	**129,518,023**

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 2020. All fair value measurements below are recurring.

As at 31 December 2020	Level 1 £	Level 2 £	Level 3 £
Investment held in EJFIH	–	–	124,151,399
Financial assets at FVTPL	–	–	124,151,399

Fair value hierarchy—financial assets at fair value through profit or loss held by EJFIH

The tables below are supplemental disclosures of the financial instruments, held by EJFIH, 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 2021 and 31 December 2020. All fair value measurements below are recurring.

As at 31 December 2021	Level 1 £	Level 2 £	Level 3 £
Armadillo Portfolio	–	–	**1,169,018**
Investment in the Partnership	–	–	**88,051,619**
Investment in the CDO Manager	–	–	**8,711,100**
CDO securities	–	–	**1,395,298**
Investment in Seneca	–	–	**6,671,007**
Investment in Preference Shares	–	–	**1,246,613**
Listed floating rate notes	–	**3,161,940**	–
FinTech debt securities	–	**2,830,682**	–
Financial assets at FVTPL	–	**5,992,622**	**107,244,655**

	Level 1 £	Level 2 £	Level 3 £
Derivative financial assets	–	**(921,722)**	–
Financial assets at FVTPL	–	**(921,722)**	–

As at 31 December 2020	Level 1 £	Level 2 £	Level 3 £
Armadillo Portfolio	–	–	2,053,370
Investment in the Partnership	–	–	88,334,641
Investment in the CDO Manager	–	–	9,463,395
CDO securities	–	–	772,225
Seneca	–	–	1,244,059
Investment in Preference Shares	–	–	1,234,324
Financial assets at FVTPL	–	–	103,102,014

	Level 1 £	Level 2 £	Level 3 £
Derivative financial assets	–	2,533,786	–
Financial assets at FVTPL	–	2,533,786	–

Level 3 reconciliation

The following tables show a reconciliation of all movements in the fair value of financial assets held at FVTPL by EJFIH and categorised within level 3:

	Opening fair value as at 1 January 2021 £	Additions £	Realised gains £	Unrealised gains/ (losses) £	Disposals £	Ending fair value as at 31 December 2021 £
Armadillo Portfolio	**2,053,370**	**–**	**84,335**	**455,788**	**(1,424,475)**	**1,169,018**
Investments in the Partnership	**88,334,641**	**17,640,992**	**1,203,661**	**4,120,455**	**(23,248,130)**	**88,051,619**
Investment in CDO Manager	**9,463,395**	**–**	**–**	**(752,295)**	**–**	**8,711,100**
CDO securities	**772,225**	**–**	**5,276**	**623,287**	**(5,490)**	**1,395,298**
Investment in Seneca	**1,244,059**	**4,367,696**	**–**	**1,059,252**	**–**	**6,671,007**
Investment in Preference Shares	**1,234,324**	**–**	**–**	**12,289**	**–**	**1,246,613**
Total financial assets	**103,102,014**	**22,008,688**	**1,293,272**	**5,518,776**	**(24,678,095)**	**107,244,655**

During the year ended 31 December 2021, there were no reclassifications between levels of the fair value hierarchy.

The following table is for the year ended 31 December 2020:

	Opening fair value as at 1 January 2020 £	Additions £	Realised gains/ (losses) £	Unrealised gains/ (losses) £	Disposals £	Ending fair value as at 31 December 2020 £
Armadillo Portfolio	4,260,152	–	268,359	(504,988)	(1,970,153)	2,053,370
Investments in the Partnership	77,794,613	29,972,364	8,829,146	(8,877,869)	(19,383,613)	88,334,641
Investment in CDO Manager	9,399,029	–	–	2,311,771	(2,247,405)	9,463,395
CDO securities	8,383,554	–	(449,444)	118,587	(7,280,472)	772,225
Bridge Loan	7,669,797	215,028	(1,269,801)	–	(6,615,024)	–
Seneca	–	1,248,056	–	(3,997)	–	1,244,059
Investment in Preference Shares	1,315,095	–	–	57,933	(138,704)	1,234,324
Total financial assets	108,822,240	31,435,448	7,378,260	(6,898,563)	(37,635,371)	103,102,014

During the year ended 31 December 2020, there were no reclassifications between levels of the fair value hierarchy.

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 2021 £	Company fair value at 31 December 2020 £	Valuation techniques and inputs	Significant unobservable inputs
Investment in EJFIH	**129,518,023**	124,151,399	NAV of EJFIH	The NAV 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 2021 £	31 December 2020 £
Investment in EJFIH	**129,518,023**	124,151,399
Increase by 10%	**142,469,825**	136,566,539
Decrease by 10%	**116,566,221**	111,736,259

Significant unobservable inputs used in measuring fair value held by EJFIH – 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 2021 and 31 December 2020. Projected cash flows were calculated using a third-party provider of cash flow information for structured securities for each CDO contract. 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.

EJFIH's remaining Level 3 investments have been valued using broker quotes or the EJFIH's proportionate share of the NAV of the entity.

15. Financial risk management (continued)

(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 Group or a vehicle in which the Group invests, 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 Manager in accordance with the policies and procedures in place. The Manager monitors the Group's cash activity, concentrations of deposits with counterparties and the credit worthiness of said counterparties, and obtains periodic collateral assessments from an affiliate managing Armadillo Portfolio's loan portfolio. The Company's credit risk is monitored on a quarterly basis by the Board. If the credit risk is not in accordance with the Investment Policy or guidelines of the Company, then the Manager is obliged to address the impact and to liquidate holdings within a reasonable amount of time, however as EJFIH's 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.

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

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 2021 £
Cash and cash equivalents	**14,319,541**
Cash and cash equivalents held as margin	**2,836,856**
Derivative financial liabilities	**(921,722)**
CDO securities	**1,395,298**
Armadillo Portfolio	**1,169,018**
Investment in the Partnership	**88,051,619**
Preference Shares	**1,246,613**
Investment in CDO Manager	**8,711,100**
Investment in Seneca	**6,671,007**
Listed floating rate notes	**3,161,940**
FinTech debt securities	**2,830,682**
Investment in EJFIH	**129,471,952**
Cash and cash equivalents	**592,603**
Balance due from the Manager	**329,711**
Total financial assets	**130,394,266**

Cash and cash equivalents

The Company's and EJFIH's cash is predominantly held with BNPP and Citibank N.A. The 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 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.

Institution	Rating Agency	31 December 2021	31 December 2020
Citibank N.A.	Moody's	**Aa3**	Aa3
BNPP	Moody's	**Aa3**	Aa3

Balance due from the Manager

The balance due from the Manager relates to the arrangement with the 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 Manager is considered to be low credit risk. Accordingly no impairment losses have been recognised in the Statement of Comprehensive Income.

Preference shares

The Company, through its investment in EJFIH, 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 EJFIH as it is exposed to any fair value movements in EJFIH. The preference shares in which EJFIH has invested are not rated.

Investment in CDO securities

At 31 December 2021, 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.

EJFIH is 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, EJFIH, or a securitisation in which such an investment is held, could suffer significant losses including the loss of that part of EJFIH's 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 EJFIH as it is exposed to any fair value movements in EJFIH.

The CDO securities are not rated (31 December 2020: not rated).

Armadillo Portfolio

At 31 December 2021, 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 an 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 2020: not rated).

Investment in the Partnership

At 31 December 2021, the Company, through its investment in EJFIH, held an interest in the Partnership. The Partnership is 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 EJFIH's 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 EJFIH as it is exposed to any fair value movements in EJFIH.

The securitisations in which the Partnership has invested are not rated (31 December 2020: not rated).

Investment in Seneca

At 31 December 2021, the Company, through its investment in EJFIH, was invested in partnership and loan interests in Seneca. The investment strategy of Seneca is to invest in MSRs. MSRs represent a stream of servicing income attached to mortgages originated in the US producing regular and predictable cash-flows. Seneca only invests in MSRs originally attached to prime mortgages underwritten to Fannie Mae and Freddie Mac standards. There is little to no credit risk associated with MSRs and the main risk is prepayment of the underlying mortgage, and thus extinguishment of the associated MSR contract and servicing fee stream.

The Seneca positions in which the Company has invested are not rated (31 December 2020: not rated).

Investment in UK listed bond

At 31 December 2021, the Company, through its investment in EJFIH, was invested in a Sterling denominated UK listed fixed rate note held with a large UK bank. The security has a fixed coupon of 5.875% and is due to mature in 2049.

The UK listed bond positions in which the Company has invested are rated Ba2 with Moody's.

Investment in FinTech debt securities

At 31 December 2021, the Company, through its investment in EJFIH, was invested in two FinTech debt securities held with entities in the US and Europe. The securities are denominated in different currencies, have fixed coupons between 4 – 11.5% and are due to mature in 2026.

One position is rated Caa3 with Moody's and the other position is not rated.

15. Financial risk management (continued)

Concentration of credit risk

The Manager reviews the credit risk of counterparties (primarily prime brokers or custodians when applicable) that hold a concentration of the Group's assets, in particular, the Group's cash deposits.

The Group's exposure was concentrated as below:

	31 December 2021		31 December 2020	
	£	%	£	%
Citibank N.A.	**14,315,265**	**96**	12,429,781	83.6
BNPP	**596,879**	**4**	2,438,042	16.4
Total	**14,912,144**	**100%**	14,867,823	100%

Collateral and other credit enhancements, and their financial effect

The Group mitigates 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 Aa3 (31 December 2020: Aa3), 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 its financial liabilities that are settled by delivering cash or another financial asset.

The Company's policy and the 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 its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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

The 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 its interest in these instruments in due time to meet its liquidity requirements.

The Company's liquidity is managed on an ongoing basis by the Manager in accordance with the policies and procedures in place. Since the Company's liability obligations consist of current liabilities related to its standard operating activity, liquidity risk is deemed to be low. Current liabilities are paid and reported to the Board on a quarterly basis unless a special meeting is required.

	31 December 2021	31 December 2020
Liquid assets	**£21,234,477**	£15,438,551
Current liabilities	**£19,174,213**	£587,163
Liquid assets as a % of current liabilities	**111%**	2,629%

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 2021 and 31 December 2020:

31 December 2021	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	**14,912,144**	**14,912,144**	**14,912,144**	**–**	**–**	**–**
Balance due from the Manager	**329,711**	**329,711**	**–**	**329,711**	**–**	**–**
Investment in UK listed bond	**3,161,940**	**3,161,940**	**–**	**3,161,940**	**–**	**–**
FinTech debt securities	**2,830,682**	**2,830,682**	**–**	**2,830,682**	**–**	**–**
Total	**21,234,477**	**21,234,477**	**14,912,144**	**6,322,333**	**–**	**–**

31 December 2021	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	**1,662**	**1,662**	**–**	**–**	**1,662**	**–**
Accounts payable and accrued expenses	**446,847**	**446,847**	**–**	**–**	**446,847**	**–**
ZDP Shares	**18,725,704**	**18,725,704**	**–**	**–**	**–**	**18,725,704**
Total	**19,174,213**	**19,174,213**	**–**	**–**	**448,509**	**18,725,704**

31 December 2020	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	14,867,823	14,867,823	14,867,823	–	–	–
Balance due from the Manager	570,728	570,728	–	570,728	–	–
Total	15,438,551	15,438,551	14,867,823	570,728	-	-

31 December 2020	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	36,412	36,412	–	–	36,412	–
Accounts payable and accrued expenses	550,751	550,751	–	–	550,751	–
Total	587,163	587,163	–	–	587,163	–

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

The Group further manages its liquidity risk by holding at least 2% 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 2021	31 December 2020
Liquid assets	**£15,241,855**	£15,438,551
Total Net Asset Value	**£104,799,336**	£100,568,661
Liquid assets as % of total Net Asset Value	**15%**	15%

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).

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

	31 December 2021 £	31 December 2020 £
ZDP Shares	**25,210,522**	23,606,438
Accounts payable and accrued expenses	**448,509**	587,163
Less: cash and cash equivalents	**(592,603)**	(347)
Net debt	**25,066,428**	24,193,254
Total equity	**104,799,336**	100,568,661
Net debt to adjusted equity ratio	**0.24**	0.24

17. Related party transactions and other material contracts

Transactions

During the year, the Company made further investments of approximately £4.4 million into Seneca and the Company may deploy further amounts when attractive MSR pools become available.

FINS 2019-1 was fully redeemed in September 2021. As part of the redemption, a portion of the underlying collateral was acquired by the Group, substantially all of which had been sold as at 31 December 2021.

Investment Management fee

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

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 ended 31 December 2021, the Company accrued management fees of £887,308 (31 December 2020: £902,003) which is presented within operating expenses on the Statement of Comprehensive Income.

The Company recognised an outstanding liability of £228,983 as at 31 December 2021 (31 December 2020: £212,083) 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 2021, the Company recorded Directors' fees of £135,000 (31 December 2020: £135,000). As at 31 December 2021, £nil (31 December 2020: £nil) 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 and Risk Committee.

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

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors. During the year ended 31 December 2021, the Company recorded Directors' and Officers' liability and professional indemnity insurance expense of £131,786 (31 December 2020: £95,914).

Incentive fee

The Manager is entitled to an incentive fee which is calculated in relation to the assets attributable to Ordinary Shares, in accordance with the Management Agreement. The Incentive Fee amount is equal to 10% of the amount by which the Adjusted NAV attributable to Ordinary Shares exceeds the higher of (i) the Incentive Hurdle at the relevant time and (ii) the High Watermark at the relevant time, in respect of the relevant Incentive Fee Period.

The Incentive Fee is calculated in respect of each Incentive Fee Period, save for the final Incentive Fee Period being the date that the Management Agreement is terminated or, where the Management Agreement has not been terminated, the actual date of termination of the provision by the Manager of the non-retained services as defined in the Management Agreement.

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

During the year ended 31 December 2021, the Company did not accrue an incentive fee liability (31 December 2020: £nil).

On 28 January 2020, the Company announced that the Manager had acquired 283,441 Ordinary Shares of no par value in the Company at an average price of 175 pence per share. The Company was also notified on the same date that the Manager had allocated these Ordinary Shares to certain of its officers and affiliates. Please refer below for details of the Ordinary Shares held by each of the Manager's officers and affiliates. This transaction represented full satisfaction of the Incentive Fee payable by the Company to the Manager for the Incentive Fee Period ended 31 December 2019 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 are as follows:

Name	Ordinary Shares 31 December 2021[1]	Percentage of Ordinary Shares in Issue 31 December 2021[2]	Ordinary Shares 31 December 2020[1]	Percentage of Ordinary Shares in Issue 31 December 2020[2]
Neal Wilson	**1,622,607**	**2.654%**	1,516,381	2.480%
Joanna Dentskevich	**77,896**	**0.127%**	49,548	0.081%
Nick Watkins	**3,000**	**0.005%**	3,000	0.005%

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 percentage is based on number of Ordinary Shares in issue after adjusting for treasury shares.

The Manager did not own any Ordinary Shares as at 31 December 2021 (31 December 2020: nil).

Shareholdings by officers of the Manager and its affiliates as at year end are as follows:

Name	Ordinary Shares 31 December 2021[1]	Percentage of Ordinary Shares in Issue 31 December2021[2]	Ordinary Shares 31 December 2020[1]	Percentage of Ordinary Shares in Issue 31 December 2020[2]
EJF Capital Limited	**1,878,246**	**3.07%**	1,807,495	2.96%
Peter Stage	**141,501**	**0.23%**	141,501	0.23%
Hammad Khan[3]	**n/a**	**n/a**	141,501	0.23%
Matthew Gill	**1,000**	**0.002%**	1,000	0.002%
Emanuel Friedman[4]	**11,816,558**	**19.33%**	11,816,558	19.33%
Jason Ruggiero	**165,336**	**0.27%**	165,336	0.27%

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 percentage is based on number of Ordinary Shares in issue after adjusting for treasury shares.
3 Hammad Khan resigned during the year and sold all of his Ordinary Shares.
4 Ordinary Shares held by Cheetah Holdings Limited, a charitable foundation co-founded by Emanuel Friedman.

The officers of the Manager are Neal J. Wilson (Chief Executive Officer and Co-chief Investment Officer of The Manager), Peter Stage (Co-Chief Investment Officer) and Matthew Gill (Chief Financial Officer). As Neal Wilson is also a Director of the Company, his shareholdings are presented in the table detailing the shares held by the Directors in the Company at the year end.

Emanuel Friedman ceased to act as Chairman and Co-Chief Investment Officer of the Manager on 5 March 2020 but has continued as Co-Chief Executive Officer of EJF and in particular is a voting member of the investment committee of the Manager. Jason Ruggiero (Co-Chief Investment Officer and Senior Portfolio Manager of EJF) is also a voting member of the investment committee.

On 12 February 2021, Neal J. Wilson purchased 35,476 ordinary shares of no par value in the Company at a price of 126 pence per share in a private transaction.

On 30 July 2021, Neal Wilson acquired 70,750 Ordinary Shares in the Company at an average price of 128 pence per share from Hammad Khan in a private off-market transaction.

On 3 December 2021, the Company announced that EJF Capital Limited, a wholly owned subsidiary of EJF had purchased 70,751 Ordinary Shares on 30 November 2021 at a price of 128.5 pence per share from Hammad Khan in a private off market transaction.

ZDP Shares held by related parties

ZDP Shareholdings by the Directors in the Company as at year end are:

Name	2025 ZDP Shares 31 December 2021	Percentage of ZDP 2025 Shares in Issue 31 December 2021	2025 ZDP Shares 31 December 2020	Percentage of ZDP 2025 Shares in Issue 31 December 2020
Neal Wilson	**1,000,000**	**16.667%**	1,000,000	16.667%
Joanna Dentskevich	**30,000**	**0.500%**	30,000	0.500%
Nick Watkins	**10,000**	**0.167%**	10,000	0.167%

On 9 April and 12 April 2021, the Manager sold 200,000 2025 ZDP Shares in the Company in separate transactions at a price of 105 pence per share through secondary dealings on the London Stock Exchange.

On 13 April 2021, Matthew Gill acquired 1,000 2025 ZDP Shares in the Company at a price of 105 pence per share through secondary dealings on the London Stock Exchange.

On 14 April 2021, the Manager sold 516,445 2025 ZDP Shares in the Company at a price of 105 pence per share through secondary dealings on the London Stock Exchange.

2025 ZDP Shareholdings by officers of the Manager and its affiliates are as follows:

Name	2025 ZDP Shares 31 December 2021	Percentage of ZDP 2025 Shares in Issue 31 December 2021[1]	2025 ZDP Shares 31 December 2020	Percentage of ZDP 2025 Shares in Issue 31 December 2020[1]
The Manager	**–**	**–**	716,445	11.94%
Matthew Gill	**1,000**	**0.020%**	–	–

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

The Manager did not own any 2022 ZDP Shares as at 31 December 2021 (31 December 2020: nil).

Other material contracts

On 12 November 2019, the Company announced that with effect from 1 January 2020 the 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.

During the year ended 31 December 2021, the Manager absorbed 75% of the Company's recurring operating expenses, aside from management and incentive fees.

On 21 December 2021, the Company announced that with effect from 1 January 2022 the Manager voluntarily committed to absorb 60% of future ongoing operating expenses, aside from management and incentive fees, incurred by the Company for at least the next twelve months from 1 January 2022, or if earlier, until the date on which the unaudited NAV of the Company reaches £300 million.

For the year ended 31 December 2021, £654,605 (2020: £1,161,981) of operating expenses were offset by reimbursements from the Manager and are presented in the Statement of Comprehensive Income.

As at 31 December 2021, the Company had a receivable balance of £329,711 (31 December 2020: £570,728) from the Manager relating to the reimbursement of these operating expenses and is included in the balance due from the Manager on the Statement of Financial Position.

18. Basic and diluted earnings/(losses) per Ordinary Share

Basic earnings/(losses) per share is calculated by dividing the earnings/(losses) 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 61,145,198 (31 December 2020: 61,740,143).

The diluted earnings/(losses) 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 2021 and 31 December 2020, there were no convertible instruments that would have an impact on the weighted average number of Ordinary Shares.

19. Events after the reporting period

The Board has evaluated subsequent events for the Company through to 29 March 2022, 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.

Appointment of Corporate Broker

On 10 January 2022, the Board announced the appointment of Liberum Capital Limited to act as the Company's broker, replacing Numis Securities Limited.

Dividends

On 27 January 2022, the Company declared a final dividend of 2.675p per share in respect of the quarter ended 31 December 2021. The dividend was payable to shareholders on the register as at close of business on 4 February 2022 and the corresponding ex-dividend date was 3 February 2022. Payment was made on 28 February 2022.

20. Reconciliation of IFRS to US GAAP

The Manager is a registered adviser with the SEC. To meet the requirements of Rule 206(4)-2 under the Investment Advisors Act 1940 (the "Custody Rule") the Audited Financial Statements have also been audited in accordance with US GAAS. As such, two independent Auditor's reports are included on pages 40 to 47, 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

Financial highlights for the year ended 31 December 2021 are as follows:

NAV total return, since inception	
Beginning of year	53.07%
End of year	69.84%
Expense ratio to average NAV	
Expenses before incentive fees	1.81%
Expenses reimbursed by the Manager	(0.63%)
Expenses, including incentive fees	**1.18%**
Investment income	7.95%
Expenses	(1.81%)
Net investment income ratio	**6.14%**

Schedule of investments

31 December 2021 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	**1,648,053**	**1,272,936**	**1,246,613**	**1.19**
ATTN 2006-1X J 2% 06-10/05/2036 DFLT – Combination Notes, 10,074,040	**404,932**	**303,990**	**1,395,298**	**1.33**
ATTN 2007-3A F 9.532% 07-11/10/2042 DFLT – Class F Notes, 62,634,884	**-**	**-**	**-**	**-**
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	**2,054,548**	**1,578,092**	**2,641,911**	**2.52**
US				
EXELA INTER 11.5% 21-15/07/2026, 3,630,000	**2,958,450**	**2,205,435**	**1,987,670**	**1.90**
Total US	**2,958,450**	**2,205,435**	**1,987,670**	**1.90**
Great Britain				
BARCLAYS PLC 17-31/12/2049 FRN 3,000,000	**3,228,750**	**3,228,750**	**3,161,940**	**3.02**
Total Great Britain	**3,228,750**	**3,228,750**	**3,161,940**	**3.02**
Norway				
INFRONT ASA 21-28/10/2026 FRN 1,000,000	**1,000,000**	**843,300**	**843,012**	**0.80**
Total Norway	**1,000,000**	**843,300**	**843,012**	**0.80**

Investments in private investment companies

US				
EJF Investments LP - Shares, 127,929,934	**116,550,870**	**88,883,145**	**88,051,619**	**84.02**
Investment in Armadillo Finance FD LP	**4,725,838**	**3,277,183**	**1,092,053**	**1.04**
Investment in Armadillo Finance FD II LP	**1**	**1**	**76,965**	**0.07**
Seneca	**7,617,771**	**5,615,751**	**6,671,007**	**6.37**
Total US	**128,894,480**	**97,776,080**	**95,891,644**	**91.50**

Investments in private operating company

US				
EJF CDO manager LLC	**8,547,026**	**6,379,606**	**8,711,100**	**8.31**
Total US	**8,547,026**	**6,379,606**	**8,711,100**	**8.31**

Derivatives

Forward currency contracts	Maturity	Fair Value £	% of NAV
Purchase £8.4m / sell US$11.7m	21 February 2023	(268,528)	(0.26)
Purchase £19.8m / sell US$27.6m	30 November 2022	(653,194)	(0.62)
Total Derivatives		**(921,722)**	**(0.88)**
Other net assets[1]		**17,202,468**	**16.41**
Total other net assets		**17,202,468**	**16.41**
Total Investments		**129,518,023**	**123.58**

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

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 Association of Investment Companies 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 87.
APM	Alternative performance measure. The calculation methodology and rationale for disclosing each of the APMs has been disclosed on pages 86 to 87.
Armadillo I	Armadillo Financial Fund LP.
Armadillo II	Armadillo Financial Fund II LP.
Armadillo Portfolio	A portfolio of high-yielding loans to US law firms engaged in mass tort litigation by way of the holding of limited partner interests in Armadillo I and Armadillo II.
Articles	The articles of association of the Company.
Auditor	KPMG LLP.
AUM	Assets Under Management.
BA	Bachelor of Arts.
BBA	Bachelor of Business Administration.
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.
BSc.(Hons)	Bachelor of Science.
CDO	Collateralised debt obligation.
CDO securities	Bonds issued by unaffiliated third-party CDO sponsors.
CDO Manager	EJF CDO Manager LLC, a Delaware limited liability company.
CDD	Customer due diligence.
CEO	Chief Executive Officer.
CFA	Chartered Financial Analyst.
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.
Congress	The United States Congress.
Continuance Resolution	Ordinary resolution for the business of the Company to continue, to be proposed at an EGM, as procured by the Directors, to be held on or about the fifth anniversary of Admission, and every five years thereafter. If not passed, the Directors will take such actions as they deem appropriate to commence the liquidation of the assets of the Company (having regard to the prevailing liquidity of the assets of the Company and, if applicable, any rules imposed by the Securitisation and Risk Retention Regulations).
COP26	2021 United Nations Climate Change Conference.
Corporate Broker	Numis Securities Limited (up to 7 January 2022) and Liberum Capital Limited (from 10 January 2022).

Term	Definition
CPO	Commodity pool operator.
CTA	Commodity trading adviser.
DC	District of Columbia.
Dodd-Frank	The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.
DTR	Disclosure Guidance and Transparency Rules.
ECL	Expected credit loss.
EGM	Extraordinary general meeting.
EJF	EJF Capital LLC.
EJFIF	EJF Investments Funding Limited.
EJFIH	EJF Investments Holdings Limited.
EJF Risk Retention Investments	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.
ESG	Environmental, social and governance.
EU	The European Union.
FBR	Friedman, Billings, Ramsey Group.
FCA	Financial Conduct Authority.
Fed	US Federal Reserve.
FINS 2019-1	Financial Note Securitization 2019-1 Ltd.
FinTech	Financial Technology.
FOMC	Federal Open Market Committee.
FRC	Financial Reporting Council.
FSMA	Financial Services and Markets Act 2000.
FVTPL	Fair value through profit or loss.
GAAP	Generally Accepted Accounting Standards.
GAAS	Generally Accepted Auditing Standards.
GDP	Gross Domestic Product.
General Partner	EJF Investments GP Inc., being general partner of the Partnership.
Group	Means the Company and its Subsidiary.
High Watermark	High Watermark is calculated using the Adjusted NAV attributable to Ordinary Shares as determined on the last day of the latest previous Incentive Fee Period in respect of which an Incentive Fee was payable to the Manager.
IAS 32	Financial Instruments: Presentation.
IAS 39	Financial Instruments: Recognition and Measurement.
IASB	International Accounting Standards Board.
ICAEW	Institute of Chartered Accountants in England and Wales.
IFRS	International Financial Reporting Standards as adopted by the European Union.
IFRS 4	IFRS 4 Insurance Contracts.
IFRS 7	IFRS 7 Financial Instruments (Issued in June 2011).
IFRS 8	IFRS 8 Operating Segments.
IFRS 9	IFRS 9 Financial Instruments (Issued in July 2014).
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.
JD	Juris Doctor.
ILS	Insurance linked securities.
Incentive Fee	The incentive fee to which the Manager is entitled as described in the section entitled "Fees and Expenses" in Part IV: "Directors, the Manager and Administration" of the Prospectus.
Incentive Fee Period	Each 12-month period starting on 1 January and ending on 31 December in each calendar year.

Term	Definition
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.
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.
IRR	Internal rate of return.
ISDA	International Swaps and Derivatives Association.
LIBOR	London Interbank Offered Rate.
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.
Management Agreement	The Amended and Restated Management Agreement dated 30 March 2017 between the Company, the Partnership, the General Partner, the Manager and EJF (as amended).
Manager	EJF Investments Manager LLC (100% held by EJF).
MAR	Market Abuse Regulations.
MBA	Masters of Business Administration.
MSRs	Mortgage servicing rights.
NAV per Ordinary Share	Has the meaning on page 86.
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.
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).
P & C	Property and Casualty.
Placing Programme	The placing programme of the Company of up to 150 million Ordinary Shares and/or C Shares and up to 75 million ZDP Shares.
Portfolio	The Company's and the Subsidiary's portfolio of investments from time to time.
Preference Shares	Investment in TFINS 2017-2 depositor vehicle.
Principal Risks	Those risks, or a combination thereof, that are considered to materially threaten the Company's ability to meet its Investment Objective, solvency or liquidity.
Prospectus	The Company's prospectus dated 24 June 2019 and the supplementary prospectuses dated 19 December 2019 and 30 April 2019.
REIT	Real estate investment trust.
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.
SASB	Sustainability Accounting Standards Board.
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.

Term	Definition
Seneca	A residential mortgage servicer in the US which is owned and controlled by EJF, and through which MSR investments are made.
SFS	The Specialist Fund Segment of the London Stock Exchange.
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 collateralized 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.
Subsidiary	EJF Investments Holdings Limited.
Target Dividend	The Company targeted an annual dividend of 10.7p per Ordinary Share for the years ended 31 December 2020 and 31 December 2021.
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 2017-2	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.
TFINS 2020-1	TruPS Financials Note Securitization 2020-1 Ltd.
TFINS 2020-2	TruPS Financials Note Securitization 2020-2 Ltd.
Total Return	As defined on page 86.
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$ or USD	United States Dollar.
US GAAS	Generally Accepted Auditing Standards applicable in the United States.
2022 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 5.86%.
2025 ZDP Shares	The redeemable Zero Dividend Preference shares of no par value in the Company with a repayment date during June 2025 and bearing a gross redemption yield of 7.00%.
ZDP Shares	2022 ZDP Shares and 2025 ZDP Shares.
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 2021	31 December 2020
Net Assets as per Statement of Financial Position	**£104,799,336**	£100,568,661
Number of Ordinary Shares in issue at year end (excluding treasury shares)	**61,145,198**	61,145,198
NAV per Ordinary Share	**171p**	164p

Total Return

The increase in the NAV per Ordinary Share plus the total dividends paid per Ordinary Share during the period, with such dividends paid being re-invested at NAV, as a percentage of the NAV per share as at period end.

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:

	2021	2020	2019	2018	2017
Monthly return					
January	**1.99%**	0.47%	0.35%	8.28%	0.51%
February	**0.15%**	0.18%	0.41%	0.70%	2.96%
March	**2.12%**	(13.57)%	1.77%	0.12%	3.65%
April	**0.44%**	0.58%	5.61%	2.70%	0.24%
May	**(2.09)%**	3.33%	0.83%	2.10%	2.85%
June	**2.80%**	0.15%	0.26%	1.62%	0.34%
July	**(0.01)%**	1.25%	0.56%	0.50%	0.90%
August	**0.55%**	0.34%	0.62%	2.39%	1.37%
September	**3.06%**	0.40%	0.21%	0.08%	0.54%
October	**(0.16)%**	(0.73)%	0.04%	0.32%	4.92%
November	**3.25%**	1.16%	0.13%	0.22%	0.59%
December	**(1.43%)**	0.25%	0.63%	(1.13)%	2.53%
Compounded monthly return	**11.02%**	(7.02)%	11.88%	19.08%	23.47%

The Total Return from inception for the year ended 31 December 2021 was 69.8% (31 December 2020: 53.0%).

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 2021
Dividends declared and paid for the quarter ended 31 March 2021 (see note 13)	**2.675p**
Dividends declared and paid for the quarter ended 30 June 2021 (see note 13)	**2.675p**
Dividends declared and paid for the quarter ended 30 September 2021 (see note 13)	**2.675p**
Dividends declared for the quarter ended 31 December 2021 (see note 19)	**2.675p**
Total Dividends declared in respect of the year ended 31 December 2021	**10.700p**
Share price mid quote	**129.0p**
Annualised Dividend Yield	**8.3%**

	31 December 2020
Dividends declared and paid for the quarter ended 31 March 2020 (see note 13)	2.675p
Dividends declared and paid for the quarter ended 30 June 2020 (see note 13)	2.675p
Dividends declared and paid for the quarter ended 30 September 2020 (see note 13)	2.675p
Dividends declared for the quarter ended 31 December 2020 (see note 19)	2.675p
Total Dividends declared in respect of the year ended 31 December 2020	10.700p
Share price mid quote	117.0p
Annualised Dividend Yield	9.1%

Share Price Discount to NAV per Ordinary Share

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

Reason for use

Common industry measure to understand the price of the Company's shares relative to its net asset valuation.

Recalculation

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

	31 December 2021	**31 December 2020**
Closing price as at 31 December as published on the London Stock Exchange	**129.0p**	117.0p
NAV per Ordinary Share	**171.0p**	164.0p
Share Price Discount to NAV Per Ordinary Share	**(24.6)%**	(28.7)%

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