EJF Investments Ltd

Annual Report and Audited Financial Statements 2022

Contents

2022 Performance Highlights

Performance

Total Return[1]
2022: 13.85%

2021[1]: 11.02%

Total Return since inception[1]
93.38%

Market View

Ordinary Share Price
2022: 132p

2021: 129p

2022 ZDP Share Price[2]
2022: n/a

2021: 127p

2025 ZDP Share Price[3]
2022: 118.5p

2021: 116.5p

Market Capitalisation
2022: £80.7m

2021: £78.9m

Asset Performance

Net Asset Value
2022: £112.5m

2021: £104.8m

NAV per ordinary share[1]
2022: 184p

2021[1]: 171p

Share price discount to NAV per ordinary share[1]
2022: (28.3)%

2021[1]: (24.6)%

Delivered on Dividends

Dividends paid
2022: 10.7p

2021: 10.7p

Annualised Dividend Yield[1]
2022: 8.1%

2021[1]: 8.3%

Portfolio Investments

Securitisation & Related Investments
£104.7m

Specialty Finance
£16.5m

Other
£0.6m

1 These are APMs as defined on pages 86 to 87.
2 Issued in December 2017 at par and redeemed on 30 November 2022.
3 Issued in June 2020 and May 2022 at par, to be redeemed on 18 June 2025.

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, and is regulated as a collective investment fund under the Collective Investment Funds (Jersey) Law 1988. 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 2025 ZDP Shares admitted to trading on the SFS. The 2022 ZDP shares were redeemed on 30 November 2022.

The Company does not have a fixed life. Under the Articles, on or about each fifth anniversary of the Ordinary Shares being admitted to trading on the LSE on 7 April 2017, a Continuation Vote will be held. The first Continuance Resolution was passed at the EGM on 5 May 2022. The next Continuation Vote will take place, on or about five years from the most recent vote.

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 are anticipated to include structured debt and equity, loans, bonds, preference shares, convertible notes, FinTech debt securities 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 seeks to make quarterly dividend payments in addition to targeting Net Asset Value growth.

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 that through investments in niche asset classes, with a target of making quarterly dividend payments and growing the Net Asset Value, the Company offers attractive risk adjusted returns for its Ordinary Shareholders.

The Company targeted a Total Return of 8% to 10% per annum for the year ended 31 December 2022 (31 December 2021: 8% to 10%), and paid the Target Dividend for the year of 10.7 pence per Ordinary Share (31 December 2021: 10.7 pence per Ordinary Share). The Target Dividend for the financial year to 31 December 2023 remains at 10.7 pence per Ordinary Share.

Strategy

The Company aims 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, primarily through Risk Retention and Related Investments and Specialty Finance Investments.

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.

The Company's detailed Investment Policy can be found on pages 78 to 81 of its Prospectus, which is available on the Company's website, www.ejfi.com.

Structure

The Company has one subsidiary, EJFIH (incorporated on 9 June 2017), of which the Company owns 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 2022.

	Ordinary Shares	2025 ZDP Shares
ISIN	JE00BF0D1M25	JE00BK1WV903
SEDOL	BF0D1M2	BK1WV90
TICKER	EJFI	EJF0
Total issued shares at year end	76,953,707	16,996,857
Total issued shares held in treasury at year end	15,808,509	–
Total issued shares with voting rights at year end	61,145,198	–

As at 31 December 2021.

	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

Appointment of Corporate Broker

On 10 January 2022, Liberum Capital Limited was appointed to act as the Company's broker and financial advisors.

Rollover Offer and launch of ZDP Placing Programme and Publication of the Prospectus

On 4 April 2022, the Board published the Prospectus approved by the FCA in relation to the Rollover Offer as well as a Placing Programme of up to 70 million new Ordinary Shares and/or new C Shares and up to 25 million new 2025 ZDP Shares.

Extraordinary General Meeting

On 5 April 2022, the Board announced it had published a shareholder circular containing a notice convening an EGM of the Company on 5 May 2022, at which Ordinary Shareholders were invited to vote on the following resolutions:

Ordinary Resolutions

1) Resolution 1 – Continuation Vote.
2) Resolution 2 – Rollover Offer.
3) Resolution 3 – Early repayment of 2022 ZDP Shares.

Special Resolutions

4) Resolution 4 – Placing Programme to allot and issue up to 70 million Ordinary Shares and/or C Shares.
5) Resolution 5 – Allot and issue up to 25 million new 2025 ZDP Shares.

On 5 May 2022, the Board announced that all ordinary and special resolutions put to Ordinary Shareholders at the EGM were duly passed. Votes were cast for a total of 42,472,378 Ordinary Shares, representing 55.19% of the total number of votes capable of being cast at the EGM.

Result of the Rollover Offer

On 5 May 2022, the result of the Rollover Offer was announced with valid elections received to roll 10,021,292 2022 ZDP Shares into 2025 ZDP Shares, representing approximately 66.8% of the total number of 2022 ZDP Shares in issue. 10,996,857 2025 ZDP Shares were issued on the basis of each 2022 ZDP Share converting into 1.09735 new 2025 ZDP Shares.

Change in Hedging Strategy

On 10 May 2022, the Company announced a change to its hedging strategy. Following the weakening of Sterling against the US Dollar, the Manager recommended increasing the level of the Company's foreign exchange hedge to lock-in a portion of currency gains.

Effective from 10 May 2022, the Board approved an increase in the level of the Company's foreign exchange hedge so that approximately 40% of the Company's US Dollar assets were hedged against currency movements, and also approved that this level may be moved up or down to hedge between 60% of US Dollar assets and the final capital entitlement of the ZDP Shares only. As at the year end, approximately 55% of that exposure was hedged.

Annual General Meeting

On 27 May 2022, the Board announced that a circular had been issued convening an AGM to be held on 22 June 2022. On 22 June 2022, the Board announced that all resolutions tabled were duly passed.

Redemption of 2022 ZDP Shares

On 1 November 2022, the Company announced that redemption proceeds would be paid to holders of the Company's 2022 ZDP Shares, each due for redemption on 30 November 2022, whose names appeared on the register as at the close of business on Friday 25 November 2022. Settlement of the redemption monies occurred on 30 November 2022.

The Company also announced that applications were made to the LSE for a halt in trading in the 2022 ZDP Shares on the LSE with effect from 8:00am on Monday 28 November 2022 and for the 2022 ZDP Shares to be cancelled from trading on the SFS with effect from 8.00am on Thursday 1 December 2022.

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 S.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
US

Corporate Broker & Financial Adviser

Liberum Capital Limited[1]
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
US

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

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/CDD 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

1 Appointed on 10 January 2022 to replace Numis Securities Limited.

Chair's Statement

Introduction

On behalf of the Board, I am pleased to present the Annual Report for the year ended 31 December 2022.

2022 will be remembered by many investors as being an extremely challenging year, as inflation, interest rate increases, geopolitics and concerns regarding lower economic growth led to significant volatility across many asset classes. It is therefore particularly pleasing that the Portfolio continued to provide strong performance for investors, by generating a Total Return of 13.85% for the year despite the backdrop. Once again, the Company suffered no material write-downs in the creditworthiness of its investments and paid its Target Dividend.

> "...the Portfolio continued to provide strong performance for investors, by generating a Total Return of 13.85%."

Performance and portfolio activity

The Total Return of 13.85% was predominantly driven by regular interest accruals and payments in addition to some gains on the Company's Securitisation and Related Investments alongside strong mark-to-market gains on the MSRs investment. There continues to be no defaults in underlying collateral backing the Company's securitisation investments, which reflects the diversified nature of the Company's underlying targeted US bank and insurance exposures.

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

The Company's investment in MSRs continued to perform very strongly in the first three quarters of the year. 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 upward trend in the yields on the US Treasury 10 year for much of 2022, thereby reducing the probability of prepayments, significant mark-to-market gains were generated. The fall in US Treasury yields towards the end of the year, before some of these falls were reversed, led to a reduction in the value of MSRs, but it was undoubtedly a positive year overall, and the Manager continues to believe that the yields and return potential remain attractive as we potentially enter an environment of less dramatic interest rate change. It should also be noted that the Manager added a small US Treasury hedge to the MSRs later in the year in recognition of the changing interest rate environment.

Elsewhere, in line with the Company's regulated financials and specialty finance mandate, further investments were made to put cash to work in contiguous investment areas. The Armadillo Portfolio remained largely flat and final distributions were received post the year end.

The Board approved an increase in the level of the Company's FX hedge, from approximately 40% of the Company's US Dollar assets being hedged against relevant FX movements, to between up to 60% of the value of US Dollar denominated assets and the final capital entitlement of the ZDP Shares only. Following the fall of Sterling against the US Dollar, the Company utilised this approved increase to protect against a reversal in the value of the USD with a hedge of approximately 55% at the year end. The Total Return net of FX effects was 5.44%.

Corporate activity

In May 2022, the Company held an EGM in respect of the Rollover Offer to convert the existing 2022 ZDP shares into new 2025 ZDP shares. All resolutions were duly passed, with approximately 67% of the 2022 ZDP Shareholders electing to roll their holdings, thereby taking advantage of a small uptick in yield to 6% whilst also increasing the size of 2025 ZDP Shares in issue. The remaining 2022 ZDP Shares matured on 30 November 2022 and the Company duly settled the redemption amount due.

In the same EGM, Ordinary Shareholders also approved the Continuation Resolution, approving continuation of the Company for another five years.

The Company continued to benefit from the Manager's absorption of 60% of the Company's recurring operating expenses during the year. I believe the Manager's decision to continue the reimbursement in 2023 at the same level as 2022 continues to demonstrate the Manager's and EJF's ongoing commitment to, and alignment with, the Company.

In June 2022, the Company held an AGM where all resolutions were duly passed.

On 20 February 2023, the Company announced its intention to issue further 2025 ZDP Shares. Following completion of a placing, 2,277,046 new 2025 ZDP Shares were issued at a placing price of 119.78 pence per share, raising gross proceeds of approximately £2.73 million. The new 2025 ZDP shares were admitted to the SFS of the main market of the LSE on 1 March 2023. Following this the total number of 2025 ZDP Shares in issue are 19,273,903.

"In May 2022, the Company held an EGM in respect of the Rollover Offer to convert the existing 2022 ZDP shares into new 2025 ZDP shares. All resolutions were duly passed, with approximately 67% of the 2022 ZDP Shareholders electing to roll their holdings."

Share price

Shareholders will be cognisant of the predominance of discounts amongst investment companies as a result of the macro-economic and geopolitical environment, which saw many also experience negative returns. This environment was an added headwind for the Company too, notwithstanding its performance of 13.85% in the year, demonstrating the uniqueness and uncorrelated nature of the Investment Policy and its consistent performance of 11.84% p.a. since inception in 2017. The Ordinary Share Price finished the year 3p higher than it started and 15p above its low in July.

During the year, the Board has had discussions with the Manager regarding potential discount control mechanisms, and having also taken into account the views expressed by its shareholders, believes that a buy-back program at this time would not be in the best interest of the Company, given the volatility in the market and that it may reduce liquidity and prevent the Company's ability to take full advantage of the Manager's attractive investment pipeline. The Board is conscious of the need to improve liquidity and is committed to doing so, subject to any method employed to reduce the discount aligning with the best interests of the Company. We have been working with the Manager to produce a new quarterly report which aims to provide current and prospective stakeholders regular information to facilitate a greater understanding of the Company, its strategy and the attractive nature of its underlying exposures. In addition, we have been speaking with the Company's advisors and are actively considering further initiatives to better market the Company.

Dividends

Cash dividends in respect of 2022 of 2.675p per Ordinary Share were announced in April 2022, July 2022, October 2022 and January 2023, and are a reflection of the continued positive performance of the Portfolio.

The total dividend paid for 2022 equates to an annualised dividend yield of 8.1% of the Share Price at 31 December 2022. This is consistent with Target Dividend of 10.7 pence per share, which also remains the target for the 2023 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 recognises the importance of engagement with its 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 its Investment Policy 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 the Manager continue to work 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 and Uncertainties facing the Company, a summary of which, including any changes from last year can be found on pages 14 to 17.

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. We believe that higher interest rates will continue to benefit many of the Company's underlying investments, and that credit profiles remain robust and able to absorb any reduction in credit quality, which will naturally occur given the asset quality and economic cycle.

I also highlight that the Company and its underlying investments have no direct exposure to Russia or to the imposed sanctions. However, the Board remains cognisant of the uncertainty regarding the pressure on energy prices, interest rates rises and inflation that may arise, in addition to stock market volatility and changes in investor sentiment.

As I write this, March has seen further significant turmoil in financial markets and certain segments of US and European banking sectors. Based on facts known at this time, I believe the Company has manageable exposure to those banks, as detailed in the Outlook section of the Manager's Report.

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 positive returns during the coming year.

General Meetings

The 2023 AGM is due to be held on 13 June 2023, at the Company's registered office in Jersey.

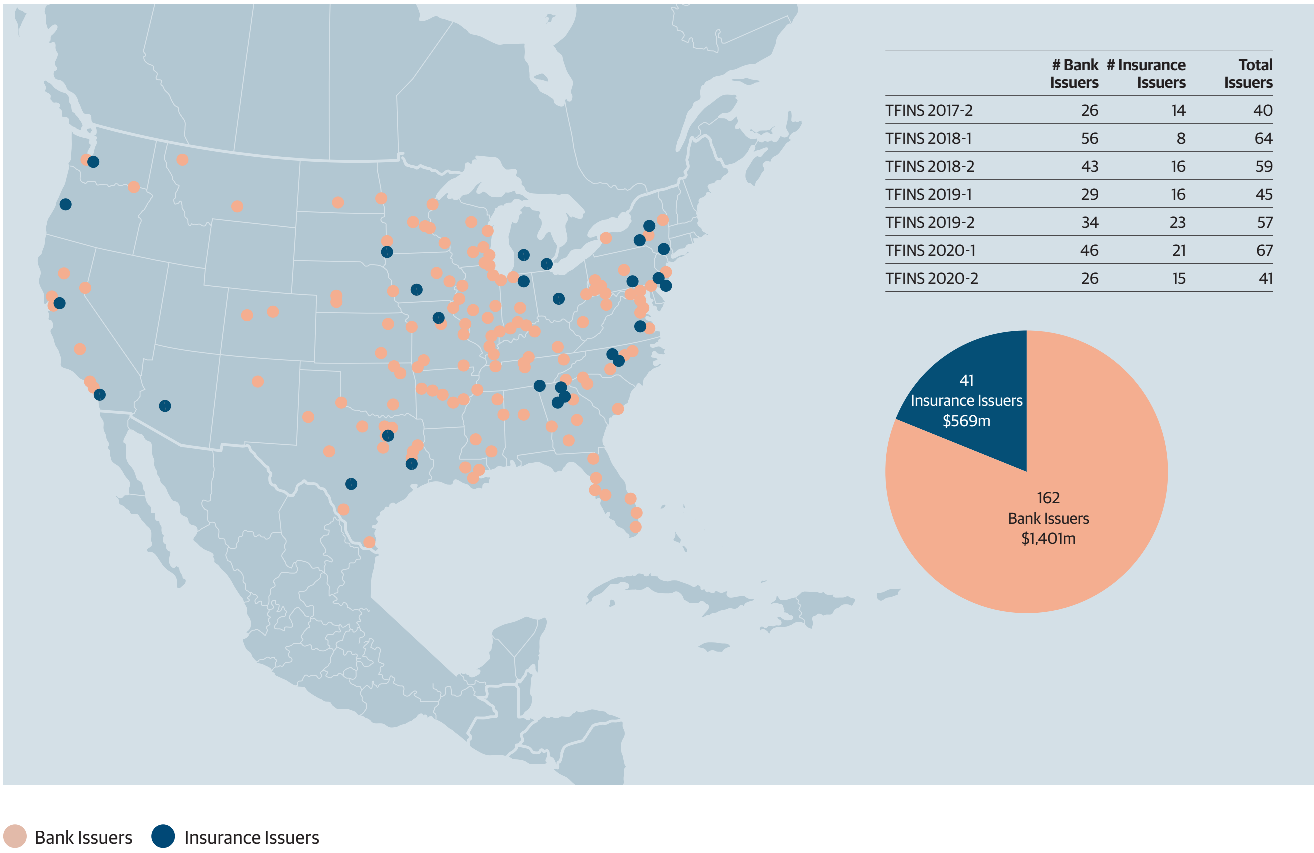
Joanna Dentskevich
Chair
Date: 30 March 2023

We are pleased to present our review for the year ended 31 December 2022 and our outlook for 2023.

As mentioned in the Chair's Statement, despite 2022 being an extremely challenging year, the Company delivered a Total Return of 13.85%, totalling 10.7 pence per Ordinary Share. This equates to a Total Return since inception of 93.38% for the Company and compares favourably to the Target Return of 8-10% p.a.

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 160 banks and 40 insurance companies located across the US. We believe the Company's investment strategy will continue to benefit from a rising interest rate environment and that there will be continued consolidation in the US banking and insurance sectors, driven by the regulatory and economic environment.

Geographic Diversification of Bank and Insurance Debt[1]



	# Bank Issuers	# Insurance Issuers	Total Issuers
TFINS 2017-2	26	14	40
TFINS 2018-1	56	8	64
TFINS 2018-2	43	16	59
TFINS 2019-1	29	16	45
TFINS 2019-2	34	23	57
TFINS 2020-1	46	21	67
TFINS 2020-2	26	15	41

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 2022.

US Bank Market Update

US banking sector fundamentals remained solid as evidenced by the third quarter earnings season. Strong loan growth drove a balance sheet migration towards higher-yielding earning assets, while deposit costs remained well contained. These effects contributed to the sector's aggregate net interest margin expansion of 0.32% to 3.00%. Cycle-to-date at that time, the industry's total cost of deposits increased to only 0.54% in the from 0.11% in the first quarter of 2022 and the fourth quarter of 2021, while the average effective Fed Funds rate increased to 2.19% in the third quarter from just 0.08% in the fourth quarter of 2021. Vitally, net charge-off ratios remained well below average levels at just 0.25% annualised, and the non-performing loan percentage declined to 0.83%. To compare this to a "pre-pandemic" time period, the full-year 2019 net charge-off ratio was 0.49% and the non-performing loan ratio ended the year at 0.98%.

The extreme pace of Fed interest rate hikes began to cause certain customers to seek higher yielding alternatives or demand higher rates from their bank. Deposit reductions, including declines in non-interest-bearing accounts, were evident in third quarter earnings. As a result, the Manager anticipates that net interest margins will reach peak quicker than might have initially modeled as banks slow loan growth and are compelled to raise deposit rates more quickly going forward.

Bank M&A slowed in 2022 due to a combination of recessionary fears, higher interest rates and extended regulatory approval timelines. Nevertheless, 167 deals were announced for the year, with total deal value of USD22.6 billion. These metrics are down from 2021's full year of 207 announcements and USD76.9 billion. While the Manager continues to believe that mergers and acquisitions among small and medium-sized banking institutions is a long-term secular trend, near-term headwinds caused by interest rate movements remain, and may impact deal making in the near-term.

US Insurance Market Update

The US insurance sector continued to demonstrate strength in 2022. On the life insurance side, the equity market rebounded due to higher interest rates which provided solid support to life insurance performance. Overall, we continue to have a positive outlook for US life insurance. Moreover, we believe the M&A dynamics are also very favourable for the life insurance sector, not only for a fixed annuity but also for the variable annuity and potentially long-term care blocks. The credit environment continues to be relatively stable for a life insurance portfolio in our opinion.

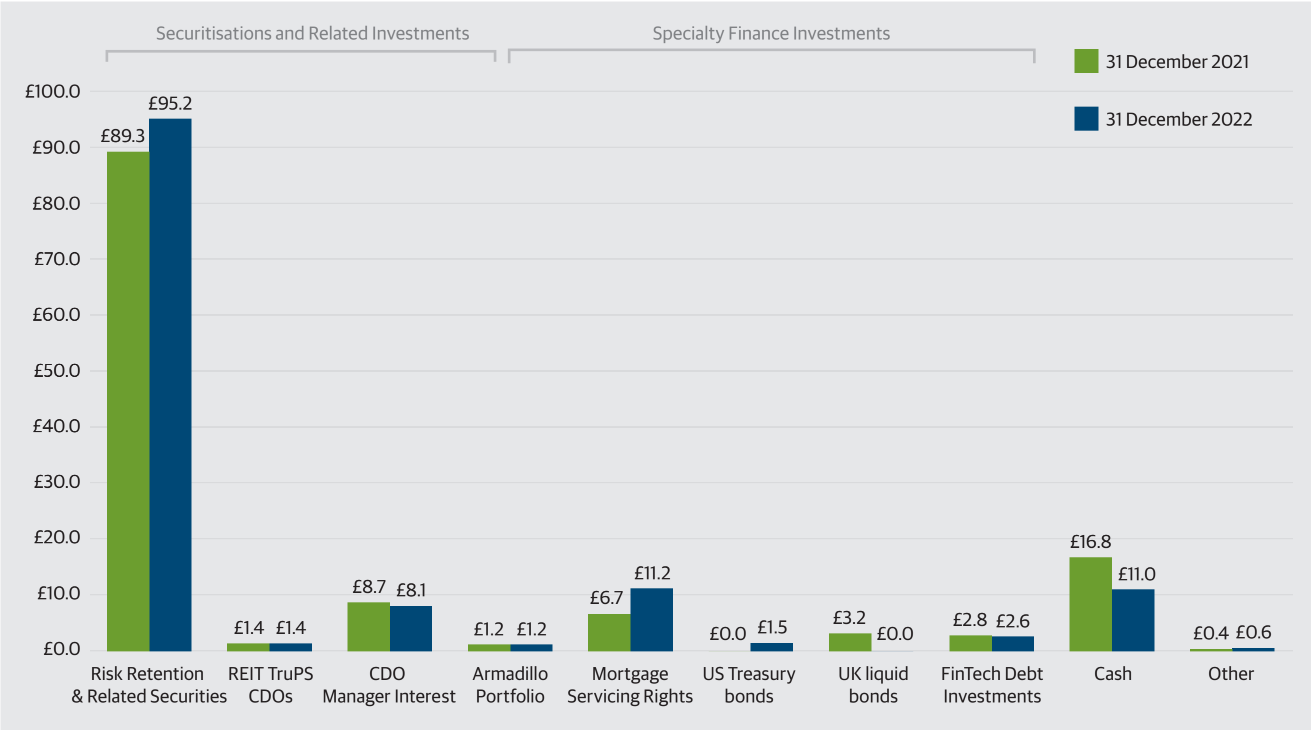
The reinsurance market continues to be as hard as for the last decade following multiple years of high CAT events and limited third-party capital. The hard reinsurance market introduces further pressure on InsureTech players relying on reinsurance funding for a "capital-light" model. We remain cautious about the so-called InsureTech group in general. The Company has limited exposure to reinsurance and no direct exposure to pureplay InsureTech. The hardening reinsurance market may also pressure the insurance brokers, especially the ones focusing on the MGA/MGU universe.

On the personal & commercial side, we witnessed improved dynamics and anticipate that a less dramatic inflation outlook alongside further rate improvement will provide greater support for the personal line sector in 2023 after a weak 2022. On the commercial side, we remain constructive on property lines but expect more moderate performance as inflation slows and the reinsurance market remains hard. We remain cautious for the casualty space in general and are waiting for more rate improvement.

Portfolio Update and Investment activity

The Portfolio continues to perform in line with expectations from an income yield perspective. Furthermore, there were some mark-to-markets gains on the Securitisation and Related Investments alongside strong gains on the MSRs investment for much of the year.

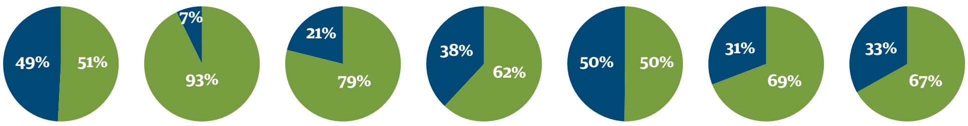
Portfolio comparison in £ million



Risk Retention and Related Investments, in combination with the other Securitisation and Related Investments, represented approximately 79% of the Group's assets as of 31 December 2022. 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 2022

	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)	14.8	22.7	16.7	15.2	15.7	14.1	8.8
Estimated return profile[1]							
Yield to Call[2] (%)	12.63	10.14	10.69	9.55	13.82	15.42	17.43
Yield to Call[2] including CDO management fee income (%)	**12.80**	**10.74**	**11.29**	**10.07**	**14.47**	**15.94**	**18.45**
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	Passed/ July 2028	Passed/ Oct 2028
Senior collateral management fee (bps)	10	20	20	20	20	30	30



1. Estimated returns are as of 31 December 2022 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.

As mentioned previously, the Company's investment in MSRs continued to perform strongly for much of the year as a result of the upward trend in the yields on the US Treasury 10 year for much of 2022. The Company also invested £1.5 million equivalent at year end into US Treasury bonds to partially hedge the MSRs valuation in recognition of the changing interest rate environment.

The allocation to FinTech related debt remained relatively small while UK liquid bond investments were held temporarily to manage liquidity prior to the repayment of 2022 ZDP shares. Consequently, they were divested in advance of the repayment. The Armadillo portfolio remained largely flat and final distributions were received post the year end.

Risk Management

We believe the Portfolio contains a portfolio of diversified borrowers. The Manager's credit team conducts regular surveillance on issuer financial and business profiles and the broader portfolio and there were no defaults during the year 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 USD. The Company updated its hedging policy this year with a mandate approved by the Board to hedge between the USD equivalent of the outstanding amount of ZDP Shares and 60% of USD exposure. As at 31 December 2022, the Company has hedged approximately 55% of its USD exposure. Overall the total returns for 2022 from FX movements was 8.0%.

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. While rising interest rates have been strongly positive for bank earnings over the past 12 months, the Manager believes that additional time is needed to make a clear judgement on whether a traditional credit cycle will occur. The Manager's concern stems from the Fed tightening financial conditions at a historic pace in 2022, but we note that many banks have very strong capital levels and appear to be well prepared for a harsher environment.

Additionally, EJF continues to support the Company through its commitment to cover 60% of operating expenses until at least 31 December 2023 or such time as the NAV exceeds £300 million, if earlier.

Subsequent to year end, there has been significant turmoil in certain segments of the US and European banking sectors and associated broader market volatility and concerns. The Company's exposure to crystallised events at the time of writing, was published on 15 March 2023 and further analysis on exposure to three other regional banks on 29 March 2023. The main points being:

- The Company has no exposure to SVB Financial Group ("SVB") or Signature Bank ("Signature"), the two US Regional Banks that regulators put into receivership earlier this month ("US Regional Banks" being those US banks with assets between USD50bn and USD250bn).
- The Company has no exposure to debt issued by European banks.
- The Company holds cash balances with BNP Paribas and Citi.
- Of the Risk Retention exposure within the collateral, which represents approximately 70% of the gross asset value of the Company as at 28 February 2023, there were 260 US banks and 113 insurance companies, of which 162 US banks and 41 insurance companies were unique issuers.
- The largest exposure to any single bank is approximately 3% of the total outstanding underlying principal across all seven Risk Retention deals in which the Company is invested.
- As published on 15 March 2023, the Company's combined exposure to Silvergate Capital Corporation ("Silvergate"), which went into voluntary liquidation on 8 March 2023, is equivalent to less than 2.5% of the Company's most recently published NAV on a look through basis, prior to any recoveries. The Manager currently believes there may be a recoverable value noting that both Silvergate's equity and preferred equity are currently trading with a positive economic value in the market, and that the Company's position is structurally senior to both of these.
- With respect to EJFI's remaining exposures, the Manager has identified three US Regional Banks, within the collateral, which may share some of the attributes of SVB and Signature: (1) a relatively concentrated deposit base; (2) a greater than average level of uninsured deposits; and (3) a greater than average held to maturity and/or available for sale securities portfolio that has unrealised losses as a result of the steep rise in interest rates. In combination, the exposure of the banks identified by the Manager of this nature is less than 9% of the Company's most recently published NAV on a look through basis. It is important to emphasise, however, that notwithstanding this identification, these banks remain operational.

Statement of Principal Risks

Principal Risks, Uncertainties and Emerging Risks

The Principal Risks of the Company are those risks, or a combination thereof, identified by the Directors that they 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 9 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. The Manager and the Directors continue to monitor the potential uncertainties around additional market volatility arising from current macro-economic and geopolitical issues including the Russia-Ukraine conflict, inflationary pressure, cost of living increase and increasing energy prices. The Manager believes that the Company's underlying assets remain robust and able to withstand further stress with all expected near-term cash inflows still having been received to date.

As at 31 December 2022, 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 geopolitical and macro economic environment

As reported in the 2022 Interim Report, the Principal Risk of 'Changes in the macro-economic environment' has been updated to become 'Changes in the geopolitical and macro-economic environment' to reflect the ongoing war in Ukraine and the impact that it is having on global economies.

Changes to global geopolitical and macro-economic conditions may adversely impact the Company's investment performance, 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, geopolitical and market cycle risks it deems material to the 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

Notwithstanding that the Manager continues to see an attractive pipeline of investments, the impact of inflation and the increases in energy prices and interest rates as a result of geopolitical tensions is beginning to have significant macro-economic implications for the global economy and financial markets including inflation at levels not seen for decades, the strong likelihood of recession for some countries, continued supply chain disruptions and weaker currencies and interest rate hikes.

The Directors believe there has been an increase in the residual risk during the year.

Changes in law, tax and regulation reduces investment opportunities or undermines the Group's legal, tax or regulatory structure

The Directors have combined the Principal Risks in relation to 'Changes in law, taxes and regulation reduce investment opportunities' and 'Changes in law, taxes and regulation undermine the Company's or Subsidiary's legal, tax or regulatory structure' as the risks are intrinsically linked.

The Group is subject to regulations enacted by national and local governments, changes to which may reduce the investment opportunities available or undermine or invalidate the structure of tax, legal or regulatory rationale 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 or the Group's structure.

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 Investment Policy allows the Company to pursue a wide variety of investment opportunities.

Analysis and Change during the year

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 or Group structure.

Therefore, 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 Ordinary Share Price discount to NAV and difficulty in raising capital;

(iii) the complex nature of the underlying Portfolio continues to deter potential investors; and

(iv) the maturity of the 2025 ZDP Shares.

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 memorandum 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 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

In November 2022, the Company duly repaid all amounts due in respect of 2022 ZDP shares that did not roll into 2025 ZDP shares.

Although no significant liabilities require repayment in the near future, the Directors, believe that overall the residual risk remains unchanged.

Dependency on the Manager

To successfully pursue its Investment Objective, the Company is dependent on the Manager and the Manager's ability to retain and recruit staff. The loss of one of a small number of key individuals in key roles at the Manager could adversely impact the ability of the Manager to meet the 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 its 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 of the Manager in the US during the year and held meetings with each key function 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, 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 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 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 independent Directors 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, which are well diversified.

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 significant changes to the credit risk of the underlying collateral during the year and there continue to be no defaults 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.

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

All service providers continue to be reviewed to ensure that the Company's service requirements and objectives continue to be fully met.

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.

Emerging Risks

The Directors have not identified any emerging risks.

The Board

Joanna Dentskevich

Non-executive Chair
Appointed in 2017

Considered to be independent

Skills & experience

Joanna Dentskevich has over 35 years of finance, risk and investment banking experience gained in London and Asia. She started her career in 1986 in the 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 regulated investment companies and financial institutions.

Committees

Audit and Risk Committee
Management Engagement Committee

Other public appointments

GCP Asset Backed Income Fund Ltd

Executive appointments

None

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

Alan Dunphy

Non-executive Director
Appointed in 2016

Considered to be independent

Skills & experience

Alan Dunphy has over 25 years of experience in the offshore financial industry moving to Jersey in 1998 to join the Assurance and Business Advisory Division of PricewaterhouseCoopers. Since 2014 Alan has worked for Altum Group as a director on fund and corporate client structures before which he was managing director of fund management group Bennelong Asset Management for 8 years. Prior to this Alan was a director of Capita Fiduciary Group and also worked at Abacus Financial Services Group. Alan is a fellow of the Institute of Chartered Accountant in Ireland.

Committees

Audit and Risk Committee (Chair)
Management Engagement Committee

Other public appointments

Altum Group

Executive appointments

LGL Group

Neal J. Wilson

Non-executive Director
Appointed in 2017

CEO and Co-Chief Investment Officer of the Manager and member of the Investment Committee

Considered to be non-independent

Skills & experience

Neal Wilson has over 30 years of capital market and asset management experience and is co-CEO of EJF which he cofounded 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 18, 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.

Peter 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 and oversees the structured product strategy. Omer specializes in the specialty finance, insurance, and banking sectors, and currently leads the credit analysis and trust preferred CDO structuring for the insurance and bank TruPS team as well as the structuring for bank subordinated debt CDOs.

Omer has spearheaded twelve EJF sponsored securitisations, totalling approximately US$3.8 billion. Omer also manages the investments of legacy TruPS CDOs and some corporate debt. 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.

Jay Ghatalia

Finance Director of the Manager

Skills & experience

Jay Ghatalia joined EJF in 2023 and is responsible for operations and finance functions. Prior to joining EJF, he spent 2 and a half years at Intermediate Capital Group PLC ('ICG'), managing finance and operations for private funds in their Strategic Equity and LP Secondaries strategies. Prior to ICG, he spent 9 years in public accounting firms, PricewaterhouseCoopers and KPMG managing assurance and advisory engagements for clients across financial services and latterly focusing on both listed and private alternate investment funds.

Jay is a Chartered Accountant (Institute of Chartered Accountants of India) and holds a Bachelor of Commerce degree from University of Mumbai.

Emanuel J. Friedman

Member of the Investment Committee

Skills & experience

Emanuel Friedman co-founded EJF, a global institutional alternative asset management firm that has been at the forefront of regulatory, event-driven investing in financials and real estate. Over the course of his 40+ year career in capital markets and asset management, Mr. Friedman has structured and built numerous innovative investment strategies that have focused on some of the most powerful trends in the financial sector driven by regulatory change.

Prior to forming EJF, Emanuel was a founder and the former co-chairman and co-CEO of FBR. At FBR, Emanuel assisted in designing property and mortgage REIT vehicles. Throughout the 1990s, Emanuel 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.

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. Jason serves as the primary portfolio manager for EJF's equity focused strategies as well as the co-chief investment officer for EJF's capital markets products. Jason also serves as a member of EJF's risk committee and ESG committee. Jason currently serves on the board of directors of Arlington Food Assistance Center and formerly served on the board of directors of FB Corporation in St. Louis, MO and TIG Bancorp in Denver, CO. He also formerly served as a member of the JMU College of Education Executive Advisory Council. Prior to joining EJF, Jason was an equity trader in FBR's Alternative Asset Investment Group, where he assisted Emanuel Friedman 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.

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 FCA, 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 63 of the Prospectus.

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

The Directors consider that reporting in line with the principles and recommendations of the AIC Code will provide better information to shareholders. Consequently, throughout the year from 1 January 2022 to 31 December 2022, the Company complied with the provisions of the UK Code and the recommendations of the AIC Code, with the exception of the recommendations from the UK Code and the AIC Code listed below.

- The role of chief executive: The Board considers that the post of chief executive is not relevant for the Company, being an externally managed investment company.
- The appointment of a senior independent director: Given the size and composition of the Board, it is not felt necessary to 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 currently 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. Under Tenure and Succession, it is the intention of the Board to establish a committee, when required, to lead the process of orderly Director succession.
- The Chair of the Board 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 2022, the Board comprised four non-executive Directors, the biographies of which are disclosed on page 18. 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.

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 Ordinary 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 remain 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

The Board's policy regarding tenure of service balances the need to provide and maintain continuity, knowledge, experience and independence, against the need to periodically refresh the Board composition in order to maintain an appropriate mix of the required skills, experience, age, length of service and diversity.

In accordance with the AIC Code, where a director has served for more than nine years from the date of first appointment, the Board will review and explain whether that director can continue to be considered independent albeit that the Board does not consider that lengthy service necessarily undermines a director's independence nor that each director, including the chair, should serve for a finite fixed period.

There is no separate succession plan for the chair. Succession of the chair will be considered in the same manner as other directors at all times ensuring their independence is maintained.

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. Notwithstanding that requirement, in line with the AIC Code, the Board has determined that all Directors will retire and seek re-election on an annual basis. Any director not re-elected would resign.

To ensure an orderly succession of directors to the Board, and to allow appropriate recommendation for each director's re-election to the Board and committees, the Directors will review the composition of the Board and its committees on an annual basis taking into account the Company's Tenure & Succession Policy and each director's performance, effective contribution and ability to meet the ongoing commitments of the Company and the reasons why their continued appointment is considered to be important to the long-term sustainable success of the Company.

All Directors were subject to re-election at the Company's AGM, held on 22 June 2022, 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.

The below tables set out the Board's current composition. The below text compares this against the targets prescribed by Listing Rule 9.8.6R (9)(a).

Number of board members	Percentage of the board	Senior positions on the board (CEO, CFO, SID and Chair)*
Men: 3	75%	Chair of the Audit and Risk Committee – Alan Dunphy Chair of the Management Engagement Committee – Nick Watkins
Women: 1	25%	Chair – Joanna Dentskevich
Not specified/ prefer not to say	N/A	N/A

	Number of board members	Percentage of the board	Senior positions on the board (CEO, CFO, SID and Chair)*
White British or other White (including minority-white groups)	4	100%	Chair – Joanna Dentskevich Chair of the Audit and Risk Committee – Alan Dunphy Chair of the Management Engagement Committee – Nick Watkins
Mixed/Multiple Ethnic Groups	Nil	N/A	N/A
Asian/Asian British	Nil	N/A	N/A
Black/African/ Caribbean/Black British	Nil	N/A	N/A
Other ethnic group, including Arab	Nil	N/A	N/A
Not specified/ prefer not to say	Nil	N/A	N/A

* The Company does not have executive management.

It is noted that at present 25% of the individuals on the Board are women, which is below the target of 40% prescribed by Listing Rule 9.8.6R (9)(a). The role of Board Chair, being a senior position, is held by a woman. The Board are mindful of the requirement to have at least 40% female representation on its Board, and alongside knowledge and expertise, this will form a key consideration when the Board next recruits.

At present none of the Board members are from minority ethnic backgrounds which is below the target of one, prescribed by Listing Rule 9.8.6R (9)(a). The Board are mindful of this and alongside knowledge and expertise, this will form a key consideration when the Board next recruits.

The Board seeks to uphold the highest standards of professionalism and corporate governance and embraces diversity. It therefore expects the same from its service providers.

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 UK 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 2022 to 31 December 2022.

Name	Quarterly Board	Audit and Risk Committee	Management Engagement Committee
Joanna Dentskevich	4/4	5/5	1/1
Alan Dunphy	4/4	5/5	1/1
Nick Watkins	4/4	5/5	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 five other ad-hoc Board meetings held during the year relating to matters such as approval of interim and annual reports, the placing programme, Continuation Vote, and redemption of the 2022 ZDP shares.

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 Directors' remuneration can be found on pages 32 to 33.

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 shareholders are reported to the Board. In addition, the Chair and individual Directors are willing to meet with 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 Board to be a member of the Audit and Risk 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 Management Engagement 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 2022 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 in the section entitled "Material Contracts" in Part XV: "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

The Directors believe in the importance of 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 delivering the long-term sustainable returns to shareholders.

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, through preservation of investor capital 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's standards and values as a foundation to building the Company's ESG framework. The SASB's standards focus 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.

For the year ended 31 December 2022, under the Listing Rules, the Company, being an investment entity, is not required to report on TCFD disclosures in its annual reports. However, it is the intention of the Directors to ensure compliance with requirements in the Annual Report when required to do so. Until then, the Company will look to build out its reporting on ESG, including climate risk.

ESG Strategy

1. ESG will be incorporated into the Company's decision-making processes, policies and procedures and will be kept up to date.
2. The Company will ensure that the ESG policies of its service providers and advisers broadly align with the Company's ESG policy to the extent reasonably practicable.
3. ESG risks will be considered in investment decisions.
4. The Company will promote ESG acceptance with those it deals with and invests in.
5. The Company will regularly report on its progress.

ESG accomplishments during the year

1. The Manager enhanced the breadth and depth of its ESG Committee by expanding its membership to 11 members across different departments within the firm. Through its expanded membership, the Manager has made substantial progress in defining and identifying indicia of activities that pose ESG related risks, and mapped those activities through the attributable companies to the investable universe. The Manager expects to incorporate this into the investment process in the near future. Relatedly, the Manager has inventoried its own practices by conducting a carbon footprint analysis of its activities, as well as re-evaluating the practices of its critical vendors.
2. Whilst ESG remains the responsibility of the Board, both the Management Engagement Committee and the Audit & Risk Committee have been delegated responsibility for those ESG matters which fall within their terms of reference. During the year, both committees reviewed their terms of reference to ensure they appropriately consider ESG matters. In addition, Joanna Dentskevich has been nominated as the Director responsible for ESG.
3. During the year, an assessment was carried out to identify the impact of ESG risks on the Company along with identified actions required to ensure the residual risk lies within appetite.

ESG goals for year

1. Further develop reporting and transparency on how ESG is considered within the Investment Policy, to provide further climate risk disclosures in line with TCFD requirements.
2. Ensure actions identified during the ESG impact assessment are carried out.
3. Review the Company's ESG policy to ensure it remains relevant.

Further detail of this can be found on the Company's website.

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 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.

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
2025 ZDP Shareholders

Interests
Provision of capital to pursue the Investment Objective 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, 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
Appointment of Corporate Broker	On 10 January 2022, Liberum Capital Limited was appointed to act as the Company's Corporate Broker and financial adviser, in order to provide a wider coverage and the Board are focused on growing that relationship.	Shareholders The Manager
Prospectus and Rollover Offer	On 4 April 2022, the Company published the Prospectus, in relation to the Rollover Offer as well as a Placing Programme of up to 70 million new Ordinary Shares and/or new C Shares and up to 25 million new 2025 ZDP Shares. On 5 May 2022, the results of the Rollover Offer were announced, with valid elections received to roll 10,021,292 2022 ZDP Shares into 2025 ZDP Shares, representing approximately 66.8% of the total number of 2022 ZDP Shares in issue. Subsequently, 10,996,857 2025 ZDP Shares were issued on the basis of each 2022 ZDP Share converting into 1.09735 new 2025 ZDP Shares.	Shareholders The Manager
Continuation Vote	The Directors decided to convene an EGM for the Continuation Vote of the Company and a notice was issued on 5 April 2022. Following this, on 5 May 2022, an EGM of the Company was held at which shareholders were invited to vote on ordinary and special resolutions, including the Continuation Vote. The Continuation Vote was passed by shareholders at the EGM.	Shareholders The Manager
FX Hedge	Following the weakening of Sterling against the US Dollar, the Manager recommended to the Board that the Company increase the level of foreign exchange hedge to lock in a portion of currency gains. Effective 10 May 2022, the Board approved an increase in the level of the Company's foreign exchange hedge such that approximately 40% of the Company's US Dollar assets were hedged against currency movements, and also approved that this level may be moved up or down to hedge between 60% of US Dollar assets and the final capital entitlement of the ZDP Shares only. As at year end, approximately 55% of that exposure was hedged.	Shareholders The Manager

By Order of the Board

Joanna Dentskevich
Chair
Date: 30 March 2023

Directors' Report

The Directors present their Annual Report on the affairs of the Company for the year ended 31 December 2022. The Corporate Governance Report set out on pages 21 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 2022 are set out in the Statement of Comprehensive Income on page 48.

The Directors declared and paid dividends of £6,542,536 (2021: £6,542,536) during the year ended 31 December 2022. Further details can be found in notes 13 and 19.

Stated Capital

At 31 December 2022, the Company's issued share capital comprised 76,953,707 Ordinary Shares (31 December 2021: 76,953,707 Ordinary Shares), of which 15,808,509 were held in treasury (31 December 2021: 15,808,509). The total number of voting rights of the Ordinary Shares is 61,145,198 (31 December 2021: 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 18.

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 2022 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

As at 31 December 2022, the Company had been notified in accordance with chapter five of the Disclosure Guidance and Transparency Rules (which covers the acquisition and disposal of major shareholdings and voting rights), of the following shareholders that had an interest of greater than 5% in the Company's issued share capital:

Name	Ordinary Shares	% of total voting rights[1]
Cheetah Holdings Limited	**11,816,558**	**19.33**
Premier Miton Investors	**5,618,666**	**9.19**
Leon Cooperman	**4,000,000**	**6.54**
Sapia Partners	**3,580,984**	**5.86**
Wolfson Equities	**3,314,960**	**5.42**
Newton Investment Management Limited	**3,209,077**	**5.25**
William E Conway Jr	**3,113,415**	**5.09**
	34,653,660	**56.68**

1 The total voting rights is the number Ordinary Shares in issue after adjusting for treasury shares. The % of total voting rights is calculated by dividing the number of Ordinary Shares by the total voting rights.

The Company did not receive any notifications during the period 1 January 2023 to 30 March 2023.

Independent Auditor

A resolution to re-appoint the Auditor will be put to shareholders at the next 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 and the potential default risk of the investments held.

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 emerging and Principal Risks and uncertainties that the Group faces, and the impact of extreme but plausible market scenarios on the viability of the Company over a three year period, albeit the Directors consider the Company to be a much longer term investment proposition for its shareholders.

Time period

In establishing the three year 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.

Stress testing

From their assessment of the Principal Risks, the Directors consider 'Credit Risk' and 'Availability of cash for investment opportunities and payment of liabilities' to be the two key Principal Risks that most impact the viability of the Company. These risks were then considered when determining the scenarios to be used in the stress testing of the extreme market scenarios used in the stress tests which include:

- severe but plausible adverse movements in bank and insurance company default rates;
- foreign exchange movements impacting margin calls on the forward currency contracts; and
- no rollover of 2025 ZDPs maturing in June 2025.

Having considered these scenarios individually as well as simultaneously in conjunction with the potential remedies that could be put in place to mitigate the impact on the Company's liquidity and cash flows, 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 2023 AGM is scheduled for 13 June 2023 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 LSE.

By Order of the Board

Joanna Dentskevich
Chair
Date: 30 March 2023

Directors' Remuneration Report

The Directors are pleased to present their report on remuneration for the year ended 31 December 2022.

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 Board 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 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 and without compensation.

Directors' Remuneration

As at 31 December 2022, the Directors were each entitled to a fee of £40,000 per annum with additional fees being paid to the Chair of the Board 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. Subsequent to the year end, the Board approved an increase to Director fees of 10% effective 1 January 2023.

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

Director	2022 £	2021 £
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 £13,156 (2021: £1,107).

No other remuneration or compensation was paid by the Company to the Directors during the year (2021: £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 2022[1]	Percentage of Ordinary Shares in Issue 31 December 2022[2]	Ordinary Shares 31 December 2021[1]	Percentage of Ordinary Shares in Issue 31 December 2021[2]
Neal Wilson	**1,718,881**	**2.811%**	1,622,607	2.654%
Joanna Dentskevich	**77,896**	**0.127%**	77,896	0.127%
Nick Watkins	**10,000**	**0.016%**	3,000	0.005%

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 2022	Percentage of 2025 ZDP Shares in Issue 31 December 2022	2025 ZDP Shares 31 December 2021	Percentage of 2025 ZDP Shares in Issue 31 December 2021
Neal Wilson	**1,000,000**	**5.883%**	1,000,000	16.667%
Joanna Dentskevich	**30,000**	**0.177%**	30,000	0.500%
Nick Watkins	**10,000**	**0.059%**	10,000	0.167%

1 The Directors' shareholdings are either direct and/or indirect holdings of shares.

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

The Directors did not hold any 2022 ZDP Shares as at 31 December 2021.

Joanna Dentskevich
Chair
30 March 2023

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 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 18.

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 (five of which comprised formal committee meetings) and the individual attendance of the Audit and Risk 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 2021 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 2021 Annual Report;
- consideration of the independence of the Auditor;
- review and approval of the interim review plan of the Auditor in respect of the 2022 Interim Report;
- detailed review of the 2022 Interim Report and recommendation for approval by the Board;
- review of the effectiveness of the Auditor;
- review and approval of the annual audit plan of the Auditor in respect of the 2022 Annual Report; and
- review of the Company's proposed ESG policy.

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 2022 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 of updated terms of reference of the Audit and Risk Committee;
- specific consideration of fraud and bribery risk, and consideration of robustness of the whistleblowing policies of the Company's principal service providers;
- 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 2022 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 2022 Annual Report;
- discussion and final approval of the 2022 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 2022 Interim Report and 2022 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. EJFIH 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 Manager. It also reviews the Manager's valuation policy and challenges 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 EJFIH's proportionate share of the reported NAV. 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 NAV. Armadillo Portfolio The Armadillo Portfolio is valued based on EJFIH's proportionate share of the reported NAV 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 2021 to 30 September 2022) 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 2022 to 31 December 2022, 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 office in the US 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 audit matters 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, Germany and consist of 50 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 2022 Annual Report, to present an overview of the valuation work and methodology undertaken.

During the years ended 31 December 2022 and 31 December 2021, no non-audit services were provided by the Auditor to the Company.

During the years ended 31 December 2022 and 31 December 2021, the Auditor was remunerated as follows:

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Audit services		
Annual audit	**137,500**	142,750
Interim review	**45,000**	19,250
Total audit fees	**182,500**	162,000
Total fees to the Auditor	**182,500**	162,000

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 five years following the conclusion of the 2022 Annual Report.

Alan Dunphy
Audit and Risk Committee Chair
Date: 30 March 2023

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 the 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, 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 2022, 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 30 March 2023 and is signed on its behalf by:

Joanna Dentskevich
Chair
Date: 30 March 2023

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

KPMG

1. Our opinion is unmodified

We have audited the financial statements of EJF Investments Ltd ("the Company") for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the issued by the International Accounting Standards Board ("IASB"), of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended; and
- have been properly prepared in accordance with Companies (Jersey) Law 1991.

Basis for opinion

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

Overview

Materiality: financial statements as a whole	£1.38m (2021: £1.28m) 1% (2021: 1% of Total assets)

Key audit matter		**vs 2021**
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 judgement, 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. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matters. In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2021):

	The risk	Our response
Valuation of financial asset at fair value through profit or loss £131.96 million (2021: £129.52 million) Refer to page 36 Audit and Risk Committee Report, pages 52 to 56 for accounting policies and pages 58 to 61 and 64 to 76 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% (2021: 100%) holding in EJF Investment Holdings Limited ("the Holdco") and constitutes 99% (2021: 99%) of the Company's total assets. The fair value of the investment in Holdco is largely determined by reference to the underlying investments, which are all held at fair value. As those underlying investments are largely made up of financial instruments for which no observable market price is readily available, their fair value is determined through the application of valuation techniques which involve significant judgement by the Company. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the investment 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, and possibly many times that amount. The financial statements note 15 discloses the sensitivity estimated by the Company.	Our procedures included: • **Control Design:** Documenting and assessing the design and implementation of the Company's 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. • **Methodology choice:** Challenging the appropriateness of the valuation basis selected, with reference to observed industry best practice. • **Our valuations experience:** Challenging the investment manager on key judgements affecting valuations, such as selection of appropriate discount factors, future cash flows and other unobservable inputs, with reference to historical data and market research. Our work included consideration of events which occurred subsequent to the year end up until the date of this audit report. • **Independent re-performance:** For the Holdco's investments in other entities valued on a net assets value basis, recalculating the valuation of these investments by applying the ownership percentages to the relevant net asset value. For the underlying investments within the other entities and the underlying investments held directly by the Holdco, independently assessing the fair values, including the use of our valuation specialists to value the investments, using independently derived valuations models and market observable data. Comparing the reported valuation with the valuation derived by us and performing an assessment of whether an over/understatement of valuation identified through these procedures was material. • **Assessing transparency:** Consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of the investment in Holdco and its underlying investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

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

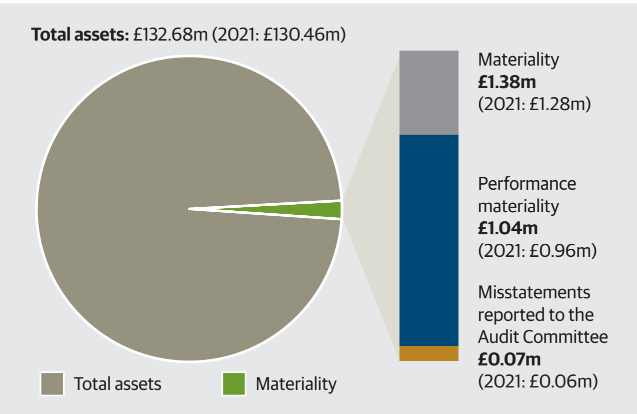
Materiality for the financial statements as a whole was set at £1.38m (2021: £1.28m), determined with reference to a benchmark of total assets, of which it represents 1% (2021: 1%).

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% (2021: 75%) of materiality for the financial statements as a whole, which equates to £1.04 million (2021: £0.96 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 and Risk Committee any corrected or uncorrected identified misstatements exceeding £0.07m (2021: £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. 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 underlying assets in the portfolio, including due to economic uncertainty and default on underlying collateral in securitization investments; and
- Adverse foreign exchange margin calls reducing the availability of cash to meet ongoing obligations as they fall due.

We considered whether these risks could plausibly affect the liquidity in the going concern by assessing the directors' sensitivities over the level of available financial resources indicated by the Company's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively. Our procedures also included critically assessing the assumptions in the downside scenarios, in particular whether the default rates on underlying collateral in securitization investments continued to be appropriate in light of the potential uncertainties arising from current market conditions.

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 conclusions 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; and
- 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.

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;
- Obtaining an understanding of the segregation of duties in place between the Directors, the Administrator and the Company's Investment Manager; and
- Reading Board minutes and Audit and Risk 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 additional fraud risks.

Identifying and responding to risks of material misstatement related to 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.

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 1991 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.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud 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 emerging and principal 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.

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 and Risk Committee, including the significant issues that the Audit and Risk 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.

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. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Carla Cassidy
for and on behalf of KPMG LLP

Chartered Accountants and Recognised Auditor
15 Canada Square
London
E14 5GL
30 March 2023

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 Ltd ("The Company"), which comprise the statement of financial position as of December 31, 2022 and 2021, 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, 2022 and 2021, and the results of its operations, changes in its equity, and its cash flows for the year 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 Auditors' 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 audit. 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 the International Financial Reporting Standards as adopted by the International Accounting Standards, 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.

Auditors' 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 auditors' 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 circumstances9, 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 auditors' 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 8 September 2022 ("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
30 March 2023

Statement of Comprehensive Income for the years ended 31 December 2022 and 31 December 2021

	Notes	1 January 2022 to 31 December 2022 £	1 January 2021 to 31 December 2021 £
Dividend income	5	**8,500,000**	8,200,000
Net foreign exchange (loss)/gain		**(439)**	466
Net unrealised gain on financial assets held at FVTPL	9	**8,941,618**	5,366,624
Total income		**17,441,179**	13,567,090
Investment Management fee	17	**(965,902)**	(887,308)
Legal fees		**(73,495)**	(124,168)
Professional fees		**(209,916)**	(251,252)
Administration fees		**(179,701)**	(186,161)
Directors' fees	17	**(135,000)**	(135,000)
Directors' and professional indemnity insurance	17	**(55,657)**	(131,786)
Audit fees	6	**(182,500)**	(162,000)
Printing fees		**(42,526)**	(27,067)
Listing fees		**(13,660)**	(14,843)
Tax services fees		**(24,547)**	73,680
Other expenses		**(18,940)**	(17,273)
Total operating expenses		**(1,901,844)**	(1,863,178)
Expenses reimbursed by the Manager	17	**546,976**	654,605
Net operating expenses		**(1,354,868)**	(1,208,573)
Operating profit		**16,086,311**	12,358,517
Finance costs	7	**(1,831,236)**	(1,585,306)
Profit and total comprehensive income for the year attributable to shareholders		**14,255,075**	10,773,211
Weighted average number of Ordinary Shares in issue during the year		**61,145,198**	61,740,143
Basic and diluted earnings per Ordinary Share	18	**23.3p**	17.6p

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 2022 and 31 December 2021

	Notes	31 December 2022 £	31 December 2021 £
Non-current assets			
Financial assets at FVTPL	9	**131,959,641**	129,518,023
Current assets			
Cash and cash equivalents		**359,298**	592,603
Balance due from the Manager	17	**348,345**	329,711
Prepaid expenses	8	**14,730**	18,030
Total current assets		**722,373**	940,344
Total assets		**132,682,014**	130,458,367
Non-current liabilities			
ZDP Shares	11	**(19,666,072)**	(6,484,818)
Current liabilities			
Accounts payable and accrued expenses	10	**(504,067)**	(448,509)
ZDP Shares	11	**–**	(18,725,704)
Total current liabilities		**(504,067)**	(19,174,213)
Total liabilities		**(20,170,139)**	(25,659,031)
Net assets		**112,511,875**	104,799,336
Equity			
Stated capital	12	**85,254,127**	85,254,127
Retained earnings		**27,257,748**	19,545,209
Total Equity		**112,511,875**	104,799,336
Number of Ordinary Shares in issue at year end (excluding treasury shares)	12	**61,145,198**	61,145,198
NAV per Ordinary Share		**184p**	171p

The Audited Financial Statements were approved and authorised for issue by the Board on 30 March 2023 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 2022 and 31 December 2021

For the year ended 31 December 2022	Notes	Number of Ordinary Shares	Stated capital £	Retained earnings £	Net assets attributable to shareholders £
Balance at 1 January 2022		**61,145,198**	**85,254,127**	**19,545,209**	**104,799,336**
Total comprehensive income for the year attributable to shareholders		**–**	**–**	**14,255,075**	**14,255,075**
Transactions with shareholders					
Dividends paid	13	**–**	**–**	**(6,542,536)**	**(6,542,536)**
Balance at 31 December 2022	12	**61,145,198**	**85,254,127**	**27,257,748**	**112,511,875**

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 loss 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

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 2022 and 31 December 2021

	Notes	1 January 2022 to 31 December 2022 £	1 January 2021 to 31 December 2021 £
Cash flows from operating activities			
Profit and total comprehensive income for the year		**14,255,075**	10,773,211
Adjustments for:			
Amortisation of ZDP Shares and issuance costs	7, 11	**1,833,501**	1,604,084
ZDP Shares issuance costs	11	**(793,610)**	
Net unrealised gain on financial assets held at FVTPL	9	**(8,941,618)**	(5,366,624)
Net foreign exchange loss/(gain)		**439**	(466)
Return of capital	9	**6,500,000**	–
Changes in net assets and liabilities:			
Balance due from the Manager		**(18,634)**	241,017
Prepaid expenses and other assets		**3,300**	21,758
Accounts payable and accrued expenses		**55,558**	(138,654)
Net cash generated from operating activities		**12,894,011**	7,134,326
Cash flow from financing activities			
Redemption of ZDP Shares	11	**(6,584,341)**	–
Dividends paid	13	**(6,542,536)**	(6,542,536)
Net cash used in financing activities		**(13,126,877)**	(6,542,536)
Net (decrease)/increase in cash and cash equivalents		**(232,866)**	591,790
Cash and cash equivalents at the start of the year		**592,603**	347
Effect of movements in exchange rates		**(439)**	466
Cash and cash equivalents at the end of the year		**359,298**	592,603

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 2022

1. General information

EJFI is a closed-ended investment company incorporated with limited liability in the Bailiwick of Jersey on 20 October 2016 under the provisions of the Companies Law with registration number 122353 and is regulated as a collective investment fund under the Collective Investment Funds (Jersey) Law 1988. 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 LSE, the Directors shall procure that an EGM of the Company be convened at which a Continuance Resolution will be proposed. The first Continuance Resolution was passed at the Company's EGM held on 5 May 2022. 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.

The Company has one subsidiary, EJFIH (incorporated on 9 June 2017), of which the Company owns 100% of shares in issue. Refer to note 14 for further information.

EJFIH holds 85% (31 December 2021: 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, FinTech debt securities 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 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 have been prepared to give a true and fair view of the Company's affairs and to 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 FVTPL.

(c) Going concern

Under the UK Code, voluntarily adopted by the Company, and Companies Law, the Directors are required to satisfy themselves that it is reasonable to assume that the Company is a going concern and to identify any material uncertainties in respect of the Company's ability to continue as a going concern for at least 12 months from the date of approving the financial statements.

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 of 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 and the potential default risk of the investments held.

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 2022

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2022 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
IFRS 17 – Insurance contracts	1 January 2023
IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – amendments regarding the definition of accounting estimates	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.

The IAS 8 amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The definition of accounting policies remains unchanged. The Directors do not believe that the application of this amendment will have a material impact on the 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 (loss)/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 on financial assets held at FVTPL'.

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.

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.

2. Significant accounting policies (continued)

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 NAV 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 is deemed as a non-US corporation for US tax classification status.

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 FVTPL

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 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) Receivables

Receivables, including balance due from the Manager and prepaid expenses, 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 FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- 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. Capitalised issue costs are being amortised using the effective interest rate method. For the year ended 31 December 2022, the amortisation of the 2022 ZDP Shares and 2025 ZDP Shares issue costs have been included in finance costs.

(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.

All other financial assets (cash and cash equivalents, balance due from Manager and prepaid expenses) 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.

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(c) Subsequent measurement of financial assets

Financial assets at FVTPL ("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 NAV 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 or loss on financial assets held at FVTPL in the Statement of Comprehensive Income as applicable.

Notes 9 and 15 provide 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 FVTPL, 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 derivative transactions are measured at their fair value at the reporting date.

Cash and cash equivalents and trade and other receivables
Subsequent measurement of cash and cash equivalents and 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 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 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. Significant accounting policies (continued)

2.9 Expenses

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

2.10 Ordinary shares

The Ordinary Shares of the Company are classified as equity based on the substance of the contractual arrangements and in accordance with the definition of equity instruments under IAS 32. The proceeds from the issue of Ordinary Shares are recognised in the Statement of Changes in Equity, net of issue costs.

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

3. Use of judgements and estimates

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

(a) Significant judgements

Non-consolidation of EJFIH

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

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

(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 NAV 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. However, certain valuations use unobservable data which involves more estimation uncertainty. 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 classified as Level 3 is determined by the use of valuation techniques. The selection of the appropriate valuation technique (including the use of NAV and discounted cash flow analysis) and the selection of unobservable inputs into those valuation techniques requires judgement and estimation (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 2022 to 31 December 2022 £	1 January 2021 to 31 December 2021 £
10 February 2021	–	2,100,000
6 May 2021	–	2,200,000
19 August 2021	–	2,000,000
10 November 2021	–	1,900,000
10 February 2022	**2,100,000**	–
27 April 2022	**2,400,000**	–
11 August 2022	**2,000,000**	–
15 November 2022	**2,000,000**	–
Total dividend income	**8,500,000**	8,200,000

6. Auditor's remuneration

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

	1 January 2022 to 31 December 2022 £	1 January 2021 to 31 December 2021 £
Audit and audit related services		
Annual audit	**137,500**	142,750
Audit related services – interim review	**45,000**	19,250
Total audit and audit related fees	**182,500**	162,000
Total fees to the Auditor	**182,500**	162,000

7. Finance costs

	1 January 2022 to 31 December 2022 £	1 January 2021 to 31 December 2021 £
ZDP Shares finance costs and issue costs (see note 11)	**1,833,501**	1,604,084
Prime broker costs	**3,508**	(18,778)
Other interest	**(5,773)**	–
Total finance costs	**1,831,236**	1,585,306

8. Prepaid expenses

	31 December 2022 £	31 December 2021 £
Directors' and professional indemnity insurance	**3,670**	9,577
Website fee	**–**	1,918
Professional fees	**7,939**	6,535
Regulatory fee	**3,121**	–
Total prepaid expenses	**14,730**	18,030

9. Financial assets at FVTPL

Investment in EJFIH

During the year ended 31 December 2022, the Company made no further investment in EJFIH (31 December 2021: no further investment).

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 2022 £	31 December 2021 £
Opening balance	**129,518,023**	124,151,399
Return of capital[1]	**(6,500,000)**	–
Net gain on investment in EJFIH[2]	**8,941,618**	5,366,624
Investment in EJFIH at FVTPL at the end of the year	**131,959,641**	129,518,023

1 The return of capital from EJFIH to the Company was made in November 2022 in order to fully redeem the 2022 ZDP Shares.

2 Net gain on investment in EJFIH is presented after dividends received by the Company from EJFIH during the year ended 31 December 2022 in the amount of £8,500,000 (31 December 2021: £8,200,000) (refer to note 5).

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

	31 December 2022 £	31 December 2021 £
EJFIH's investments at FVTPL:		
Armadillo Portfolio	**1,228,944**	1,169,018
Investment in the Partnership	**93,786,870**	88,051,619
Investment in Seneca	**11,177,335**	6,671,007
Investment in the CDO Manager	**8,052,203**	8,711,100
CDO Securities	**1,384,667**	1,395,298
Preference Shares	**1,426,829**	1,246,613
Investment in UK listed bond	**–**	3,161,940
FinTech debt securities	**2,552,965**	2,830,682
US treasury bills	**1,492,698**	–
Net Derivative financial liabilities (note 15)	**(932,866)**	(921,722)
EJFIH's investments at FVTPL	**120,169,645**	112,315,555
EJFIH's other assets and liabilities:		
Cash and cash equivalents	**7,143,828**	14,319,541
Cash and cash equivalents held as margin	**4,383,075**	2,836,856
Receivables	**263,093**	46,071
EJFIH's NAV at the end of the year	**131,959,641**	129,518,023

(a) EJFIH's investments in private investment companies

Investment in the Armadillo Portfolio

EJFIH's investments in private investment entities 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 53.4% holding in Armadillo I and 1% holding in Armadillo II as at 31 December 2022 (50.3% holding in Armadillo I and 1% holding in Armadillo II as at 31 December 2021).

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

	31 December 2022 £	31 December 2021 £
Opening balance	**1,169,018**	2,053,370
Distributions	**–**	(1,738,360)
Realised gains on distributions[1]	**–**	84,335
Unrealised gains[1]	**59,926**	769,673
Investment in the Armadillo Portfolio at FVTPL held by EJFIH	**1,228,944**	1,169,018

1 Includes fluctuations in foreign exchange rates.

Investment in the Partnership

As at 31 December 2022, EJFIH held 85% or 110,179,904 units (31 December 2021: EJFIH held 85% or 117,929,934 units) 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 £93,786,870 (31 December 2021: £88,051,619).

As at 31 December 2022, the remaining units outstanding are held by the Manager and EJF Investments GP Inc. and respectively totalled 19,444,129 units (31 December 2021: 20,012,174 units) and 165 units (31 December 2021: 165 units).

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

	31 December 2022 £	31 December 2021 £
Opening balance	**88,051,619**	88,334,641
Additions	**–**	17,640,992
Return of Capital	**(5,843,994)**	(22,044,476)
Distributions	**(4,098,273)**	(5,997,811)
Realised gains on distributions[1]	**4,101,109**	5,997,811
Unrealised gains[1]	**11,576,409**	4,120,462
Investment in the Partnership at FVTPL held by EJFIH	**93,786,870**	88,051,619

1 Includes fluctuations in foreign exchange rates.

Investment in Seneca

EJFIH's investments in private investment entities includes 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 2022 £	31 December 2021 £
Opening balance	**6,671,007**	1,244,059
Additions	**1,947,105**	4,367,696
Realised gains on distributions[1]	**595,054**	–
Unrealised gains[1]	**4,754,047**	1,059,252
Distributions	**(2,789,878)**	–
Investment in Seneca at FVTPL held by EJFIH	**11,177,335**	6,671,007

1 Includes fluctuations in foreign exchange rates.

9. Financial assets at FVTPL (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 2022 £	31 December 2021 £
Opening balance	**8,711,100**	9,463,395
Distributions	**(655,078)**	(426,213)
Unrealised losses[1]	**(3,819)**	(326,082)
Investment in the CDO Manager at FVTPL held by EJFIH	**8,052,203**	8,711,100

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, TFINS 2020-1 and TFINS 2020-2. The CDO Manager has a total NAV of £16,433,067 as at 31 December 2022 (31 December 2021: £17,777,755). EJFIH's interest in the CDO Manager has a value of £8,052,203 as at 31 December 2022 (31 December 2021: £8,711,100).

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 2019-2 securitisations produce management fees of 20bps 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 2022, EJFIH accrued £147,136 (31 December 2021: EJFIH accrued £59,170) of interest income presented as investment income in EJFIH.

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

	31 December 2022 £	31 December 2021 £
Opening balance	**1,395,298**	772,225
Distributions	**–**	(20,334)
Unrealised (losses)/gains from CDO Securities[1]	**(10,631)**	643,407
CDO Securities at FVTPL held by EJFIH	**1,384,667**	1,395,298

1 Includes fluctuations in foreign exchange rates.

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 2022 £	31 December 2021 £
Opening balance	**1,246,613**	1,234,324
Distributions	**–**	(122,410)
Unrealised gains from Preference Shares[1]	**180,216**	134,699
Preference Shares at FVTPL held by EJFIH	**1,426,829**	1,246,613

1 Includes fluctuations in foreign exchange rates.

Investment in UK listed bond

During the years ended 31 December 2022 and 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 bond had a fixed coupon of 5.875%, maturing in 2049.

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

	31 December 2022 £	31 December 2021 £
Opening balance	**3,161,940**	–
Disposals	**(2,685,000)**	–
Additions	**–**	3,228,750
Realised loss on disposal	**(543,750)**	–
Unrealised gains/(losses)	**66,810**	(66,810)
Investment in UK listed bond at FVTPL held by EJFIH	**–**	3,161,940

There were no investments held in UK listed bonds as at 31 December 2022.

FinTech debt securities

At 31 December 2022, the Company, through its investment in EJFIH, was invested in FinTech debt securities issued by entities in the US, UK and Europe. The securities are denominated in different currencies, have fixed coupons between 10% and 13.25% and are due to mature in 2025, 2026 and 2027 respectively.

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

	31 December 2022 £	31 December 2021 £
Opening balance	**2,830,682**	–
Additions	**3,634,519**	3,048,735
Disposals	**(2,542,281)**	–
Realised gains on disposal[1]	**46,037**	–
Unrealised losses[1]	**(1,415,992)**	(218,053)
FinTech debt securities at FVTPL held by EJFIH	**2,552,965**	2,830,682

1 Includes fluctuations in foreign exchange rates.

US treasury bills

At 31 December 2022, the Company, through its investment in EJFIH, was invested in US treasury bills. The securities have fixed coupons between 2.75% – 4.25% and are due to mature in 2024, 2027 and 2032.

The following table summarises activity for the investment in US treasury bills:

	31 December 2022 £
Opening balance	**–**
Additions	**1,616,533**
Unrealised losses[1]	**(123,835)**
US treasury bills at FVTPL held by EJFIH	**1,492,698**

1 Includes fluctuations in foreign exchange rates.

There were no investments held in US treasury bills as at 31 December 2021.

10. Other payables and accrued expenses

	31 December 2022 £	31 December 2021 £
Amount due to EJFIH	**3,690**	1,662
Management fee	**239,750**	228,983
Legal fees	**64,500**	42,167
Audit fees	**137,500**	142,750
Sundry creditors	**58,627**	32,947
Total other payables and accrued expenses	**504,067**	448,509

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 received a final capital entitlement of 132.25 pence on the repayment date of 30 November 2022. As of 31 December 2022, there were no 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.

On 4 April 2022, the Company published the Prospectus containing details of the Rollover Offer.

On 5 May 2022, the result of the Rollover Offer was announced and valid elections were received to roll 10,021,292 2022 ZDP Shares into new 2025 ZDP Shares, representing approximately 66.8% of the total number of 2022 ZDP Shares in issue. On 10 May 2022, 10,996,857 new 2025 ZDP Shares were issued on the basis of each 2022 ZDP Share converting into 1.09735 new 2025 ZDP Shares.

As of 31 December 2022, there were 16,996,857 (31 December 2021: 6,000,000) 2025 ZDP Shares outstanding.

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 2022 £	2025 ZDP Shares 31 December 2022 £	2022 ZDP Shares 31 December 2021 £	2025 ZDP Shares 31 December 2021 £
Opening balance	**18,725,704**	**6,484,818**	17,588,170	6,018,268
Conversion of ZDP Shares	**(12,845,292)**	**12,845,292**	–	–
ZDP Shares issuance costs	**–**	**(793,610)**	–	–
Amortisation of ZDP Shares, including finance costs and issuance costs	**703,929**	**1,129,572**	1,137,534	466,550
Redemption of ZDP Shares	**(6,584,341)**	**–**	–	–
ZDP Shares closing balance	**–**	**19,666,072**	18,725,704	6,484,818

12. Stated capital

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 2022 and 2021	**61,145,198**	**85,254,127**
Closing balance as at 31 December 2022 and 2021	**61,145,198**	**85,254,127**

As at 31 December 2022, the Company had 15,808,509 treasury shares (31 December 2021: 15,808,509).

13. Dividends paid

The Company paid the following dividends on its Ordinary Shares during the year ended 31 December 2022:

Period to:	Declared date	Ex-dividend date	Record date	Payment date	Dividend rate per Ordinary Share £	Net dividend paid £
31 Dec 2021	27 Jan 2022	3 Feb 2022	4 Feb 2022	28 Feb 2022	**0.02675**	**1,635,634**
31 Mar 2022	26 Apr 2022	5 May 2022	6 May 2022	31 May 2022	**0.02675**	**1,635,634**
30 June 2022	28 Jul 2022	4 Aug 2022	5 Aug 2022	31 Aug 2022	**0.02675**	**1,635,634**
30 Sep 2022	27 Oct 2022	3 Nov 2022	4 Nov 2022	30 Nov 2022	**0.02675**	**1,635,634**
						6,542,536

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

14. Interest in unconsolidated subsidiaries and associates

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

Name of entity	Type of entity	Principal place of business	Purpose	Interest held by the Company	Interest held
EJFIH	Private Company	Jersey	To hold a portfolio of investments in order to generate capital appreciation and investment income.	100%	Direct
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.	53.4% (31 December 2021: 50.3%)	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 2021, 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.

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 2022 Change in fair value	
	£	£
Change in rate	**0.25%**	**(0.25%)**
NAV	**£(348,165)**	**£348,165**

	31 December 2021 Change in fair value	
	£	£
Change in rate	0.25%	(0.25%)
NAV	£(185,099)	£185,099

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.

There were no forward foreign exchange derivatives held by the Company during the years ended 31 December 2022 and 31 December 2021.

15. Financial risk management (continued)

At 31 December 2022 and 31 December 2021, the following forward foreign exchange contracts were held by EJFIH and are included within the financial liabilities of EJFIH:

Maturity date	Counterparty	Contract amount (GBP)	Buy	Sell	31 December 2022 £
21 February 2023	Citibank N.A.	8,400,000	GBP	USD	**(1,272,206)**
16 March 2023	Citibank N.A.	30,562,246	GBP	USD	**172,837**
23 March 2023	Citibank N.A.	30,554,633	GBP	USD	**166,503**
Derivative financial liabilities held by EJFIH					**(932,866)**

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)

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 2022	
Currency	£	% of net assets
US Dollar	**129,403,727**	**115%**
Euro	**3,207,360**	**3%**

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

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 2022 (10% at 31 December 2021). 10% is considered to continue to be deemed reasonable as it reflects past experience. The analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2022	31 December 2021
Effect in Sterling	**£14,378,192**	£14,036,151
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	**101%**	130%

The table below sets out the effect on the net assets/decrease in net assets attributable to holders of tradable Ordinary Shares of a reasonably possible strengthening of Sterling against the US Dollar by 10% at 31 December 2022 (10% at 31 December 2021).

	31 December 2022	31 December 2021
Effect in Sterling	**£(11,763,975)**	£(11,484,123)
Effect in % of net assets attributable to the holders of tradable Ordinary Shares	**(10%)**	(11%)
Effect in % of decrease in total comprehensive income/(loss) attributable to the holders of tradable Ordinary Shares	**(83%)**	(107%)

No sensitivity analysis has been performed for financial assets denominated in Euro as the balance is not significant.

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, the UK and Europe, 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 2022		31 December 2021	
	£	%	£	%
Armadillo Portfolio	**1,228,944**	**1**	1,169,018	1
Investment in the Partnership[1]	**93,786,870**	**71**	88,051,619	68
Investment in Seneca	**11,177,335**	**9**	6,671,007	5
Investment in CDO Manager	**8,052,203**	**6**	8,711,100	7
CDO Securities	**1,384,667**	**1**	1,395,298	1
Preference Shares	**1,426,829**	**1**	1,246,613	1
Investment in UK listed bond	**-**	**0**	3,161,940	3
FinTech debt securities	**2,552,965**	**2**	2,830,682	2
US treasury bills	**1,492,698**	**1**	–	–
Net Derivative financial liability	**(932,866)**	**(1)**	(921,722)	(1)
Financial assets and liabilities at FVTPL	**120,169,645**	**91**	112,315,555	87
Cash and cash equivalents	**7,143,828**	**6**	14,319,541	11
Cash and Cash equivalents held as margin	**4,383,075**	**3**	2,836,856	2
Other	**263,093**	**0**	46,071	0
Investment in EJFIH	**131,959,641**	**100**	129,518,023	100

1 See table below.

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

	31 December 2022		31 December 2021	
	£	% of NAV	£	% of NAV
TFINS 2017-2	**14,456,262**	**13**	12,939,700	12
TFINS 2018-1	**22,066,685**	**20**	19,753,178	19
TFINS 2018-2	**16,244,931**	**14**	14,543,305	14
TFINS 2019-1	**14,799,555**	**13**	13,248,973	13
TFINS 2019-2	**15,332,045**	**14**	13,726,042	13
TFINS 2020-1	**13,779,690**	**12**	12,304,168	12
TFINS 2020-2	**8,607,907**	**8**	7,705,439	7
TFINS 2021 Securitization Ltd[1]	**-**	**-**	3,163,570	3
Investments held by the Partnership	**105,287,075**	**94**	97,384,375	93
Other net assets	**5,050,419**	**4**	6,205,765	6
NAV of the Partnership	**110,337,494**	**98**	103,590,140	99
% held by EJFIH		**85**		85
Fair value of EJFIH's investment in the Partnership	**93,786,870**	**83**	88,051,619	84

1 TFINS 2021 Securitization Ltd was a warehousing vehicle for the collateral redeemed from FINS 2019-1 to be securitised or sold on the secondary market. It was sold in August 2022.

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 NAV 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 entities and private operating companies
The fair value of investments in the private investment entities and private operating company is determined using the NAV of the entity (Level 3 valuation). The NAV is used when the units or partnership interests in a fund are redeemable at the reportable NAV at, or approximately at, the measurement date. If this is not the case, then NAV 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 years ended 31 December 2022 and 31 December 2021.

Investments trading securities
At 31 December 2022, 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 clean 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 FVTPL 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 NAV 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 2022 and 31 December 2021. All fair value measurements below are recurring.

15. Financial risk management (continued)

As at 31 December 2022	Level 1 £	Level 2 £	Level 3 £
Investment held in EJFIH	**–**	**–**	**131,959,641**
Financial assets at FVTPL	**–**	**–**	**131,959,641**

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 years ended 31 December 2022 and 31 December 2021:

Year ended 31 December 2022	Opening fair value 1 January 2022 £	Additions £	Realised gains £	Unrealised gains £	Distributions £	Ending fair value 31 December 2022 £
EJFIH	**129,518,023**	**–**	**–**	**8,941,618**	**(6,500,000)**	**131,959,641**
Total financial assets	**129,518,023**	**–**	**–**	**8,941,618**	**(6,500,000)**	**131,959,641**

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

Fair value hierarchy – financial assets at FVTPL 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 2022 and 31 December 2021. All fair value measurements below are recurring.

As at 31 December 2022	Level 1 £	Level 2 £	Level 3 £
Armadillo Portfolio	**–**	**–**	**1,228,944**
Investment in the Partnership	**–**	**–**	**93,786,870**
Investment in Seneca	**–**	**–**	**11,177,335**
Investment in the CDO Manager	**–**	**–**	**8,052,203**
CDO Securities	**–**	**–**	**1,384,667**
Investment in Preference Shares	**–**	**–**	**1,426,829**
FinTech debt securities	**–**	**2,552,965**	**–**
US treasury bills	**1,492,698**	**–**	**–**
Financial assets at FVTPL	**1,492,698**	**2,552,965**	**117,056,848**

	Level 1 £	Level 2 £	Level 3 £
Derivative financial liabilities	**–**	**(932,866)**	**–**
Financial assets at FVTPL	**–**	**(932,866)**	**–**

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
Investment in UK listed bond	–	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 liabilities	–	(921,722)	–
Financial assets at FVTPL	–	(921,722)	–

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 for the year ended 31 December 2022:

	Opening fair value as at 1 January 2022 £	Additions £	Realised gains £	Unrealised gains/ (losses) £	Disposals £	Ending fair value as at 31 December 2022 £
Armadillo Portfolio	**1,169,018**	**–**	**–**	**59,926**	**–**	**1,228,944**
Investments in the Partnership	**88,051,619**	**–**	**4,101,109**	**11,576,409**	**(9,942,267)**	**93,786,870**
Investment in Seneca	**6,671,007**	**1,947,105**	**595,054**	**4,754,047**	**(2,789,878)**	**11,177,335**
Investment in CDO Manager	**8,711,100**	**–**	**–**	**(3,819)**	**(655,078)**	**8,052,203**
CDO Securities	**1,395,298**	**–**	**–**	**(10,631)**	**–**	**1,384,667**
Investment in Preference Shares	**1,246,613**	**–**	**–**	**180,216**	**–**	**1,426,829**
Total financial assets	**107,244,655**	**1,947,105**	**4,696,163**	**16,556,148**	**(13,387,223)**	**117,056,848**

During the year ended 31 December 2022, there were no reclassifications between levels of the fair value hierarchy.

The following table is for the year ended 31 December 2021:

	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.

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 NAV of the investment in EJFIH.

Financial assets	Company fair value at 31 December 2022 £	Company fair value at 31 December 2021 £	Valuation techniques and inputs	Significant unobservable inputs
Investment in EJFIH	**131,959,641**	129,518,023	NAV of EJFIH	The NAV of EJFIH is calculated under IFRS

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

There are a number of unobservable inputs and assumptions used in the valuation of the EJFIH Level 3 investments. Changes in any of these inputs and assumptions will have an impact on the valuation of these investments. The table below assumes the overall valuation changed by 10% and that the portfolio of investments is correlated to this overall movement in valuations.

15. Financial risk management (continued)

However, this level of correlation is not possible and certain inputs and assumptions will be sensitive to lesser/greater changes. The overall impact of 10% has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and market expectations for future movements.

Financial assets	31 December 2022 £	31 December 2021 £
Investment in EJFIH	**131,959,641**	129,518,023
Increase by 10%	**145,155,605**	142,469,825
Decrease by 10%	**118,763,677**	116,566,221

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 2022 and 31 December 2021. 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.

(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 creditworthiness 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 2022 £	31 December 2021 £
Armadillo Portfolio	**1,228,944**	1,169,018
Investment in the Partnership	**93,786,870**	88,051,619
Investment in Seneca	**11,177,335**	6,671,007
Investment in CDO Manager	**8,052,203**	8,711,100
CDO Securities	**1,384,667**	1,395,298
Preference Shares	**1,426,829**	1,246,613
Investment in UK listed bond	**–**	3,161,940
FinTech debt securities	**2,552,965**	2,830,682
US treasury bills	**1,492,698**	–
Derivative financial liabilities	**(932,866)**	(921,722)
Cash and cash equivalents	**7,143,828**	14,319,541
Cash and cash equivalents held as margin	**4,383,075**	2,836,856
Investment in EJFIH	**131,696,548**	129,471,952
Cash and cash equivalents	**359,298**	592,603
Balance due from the Manager	**348,345**	329,711
Total financial assets	**132,404,191**	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 low 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 2022	31 December 2021
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.

Armadillo Portfolio

At 31 December 2022, 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 2021: not rated).

Investment in the Partnership

At 31 December 2022, 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 the 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 2021: not rated).

Investment in Seneca

At 31 December 2022, 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 2021: not rated).

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 (31 December 2021: not rated).

15. Financial risk management (continued)

Investment in CDO Securities

At 31 December 2022, 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 the 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 2021: not rated).

Investment in FinTech debt securities

At 31 December 2022, the Company, through its investment in EJFIH, was invested in FinTech debt securities issued by entities in the US, UK and Europe. The securities are denominated in different currencies, have fixed coupons between 10–13.25% and are due to mature in 2025, 2026 and 2027 respectively.

One position is rated Caa3 by Moody's (31 December 2021: Caa3) and another BB- by Standard & Poor's (31 December 2021: not held by EJFIH). The third position is not rated (31 December 2021: not rated).

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 2022		31 December 2021	
	£	%	£	%
Citibank N.A.	**7,138,966**	**96**	14,315,265	96
BNPP	**364,160**	**4**	596,879	4
Total	**7,503,126**	**100%**	14,912,144	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 2021: Aa3), based on Moody's Agency.

Impairment of financial assets

The Company is subject to the expected credit loss model (ECL) 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 entities. 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. 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 2022	31 December 2021
Liquid assets	**£11,897,133**	£21,234,477
Current liabilities	**£504,067**	£19,174,213
Liquid assets as a % of current liabilities	**2,360%**	111%

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 2022 and 31 December 2021:

31 December 2022	Less than 7 days £	7 days to 1 month £	1 month to 3 months £	3 months to over 1 year £	Total £
Liquid Assets					
Cash	**7,503,125**	**–**	**–**	**–**	**7,503,125**
Balance due from the Manager	**–**	**348,345**	**–**	**–**	**348,345**
FinTech debt securities	**–**	**2,552,965**	**–**	**–**	**2,552,965**
US treasury bills	**–**	**1,492,698**	**–**	**–**	**1,492,698**
Total	**7,503,125**	**4,394,008**	**–**	**–**	**11,897,133**

31 December 2022	Less than 7 days £	7 days to 1 month £	1 month to 3 months £	3 months to over 1 year £	Total £
Financial liabilities					
Amount payable to EJFIH	**–**	**–**	**3,690**	**–**	**3,690**
Accounts payable and accrued expenses	**–**	**–**	**500,377**	**–**	**500,377**
Total	**–**	**–**	**504,067**	**–**	**504,067**

31 December 2021	Less than 7 days £	7 days to 1 month £	1 month to 3 months £	3 months to over 1 year £	Total £
Liquid Assets					
Cash	14,912,144	–	–	–	14,912,144
Balance due from the Manager	–	329,711	–	–	329,711
Investment in UK listed bond	–	3,161,940	–	–	3,161,940
FinTech debt securities	–	2,830,682	–	–	2,830,682
Total	14,912,144	6,322,333	–	–	21,234,477

31 December 2021	Less than 7 days £	7 days to 1 month £	1 month to 3 months £	3 months to over 1 year £	Total £
Financial liabilities					
Amount payable to EJFIH	–	–	1,662	–	1,662
Accounts payable and accrued expenses	–	–	446,847	–	446,847
ZDP Shares	–	–	–	18,725,704	18,725,704
Total	–	–	448,509	18,725,704	19,174,213

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.

15. Financial risk management (continued)

The Group further manages its liquidity risk by holding at least 2% of its NAV 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 2022	31 December 2021
Liquid assets	**£11,897,133**	£15,241,855
Total NAV	**£112,511,875**	£104,799,336
Liquid assets as % of total NAV	**11%**	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 2022 £	31 December 2021 £
ZDP Shares	**19,666,072**	25,210,522
Accounts payable and accrued expenses	**504,067**	448,509
Less: cash and cash equivalents	**(359,298)**	(592,603)
Net debt	**19,810,841**	25,066,428
Total equity	**112,511,875**	104,799,336
Net debt to adjusted equity ratio	**0.18**	0.24

17. Related party transactions and other material contracts

Transactions

Investment transactions between EJFIH and the Armadillo Portfolio ,the Partnership, Seneca and the CDO Manager are disclosed in Note 9.

Investment Management fee

In accordance with the Management Agreement, the Manager has been appointed as the manager of the Company, the Partnership and the 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 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 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 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 monthly management fee is equal to 0.0833% (one-twelfth of 1%) of the Company's NAV.

For the year ended 31 December 2022, the Company accrued management fees of £965,902 (31 December 2021: £887,308) which is presented within operating expenses in the Statement of Comprehensive Income.

The Company recognised an outstanding amount due to the Manager of £239,750 as at 31 December 2022 (31 December 2021: £228,983) presented in other payables and accrued expenses in the Statement of Financial Position (refer to note 10).

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. 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.

For the year ended 31 December 2022, the Company recorded Directors' fees of £135,000 (31 December 2021: £135,000). As at 31 December 2022, £nil (31 December 2021: £nil) of this amount was outstanding.

Neal Wilson also serves as an officer (CEO) 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. All of 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 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 2022, the Company recorded Directors' and Officers' liability and professional indemnity insurance expense of £55,657 (31 December 2021: £131,786).

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 2022, the Company did not accrue an incentive fee liability (31 December 2021: £nil).

On 28 January 2021, 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 a lock-up deed.

Ordinary Shares held by related parties

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

	Ordinary Shares	Percentage of Ordinary Shares in Issue	Ordinary Shares	Percentage of Ordinary Shares in Issue
Name	**31 December 2022[1]**	**31 December 2022[2]**	**31 December 2021[1]**	**31 December 2021[2]**
Neal Wilson	**1,718,881**	**2.811%**	1,622,607	2.654%
Joanna Dentskevich	**77,896**	**0.127%**	77,896	0.127%
Nick Watkins	**10,000**	**0.016%**	3,000	0.005%

On 29 June 2022, Neal J. Wilson purchased 96,274 Ordinary Shares at a price of 121 pence per share in a private off-market transaction.

On 16 November 2022, Nick Watkins purchased 7,000 Ordinary Shares at a price of 135.64 pence per share on the LSE main market.

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

	Ordinary Shares	Percentage of Ordinary Shares in Issue	Ordinary Shares	Percentage of Ordinary Shares in Issue
Name	**31 December 2022[1]**	**31 December 2022[2]**	**31 December 2021[1]**	**31 December 2021[2]**
EJF Capital Limited	**1,878,246**	**3.07%**	1,878,246	3.07%
Peter Stage	**141,501**	**0.23%**	141,501	0.23%
Matthew Gill[3]	**N/A**	**N/A**	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 shareholdings are either direct and/or indirect holdings of Ordinary Shares.

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

3 Matthew Gill ceased to be an officer of the Manager on 21 October 2022.

4 Ordinary Shares held by Cheetah Holdings Limited, a charitable foundation co-founded by Emanuel Friedman.

Neal Wilson and Peter Stage are both officers of The Manager. 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 (co-CEO of EJF) and Jason Ruggiero (co-chief investment officer of EJF) are both voting members of the Investment Committee.

ZDP Shares held by related parties

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

	2025 ZDP Shares	Percentage of ZDP 2025 Shares in Issue	2025 ZDP Shares	Percentage of ZDP 2025 Shares in Issue
Name	**31 December 2022[1]**	**31 December 2022[2]**	**31 December 2021[1]**	**31 December 2021[2]**
Neal Wilson	**1,000,000**	**5.883%**	1,000,000	16.667%
Joanna Dentskevich	**30,000**	**0.177%**	30,000	0.500%
Nick Watkins	**10,000**	**0.059%**	10,000	0.167%

1 The shareholdings are either direct and/or indirect holdings of ZDP Shares.

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

3 Matthew Gill ceased to be an officer of the Manager on 21 October 2022.

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

Name	2025 ZDP Shares 31 December 2022[1]	Percentage of ZDP 2025 Shares in Issue 31 December 2022[2]	2025 ZDP Shares 31 December 2021[1]	Percentage of ZDP 2025 Shares in Issue 31 December 2021[2]
Matthew Gill[3]	**N/A**	**N/A**	1,000	0.020%

1 The shareholdings are either direct and/or indirect holdings of ZDP Shares.

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

3 Matthew Gill ceased to be an officer of the Manager on 21 October 2022.

Other material matters

During the year ended 31 December 2022, the Manager absorbed 60% (31 December 2021: 75%) of the Company's recurring operating expenses, aside from management and incentive fees.

For the year ended 31 December 2022, £546,976 (2021: £654,605) of operating expenses were offset by reimbursements from the Manager and are presented in the Statement of Comprehensive Income.

As at 31 December 2022, the Company had a receivable balance of £348,345 (31 December 2021: £329,711) from the Manager relating to the reimbursement of these operating expenses and is included as the balance due from the Manager in the Statement of Financial Position.

18. Basic and diluted earnings per Ordinary Share

Basic earnings 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 2021: 61,145,198).

The diluted earnings per share is calculated by considering adjustments required to the earnings and weighted average number of shares for the effects of potential dilutive Ordinary Shares. The weighted average of the number of Ordinary Shares is adjusted for any convertible instruments. At 31 December 2022 and 31 December 2021, 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 30 March 2023, 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.

Dividends

On 26 January 2023, the Company declared a final dividend of 2.675p per share in respect of the quarter ended 31 December 2022. The dividend was payable to shareholders on the register as at close of business on 3 February 2023 and the corresponding ex-dividend date was 2 February 2023. Payment was made on 28 February 2023.

Issuance of 2025 ZDP Shares

On 20 February 2023, the Company announced its intention to issue further 2025 ZDP Shares pursuant to the Company's Placing Programme as detailed in the Prospectus.

On 27 February 2023, the Company announced that 2,277,046 new 2025 ZDP Shares would be issued at 119.78 pence per 2025 ZDP share, raising gross proceeds of approximately £2.73 million. Following Admission, the total number of 2025 ZDP Shares in issue was 19,273,903.

Subscription for additional shares in EJFIH

On 6 March 2023, the Company subscribed for a further 2,700,000 ordinary shares in EJFIH at £1 each.

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 FVTPL.

The operating profit and NAV of the Company under both IFRS and US GAAP have no material differences 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. All investments are within the financial services sector.

Financial highlights

Financial highlights for the year ended 31 December 2022 are as follows:

NAV total return, since inception	
Beginning of year	69.84%
End of year	93.38%
Expense ratio to average NAV	
Expenses before incentive fees	1.70%
Expenses reimbursed by the Manager	(0.49%)
Expenses, including incentive fees	**1.21%**
Investment income	7.61%
Expenses	(1.70%)
Net investment income ratio	**5.91%**

Schedule of investments

31 December 2022 Investments in trading securities	Cost Asset currency	Cost £	Fair Value £	% of NAV
Cayman Islands				
TR PFD INS NOTE 2017-2 – Equity Notes (Z Notes)	**1,648,054**	**1,272,936**	**1,426,829**	**1.27**
ATTN 2006-1X J 2% 06-10/05/2036 DFLT – Combination Notes	**404,646**	**303,775**	**1,384,667**	**1.23**
ATTN 2007-3A F 9.532% 07-11/10/2042 DFLT – Class F Notes	–	–	–	–
TBRNA 2006-6A C 06-05/12/2036 FRN DFLT – Class C Notes	**1,562**	**1,167**	–	–
ATTN 2006-1A D 06-10/05/2036 FRN – Class D Notes	–	–	–	–
KDIAK 2006-1A G 06-07/08/2037 FRN – Class G Notes	–	–	–	–
KDIAK 2007-2A F 07-07/11/2042 FRN – Class F Notes	–	–	–	–
TBRNA 2005-4A C3 0% 05-05/05/2036 – Class C-3 Notes	–	–	–	–
TBRNA 2006-5A A3FV 06-05/08/2036 FRN – Class A-3 Notes	–	–	–	–
Total Cayman Islands	**2,054,262**	**1,577,878**	**2,811,496**	**2.50**
US				
EXELA INTER 11.5% 21-15/07/2026	**2,958,450**	**2,205,435**	**476,559**	**0.42**
US TREASURY N/B 4.125% 22-30/09/2027	**782,239**	**693,659**	**643,405**	**0.57**
US TREASURY N/B 4.25% 22-30/09/2024	**300,601**	**266,723**	**246,850**	**0.22**
US TREASURY N/B 2.75% 22-15/08/2032	**739,114**	**656,151**	**602,443**	**0.54**
Total US	**4,780,404**	**3,821,968**	**1,969,257**	**1.75**

Great Britain				
MAREX GROUP 22-30/12/2027 FRN	**1,000,000**	**815,613**	**842,607**	**0.75**
Total Great Britain	**1,000,000**	**815,613**	**842,607**	**0.75**

Sweden				
QRED AB 22-22/04/2025 FRN	**1,400,000**	**1,165,962**	**1,233,799**	**1.10**
Total Sweden	**1,400,000**	**1,165,962**	**1,233,799**	**1.10**

Investments in private investment companies

US				
EJF Investments LP - Shares	**108,891,468**	**83,041,991**	**93,786,870**	**83.36**
Investment in Armadillo Finance FD LP	**4,725,839**	**3,277,183**	**1,147,666**	**1.02**
Investment in Armadillo Finance FD II LP	**1**	**1**	**81,279**	**0.07**
Seneca Base Offshore LP	**3,186,984**	**2,410,521**	**4,647,932**	**4.13**
Seneca EJFI Excess LP	**3,167,205**	**2,371,876**	**5,557,813**	**4.94**
Seneca EJFI Excess FR LP	**734,458**	**585,635**	**971,589**	**0.86**
Total US	**120,705,955**	**91,687,207**	**106,193,149**	**94.38**

Investments in private operating company

US				
EJF CDO manager LLC	**8,547,026**	**6,379,606**	**8,052,203**	**7.16**
Total US	**8,547,026**	**6,379,606**	**8,052,203**	**7.16**

Derivatives

Forward currency contracts	**Maturity**	**Fair Value £**	**% of NAV**
Purchase £8.4m/sell US$11.7m	21 February 2023	(1,272,206)	(1.13)
Purchase £30.6m/sell US$36.8m	16 March 2023	172,837	0.15
Purchase £30.6m/sell US$36.8m	23 March 2023	166,503	0.15
Total Derivatives		**(932,866)**	**(0.83)**
Other net assets[1]		**11,789,996**	**10.48**
Total other net assets		**11,789,996**	**10.48**
Total Investments		**131,959,641**	**117.29**

1 Other net assets comprises EJFIH's cash and cash equivalents, cash and cash equivalents held as margin and 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 S.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 2019 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.
BNPP	BNP Paribas S.A.
Board	The board of Directors of the Company.
CAT	Catastrophe.
CDO	Collateralised Debt Obligation.
CDO Securities	Bonds issued by Kodiak, Attentus and Taberna, which are unaffiliated third-party CDO sponsors.
CDO Manager	EJF CDO Manager LLC, a Delaware limited liability company.
CDD	Customer due diligence.
CEO	Chief Executive Officer.
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.
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).
Continuation Vote	Vote to be held at an EGM to consider a Continuance Resolution.
Corporate Broker	Liberum Capital Limited.
CPO	Commodity pool operator.
CTA	Commodity trading adviser.
Custodians	Citigroup Global Markets Inc. and Citibank N.A.
Dodd-Frank	The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.
DTR	Disclosure Guidance and Transparency Rules.
EGM	Extraordinary general meeting.

Term	Definition
EJF	EJF Capital LLC.
EJFIH or Subsidiary	EJF Investments Holdings Limited.
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.
FRC	Financial Reporting Council.
FSMA	Financial Services and Markets Act 2000.
FVTPL	Fair Value Through Profit or Loss.
FX	Foreign exchange.
GAAP	Generally Accepted Accounting Standards.
GAAS	Generally Accepted Auditing Standards.
General Partner	EJF Investments GP Inc., being general partner of the Partnership.
Group	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.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board.
IFRS 8	International Financial Reporting Standard 8, "Operating Segments".
IFRS 9	International Financial Reporting Standard 9, "Financial Instruments" (Issued in July 2014).
IFRS 10	International Financial Reporting Standard 10, "Consolidated Financial Statements".
IFRS 12	International Financial Reporting Standard 12, "Disclosure of Interest in Other Entities".
IFRS 13	International Financial Reporting Standard 13, "Fair Value Measurement".
IFRS 17	International Financial Reporting Standard 17, "Insurance Contracts".
Incentive Fee	The incentive fee to which the Manager is entitled as described in the section entitled "Fees and Expenses" in Part V: "Directors, the Manager and Administration" of the Prospectus.
Incentive Fee Period	Each 12-month period starting on 1 January and ending on 31 December in each calendar year.
Incentive Hurdle	Incentive hurdle is calculated using the Adjusted NAV attributable to Ordinary Shares on the date of Admission, and then the beginning NAV of each subsequent period, compounded annually (with effect from 31 December 2017) at a rate equal to an internal rate of return of 8% per annum.
Interim Report	Interim Report and Unaudited Condensed Interim Financial Statements.
Investment Committee	Investment committee of the Manager.
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, FinTech debt securities 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.
ISDA	International Swaps and Derivatives Association.
Listing Rules	The listing rules made by the FCA under Part VI of the FSMA.
LSE	The London Stock Exchange.
M&A	Mergers and Acquisitions.
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 from time to time).

Term	Definition
Manager	EJF Investment Manager LLC.
MGA	Managing General Agent.
MGU	Managing General Underwriter.
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.
Ordinary Shares	The non-redeemable Ordinary Shares of no par value in the share capital of the Company which, for the avoidance of doubt, includes all classes of Ordinary Shares (denominated in such currency) as the Directors may determine in accordance with the Articles (and for the purposes of the Prospectus, the Ordinary Shares shall be denominated in Sterling) having the rights and subject to the restrictions set out in the Articles.
Ordinary Shareholders	The holder or one or more Ordinary Shares.
Ordinary Share Price	Closing price as the respective reporting date as published on the London Stock Exchange.
Partnership	EJF Investments LP (a Delaware limited partnership formed under the laws of the US state of Delaware).
Placing Programme	As described in Part X: "Details of the Placing Programme" of the Prospectus".
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 4 April 2022.
REIT	Real estate investment trust.
Risk Retention	Has the meaning given to it in Part III: "The Market Opportunity" of the Prospectus.
Risk Retention and Related Investments	Has the meaning given to it in paragraph 4.1(a) of Part II: "The Company" of the Prospectus.
Risk Retention Investments	Has the meaning given to it in paragraph 4.1(a) of Part II: "The Company" of the Prospectus.
Rollover Offer	The offer to 2022 ZDP Shareholders to convert some or all of their existing 2022 ZDP Shares into 2025 ZDP Shares.
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	Has the meaning given to it in paragraph 4.1(a) of Part II: "The Company" of the Prospectus.
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.
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 (such as FinTech); (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.
TCFD	Task Force on Climate-related Financial Disclosures.
Target Dividend	The Company targeted an annual dividend of 10.7p per Ordinary Share for the years ended 31 December 2021 and 31 December 2022.
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.
Total Return	As defined in Alternative Performance Measures on page 86.
TruPS	Trust preferred securities.

Term	Definition
TruPS CDO Collateral	Has the meaning given in paragraph 4.2(b) of Part II: "The Company" of 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 which were redeemed on 30 November 2022, which bore 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 of 18 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 2022	31 December 2021
Net Assets as per Statement of Financial Position	**£112,511,875**	£104,799,336
Number of Ordinary Shares in issue at year end (excluding treasury shares)	**61,145,198**	61,145,198
NAV per Ordinary Share	**184p**	171p

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:

	2022	2021	2020	2019	2018
Monthly return					
January	**0.13%**	1.99%	0.47%	0.35%	8.28%
February	**1.34%**	0.15%	0.18%	0.41%	0.70%
March	**2.22%**	2.12%	(13.57)%	1.77%	0.12%
April	**4.01%**	0.44%	0.58%	5.61%	2.70%
May	**0.72%**	(2.09)%	3.33%	0.83%	2.10%
June	**1.87%**	2.80%	0.15%	0.26%	1.62%
July	**1.09%**	(0.01)%	1.25%	0.56%	0.50%
August	**2.73%**	0.55%	0.34%	0.62%	2.39%
September	**2.47%**	3.06%	0.40%	0.21%	0.08%
October	**(0.40)%**	(0.16)%	(0.73)%	0.04%	0.32%
November	**(3.15)%**	3.25%	1.16%	0.13%	0.22%
December	**0.20%**	(1.43%)	0.25%	0.63%	(1.13)%
Compounded monthly return	**13.85%**	11.02%	(7.02)%	11.88%	19.08%

The Total Return from inception for the year ended 31 December 2022 was 93.38% (31 December 2021: 69.8%).

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 2022
Dividends declared and paid for the quarter ended 31 March 2022 (see note 13)	**2.675p**
Dividends declared and paid for the quarter ended 30 June 2022 (see note 13)	**2.675p**
Dividends declared and paid for the quarter ended 30 September 2022 (see note 13)	**2.675p**
Dividends declared for the quarter ended 31 December 2022 (see note 19)	**2.675p**
Total Dividends declared in respect of the year ended 31 December 2022	**10.700p**
Share price mid quote	**132.0p**
Annualised Dividend Yield	**8.1%**

	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%

Share Price Discount to NAV per Ordinary Share

Closing price as at such date as published on the LSE 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 2022	31 December 2021
Closing price as at 31 December as published on the London Stock Exchange	**132.0p**	**129.0p**
NAV per Ordinary Share	**184.0p**	**171.0p**
Share Price Discount to NAV Per Ordinary Share	**(28.3)%**	**(24.6)%**

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