EJF Investments Limited

25 April 2018

EJF Investments Limited (the "Company")

Announcement of Final Results to 31 December 2017

The Directors of the Company announce the final results for the period 20 October 2016 (date of incorporation) to 31 December 2017.

Highlights

- Total Net Asset Value ("NAV") return per ordinary share, inclusive of dividends, of 23.47% from Exchange Offer on 9 February 2017 to 31 December 2017
- NAV as at 31 December 2017 of £86.3 million; 158.23 pence per ordinary share
- Dividend yield based on NAV at admission on 7 April 2017 of 6.9%, 0.9% ahead of the target dividend yield set at admission
- Capital raised during the period of £23.0 million through an ordinary share placing of £8.0 million in July 2017 and a 5.75% 2022 Zero Dividend Preference Share placing of £15 million in December 2017
- Robust performance driven particularly by improving regulatory and economic environment enjoyed by both US community and regional banks and an increasing US Dollar LIBOR rate
- Deployment of £31.6m capital into new investments through EJF Investments LP in the equity tranches of three securitisations sponsored by EJF Capital LLC ("EJF") collateralised by a static pool of trust preferred shares and other debt securities issued by U.S. community banks and insurance companies
- Additional direct capital investment of £5 million into one of the EJF-sponsored securitisation equity tranches
- Subordinated debt investment of £5.6 million in a ten-year subordinated bond issued by a $1.4 billion asset bank holding company providing commercial, consumer and residential financing solutions
- Realised distributions of £10.2 million from the Company's specialty finance investments
- Since April 2017, in addition to absorbing £3.985 million of fees relating to restructuring and admission, EJF Investments Manager LLC (the "Manager") has committed to absorbing ongoing operational expenses, with the exception of management and any incentive fees, until no earlier than 1 July 2018
- In May 2017, the Manager elected to assign its share of legacy collateral management contract fee related dividends to the Company from 1 February 2017 to 31 January 2018 to be offset against management fees payable

Post Annual Report Update

- Dividend of 2.5 pence per ordinary share declared in respect of the fourth quarter performance, up from the third quarter's dividend of 2.4 pence per ordinary share
- Successful ordinary share placing raising approximately £5.8 million in March 2018
- Sale of two REIT TruPS CDO securities in January 2018 generating sale proceeds of £15.8 million and resulting in a realised a gain of £10.6 million
- The Company is well positioned for further investment. Regulatory changes should continue to enable these well-positioned U.S. community banks and insurance companies to grow, become stronger and gain greater leverage to an improving economy
- Amended dividend policy and target dividend of 10 pence per ordinary share for the financial year to 31 December 2018
- NAV as at 31 March 2018 of £98.6 million; 170 pence per ordinary share

The Company's Annual Report and Financial Statements for the period ended 31 December 2017, which includes charts referred to in the Investment Manager's Report, has been made available to shareholders. Please paste the following link into your web browser to read the associated document:

https://www.ejfi.com/financial-reports/annual-report-and-accounts-31-december-2017/

Joanna Dentskevich, Chair of the Company, said:

"On behalf of the Board, I am pleased to report that the Company enjoyed a successful introduction to life as a publicly traded company, exceeding its stated Target Return and Target Dividend for 2017. Supported by our outlook for the Company, underpinned by the Manager's expertise and track record along with strong sectoral tailwinds, the Board believes that the Company is well positioned to continue to deliver upon its Investment Objective and to grow accordingly. I am also grateful to the Manager for their support since admission and in my first year as Chair of the Company. "

This announcement contains Inside Information.

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Chair's Statement

Introduction

On behalf of the Board, I am pleased to report that the Company enjoyed a successful introduction to life as a publicly traded company, exceeding its stated Target Return and Target Dividend for 2017. Supported by our outlook for the Company, underpinned by the Manager's expertise and track record along with strong sectoral tailwinds, the Board believes that the Company is well positioned to continue to deliver upon its Investment Objective and to grow accordingly. I am also grateful to the Manager for their support since Admission and in my first year as Chair of the Company.

Performance

From the Company's Restructuring and Exchange Offer on 9 February 2017 until 31 December 2017, the Company's NAV increased 23.47%, inclusive of dividends declared during the same period. This allowed cash dividends of 2.4 pence per ordinary share to be announced in April, June and October 2017 and an increased cash dividend of 2.5 pence per share to be announced in January 2018. The dividend yield for the period was 6.9% of NAV at Admission, compared to the stated target of 6%, and approximately 6.3% of the year end NAV. This is reflective of the Board's confidence in the Company's performance, resources and prospects.

This robust performance was driven by several factors, most notably the improving regulatory and business environment being enjoyed by both US community and regional banks and a higher US Dollar LIBOR rate. These factors became increasingly powerful during the second half of the year but perhaps of significance for the Company was the enactment of the Tax Cuts and Jobs Act of 2017 in December. This tax reform directly benefits several of the Company's investment strategies as corporate tax reductions allow banks and insurance companies to retain higher capital levels, make strategic acquisitions and engage in capital management.

Corporate & Investment Activity

In 2017, the Company successfully completed two capital raises post Admission raising approximately £23 million in new capital. Proceeds from both capital raises were rapidly deployed into additional investments consistent with the Company's Investment Objective. Subsequent to the year end in March 2018, the Company also successfully raised further gross proceeds of approximately £5.8 million. The Board and the Manager have a strong desire to raise the Company's profile and view investor outreach as being a top priority and as such the Manager regularly engages with existing and potential new shareholders and is pursuing further opportunities in this regard.

In July 2017, the Company announced that it had completed the Group Restructuring to create a Jersey based holding company to allow for the management of upstreaming of portfolio income to the Company with greater flexibility, and to better reflect the anticipated timing differential between income earned and cashflow generated by certain of the Company's investments. The Group Restructuring also allows the Company to satisfy exemption criteria for the non-mainstream pooled investment regulations ("NMPI").

Finally, the Manager announced in December 2017 that it had further extended its agreement to absorb all recurring operating expenses, aside from management and incentive fees, until no earlier than 1 July 2018. This further demonstrated continued commitment from the Manager to support the Company through its growth stage.

Corporate Governance

The Board recognises the importance of strong governance and continues to maintain principles of good corporate governance. In this regard, the Company is a member of the Association of Investment Companies (the "AIC") and adheres to the AIC Code of Corporate Governance, Jersey Edition (the "AIC Code") which is endorsed by the Financial Reporting Council (the "FRC") and meets the Company's voluntary compliance with the UK Corporate Governance Code (the "UK Code").

The Board was very active during the period, convening a total of 18 Board meetings and 3 Committee meetings. As evidenced by the level of corporate activity since Admission, 2017 has been a very busy year and the Board and its advisers have worked together to allow the Company to deliver strong investment performance and growth. I anticipate the Board will remain very active during 2018 as the Company enters its next growth phase, seeking to capitalise on the numerous positive underlying trends that benefit its strategy.

The Company's first annual general meeting (the "Inaugural AGM") was held on 28 June 2017. All resolutions were unanimously approved by the shareholders, including the re-election of all the Directors to the Board. The Company also held an extraordinary general meeting on 30 November 2017 with all resolutions being unanimously approved by the shareholders.

Brexit

Although the Company's functional currency is Pound Sterling, it is not anticipated that the exiting of the United Kingdom from the European Union ("Brexit") will have a significant impact on the Company's operations in the short term. Notably, the Company has a currency hedging programme. However, it is acknowledged that Brexit could have significant macro-economic implications and, as such, the potential impact of outcomes from Brexit negotiations will be carefully monitored to identify and mitigate, wherever possible, any potential negative impacts on the Company.

Pipeline

The Company continues to see a healthy pipeline of Target Investments of regulatory driven opportunities in the financial sector and I remain confident of the Company's continued ability to be able to execute on these to allow the portfolio to grow in a manner consistent with the Company's Investment Policy.

Outlook

Given that current and prospective changes in financial regulations are anticipated to favour smaller US financial institutions in particular, I believe the Company is well positioned to invest in attractive opportunities in core areas identified by the Manager. Furthermore, as noted above, other factors such as reduced corporate taxes, higher interest rates and continued consolidation of smaller US banks are also expected to continue to benefit the Company's portfolio.

Of central importance for the Company is the current lack of material competition in the niche area of US bank and insurance securitisation and related investments. As such, I remain confident that the Manager's strong and demonstrable securitisation capabilities mean the Company is well placed to grow and continue to deliver attractive returns to shareholders.

The Board expresses its thanks for the continued support from its shareholders and looks forward to developing the Company further, with the Manager and the Company's advisors, to expand the shareholder base. We believe that the Company currently represents a very attractive risk-adjusted investment and we anticipate welcoming new shareholders in the near future.

Joanna Dentskevich
Chair
24 April 2018

Investment Manager's Report

We are pleased to present our review of the period ending 31 December 2017 and outlook for 2018.

The Company successfully completed its Exchange Offer as described in the Corporate Summary with its shares being admitted to the SFS of the London Stock Exchange.

Since the Exchange Offer to 31 December 2017, the Company delivered a total NAV return per ordinary share of 23.47%, inclusive of dividends totalling 9.7 pence per share declared for the period. This represents a dividend yield of approximately 6.9% of NAV at Admission, greater than the Company's Target Dividend yield of 6.0%.

During 2017, we also made several commitments to the Company. Firstly, we absorbed £3.985 million of professional fees and expenses of the Company and the Partnership relating to the Exchange Offer and Admission and all recurring operating expenses of the Company, aside from management and incentive fees. Post year end, we have also announced that we would continue this arrangement to at least 1 July 2018. These financial contributions to the Company reflect our commitment to its shareholders and to growing the Company.

The Company remains focussed on growth and will continue to work closely with its advisers and to continue its marketing efforts to potential investors following the successful placings through the Placing Programme in 2017 and that in March 2018. Growing the Company's capital base will enable it to take advantage of the continued attractive opportunities and improve liquidity in the Company's shares.

The supportive economic and market environment provides a compelling opportunity for further investments in underlying exposure to smaller US banks and insurance companies and specialty finance. We have deployed the cash proceeds raised in 2017 in line with the Company's Investment Objective including, through the Subsidiary's investment in the Partnership, acquiring the equity tranches of bank and insurance TruPS CDOs. As discussed more fully below, this securitisation and related investments segment of the portfolio has increased from 0% at the start of the period to approximately 60% by the year end. The Company has a significant degree of transparency with respect to its potential investment pipeline in this area and expects this segment of the portfolio to increase through 2018.

Market Overview

The Company remains focused on investment opportunities driven by changing financial regulations in the US and Europe. The Company is currently focussed on US assets backed by exposure to smaller banks and insurance companies. This is because we believe regulatory changes will enable these well-positioned institutions to grow and gain greater leverage to an improving economy. As a direct consequence of these positive tailwinds, we believe TruPS and other debt securities of community, regional banks and insurance companies remain and will continue to provide very attractive risk-reward opportunities for the Company. We believe the Company's investment portfolio is well positioned to meet its target return and dividend guidance, and we continue to work with our Board and advisers to grow the Company's capital base over time via the Placing Programme.

US Community Bank Market Update

We continue to believe that small US banks are benefitting from favourable regulatory, industry and macro-economic trends. These powerful developments serve to underpin the attractiveness of the Company's Securitisation and Related Investments, allowing them to deliver attractive risk-adjusted returns. Recent developments have served to further strengthen our very high degree of conviction.

Regulatory Developments

During the fourth quarter of 2017, further deregulatory initiatives were announced by the US authorities. We believe these initiatives will be particularly positive for the US community and regional banking sector.

In November, a bipartisan group of senators introduced the Regulatory Relief Bill (S.2155) ("the Regulatory Relief Bill"), which the Senate Banking Committee advanced in December. There are several marquee items, which if passed by the House of Representatives as we anticipate, will increase the number of smaller US banks that will directly benefit. In turn, this will buttress the material advances the sector has made in recent years, and set the conditions for further improvements.

The Regulatory Relief Bill contained the following highlights:

- SIFI (Systemically Important Financial Institution) Threshold – The Regulatory Relief Bill sought to immediately raise the minimum level of SIFI applicability to $100 billion from the previous level of $50 billion in assets. Additionally, the threshold would subsequently be raised to $250 billion of assets 18 months after passage. We believe that the removal of the Comprehensive Capital Analysis and Review ("CCAR") stress test process for the regional banks will lower regulatory costs and allow financial institutions to more effectively manage their balance sheets. The effect will likely be lower capital levels, increased loan growth, increased M&A activity and prepayment of less efficient legacy debt, such as TruPS.

- Small Bank Holding Company Policy Statement – The Regulatory Relief Bill sought to expand the applicability of the Small Bank Holding Company Policy Statement by immediately raising the maximum asset threshold to $3 billion of assets from the previous level of $1 billion of assets. This change would increase the number of banks that would benefit from this rule by 375 to more than 5,200. This policy statement allows small banks to issue subordinated debt and treat it as Tier 1 equity capital at their bank subsidiary. The use of this capital is unlimited and may be used for organic growth as well as acquisitions.

The effect will be a reduced cost of capital, higher profitability and increased M&A activity within the community bank space. We also believe this could lead to accelerated prepayment of small bank TruPS as they alternatively seek to raise subordinated debt.

- Non-Qualified Mortgage Relief – The Regulatory Relief Bill sought to extend the Qualified Mortgage rule's safe harbor to all banks with less than $10 billion of assets that hold mortgage loans on balance sheet. We believe this rule has the effect of making lower cost mortgages available to borrowers that have been unable to meet the onerous definitions contained within the current rule. We expect direct lenders to lose share in this category.

We further believe the Regulatory Relief Bill is supportive of both recommendations proposed by the US Treasury in June, as well as the Notice of Proposed Rulemaking that was put forth by the Federal Reserve, the Federal Deposit Insurance Company and the Office of the Comptroller of the Currency to effectively freeze all Basel III implementation for banks less than $250 billion of assets. This, in turn, should be very positive for the Company's portfolio, particularly its exposure to small bank securitisations sponsored by EJF.

US Community Bank Market Overview

Smaller US banks continue to exploit their increasing regulatory and market-driven flexibility to take share from larger competitors. As seen in Figure 1, small bank loan growth increased by approximately 6.6% in 2017 compared to loan growth of 1.6% for the largest 25 banks during the same period.

In addition to regulatory reform, there have been positive tax reforms in the US. In early December, the US Congress enacted the Tax Cuts and Jobs Act of 2017, which permanently reduced the corporate tax rate from 35% to 21%. This is highly significant for many US companies, particularly community banks and insurance companies in our opinion, as they often pay the full, or close thereto, the stated tax rate, meaning any cut is very beneficial. Overall, corporate tax reductions enable banks and insurance companies to bolster capital levels, make strategic acquisitions, and/or engage in capital management.

Furthermore, consolidation among banks continues apace. In 2017, there were 292 bank merger and acquisition transactions announced. We believe that current bank valuations, together with the increased burden of regulatory compliance on larger institutions, set the stage for a meaningful acceleration in consolidation over the next several years, particularly within the community banking sector. It is also noteworthy that small US banks continue to display robust asset quality metrics. Indeed, total non-performing loans for the banking industry have declined from a peak of 5.6% in Q1 2010 to 1.2% as at Q4 2017, a drop of greater than 70%.

TruPS CDO Market Update

Market trading activity in TruPS CDOs remains focused on pre-financial crisis vintages. Demand was robust throughout 2017 as underlying asset fundamentals remained strong, defaults low and prepayments continued. In addition to bond trading, liquidations of TruPS CDOs continued as auction call dates were reached. Demand for single name TruPS and CDOs backed by TruPS collateral continued to benefit from two main themes:

1) The continuing rally of 3-Month US Dollar LIBOR:

The majority of TruPS are instruments which have a 3-Month US Dollar LIBOR reference rate. During 2017, 3-Month US Dollar LIBOR increased from approximately 100 basis points to 170 basis points. As US Dollar LIBOR continues its upward trajectory, the cost of such debt for an issuer increases, which in turn can further incentivise it to redeem its TruPS which in turn de-levers the Company's small bank and insurance related securitisation investments.

2) Increased market demand for small US bank debt:

As smaller US banks continue to benefit from structural and regulatory changes, their underlying credit quality has improved. In addition to upward moves in the short rates which can improve their profitability, credit spreads for new issue bank subordinated debt continued to tighten motivating banks to seek more efficient forms of capital and funding.

As the TruPS sector continues to improve, the Manager anticipates being able to take advantage of increasing demand by pricing the debt securities of future EJF-sponsored securitisations at tighter spreads. This will have a positive impact to the overall return profile of the equity tranches of the securitisations.

Portfolio Update

The EJFI Group's investment portfolio performed strongly during 2017. Throughout the period, the EJFI Group continued to rebalance its portfolio away from certain legacy investments that generate payment-in-kind income in favour of current, cash-flowing investments. Consistent with this objective, the EJFI Group sold several REIT TruPS CDO securities, realising price appreciation gains resulting from improvements in the underlying CDO credits alongside a more active secondary market for such products. Furthermore, the EJFI Group's specialty finance investment in the Armadillo portfolio continued to return a significant amount of capital with some impairment, which reduced the EJFI Group's exposure to this segment by period end. The Subsidiary reinvested the majority of its strong NAV accretion, cash inflows and newly raised capital proceeds into Securitisations and Related Investments.

Securitisation and Related Investments

In 2017, the Company made its first securitisation and related investment, via the Partnership, and over the course of the year, increased its exposure to this asset class to approximately 60% of gross assets. We believe that the Securitisation and Related Investments provide an attractive investment opportunity from a risk-reward perspective. We believe these investments capitalise upon the current and prospective positive tailwinds being enjoyed by the small-cap banking and insurance sectors. We believe that the current environment for small-cap banks and insurance companies may result in increased TruPS prepayment activity, which would lead to shortened duration and ultimately to a potential increase in yield if the investments were to be called prior to maturity.

Furthermore, EJF CDO Manager LLC (the "CDO Manager") is the collateral manager for each of the EJF-sponsored securitisations in which the Company, through its investment in the Subsidiary, acquires Securitisation and Related Investments. The Subsidiary has a 49% interest in the CDO Manager and the CDO Manager earns an annual collateral management fee of 0.10% to 0.20% of each securitisation's outstanding collateral, payable quarterly, and an incentive fee in line with the terms of the management agreement. Payment of the collateral management fees is senior to the interest payments to all bond holders and preferred shareholders. As a 49% owner of the CDO Manager, the Company, through its investment in the Subsidiary, will receive 49% of the annual collateral management fees (net of expenses and taxes) through the life of the associated EJF-sponsored securitisation.

TFINS 2017-1

In March 2017, the Company gained exposure, through the investment in the Partnership, to its inaugural risk retention investment. The Company invested approximately £8.4 million in the Partnership, acquiring an ownership interest of approximately 65%. The Partnership subsequently acquired $16 million (approximately £12.7 million) of the TFINS 2017-1 equity tranche. In June 2017, the Company, through its investment in the Subsidiary, acquired an additional $6.5 million (approximately £5.0 million) of the TFINS 2017-1 equity tranche.

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

To date, TFINS 2017-1 has performed in line with expectations. The securitisation received a loan prepayment of $1 million from an underlying borrower during the period. The Partnership and the Subsidiary, collectively, received $919,000 in quarterly distributions from TFINS 2017-1 in 2017.

TFINS 2017-2

In October 2017, the Subsidiary invested approximately £12.9 million in the Partnership, increasing its ownership interest in the Partnership to approximately 83%. The Partnership subsequently acquired $17 million (approximately £12.8 million) of the TFINS 2017-2 equity tranche, its second risk retention investment.

TFINS 2017-2 is a $340 million CDO backed by a static pool of debt securities issued by 29 US community banks and 23 US insurance companies with an original aggregate par value of approximately $353 million. At closing, the underlying securities had a fixed-rate weighted average coupon of approximately 7.7% and a floating-rate weighted average spread of approximately 3.1%. Additionally, the weighted average life of the underlying securities was approximately 11 years as of the closing date. TFINS 2017-2 has a final maturity date of September 2039, but will be callable beginning in September 2019 at the option of the preferred shareholders, with mandatory auction calls beginning after eight years.

To date, TFINS 2017-2 has performed in line with expectations. The Partnership will begin to receive quarterly distributions from TFINS 2017-2 in March 2018.

TPINS 2016-1

In December 2017, the Subsidiary invested approximately £10.3 million in the Partnership, increasing its ownership interest in the Partnership to approximately 85%. The Partnership subsequently acquired $15.8 million (approximately £11.7 million) of the TPINS 2016-1 equity tranche, its third risk retention investment.

Closed in March 2016, TPINS 2016-1 was originally structured as a securitisation of approximately $347.3 million of bonds and preferred shares collateralised by an aggregate par value of $354.4 million TruPS, senior notes and surplus notes issued by US insurance companies. TPINS 2016-1 experienced a high rate of prepayment activity in 2016 and 2017. From the time the securitisation closed in March 2016 through October 2017, approximately 7.7% of the underlying securities have been redeemed and approximately 16% of the securitisation's senior tranche had been repaid. In November 2017, EJF restructured the securitisation and refinanced the senior tranches at a lower interest rate, which improved the cash flows to the equity tranches of the securitisation.

As of December 2017, which was the TPINS 2016-1 restructuring date, 100% of the underlying collateral was floating rate, had a principal balance totalling $326.2 million, had a weighted average spread of approximately 3.99% and a weighted average life of approximately 15.7 years. As part of the restructuring date, the non-call date was amended from October 2017 to April 2019. The maturity date and auction call date remained unchanged at October 2034 and April 2024 respectively.

The Partnership will begin to receive quarterly distributions from TPINS 2016-1 in April 2018.

Subordinated Debt Investment

In November 2017, the Subsidiary made a $7.5 million investment in a ten-year subordinated bond issued by a $1.4 billion asset bank holding company that provides commercial, consumer, and residential financing solutions as well as ancillary business lines in merchant processing, mortgage banking, investment management, and trust administration. The bond has a 5.875% fixed interest rate that will flip to a floating rate of US Dollar LIBOR plus 3.75% in five years if not called by the issuer. This subordinated bond will be potentially eligible, in whole or in part, to be sold into a future EJF-sponsored securitisation in exchange for cash and an equity tranche investment at a higher yield than its 5.875% fixed interest rate.

CDO Bond Securities

In 2017, the CDO bond securities portfolio benefited from the rising US interest rate environment and cash flows began to increase.

Given the improving market, the EJFI Group sold several non-cash flowing REIT TruPS CDO securities at a gain and acquired one REIT TruPS CDO security that is currently paying interest on a quarterly basis. Each of the remaining CDO bond securities in the Subsidiary's portfolio is collateralised by a pool of debt issued by REITs, homebuilders, real estate operating companies, commercial mortgage backed securities, and other real estate related debt.

Specialty Finance

Armadillo Portfolio

The Subsidiary's existing investment in the Armadillo Portfolio continues to pay down. As the underlying Armadillo Portfolio loans are repaid, Armadillo periodically distributes income and principal to its investors. During 2017, the EJFI Group received approximately £10.2 million in distributions from the Armadillo Portfolio. During 2017, the EJFI Group's investment in Armadillo decreased from £27 million on the Exchange Date to £17.4 million as at 31 December 2017. After adjusting for proceeds received, the Armadillo Portfolio increased by approximately £630,000 or 2.2% of the initial balance.

While decreases resulting from fluctuations in currency exchange materially impacted this change in value, the Subsidiary's investment in Armadillo also experienced write-downs related to three loans. A partial reserve had previously been raised against one of these loans and this loan was written down to a value of zero in December. The cumulative impact of the impairments reduced the Company's NAV by approximately £1.9 million. Armadillo's manager is actively seeking to recover as much of the invested loan amounts as possible.

Bridge Loan

The Subsidiary has an investment in a bridge loan to an affiliate of a publicly listed insurance company. The loan has a 14% interest rate and matures in January 2020. This investment continues to perform in line with the Manager's expectations.

Outlook

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

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

Post period end update

In January 2018, the Directors declared a dividend of 2.5 pence per share (approximately $0.03/share) in respect of the fourth quarter performance, up from the third quarter's dividend of 2.4 pence per share. The Board has approved an amended dividend policy and the Company now targets an annual dividend of 10 pence per share for the financial year to 31 December 2018.

The Company sold two REIT TruPS CDO securities in January 2018 for a gain of approximately £10.6 million that generated total sale proceeds of approximately £15.8 million. The key driver behind the valuation uplift was that the bonds started to receive cash interest in the month of January for the first time since 2008. The Company was able to take advantage of the positive development and decided to sell the bonds as the secondary market continues to expand.

In March 2018, the full Senate voted to approve the Regulatory Relief Bill by a wide margin (67-31).

On 7 March 2018, EJF Capital Limited, a wholly owned subsidiary of the Manager, acquired 534,135 ordinary shares in the Company at an average price of 171.5 pence per share. This transaction was in satisfaction of the Incentive Fee payable to the Investment Manager for the Incentive Fee Period ending 31 December 2017 and the Incentive Shares are subject to its Lock-Up Deed.

On 9 March 2018, the Company raised gross proceeds of approximately £5.8 million through a placing and subscription of 3,379,050 new Ordinary Shares under the Company's Placing Programme at 171.5 pence per share. The new Ordinary Shares were admitted for trading on the SFS of the London Stock Exchange on 13 March 2018. The new Ordinary Share price represented a premium of 1.8 % to the last published NAV per Ordinary Share (adjusted for the dividend declared on 22 January 2018 and paid on 2 March 2018). The Company incurred issuance costs of approximately £100,000 as a result of the issuance of these new shares.

In April 2018, the Company changed its registrar to Computershare Investor Services (Jersey) Limited.

EJF Investments Manager LLC
Investment Manager
24 April 2018

The Company

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

The Company is externally managed by EJF Investments Manager LLC (the "Manager" or "Investment Manager"), an investment adviser based in the United States and registered as such with the U.S. Securities and Exchange Commission ("SEC") and the U.S. Commodities and Futures Trading Commission. The Company invests in a diversified portfolio of investments through its subsidiary, EJF Investments Holdings Limited (the "Subsidiary"). The Company controls the Subsidiary through a holding of 100% of its shares.

Company Overview and Investment Objective

As disclosed in the Company's prospectus dated 9 November 2017 (the "Prospectus"), the Company seeks to generate attractive risk adjusted returns for its shareholders, by investing in opportunities created by regulatory and structural changes impacting the financial services sector. These opportunities include structured debt and equity, loans, bonds, preference shares, convertible notes and private equity, in both cash and synthetic formats issued by entities domiciled in the US, UK and Europe (the "Investment Objective"). The Company intends to make quarterly dividend payments of income arising from the portfolio in addition to targeting Net Asset Value ("NAV") growth.

Investments consist primarily of securitisation and related investments and specialty finance investments ("Target Investments"). The Company is targeting an annualised risk-adjusted NAV total return of 8 to 10 % per annum (the "Target Return"). Whilst the dividend target was a 6% per annum cash dividend payable quarterly calculated with reference to the Company's NAV per share on admission of 141 pence per share, the Board has approved an amended dividend policy and the Company now targets an annual dividend of 10 pence per share for the financial year to 31 December 2018 (the "Target Dividend"). The Company's detailed investment policy (the "Investment Policy") can be found on page 60 of the Prospectus.

Investment Manager

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

Structure

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

During the period from incorporation to 9 February 2017 (the "Exchange Offer"), the Partnership and its affiliates (collectively, and together with the Company, the "Group") undertook a restructuring of their assets and corporate structure in order to facilitate, amongst other matters, the implementation of a group structure so as to (i) facilitate the admission of the Ordinary Shares of the Company on the Specialist Fund Segment (the "SFS") of the London Stock Exchange, (ii) restructure the Partnership in order to ensure that the Company gains exposure to risk retention investments in the Partnership in a manner which is compliant with the relevant risk retention regulations in the U.S. and the European Union (iii) expand the Partnership's investment mandate to permit, among other things, the making of certain target investments, such as, inter alia, risk retention investments with a right of first refusal to purchase or subscribe for EJF sponsored risk retention securities (the "Restructuring"). Pursuant to the Restructuring, the Partnership transferred substantially all of its assets to the Company.

Following implementation of the Restructuring, the Company was the ultimate holding company in the Group and the majority-holder of partnership units in the Partnership ("Partnership units"). As at 31 December 2017, the Subsidiary holds approximately 85% with the remaining Partnership units being held by the Manager and the Partnership's general partner, EJF Investments GP Inc. (the "General Partner").

Ordinary Shares

On 7 April 2017 (the "Listing Date"), the Company's Ordinary Shares were admitted to the SFS of the Main Market of the London Stock Exchange ("Admission").

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

Placing of new shares

In July 2017, the Company raised gross proceeds of approximately £8 million through the placing and subscription of 5,479,453 new Ordinary Shares at 146 pence per share pursuant to the Company's then existing general authority.

In November 2017, the Company renewed a placing programme (the "Placing Programme") allowing it to raise additional capital. The Placing Programme currently provides for the issuance of up to 100 million ordinary shares or C shares, at a premium to NAV, and up to 50 million zero dividend preference shares ("ZDP Shares").

Pursuant to the Placing Programme, in December 2017, the Company successfully raised gross proceeds of approximately £15 million through the issuance of 15 million ZDP shares. The ZDP Shares carry a 5.75% gross redemption yield and are repayable on 1 December 2022.

In addition, in March 2018, the Company announced the raising of further gross proceeds of approximately £5.8 million pursuant to a placing of 3,379,050 new ordinary shares under the Placing Programme at a 1.8% premium to NAV.

Listing information

	Ordinary Shares	2022 ZDP Shares
ISIN	JE00BF0D1M25	JE00BDG12N48
SEDOL	BF0D1M2	BDG12N4
TICKER	EJFI	EJFZ

Statement of Principal Risks

Principal Risks and Uncertainties

The Directors have carried out a robust assessment of the principal risks facing the Company. The Directors consider the principal risks of the Company to be those risks, or a combination thereof, that materially threaten the Company's ability to meet its investment objectives, solvency or liquidity.

Risks faced by the Company include (but are not limited to) strategic risk, financial risk, investment risk, compliance risk and operational risk, as summarised in the Prospectus on pages 16-47. On a regular basis the Directors review all identified risks along with their mitigants as well as any new risks that they consider the Company may become exposed to. Having assessed the risks currently facing the Company, the Directors believe the principal risks of the Company to be those listed below.

As mentioned in the Chair's Report, whilst the Directors believe that Brexit should not have an adverse direct impact on the performance of the Company's investments, the Directors do believe that the uncertainty surrounding macro-economic factors from now until after the United Kingdom has left the EU could negatively impact some of the Company's principal risks. These uncertainties have been incorporated into the scenarios used for the stress testing when determining the viability of the Company which the Directors consider to be a reasonable approach given the inherent uncertainty involved.

Principal Risk	Management & Mitigants of Risk
Strategic Risks	
Macro, economic and political Adverse global, market and economic conditions impact the availability of investment opportunities, the investor base as well as the liquidity and values of the Company's existing investments	The Manager evaluates and monitors the macro, economic, political and market cycle risks it deems material to the Company's Investment Policy. 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.
Inability to raise sufficient capital to meet attractive investment opportunities The limited history of the Company and specifically the Manager in Europe, and the complex nature of the underlying assets, may hinder the Company in raising sufficient capital in order to take full advantage of its investment pipeline.	The Manager uses appropriate internal and external resources with the objective to increase and diversify the Company's capital organically and via the current Placing Programme. The Manager and the Board regularly evaluate these resources to ensure that they are compatible with the Company's objectives. In addition, the Manager seeks to improve liquidity in the stock by meeting new investors and conducting roadshows to raise market awareness and explain the Company's strategy and investment thesis.
Changes in law, taxes and regulation invalidate the investment opportunities The Company's investments are subject to regulations enacted by national and local governments, changes to which may invalidate the current investment opportunities and make it difficult for the Company to pursue its Investment Policy.	The Manager, along with the Company's Financial Adviser, Administrator and legal advisers, monitors and evaluates regulations that could potentially invalidate the Investment Policy. The Board is kept abreast of any potential changes on a regular basis through its committee and Board meetings and regular communication with the Manager and Company's advisers. In addition, the Company's Investment Policy allows the Company to pursue a wide variety of investment opportunities.
Changes in law, taxes and regulation invalidate the EJFI Group's structure The EJFI Group is subject to taxes, laws and regulations enacted by national and local governments. Changes in such taxes, laws and regulations may invalidate the current substance of the structure.	As with changes to laws, taxes and regulations that may invalidate the Company's Investment Policy, the Manager also keeps abreast of potential changes to the regulatory, legislative and tax environment that may invalidate the EJFI Group's structure. Changes are communicated to the Board on a regular basis through its committee and Board meetings. The staff at the Manager and the Administrator are sufficiently experienced and trained to deal with changes which may occur. In addition, the Board will be updated on any relevant changes by its legal counsel and professional advisers.

Strategic Risks (continued)	
Manager key man dependency The Company is dependent on the ability of the Manager for successfully pursuing its Investment Objective and on its ability to retain and recruit staff.	The Manager's senior management team has a proven track record and is recognised as an expert in their field. The Manager employs experienced individuals and regularly reviews remuneration levels against the employment market and the requirements for skills and headcount. Their remuneration policies are designed to strike an appropriate balance between short-term and long-term rewards, alignment and retention.
Financial Risks	
Valuation The nature and concentration of the Company's investments can make them more difficult to value compared to more liquid investments. Furthermore, a general market collapse and/or a seizing-up of credit markets may render it impossible to price certain investments with any degree of accuracy, or at all.	The Company has a stated valuation policy for all underlying investments which is applied by the Administrator when preparing the monthly NAV. Where appropriate, the Manager has appointed a recognised independent valuation agent to provide positive assurance or a range of values around the valuations derived from models developed by the Manager or the valuation agent at inception and, where required, periodically thereafter.
Inaccurate pricing could cause realised profits to be materially different from those previously reported potentially resulting in investors trading in and out of the Company's shares based on previously unverifiable information.	The Manager has a valuation committee which meets monthly to review the valuation of illiquid investments which feeds into the NAV process. The NAV is reviewed and approved on a monthly basis by the Manager and the Board. The annual audit carried out by KPMG LLP has identified the valuation of investments as one of the key audit matters to be considered.
Investment Risks	
Credit Risk The performance of the Company's underlying assets and in turn its NAV and share price may be impacted by adverse credit losses in the portfolio. Medium or long-term unfavorable credit markets may prevent the Company from making new investments.	The Manager carefully assesses credit risks in each of the Company's investments, based on various credit analyses, market and macro conditions and underwriting stress scenarios and conducts regular credit surveillance on the Company's portfolio.
Interest Rate Risk A large percentage of the Company's assets are linked to floating interest rates. The translated cashflows and valuation of the assets are correlated to interest rates. A decline in interest rates may have a negative impact on expected future cashflows and the underlying valuation of the Company's assets.	The Manager carefully evaluates the interest rate environment on investment to mitigate interest rate risk. The Company's assets and future investments are carefully selected, taking into account the prevailing interest rate environment, as viewed by the Manager. The Manager assesses interest rate risk on an ongoing basis and may choose to utilise appropriate strategies to manage interest rate risk using, for example, interest rate swaps if deemed necessary.

Investment Risks (continued)	
Investment Opportunity Risk retention investments are dependent upon a healthy primary securitisation market. If market conditions negatively impact the securitisation market, the Company may be restricted in its ability to make new investments.	The Manager evaluates and monitors the current and expected market conditions ahead of making any new investment. The Board is updated on a monthly basis and at quarterly Board Meetings.
Operational Risks	
Dependency on the Manager, Administrator & other service providers The Company is dependent on the ability of its service providers for the successful management and administration of the Company's affairs, including ensuring that all legal, regulatory and reporting requirements are met, and on their respective ability to retain and recruit sufficient appropriately qualified and experienced staff. In addition, the Company is reliant on these service providers for having appropriate policies and procedures in place in order to meet all the Company's requirements.	The Company's service providers were selected through a process based on recommendation and their experience and ability to meet the Company's requirements. The Board is in regular contact with the Administrator and Manager to ensure that the policies and procedures implemented are appropriate and effective and meet regularly to review the service level. The Board has established a Management Engagement Committee which reviews the effectiveness of all key service providers on an annual basis.
Cybercrime The Company is reliant on the controls of its service providers to ensure day to day operations are adequately protected against cyber threats. Inadequacies or failures in these systems due to external factors could result in financial or reputational damage to the Company or its affiliates.	The Company's service providers have IT policies and procedures in place to mitigate risk of failure, corruption and penetration and regularly review and test IT security matters to ensure controls are effective. In addition, Board papers are distributed via a secure virtual board room.

Board of Directors

Joanna Dentskevich

Joanna Dentskevich, a Jersey resident, has over 25 years of risk, finance and investment banking experience gained in London and Asia and now sits on the board of a number of investment companies and financial services businesses. Prior to moving to Jersey in 2008, she was director of risk at Deutsche Bank and Morgan Stanley and chief risk officer of a London based hedge fund. Joanna is a director of the London main market listed company, GCP Asset Backed Income Fund Ltd and the Royal Bank of Scotland International where she is also chair of the risk committee. Joanna is a Chartered Member of the Chartered Institute of Securities and Investments.

Alan Dunphy

Alan Dunphy, a Jersey resident, is a fellow of the Institute of Chartered Accountants in Ireland and moved to Jersey in 1998 to join the Assurance and Business Advisory Division of PricewaterhouseCoopers (formerly Coopers and Lybrand). Alan has over 19 years of experience in the offshore financial industry and currently works for LGL Trustees as a director on fund and corporate client structures. Before joining LGL Trustees in June 2014, he was managing director of a global fund management group, Bennelong Asset Management and a director of Capita Fiduciary Group in Jersey prior to which he was at Abacus Financial Services Group.

Nick Watkins

Nick Watkins, a Jersey resident, is a qualified solicitor in England and Wales, having started his career as a corporate tax lawyer with Dechert LLP in London. He is currently a partner and director of Altair Partners Limited, which provides independent directors to funds and regulated entities. Prior to joining Altair in 2014, he was global head of transaction management for Deutsche Bank's Alternative Fund Services division.

Before joining Deutsche Bank in 2010, Nick worked for six and a half years with Citco Trustees in the Cayman Islands, where he was assistant managing director and senior in-house counsel. Before joining Citco, he worked as legal services manager for Abacus Trust Company in the Isle of Man.

Neal J. Wilson

Neal Wilson co-founded EJF in 2005 and serves as its Chief Operating Officer. In addition to serving as the Chief Operating Officer for EJF, Neal currently serves as the Chief Executive Officer of EJF Investments Manager LLC, the Manager of the Company. Prior to forming EJF, Neal served as a senior managing director for both the Alternative Asset Investments and Private Wealth Management groups at FBR. Prior to joining FBR, he was a senior securities attorney at Dechert LLP and a Branch Chief in the Division of Enforcement at the US Securities and Exchange Commission in Washington, D.C. He is a member of the Board of Directors of Urban Exposure Finance Limited, a member of the Board of Trustees of Sidwell Friends School ("Sidwell") and Hood College, and serves as the Clerk of the Finance Committee for Sidwell. He served as a member of the Board of Trustees of the Montgomery County (Maryland) Public Schools Employee Pension for nine years until 2013 and in 2014 received a Distinguished Service Award from Montgomery County for his contributions. In June 2014, Neal served as Co-Chair of the Bridges Gala for the Marriott Foundation for People with Disabilities Bridges from School to Work Program. He received his BA from Columbia University and his JD from the University of Pennsylvania.

Corporate Governance Report

Corporate governance compliance statement

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

The Directors recognise the value of the UK Code and have also considered the principles and recommendations of the AIC Code. The AIC Code addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company.

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 period from Admission to 31 December 2017, the Company complied with the recommendations of the AIC Code, with the exception of the recommendations listed below.

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

- The appointment of a Senior Independent Director: Given the size and composition of the Board it is not felt necessary to separate the roles of the Chair and Senior Independent Director.

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

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

- Nomination and remuneration committees: Given the size of the Board it is considered that it would be unnecessarily burdensome to establish separate nomination and remuneration committees, therefore such committees have not been established.

- The Chair of the Company is also a member of the Audit Committee. As the Chair is considered to be independent, the Board believe it is appropriate.

Board Composition and Director Independence

As at 31 December 2017, the Board of Directors of the Company comprised three independent non-executive Directors and one non-independent non-executive Director, as set out below. The Company has no executive directors or any employees.

Independent non-executive Directors

Joanna Dentskevich	Chair of the Board
Alan Dunphy	Chair of the Audit Committee
Nick Watkins	Chair of the Management Engagement Committee

Non-independent non-executive Director

Neal Wilson

With respect to the AIC Code, the Board have considered the independence of each Director and consider that all Directors apart from Neal Wilson to be independent. The Directors believe that it is appropriate that Alan Dunphy be considered as independent for the purposes for the AIC Code, for reasons disclosed on page 90 of the Prospectus.

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 these 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 Crestbridge Fund Administrators Limited (the “Company Secretary” or “Administrator”). The Board also considers the remuneration of the Directors as a separate remuneration committee has not been established. Representatives of the Manager are invited to attend Board meetings on at least a quarterly basis.

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

Formal training has been provided to the Directors during the period and the Directors are kept up to date on other matters such as corporate governance and regulatory issues through bulletins and training materials provided from time to time by the Company Secretary, the AIC and other professional firms.

The Board and relevant personnel of the Manager acknowledge and adhere to the Market Abuse Regulations (“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

In deciding upon the tenure of the Directors, the Board is strongly committed to balancing the benefit to the Company of continuity and experience against independence, perspective and the functioning of the Board. All Directors were subject to re-election at the Company’s Inaugural AGM, which was held on 28 June 2017.

In accordance with the AIC Code, when a Director has served for nine years or more, the Board will review whether that Director can continue to be considered independent although there is no finite limit to the length of tenure of Directors. The Company’s Articles of Association 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 annual general meeting (“AGM”). However, notwithstanding the Company’s Articles of Association, the Board has adopted a policy that all Directors will retire and seek re-election on an annual basis. The Directors are all strongly committed to the Company and the Board considers that the re-election of all Directors on an annual basis will be in the best interests of the Company.

Diversity

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

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

Director meetings and attendance

Whilst all of the Directors were appointed to the Board prior to Admission of the Company's shares to trading on the SFS, none of the Directors have been on the Board for the entire reporting period.

The table below shows the attendance at Board, Audit and Management Engagement Committee meetings held from Admission to 31 December 2017.

Name	Quarterly Board	Audit Committee	Management Engagement Committee	Ad hoc Board
Number of meetings held	3	2	1	15
Joanna Dentskevich, Chair (appointed 17 March 2017)	3	2	1	13
Alan Dunphy, Chair of Audit Committee (appointed 12 December 2016)	3	2	1	15
Nick Watkins, Chair of Management Engagement Committee (appointed 17 March 2017)	3	1	1	14
Neal J. Wilson (appointed 27 January 2017)	3	N/A	N/A	14

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

The ad-hoc meetings held relate to the Exchange Offer and subsequent Admission on the SFS of the London Stock Exchange, a new prospectus, two capital raises, approval of conflicted investments, appointments of service providers, opening of bank and custody accounts and approval of NAV statements.

Directors' Performance Evaluation

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

Director Remuneration

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

Relations with Shareholders

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

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

Board Committees

Audit Committee

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

The key objectives of the Audit Committee include a review of the Financial Statements to ensure that they are prepared to a high standard and comply with relevant legislation and guidelines, as appropriate, and to maintain an effective relationship with the Auditor. With respect to the Auditor, the Audit Committee's role will include the assessment of Auditor independence, the effectiveness of the audit, and a review of the Auditor's engagement letter, remuneration and any non-audit services provided by the Auditor. The Audit Committee Report provides further detail of the committee's activities during the period.

Management Engagement Committee

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

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

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; and its Custodians. The Board continues to be responsible for reviewing the adequacy and effectiveness of the Company's ongoing risk management systems and processes. Its system of internal controls, along with its design and operating effectiveness, is subject to review by the Board through reports and periodic updates received from service providers at the quarterly Board meetings of the Company. 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 Bribery Act 2010, enacted in the UK, at the date of this report the Board had 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 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.

Alternative Investment Fund Managers' Directive

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

The AIFMD requires the AIFM to comply with certain disclosure, reporting and transparency obligations for Alternative Investment Funds ("AIF") that it markets in the EU. The Company's Prospectus (both the original

Prospectus issued in connection with Admission and the ZDP Prospectus issued and published on 9 November 2017) contained a schedule of disclosures prepared by the Directors for the purposes of AIFMD.

In addition, the 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 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 with due regard to 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.

The AIFMD also requires the Company to disclose the remuneration of its investment manager (if any) providing analysis between fixed and variable fees along with the information of how much of such remuneration was paid to senior management at the investment manager and how much was paid to members of staff. As the Manager has no employees there is no information to report in that respect and details of the remuneration paid to the Manager is disclosed in note 24.

By Order of the Board

Joanna Dentskevich
Chair

24 April 2018

Directors' Report

The Directors present their annual report on the affairs of the Company, together with the financial statements and Auditor's Report, for the period from 20 October 2016 to 31 December 2017. The Corporate Governance Report forms part of this report.

Results and Dividends

Results for the period ended 31 December 2017 are set out in the Statement of Comprehensive Income.

The Directors declared dividends of £4,979,540 for the period ended 31 December 2017. Further details of dividends declared or paid are detailed in notes 20 and 27.

Share Capital

At 31 December 2017, the Company's issued share capital comprised 54,543,142 Ordinary Shares, none of which were held in treasury. Further details on share issues in the period can be found in the Chair's Statement.

Directors and Directors' Interests

Details of the Directors' remuneration are included in the Directors' Remuneration Report. The Directors had the following interests in the Company at 31 December 2017.

Name	Ordinary Shares[1]	% of Issued Ordinary Shares	ZDP Shares	% of Issued ZDP Shares
Neal Wilson	1,131,184	2.07	375,000	2.5
Joanna Dentskevich	20,548	0.04	-	-

Disclosure of Directorships in Public Companies Listed on Recognised Stock Exchanges

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

Major Interests in Shares

On 31 December 2017, the Company has been notified, in accordance with chapter five of the Disclosure and Transparency Rules, of the following voting rights as shareholders of the Company:

Name	Ordinary Shares	% of Issued Ordinary Shares
MP CDO Investments Limited	15,200,000	27.87
Cheetah Holdings	9,137,055	16.75
Morstan Nominees Limited seg acct	3,566,546	6.54
Leon Cooperman	3,000,000	5.50
Wolfson Equities	2,984,236	5.47

Independent Auditor

KPMG LLP (the "Auditor") were appointed on admission to the SFS of the London Stock Exchange and their terms subsequently agreed on 5 July 2017. Their engagement terms were subsequently varied on 23 August 2017. A resolution to re-appoint KPMG LLP as auditor will be put to the next AGM.

Investment Manager

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

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

Financial Risk Management

Information about the Company's financial risk management objectives is set out in note 22 to the financial statements.

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

Going Concern Statement

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

Viability Statement

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

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

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

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

By Order of the Board

Joanna Dentskevich
Chair

24 April 2018

Directors' Remuneration Report

The Directors are pleased to present their report on remuneration for the period ended 31 December 2017.

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

Remuneration Policy

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

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

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

Directors' Remuneration

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

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

	Directors' Fees £	Additional Fee £	Total £
Joanna Dentskevich	31,644	7,911	39,555
Alan Dunphy[1]	41,943	5,243	47,186
Nick Watkins	31,644	-	31,644
Neal Wilson	-	-	-
Total	**105,231**	**13,154**	**118,385**

Directors' expenses for the period were £1,208. No other remuneration or compensation was paid by the Company to the Directors during the period.

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

The terms of the Directors' appointment as non-executive Directors are set out in letters issued in April 2017.

Joanna Dentskevich
Chair

24 April 2018

Audit Committee Report

The Company has established an Audit Committee with formally delegated duties and responsibilities within written terms of reference which are available from the Company Secretary.

Chair and Membership

The Audit Committee is chaired by Alan Dunphy with its other members being Joanna Dentskevich and Nick Watkins. All members of the Committee are independent, have no links with the Auditor and are independent of the Investment Manager. The Audit Committee's intention is to meet at least twice a year at appropriate times in the financial reporting cycle and to meet with the auditor as appropriate. Appointments to the Audit Committee are for a period of up to three years which may be extended for two further three year periods. The membership of the Audit Committee and its terms of reference are kept under review.

The Audit Committee as a whole has the competence relevant to the Company's operations. The relevant qualifications and experience of each member of the Audit Committee are detailed in the Board of Directors section.

Key Responsibilities

The Audit Committee's primary role and responsibility is to review and monitor the integrity of the Company's annual report and audited financial statements and half-yearly financial reports 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 Auditor's report.

[1] Alan Dunphy was appointed as a director on 12 December 2016

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

- reporting to the Board on any significant financial reporting issues and judgments
- reviewing and challenging where necessary significant accounting policies and practices
- reviewing the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems
- 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 make a recommendation to the Board accordingly
- reporting to the Board on how it has discharged its responsibilities

How the Audit Committee has Discharged Its Responsibilities:

The Audit Committee met twice during the period. Representatives of the Company's Investment Manager, Auditor and Administrator were present.

Monitoring the Integrity of the Financial Statements Including Significant Judgments:

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

Prior to the period end and the commencement of the audit, the Audit Committee met with the Auditor and agreed an audit plan that would adopt a risk based approach. The Audit Committee and the Auditor agreed that the Company's investment in the Subsidiary is classified as Level 3, as it is not traded and contains unobservable inputs and due to its materiality in the context of the financial statements as a whole, investments are considered to be the area which should have the greatest effect on the overall audit strategy and allocation of resources in planning and completing the audit.

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

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

Significant and other accounting matters

The accounting matters associated with the preparation of these financial statements are:

Significant accounting matter	**How addressed by the Committee**
Valuation of the investment in the Subsidiary	The Subsidiary is not traded and contains unobservable inputs and is therefore classified as a Level 3 investment under IFRS 13 "Fair Value Measurement". The Board considers that the NAV of the Subsidiary is representative of its fair value. The Subsidiary itself holds a number of Level 3 investments which are also measured at fair value. For certain underlying Level 3 instruments, where appropriate, the Manager has appointed a recognised independent valuation agent to provide positive assurance, or a range of values, around the valuations derived from models developed by the Manager or the valuation agent at inception, and, where required, periodically thereafter. The Audit Committee are not aware of any discrepancies with the valuation methodologies adopted and the independent valuation procedures carried out by the valuation agents. For all other financial instruments, other valuation techniques, including prices from brokers for similar instruments, are applied. Further information regarding the valuation methodologies and the resultant valuations can be found in the Notes to the Financial Statements.
Other Accounting Matters	**How addressed by the Committee**
Non-consolidation of the Subsidiary	The Board and the Audit Committee are satisfied that the Subsidiary meets the definition of an Investment Entity per IFRS 10 "Consolidated Financial Statements" as the Company: • Obtains funds from one or more investors for the purpose of providing those investors with investment management services; • Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and • Measures and evaluates the performance of substantially all of its investments on a fair value basis As part of the interim review process, the Audit Committee Chair liaised with the Manager regarding the non-consolidation of the Subsidiary and the requisite presentation and disclosures required in the financial statements and compared this to disclosures made by similar entities. The Audit Committee Chair is comfortable with the classification and disclosures that have been made.

During the period, the Audit Committee received communications from service providers and from the Auditor on accounting matters including but not limited to company group structure, audit and NMPI.

Risk Management

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

The Audit Committee confirms that this is an ongoing process in order to manage the risks faced by the Company. The Audit Committee deem that, to date, there are no significant issues in this area which need to be brought to your attention.

External Auditor

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

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

During the period ended 31 December 2017, the Auditor provided non-audit services in the form of acting as the reporting accountant for the Admission and ZDP issuance. At the Audit Committee meeting on 6 October 2017, the Auditor confirmed that this had not impacted their independence and outlined the reasons. These non-audit services comply with the Financial Reporting Council (the "FRC") Revised Ethical Standard 2016. The Audit Committee considered this and was satisfied that these non-audit services had no bearing on the independence of the Auditor.

	For the period ended 31 December 2017 £
KPMG LLP – audit services	
Annual audit[3]	70,000
KPMG LLP – non-audit services	
Reporting accountant – ZDP shares issue[1]	102,500
Interim review	18,000
KPMG LLP – fees earned prior to appointment as auditor	
Reporting accountant – Admission[1]	465,000
KPMG US – audit services	
Audit of EJF Investments LP[2]	37,000

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

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

Alan Dunphy
Audit Committee Chair
24 April 2018

Directors' Statement of Responsibilities

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and applicable law.

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1 Paid by the Manager on behalf of the Company
2 These fees are not an expense of the Company and therefore are not included in these financial statements
3 These fees are an estimate and will be finalised after the issuance of this Annual Report

Under company law the Directors must not approve the 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 period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 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 financial statements comply with the Companies (Jersey) Law 1991. They are responsible for 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, 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 financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual report and financial statements

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as at and for the period ended 31 December 2017, 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 they face, as required by DTR 4.1.8R and DTR 4.1.11R.

We consider the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement has been approved by the Board of Directors of EJF Investments Limited on 18 April 2018 and is signed on its behalf by:

By Order of the Board
Joanna Dentskevich
Chair

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

1 Our opinion is unmodified

We have audited the financial statements of EJF Investments Limited (the "Company"), which comprise the Statement of Financial Position as at 31 December 2017, the Statements of Comprehensive Income, Changes in Equity and Cash Flows for the period from 20 October 2016 (date of incorporation) to 31 December 2017, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the financial statements:

- give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the EU, of the state of affairs of the Company as at 31 December 2017, and its profit for the period from 20 October 2016 (date of incorporation) to 31 December 2017; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law, 1991.

Basis for Opinion

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

2 Key Audit Matters: our assessment of risks of material misstatement

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

	The risk	*Our response*
Valuation of non-derivative financial assets at fair value through profit or loss (£100,177,557)	***Subjective valuation*** The non-derivative financial asset at fair value through profit or loss represents a 100% holding in EJF Investment Holdings Limited ("the Subsidiary") and constitutes 96% of the Company's total assets. As the investments held by the Subsidiary are all held at fair value, and as this represents a good proxy for the fair value of the investment in the Subsidiary, the valuation is calculated by reference to the underlying investments. As those investments are largely made up of financial instruments for which no reliable external price is readily available, determining the Subsidiary's fair value involves the application of significant judgement.	Our procedures included: ***Our valuation experience*** For investments valued by a particular third party valuation agent, we used our valuation specialist to critically evaluate the appropriateness of the model and the valuation assessment with reference to market observations and industry practice. ***Comparing valuations*** For those investments in other funds valued on the basis of net asset value, we assessed whether the basis of net asset value is an appropriate representation of fair value and agreed the valuation to audited financial statements prepared as at 31 December 2017, assessed the capability of the auditors of those financial statements and based on review of the financial statements assessed the appropriateness of the accounting polices applied in those financial statements.

Independent re-performance

For investments valued by a particular third party valuation agent and certain investments valued on the basis of an external broker quote, our valuation specialist compared the valuations with our own valuation prepared under an independent valuation model using independently observed inputs.

For a certain other investment valued on the basis of an external broker quote, our valuation specialist derived a valuation based upon the spreads observed for a comparable instrument.

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 £1,029,000, determined with reference to a benchmark of Total Assets, of which it represents 1%.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £51,450, in addition to other identified misstatements that warranted reporting on qualitative grounds.

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

4 We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or 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.

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

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

- 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 financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

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

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

8 The purpose of this report and to whom we owe our responsibilities

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

Ravi Lamba

For and on behalf of KPMG LLP
Chartered *Accountants and Recognised Auditor*
15 Canada Square
London, E14 5GL

24 April 2018

Statement of Comprehensive Income

FOR THE PERIOD FROM INCORPORATION ON 20 OCTOBER 2016 TO 31 DECEMBER 2017

	Note	20 October 2016 to 31 December 2017 £
Investment income	**6**	572,393
Other income		26,722
Net foreign exchange gain		198,601
Net gain on derivative financial assets held at fair value through profit or loss	**7,15**	3,052,586
Net gain on non-derivative financial assets held at fair value through profit or loss	**8**	14,425,582
Total revenue		**18,275,884**
Legal and professional fees	**24**	1,028,119
Incentive fee	**24**	916,043
Administration fees	**24**	438,281
Directors' fees and insurance	**24**	200,740
Management fee	**24**	128,529
Other operating expenses		57,326
Total operating expenses		**2,769,038**
Expenses reimbursed by the Manager	**24**	(1,199,950)
Net operating expenses		**1,569,088**
Operating profit		**16,706,796**
Finance costs	**10**	(439,571)
Profit and total comprehensive income for the period attributable to shareholders		**16,267,225**
Weighted average number of Ordinary Shares in issue during the period	**25**	**51,244,202**
Basic and diluted earnings per Ordinary share		**31.7p**

All items in the above statement are derived from continuing operations.

Statement of Financial Position
As at 31 December 2017

	Note	As at 31 December 2017 £
Non-current assets		
Non-derivative financial assets at fair value through profit or loss	**16**	100,177,557
Current assets		
Cash and cash equivalents	**12**	3,194,538
Other receivables	**24**	648,255
Balance due from brokers	**13**	126,088
Prepaid expenses and other assets	**14**	45,894
Total current assets		**4,014,775**
Total assets		**104,192,332**
Non-current liabilities		
Zero Dividend Preference (2022) shares	**18**	14,556,533
Current liabilities		
Accounts payable and accrued expenses	**17**	3,333,854
Total liabilities		**17,890,387**
Net assets		**86,301,945**
Equity		
Stated capital		73,650,682
Retained earnings		12,651,263
Total Equity		**86,301,945**
Number of Ordinary Shares in issue at period end		54,543,142
Net asset value per Ordinary Share		**158.23p**

The financial statements were approved by the Board of Directors on 18 April 2018 and signed on their behalf by:

Alan Dunphy
Director

Statement of Changes in Equity

FOR THE PERIOD FROM INCORPORATION ON 20 OCTOBER 2016 TO 31 DECEMBER 2017

	Note	Number of shares	Stated capital £	Retained earnings £	Net assets attributable to shareholders £
Balance at 20 October 2016		-	-	-	-
Total comprehensive income for the period attributable to shareholders	**19**	-	-	16,267,225	**16,267,225**
Contributions and redemptions by shareholders					
Ordinary Shares issued via offer	**19**	48,395,217	65,774,963	-	**65,774,963**
Ordinary Shares issued via placing	**19**	5,479,453	8,000,000	-	**8,000,000**
Ordinary Shares issued on conversion of warrants	**9,19**	668,472	1,031,452	-	**1,031,452**
Warrant issuance via offer	**9**	-	(1,031,452)	-	**(1,031,452)**
Share issue costs	**19**	-	(124,281)	-	**(124,281)**
Dividends paid	**20**	-	-	(3,615,962)	**(3,615,962)**
Balance at 31 December 2017		**54,543,142**	**73,650,682**	**12,651,263**	**86,301,945**

Statement of Cash Flows

FOR THE PERIOD FROM INCORPORATION ON 20 OCTOBER 2016 TO 31 DECEMBER 2017

	Note	20 October 2016 to 31 December 2017 £
Cash flows from operating activities		
Profit for the period		16,267,225
Adjustments for:		
Net unrealised gain on derivative financial assets at fair value through profit or loss	**7**	(3,052,586)
Net gain on non-derivative financial assets held at fair value through profit or loss	**8**	(14,425,582)
Net foreign exchange gain		(198,601)
		(1,409,544)
Changes in net assets and liabilities:		
Other receivables	**24**	(648,255)
Balance due from brokers	**13**	(126,088)
Prepaid expenses and other assets	**14**	(45,894)
Accounts payable and accrued expenses	**17**	3,333,854
		2,513,617
Distributions received		3,575,210
Interest income		286,043
Purchase of financial assets held at fair value through profit or loss		(27,434,143)
Receipts from investments held at fair value through profit or loss		2,833,639
Receipts from the Partnership		4,153,190
Net cash used in operating activities		**(15,481,988)**
Cash flow from financing activities		
Proceeds from issue of Ordinary Shares		8,000,000
Ordinary Share issue costs		(107,427)
Proceeds on issue of Zero Dividend Preference Shares	**12(a),18**	15,000,000
Zero Dividend Preference Share issue costs paid	**12(a)**	(367,633)
Dividends paid	**20**	(3,615,962)
Net cash inflow from financing activities		**18,908,978**
Net increase in cash and cash equivalents		3,426,990
Cash and cash equivalents at the start of the period		-
Effect of movements in exchange rates on cash held		(232,452)
Cash and cash equivalents at the end of the period	**12**	**3,194,538**

1. General information

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

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

The investment activities of the Company are managed by the Manager and the administration of the Company is delegated to Crestbridge Fund Administrators Limited (the "Administrator"). EJF Investments Manager LLC (the "Manager" or "Investment Manager"), is operationally integrated into, and is, a relying adviser of, EJF, which is a registered investment adviser under the Investment Advisers Act of 1940 as amended, with the U.S. Securities and Exchange Commission and is a registered Commodity Pool Operator and Commodities Trading Advisor under the Commodity Exchange Act. The managing member and sole Class A shareholder of the Manager is EJF Capital LLC ("EJF").

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

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

	£
Armadillo Portfolio	26,999,932
CDO bond securities	11,379,978
Bridge Loan receivable, including accrued interest receivable	7,882,161
49% interest in EJF CDO Manager (the "CDO Manager")	5,673,820
Cash balances eligible to be transferred to the Company	4,153,190
Total assets transferred to the Company	56,089,081

(ii) The Company's remaining 7,113,995 common units in the Partnership (valued at £9,685,882 on 31 January 2017), which represented approximately 67% of the remaining issued and outstanding Partnership units as of the date of the Exchange Offer, was held as an investment in a private investment company in the Company's portfolio until the restructuring took place on 9 June 2017. The remaining outstanding Partnership units at the date of the Exchange Offer were held by the Manager and the Partnership's general partner EJF Investments GP Inc. (the "General Partner") (3,474,695 and 100 units, respectively).

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

Effective 9 June 2017, the Company held its investments through EJF Investments Holdings Limited (the "Subsidiary"). The Company controls the Subsidiary through a holding of 100% of its shares. The Subsidiary is domiciled in Jersey and has no wholly-owned underlying subsidiaries. The Subsidiary holds 85% of the Partnership's interests (refer to note 21 for further information).

Through its Subsidiary, the Company primarily invests in opportunities created by regulatory and structural changes impacting the financial services sector. These opportunities include structured debt and equity, loans, bonds, preference shares, convertible notes and private equity, in both cash and synthetic formats which may be issued by entities domiciled in the U.S., UK and other European countries.

2. Compliance with International Financial Reporting Standards

The financial statements have been prepared and approved by the Directors in accordance with all relevant International Financial Reporting Standards ("IFRS") as adopted by European Union ("EU").

The following standards, amendments and interpretations have been issued with the implementation dates set out below, subject to EU endorsement in some cases.

The following standard has been adopted early by the Company:

Effective for annual periods beginning on or after		
Amendments to IFRS 7	Financial Instruments: Disclosures	1 January 2018

Amendments to IFRS 7 "Financial Instruments: Disclosures"

IFRS 7 sets out disclosure requirements that are intended to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, and to understand the nature and extent of risks arising from those financial instruments to which the entity is exposed. These risks include credit risk, liquidity risk and market risk. IFRS 13 requires disclosure of a three-level hierarchy for fair value measurement and requires some specific quantitative disclosures for financial instruments at the lowest level in the hierarchy.

The disclosure requirements do not just apply to banks and financial institutions. All entities that have financial instruments are affected – even simple instruments such as borrowings, accounts payable and receivable, cash and investments. The amendments to the standard required a significant number of additional disclosures which are included in these financial statements.

The following standards have not been adopted early by the Company:

Effective for annual periods beginning on or after		
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from contract customers	1 January 2018
IFRS 16	Leases	1 January 2019

IFRS 9 "Financial Instruments: Recognition and Measurement"

IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option are recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

Based on the Company's initial assessment, this standard is not expected to have a material impact on the classification of financial assets and financial liabilities of the Company. This is because:

- the Subsidiary and its underlying assets are measured at FVTPL and will continue to be measured as such under IFRS 9;
- financial instruments such as derivatives which are classified as FVTPL under IAS 39 will be classified as such under IFRS 9 which is not expected to be different from the current treatment;
- other financial instruments currently measured at FVTPL under IAS 39 are designated into this category because they are managed on a fair value basis in accordance with a documented investment strategy. Accordingly, these financial instruments will be mandatorily measured at FVTPL under IFRS 9; and
- financial instruments currently measured at amortised cost are: cash balances and receivables from collateral management agreements. These instruments meet the solely principal and interest criterion and are held in a held-to-collect business model. Accordingly, they will continue to be measured at amortised cost under IFRS 9.

Effect on the financial statements

Although early adoption is permitted the Board has established that the impact will be minimal based on the above reasons. It is anticipated that this application of IFRS 9 will not change the measurement and presentation of the current financial instruments.

IFRS 15 "Revenue from contract customers"

IFRS 15 establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognised:

- identify contracts with customers;
- identify the separate performance obligation;
- determine the transaction price of the contract;
- allocate the transaction price to each of the separate performance obligations; and
- recognise the revenue as each performance obligation is satisfied.

Effect on the financial statements

The Board has assessed the effects of applying the new standard on the Company financial statements and has not identified any areas that will be affected, thereby concluding that there is no impact. The Company's main sources of revenue are interest and dividends from its Subsidiary. The Company does not have any contracts with customers.

IFRS 16 "Leases"

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

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

Effect on the financial statements

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

3. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with IFRS as adopted by the EU and also in accordance with Jersey company law and the Disclosure and Transparency Rules of the Financial Conduct Authority.

Accounting for subsidiaries

In accordance with IFRS 10 “Consolidated Financial Statements” as amended, the Board has determined that the Company meets the definition of an investment entity which is mandatorily exempted from the consolidation of investment entity subsidiaries and operating entity subsidiaries that provide management services. The services provided by the Subsidiary are undertaken to maximise the Company’s investment returns and do not represent a separate substantial business activity or substantial source of income.

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

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

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

The Company owns 100% of the equity of the Subsidiary, is exposed and has rights to the returns of the Subsidiary and has the ability, either directly or through the Manager, to affect the amount of its returns from the Subsidiary, 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. Those investments have documented maturity/redemption dates, or will be sold if other investments with better risk/reward profile are identified, which the Manager considers demonstrate a clear exit strategy.

As a result, under the terms of IFRS 10, the Company is not permitted to consolidate the Subsidiary, but must measure its investment in the Subsidiary at fair value through profit or loss. The Company has determined that the fair value of the Subsidiary is the Subsidiary’s Net Asset Value and has concluded that the Subsidiary meets the definition of an unconsolidated subsidiary under IFRS 12 and has made the necessary disclosures (see note 21).

Going concern

The Directors, at the time of approving the financial statements, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Company.

The Directors have considered the cash position, investment pipeline and the performance of current investments made by the Company and have concluded that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Taxation

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

Financial instruments

Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. The Company offsets financial assets and financial liabilities if the Company has a legally enforceable legal right to offset the recognised amounts and interests and intends to settle on a net basis or realise the asset and liability simultaneously.

Financial assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All financial assets are initially measured at fair value.

The Company has not classified any of its financial assets as 'held to maturity' or as 'available for sale'. The Company's financial assets comprise financial assets held at fair value through profit or loss, cash and loans and receivables.

Financial assets held at fair value through profit or loss

(i) Classification

The Company has been classified as an investment entity and as such, its investment in its Subsidiary is held at fair value through profit or loss and measured in accordance with the requirements of IAS 39.

(ii) Recognition

Investments made by the Company in its Subsidiary are recognised on the day on which monies are transferred. No transaction costs are incurred.

(iii) Measurement

Subsequent to initial recognition, the investment in the Subsidiary is measured at each subsequent reporting date at fair value through profit or loss. The Company holds all of the shares in the Subsidiary, which is a holding vehicle used to hold the Company's investments. The Subsidiary is not traded and contains unobservable inputs and is therefore classified as a Level 3 investment under IFRS 13 "Fair Value Measurement". The Board considers that the NAV of the Subsidiary is representative of its fair value. The Subsidiary itself holds a number of Level 3 investments which are also measured at fair value. Where appropriate, the Manager has appointed a recognised independent valuation agent to provide positive assurance or a range of values around the valuations derived from models developed by the Manager or the valuation agent at inception and, where required, periodically thereafter.

The net change in investments at fair value through profit or loss includes all unrealised changes in the fair value of investments designated upon initial recognition as held at fair value through profit or loss.

The valuation approach applied to the instruments held by the Company before the transfer of assets to the Subsidiary is detailed in note 22.

(iv) Derecognition of financial assets

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.

Cash and cash equivalents and trade and other receivables

(i) Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investments or other purposes. From time to time, certain amounts of the Company's cash are held as collateral against the Company's forward foreign exchange trading facilities.

(ii) Other receivables

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

(iii) Prepaid expenses and other assets

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

Impairment of financial assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the Statement of Comprehensive Income. Interest income (recorded as investment income in the Statement of Comprehensive Income) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the Statement of Comprehensive Income.

Financial liabilities

The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics.

All financial liabilities are initially recognised at fair value net of transaction costs incurred. All purchases of financial liabilities are recorded on the trade date, being the date on which the Company becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the Company's financial liabilities approximate to their fair values.

Financial liabilities measured at amortised cost

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

Zero Dividend Preference ("ZDP") shares

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

Financial liabilities measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value, with transaction costs recognised in Statement of Comprehensive Income.

Accounts payable and accrued expenses

Accounts payable and accrued expenses are recognised on the Company's Statement of Financial Position when it becomes party to a contractual provision for the amount payable.

Derecognition of financial liabilities

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised as the proceeds received, net of direct issue costs. Direct issue costs include those incurred in connection with the placing and Admission which include fees payable under the Placing Agreement, legal costs and any other applicable expenses.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and is recognised on an accrual basis. The Company's primary source of revenue was income from its investments in the Armadillo Portfolio, interest income from the Bridge Loan, investments in the CDO bond securities and structured entities, the Partnership and the CDO Manager until the date of transfer of its assets to its Subsidiary on 9 June 2017. Subsequent to the restructuring, the Company will derive revenue in the form of dividend income from the Subsidiary.

Interest

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

Interest received or receivable, and interest paid or payable, are recognised in the Statement of Comprehensive Income as investment income and interest expense, respectively.

Dividend income

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

Dividends

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

Expenses

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

Foreign currency transactions

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

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

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

Foreign currency gains and losses arising on retranslation are recognised in the Statement of Comprehensive Income separately from gains and losses from investment performance.

Derivative financial instruments and embedded derivatives

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

Derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss. An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

Derivative liabilities

The Company accounts for warrants and other derivative financial instruments as either equity or liabilities based upon the characteristics and provisions of each instrument. Warrants classified as equity are recorded at fair value as of the date of issuance on the Company's Statement of Financial Position and no further adjustments to their valuation are made.

Warrants classified as derivative liabilities and other derivative financial instruments that require separate accounting as liabilities are recorded on the Company's Statement of Financial Position at their fair value on the date of issuance and will be revalued on each subsequent statement of financial position date until such instruments are exercised or expire, with any changes in the fair value during the reporting period recorded as other income or expense.

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 participating shares are recognised in the Statement of Changes in Equity, net of issue costs.

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

Functional and presentation currency

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

4. Use of judgments and estimates

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future period if the revision affects both current and future periods. The judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

Classification of EJF Investments Holdings Limited as an investment entity

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

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

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

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

The Subsidiary invests in a diverse portfolio comprising a large number of investments. The fair value method is used to represent the underlying investments of the Subsidiary. Those investments have documented maturity/redemption dates, or will be sold if other investments with better risk/reward profile are identified, which the Manager considers demonstrate a clear exit strategy.

The Subsidiary is presented as an investment entity as a result.

Fair value measurements and valuation processes

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

The Board works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The fair value of assets and liabilities classified as Level 3 is determined by the use of valuation models. These include the Net Asset Value model, discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs (see note 22 for further information).

Functional currency

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

The Board has used their judgment to determine that the primary economic environment which the Company operates in is representative of its functional currency.

5. Segmental reporting

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

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

The Board, as a whole, has been determined as constituting the chief operating decision maker of the Company. The key measure of performance used by the Board to assess the Company’s performance and to allocate resources is the total return on the Company’s NAV, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in these financial statements.

The Board of Directors has overall management and control of the Company and will always act in accordance with the Investment Policy and investment restrictions set out in the Company’s latest Prospectus, which cannot be changed in any material respect without the approval of shareholders. The Board of Directors has delegated the day-to-day implementation of the investment strategy to its Investment Manager but retains responsibility to ensure that adequate resources of the Company are directed in accordance with their decisions.

Geographical information

The geographical information analyses the Company's revenue and non-current assets by the Company's country of domicile and other countries. In presenting the geographical information, segment revenue has been based on the geographic location of investments and segment assets were based on the geographic location of the assets.

(i) Gains on investments	**£**
United States	9,431,830
Jersey	8,844,054
	18,275,884

Major customers

The Company does not consider that it has any major customers, however, it acknowledges that there is a concentration by virtue of its investment in the Subsidiary, which is incorporated in Jersey. Revenue from the Subsdiary amounted to £8,844,054, arising from the increase in the fair value.

(ii) Non-current assets	**£**
Jersey	100,177,557
	100,177,557

Non-current assets consist of the Company's investment in the Subsidiary, carried at FVTPL.

6. Investment income	**20 October 2016 to 31 December 2017 £**
Interest income from financial assets designated at fair value:	
CDO bond securities	157,213
Bridge loan	401,912
Total income from financial assets designated at fair value	**559,125**
Interest income from financial assets carried at amortised cost:	
Cash and cash equivalents	**13,268**
Total investment income	**572,393**

Interest income from financial assets designated at fair value relates to income accrued by the Company before transfer of assets to the Subsidiary (see note 16).

7. Net gain on derivative financial assets held at fair value through profit or loss	**20 October 2016 to 31 December 2017 £**
Unrealised gain on foreign currency forward contracts	3,052,586
Net gain on derivative financial assets held at fair value through profit or loss	**3,052,586**

On 1 November 2017, the Company purchased 3,052,586 ordinary no par value shares in the capital of the Subsidiary for a subscription price of £3,052,586. The subscription price was settled by way of a novation of two forward contracts. The fair market value of the forward contracts was determined using the rates obtained as at 31 October 2017, which in aggregate was equivalent to the subscription price.

As at 31 December 2017, the forward foreign exchange contracts were held by the Subsidiary and are included within the financial assets of the Subsidiary as detailed in note 15.

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

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

	£
Net unrealised gain on non-derivative financial assets at fair value through profit or loss	12,851,689
Net realised gain on non-derivative financial assets at fair value through profit or loss	1,573,893
Net gain on non-derivative financial assets held at fair value through profit or loss	**14,425,582**

The net gain on non-derivative financial assets above (with the exception of Investment in Subsidiary) relates to gains accrued by the Company before transfer of assets to the Subsidiary (see note 16).

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

The realised gain from financial instruments at fair value through profit or loss represents the difference between the carrying amount of a financial instrument at the beginning of the reporting period, or the transaction price if it was purchased in the current reporting period, and its settlement price.

9. Warrant issuance via offer

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

The warrants were issued to the investors based on their investment in the Partnership. As part of the restructure which took place on 9 February 2017 (see note 1), the investors were issued like-for-like warrant instruments in respect of shares in the Company.

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

10. Finance costs

	20 October 2016 to 31 December 2017 £
Credit facility costs	230,520
ZDP Shares finance costs	81,533
Prime broker costs	80,713
Other finance costs	46,805
Total finance costs	**439,571**

11. Auditor's remuneration

	20 October 2016 to 31 December 2017 £
The analysis of the Auditor's remuneration is as follows:	
KPMG LLP – audit services	
Annual audit[3]	70,000
Total audit fees	**70,000**
KPMG LLP – non-audit services	
Reporting accountant – ZDP Shares issue[1]	102,500
Interim review	18,000
KPMG LLP – fees earned prior to appointment as auditor	
Reporting accountant – IPO[1]	465,000
Total non-audit fees	**585,500**
	£
KPMG US – audit services	
Audit of EJF Investments LP[2]	37,000
	37,000

12. Cash and cash equivalents and other cash flow information

	31 December 2017 £
Bank balances	3,194,538
	3,194,538

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

[1] These fees were paid by the Manager on behalf of the Company (see note 24)
[2] These fees are not an expense of the Company and therefore are not included in these financial statements
[3] The amount includes an estimate which is to be finalised upon issuance of the report

Under the terms of its forward foreign exchange trading agreements with Citibank N.A, the Company may be required in certain circumstances to retain balances in collateral accounts representing the applicable margin on each facility. As at 31 December 2017, £nil was held in collateral accounts.

12 (a) Reconciliation of liabilities arising from financing activities

Changes in liabilities arising from changes in financing activities

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

	ZDP Shares	Total
Cash flows		
Proceeds from issue of shares	15,000,000	15,000,000
Issue costs paid	(367,633)	(367,633)
Total changes from financing cash flows	**14,632,367**	**14,632,367**
Non-cash changes		
Finance costs	81,533	81,533
Total non-cash changes	**81,533**	**81,533**

13. Balance due from brokers

	31 December 2017 £
Balance due from brokers	126,088
	126,088

The balance above relates to cash held in the Prime Broker account with Citigroup Global Markets Inc., which the Company uses to settle any investment deals from time to time.

14. Prepaid expenses and other assets

	31 December 2017 £
Prepaid insurance	45,894
	45,894

15. Derivative financial assets at fair value through profit or loss

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

The International Swaps and Derivatives Association ("ISDA") Master Agreement contains customary termination provisions, including an event of default triggered by agreed upon percentage declines in the Company's NAV.

As at 31 December 2017, the following forward foreign exchange contracts were held by the Subsidiary and are included within the financial assets of the Subsidiary:

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

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

Investment in EJF Investments Holdings Limited

In June 2017, the Company undertook an additional restructuring of its corporate structure by inserting the Subsidiary, an intermediate Jersey holding company, into the Company's group structure, so as to (i) allow the Company to manage the upstreaming of portfolio income to the Company with greater flexibility and to better reflect the anticipated timing differential between income earned and cashflow generated by certain of the Company's investments; and (ii) in accordance with the Company's stated intention, to conduct its affairs to satisfy the criteria for the non-UK investment trust exemption to the Unregulated Collective Investment Schemes and Close Substitutes Instrument 2013 of the UK.

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

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

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

Below is a summary of the movement in the investments held by the Company during the period:

	£
Cost at 20 October 2016 (date of incorporation of the Company)	-
Additions during the reporting period	155,127,927
Disposals during the reporting period	(69,375,952)
Realised gains during the reporting period (see note 8)	1,573,893
Cost at 31 December 2017	87,325,868
Unrealised gains on non-derivative financial assets	14,895,038
Effect of foreign currency fluctuations	(2,043,349)
Financial assets at fair value through profit or loss at the end of the period	100,177,557

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

	31 December 2017
Subsidiary's financial assets at fair value through profit or loss:	£
Armadillo Portfolio	17,388,194
CDO bond securities	17,943,025
Bridge Loan	7,742,458
Investment in the Partnership	31,114,057
Investment in the CDO Manager	7,565,445
Derivative financial assets	4,309,963
Preference Shares	4,917,953
Total financial assets at fair value through profit or loss	90,981,095
Subsidiary's other assets and liabilities:	
Cash and cash equivalents	7,229,972
Other receivables	1,966,490
Subsidiary's net asset value at the end of the period	**100,177,557**

(i) Subsidiary's Investments in Private Investment Companies
Investments in the Armadillo Portfolio
The Subsidiary's investments in private investment companies include the partnership interests in Armadillo I and Armadillo II (together 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 Manager believes that the Subsidiary's investment in the Armadillo Portfolio provides an attractive risk-adjusted return. As the Subsidiary's partnership interest in both Armadillo I and Armadillo II are beyond their active investment periods, the assets are expected to liquidate over the next several years. While the timeframe for cash collections can be unpredictable, the Manager projects substantial repayment of the Armadillo Portfolio by the end of 2019 and final liquidation by 2020. The Manager actively monitors underlying loan collateral value and borrowing firm performance. In a limited number of situations, the Manager has taken corrective action with a few borrowers and has booked reserves against doubtful collection accounts which are reflected in the fair value.

The Company, through its investment in the Subsidiary, had a 27.0% holding in Armadillo I and 0.8% holding in Armadillo II as at 31 December 2017.

Investment in the Partnership
As at 31 December 2017, the Subsidiary held 85% of the 48,968,309 units issued by the Partnership. The Partnership's purpose is to retain an interest of at least 5% in securitisations sponsored by EJF in connection with regulatory requirements within the Dodd-Frank reforms in the United States. The investment in the Partnership is valued at £31,114,057. The Partnership has an investment in the preference shares of TFINS 2017-1. The Partnership acquired the preference shares on 30 March 2017.

As at 31 December 2017 remaining units outstanding are held by the Manager (7,345,246 units) and the General Partner (165 units).

The Subsidiary's investment in the Partnership is shown at fair value based on the Subsidiary's share of the Net Asset Value of the Partnership. Although the Subsidiary owns 85% of the Partnership, the results are not consolidated within the Subsidiary's financial statements as the Subsidiary has been classified as an investment entity in accordance with IFRS 10 as detailed in note 4 (use of judgments and estimates).

The following table summarises activity for the Subsidiary's investments, from the date of transfer on 9 June 2017 to 31 December 2017, in private investment companies:

	Armadillo Portfolio	Partnership
	£	£
Opening balance	-	-
Acquisition of interest in private investment companies	24,344,694	31,407,943
Disposal of interest in a private investment companies	(6,651,245)	(59,172)
Realised gains on payoffs	1,177,142	59,172
Unrealised losses[1]	(1,482,397)	(293,886)
Subsidiary's investments in private investment companies at fair value through profit or loss	**17,388,194**	**31,114,057**

(ii) Subsidiary's Investment in Private Operating Companies

The CDO Manager which is 51% owned by the Manager and 49% owned by the Subsidiary, 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 Securitisations as it will have the benefit, for so long as EJF Investments Manager LLC is the Manager, 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 Subsidiary's investments, from the date of transfer on 9 June 2017 to 31 December 2017, in private operating companies:

	CDO Manager
	£
Opening balance	-
Acquisition of interest in private operating company	6,633,575
Unrealised gains[1]	931,870
Subsidiary's investments in private operating companies at fair value through profit or loss	**7,565,445**

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

The Subsidiary, through its 49% interest in the CDO Manager, has an exposure to the cash flows of four REIT TruPS CDO collateral management contracts plus cashflow from TFINs 2017-1, TFINS 2017-2 and TPINS. The CDO Manager has a total Net Asset Value of £15,439,684 as at 31 December 2017. The Subsidiary's interest in the CDO Manager has a Net Asset Value of £7,565,445 as at 31 December 2017.

The Manager currently expects these contracts will, based on the current strength of the underlying collateral loans, extend to their natural life in accordance with their respective legal indentures, providing investors with an ongoing stable stream of current income. The management fees of each REIT TruPS CDO collateral management contract vary, ranging from 15 to 20bps of the outstanding collateral balance. The TFINS 2017-1 and TFINS 2017-2 securitisation produces management fees of 10bps on outstanding collateral. The TPINS securitisation produces management fees of 20bps on outstanding collateral.

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

(iii) Subsidiary's Investments in Trading Securities
CDO bond securities
The Subsidiary's CDO bond securities portfolio consists of REIT TruPS CDO bonds issued prior to the financial crisis by an unaffiliated third-party sponsor (collectively the "CDO Entities"). The Partnership invested approximately $16.6 million in bonds issued by the CDO Entities at distressed prices which were transferred to the Company on 9 February 2017 as part of the Exchange Offer referred to in the Corporate Summary. As the market recovered, the Company opportunistically sold various positions. The remaining positions were subsequently transferred to the Subsidiary effective 9 June 2017. The remaining portfolio of CDO bond securities, now held by the Subsidiary, is generating current income and the Manager believes that the cash flows from this portfolio may increase over time as the senior tranches of certain CDOs are repaid and the CDO over-collateralisation and interest coverage tests are cured. The bond holdings range from senior class A bonds to subordinated class F bonds. For the period ended 31 December 2017, the Company accrued £157,213 of interest income presented as investment income in the Statement of Comprehensive Income.

In November 2017, the Subsidiary made a $7.5 million investment in a ten-year subordinated bond issued by a $1.4 billion asset bank holding company that provides commercial, consumer, and residential financing solutions as well as ancillary business lines in merchant processing, mortgage banking, investment management, and trust administration. The bond has a 5.875% fixed interest rate that will flip to a floating rate of US Dollar LIBOR plus 3.75% in five years if not called by the issuer. This subordinated bond will be potentially eligible, in whole or part, to be sold into a future EJF-sponsored securitisation in exchange for cash and an equity tranche investment at a higher yield than its 5.875% fixed interest rate.

The following table summarises activity for the Subsidiary's investment, from the date of transfer on 9 June 2017 to 31 December 2017, in trading securities:

	31 December 2017 **£**
Cost of CDO bonds at the beginning of the period	-
Acquisition of interest in CDO Bonds	21,273,427
Proceeds on disposal	(10,205,104)
Realised gains on disposal	3,585,668
Cost of CDO bonds at the end of the period	14,653,991
Unrealised gains from CDO bond securities[1]	3,289,034
Fair value of CDO bond securities at the end of the period	**17,943,025**

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

On 26 October 2017, the Company, through its Subsidiary, closed its second Risk Retention Investment in the equity tranche of a US$340.4 million EJF-sponsored CDO backed by a static pool of securities issued by US community banks and insurance companies contributed by various EJF funds, utilising approximately £12.9 million of cash. At closing, the underlying securities had an aggregate par value of approximately US$353.0 million, with a 7.68% weighted average coupon and a 3.12% weighted average spread. The weighted average life of the underlying securities was 10.7 years at closing. While the legal final maturity date TFINS 2017-2 is in September 2039, the securitisation is callable beginning in September 2019, with mandatory auction calls beginning after 2025.

Bridge Loan
The Subsidiary's Bridge Loan is structured as a senior secured note with a three-year maturity and an interest rate of 14%. Additionally, the Bridge Loan investors received a 3% commitment fee and there is a make whole premium through the first 18 months. The Bridge Loan is secured by the collateral of two CDOs that are wrapped by an affiliate of the borrower. As referenced to in Note 6, for the period up to 9 June 2017, the date the Bridge Loan was transferred to the Subsidiary, the Company accrued £401,912 of interest income presented as investment income in the Statement of Comprehensive Income.

Preference Shares
The Subsidiary owns an interest in a depositor vehicle which holds interests in the TFINS 2017-1 preference shares originally issued as part of the securitisation in March 2017. This position was purchased as part of the cross-transaction with two private funds affiliated with the Manager and is described further in note 24. The Subsidiary started generating interest income on this investment in October 2017 and will receive quarterly payments thereafter.

17. Accounts payable and accrued expenses

	31 December 2017 £
Amount due to EJF Investments Holdings Limited	1,755,134
Incentive fees payable	916,043
Legal and professional fees payable	405,459
Management fee payable	128,529
Audit fees payable	88,000
Directors' fees payable	40,366
Sundry creditors	323
	3,333,854

The amount due to EJF Investments Holdings Limited is interest free and repayable on demand. The balance consists of funds received in the Company's bank account on behalf of the Subsidiary, which were in respect of investments.

18. Zero Dividend Preference Shares

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

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

Dividends paid by the Company are attributable to the Ordinary Shares only. The Directors may only pay dividends provided that immediately following such payment the cover would be not less than 2.0 times, save where the ZDP Shareholders have approved such payment. The following table reconciles the liability for ZDP Shares, which approximates fair value, for the period ended 31 December 2017.

	31 December 2017 £
Opening balance	-
Issuance of ZDP Shares	15,000,000
Issue costs	(525,000)
Amortisation of issue costs during the period	8,750
Finance costs allocated to during the period	72,783
Amortised cost at period end	**14,556,533**

Capitalised issue costs are being amortised using the effective interest rate method. The unamortised balance at 31 December 2017 is £516,250.

19. Net assets attributable to shareholders

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

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

The analysis of movements in net assets attributable to shareholders during the period ended 31 December 2017, were as follows:

Number of shares	
Balance at the beginning of the period	-
Issued during the period at £1.36 per unit	48,395,217
Issued during the period at £1.46 per unit	5,479,453
Issued during the period at £1.54 per unit	668,472
Balance at 31 December 2017	**54,543,142**

Issued and fully paid	**£**
Balance at beginning of the period	-
Issued during the period	73,774,963
Issue costs	(124,281)
Re-purchased during the period	-
Balance at 31 December 2017	**73,650,682**

Reconciliation of net assets attributable to shareholders	**£**
Balance at beginning of the period	-
Increase in net assets attributable to shareholders	16,267,225
Issue of shares during the period	73,774,963
Issue costs	(124,281)
Dividends paid	(3,615,962)
Balance at 31 December 2017	**86,301,945**
Net Asset Value per share at 31 December 2017	**£1.58**

At 31 December 2017, the Company has 54,543,142 shares in issue. The Company has the authority to issue and allot up to 100,000,000 additional Ordinary Shares and/or C Shares under the Placing Programme, such authority to expire on the date that is twelve months from the date of publication of the Prospectus issued in connection with that Placing Programme.

20. Dividends

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

Payment date	Dividend rate per ordinary share (pence)	Net dividend Payable (£)	Record date	Ex-dividend date
22 May 2017	2.4	£1,161,485	28 April 2017	27 April 2017
28 July 2017	2.4	£1,161,485	30 June 2017	29 June 2017
24 November 2017	2.4	£1,292,992	27 October 2017	26 October 2017

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

On 22 June 2017, the Directors of the Company declared a dividend of 2.4p per share. This dividend was paid on 28 July 2017.

On 12 October 2017, the Directors of the Company declared a dividend of 2.4p per share. This dividend was paid on 24 November 2017.

21. Interest in unconsolidated subsidiaries

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

Name of entity	Type of entity	Principal place of business	Nature of purpose	Interest held by the Company
EJF Investments Holdings Limited	Private Company	Jersey	To hold a portfolio of investments in order to generate capital appreciation and investment income.	100%
EJF Investments LP	Limited Partnership	Delaware	To hold a portfolio of investments in order to generate capital appreciation and investment income.	85% (indirect as held by the Subsidiary)

During the period, the Company did not provide financial support to unconsolidated subsidiaries and has no intention of providing financial or other support.

22. Financial Risk Management

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

The Company is exposed to fair value risk through its investment in the Subsidiary. The risks set out below relate to those financial risks faced by the Subsidiary through its underlying investments:

- credit risk;
- liquidity risk;
- market risks; and
- operational risk.

A. Credit risk

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

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

The Subsidiary'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.

A.1. Analysis of credit quality

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

- Cash and cash equivalents
- Balances due from broker
- Bridge Loan
- CDO bond s*securities

Cash and cash equivalents

The Company's and Subsidiary's cash is predominantly held with Citibank N.A. and HSBC plc. The Company and Subsidiary also use Access National Bank to hold cash deposits as part of the credit facility arrangement disclosed in note 26. The Manager monitors the financial position and credit worthiness of all its financial institutions on a quarterly basis.

Balances due from brokers

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

The following table analyses the external ratings of the financial institutions holding cash or collateral deposits on behalf of the Company and Subsidiary, using available ratings from Moody's. Publically available ratings are not published for Access National Bank.

Institution	Rating Agency	Rating
Citibank N.A.	Moody's	A1
HSBC plc	Moody's	Aa3

Bridge Loan

At 31 December 2017, the Company, through its investment in the Subsidiary, held an interest in a Bridge loan to an affiliate of a publicly listed insurer. In the event of any default on the Subsidiary's loan investments by a counterparty, the Subsidiary will bear a risk of loss of principal and accrued interest of the investment, which could have a material adverse effect on the Subsidiary's income and ability to meet financial obligations. This would also affect the Company's investment in the Subsidiary as it is exposed to any fair value movements in the Subsidiary.

The credit rating of a related surplus note issued by the publicly listed insurer is published by Moody's and disclosed in the table below.

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

Investment in CDO bond securities

At 31 December 2017, the Company, through its investment in the Subsidiary, was invested in distressed debt securities. The Subsidiary 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 Subsidiary or a securitisation in which such an investment is held could suffer significant losses, including the loss of that part of the Subsidiary's or securitisation's portfolio financed through such a transaction, declines in the value of its investment, including declines that may occur during an applicable stay period, the inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights. This would also affect the Company's investment in the Subsidiary as it is exposed to any fair value movements in the Subsidiary.

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

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

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

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

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

A.1. Concentration of credit risk

The Manager reviews the credit risk of counterparties (primarily prime brokers or custodians when applicable) that hold a concentration of the Company's assets, in particular, the Company's and the Subsidiary's cash deposits. For the period ended 31 December 2017, the Company and the Subsidiary held its cash deposits with Citibank N.A., Access National Bank and HSBC plc.

As at the reporting date, the Company's exposure was concentrated as below:

2017	**£**	**%**
Citibank N.A	1,654	0.1
Access National Bank	-	-
HSBC Bank plc	3,192,884	99.9
Total	**3,194,538**	**100%**

A.2. Collateral and other credit enhancements, and their financial effect

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

Derivatives

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

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

A.4. Offsetting financial assets and financial liabilities

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

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

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

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

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

B. Liquidity risk

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

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

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

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

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

	31 December 2017
Liquid assets	£3,842,793
Current liabilities	£3,333,854
Liquid assets as a % of current liabilities	115.26%

The Company manages its liquidity risk by maintaining a current ratio (liquid assets divided by current liabilities) of no less than approximately 100%.

The ratio of Company assets with an expected liquidation period within 90 days (liquid assets) to the Company's current liabilities (presented inclusive of interest) as at 31 December 2017 is set out below:

Liquid Assets	Carrying Amount £	Total £	Less than 7 days £	7 days to 1 month £	1 month to 3 months £	3 months to over 1 year £
Cash	3,194,538	3,194,538	3,194,538	-	-	-
Other receivables	648,255	648,255	-	648,255	-	-
Total	**3,842,793**	**3,842,793**	**3,194,538**	**648,255**	**-**	**-**

Financial liabilities	Carrying Amount £	Total £	Less than 7 days £	7 days to 1 month £	1 month to 3 months £	3 months to over 1 year £
Amount payable to EJF Investments Holdings Limited	1,755,134	1,755,134	-	-	1,755,134	
Accounts payable and accrued expenses	1,578,720	1,578,720	-	-	1,578,720	
ZDP Shares	19,852,500	19,852,500	-	-	-	19,852,500
Total	**23,186,354**	**23,186,354**	**-**	**-**	**3,333,854**	**19,852,500**

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

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

	31 December 2017
Liquid assets	£3,842,793
Total net asset value	£86,301,945
Liquid assets as % of total net assets	4.45%

C. 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 the Subsidiary. The changes in credit spreads affect the Subsidiary's net equity or net income, and hence the value of the Company's investment in the Subsidiary.

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

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

In addition, the Company, through the underlying Subsidiary, intends to mitigate market risk generally by not making investments that would cause it to have exposure to any one individual asset exceeding:

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

The Subsidiary's market positions are monitored on a quarterly basis by the Board of Directors and by the Manager at the point of investment and on an ongoing basis.

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

The Company is exposed to the risk that the fair value of its Subsidiary or future cash flows of the Subsidiary's financial instruments will fluctuate as a result of changes in market interest rates. The Company is also exposed to cash flow interest rate risk in respect of its cash and cash equivalents and the investments held by the Subsidiary.

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

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

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

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

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

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

On 1 November 2017, the Company novated the above two forward contracts to the Subsidiary in exchange for shares.

As at 31 December 2017, the following forward foreign exchange contracts were held by the Subsidiary and are included within the financial assets of the Subsidiary:

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

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

At the reporting date, the carrying amount of the Subsidiary's financial assets in individual foreign currencies, expressed in Pound Sterling and as a percentage of its net assets, was as follows:

Currency	£	% of net assets
USD	90,981,095	105%

Sensitivity analysis

The table below sets out the effect on the net assets/increase in net assets attributable to holders of tradable Ordinary Shares of a reasonably possible strengthening of Pound Sterling against the U.S. Dollar by 5% at 31 December 2017. The analysis assumes that all other variables, in particular interest rates, remain constant.

Effect in Pound Sterling	(4,397,362)
Effect in % of net assets attributable to the holders of tradable ordinary shares	(4.4%)
Effect in % of increase in total comprehensive income attributable to the holders of tradable Ordinary Shares	(49.7%)

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

III. Other price risk

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

Price risk is managed by the Investment Manager by diversifying the portfolio and economically hedging using derivative financial instruments such as currency contracts. Also, if the price risk is not in accordance with the Investment Policy or guidelines of the Company, then the Manager is required to rebalance the portfolio prior to the end of the reporting period following each determination of such occurrence.

Exposure

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

	£	%
Armadillo Portfolio	17,388,194	17
CDO bond securities	17,943,025	18
Bridge Loan	7,742,458	8
Investment in the Partnership[2]	31,114,057	31
Investment in CDO Manager	7,565,445	8
Derivative financial assets	4,309,963	4
Preference Shares	4,917,953	5
Due from an affiliate	1,755,134	2
Other[1]	7,441,328	7
Investment in Subsidiary	**100,177,557**	**100**

[1] No individual financial asset held by the Subsidiary and included in this category exceeded 5% of the net assets attributed to the Subsidiary's shareholder as at 31 December 2017.

[2] See table below

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

	£
TFINS 2017-1	12,081,325
TFINS 2017-2	12,751,199
TPINS 2016-1 (Class A)	4,558,197
TPINS 2016-1 (Class B)	7,240,543
Investments held by the Partnership	**36,631,264**
Other net assets	(26,346)
Net asset value of the Partnership	**36,604,918**
% held by the Company	85%
Fair value of the Subsidiary's investment in the Partnership	**31,114,057**

Fair value of financial instruments

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

Valuation models

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

The three levels of the fair value hierarchy under IFRS 13 are as follows:

Level 1 Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2 Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3 Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Company's investment in the Subsidiary, 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 the Subsidiary is representative of its fair value.

The investments held by the Subsidiary 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 judgment 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 judgment 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 judgment and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

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

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

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

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

Valuation approach for specific instruments

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

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

The fair value at exercise date is calculated using the market price of Ordinary Shares on the date immediately preceding the date of the exercise notice.

The Company had no exposure to warrants as at 31 December 2017.

Valuation approach for specific instruments held through the Subsidiary

Investments in private investment companies and private operating company
The fair value of investments in the private investment companies and private operating company is determined using the Net Asset Value of the entity (Level 3 valuation). The unadjusted Net Asset Value is used when the units or partnership interests in a fund are redeemable at the reportable Net Asset Value at, or approximately at, the measurement date. If this is not the case, then Net Asset Value is used as a valuation input and an adjustment is applied for lack of marketability/restricted redemptions. This adjustment is based on management judgment after considering the period of restrictions and the nature of the underlying investments. No such adjustment was deemed necessary for the period ended 31 December 2017.

Investments trading securities
At 31 December 2017, the investment portfolio included rated bonds issued by the Kodiak CDOs, Attentus CDOs, CDOs issued by an unaffiliated third-party CDO sponsor (collectively, the "CDO Entities"), and a bond issued by a monoline insurance subsidiary of a publicly listed insurance company ("Bridge Loan").

The fair value of positions held in the CDO Entities is determined by a third party vendor who receives market quotes of similar securities in the market and validating these quotes against estimated future default probabilities using market standard models (Level 3 valuation). Credit spreads are observed directly by the third party vendor. The significant model inputs are observable in the marketplace or set in the contract. The Bridge Loan valuation will be based upon the mid- or last-traded prices at the close of business on the calculation date supplied by the relevant independent investment bank, securities broker and/or originator.

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

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

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

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

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.

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

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

The amounts are based on the values recognised in the Statement of Financial Position. All fair value measurements below are recurring.

	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	**£**	**£**	**£**
Investment held in Subsidiary	-	-	100,177,557
Financial assets at fair value through profit or loss	**-**	**-**	**100,177,557**

	Opening fair value	Additions	Realised gains/ (losses)	Unrealised gains/ (losses)	Disposals, repayment, write-offs	Transfer out to Subsidiary	Ending fair value
	£	£	£	£	£	£	£
Armadillo Portfolio	-	26,999,932	456,430	463,541	(3,575,209)	(24,344,694)	-
CDO bond securities	-	12,781,917	1,117,463	2,826,993	(1,074,924)	(15,651,449)	-
Bridge Loan	-	7,851,238	-	492,277	(66,262)	(8,277,253)	-
Investment in the Partnership	-	10,487,517	-	(734,931)	(1,606,284)	(8,146,302)	-
Investment in the CDO Manager	-	5,673,820	-	959,755	-	(6,633,575)	-
EJF Investments Holdings Limited	-	91,333,503	-	8,844,054	-	-	100,177,557
Total financial assets	**-**	**155,127,927**	**1,573,893**	**12,851,689**	**(6,322,679)**	**(63,053,273)**	**100,177,557**

B. Fair value hierarchy—financial instruments measured at fair value held by the Subsidiary

The table below is a supplemental disclosure of the financial instruments, held by the Subsidiary, measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the Statement of Financial Position. All fair value measurements below are recurring.

	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	**£**	**£**	**£**
Armadillo Portfolio	-	-	17,388,194
CDO bond securities	-	-	17,943,025
Bridge Loan	-	-	7,742,458
Investment in the Partnership	-	-	31,114,057
Investment in Preference Shares	-	-	4,917,953
Investment in the CDO Manager	-	-	7,565,445
Derivative financial assets	-	4,309,963	-
Financial assets at fair value through profit or loss	**-**	**4,309,963**	**86,671,132**

	Opening fair value	Transfer in from the Company	Additions	Realised gains/ (losses)	Unrealised gains/ (losses)	Disposals, repayment, write-offs	Ending fair value
	£	£	£	£	£	£	£
Armadillo Portfolio	-	24,344,694	-	1,177,142	(1,482,397)	(6,651,245)	17,388,194
CDO bond securities	-	15,651,449	5,621,978	3,585,668	3,289,034	(10,205,104)	17,943,025
Bridge Loan	-	8,277,253	283,829	-	(775,099)	(43,525)	7,742,458
Investments in the Partnership	-	8,146,302	23,261,641	59,172	(293,886)	(59,172)	31,114,057
Investment in Preference Shares	-	-	4,991,460	199,466	(73,507)	(199,466)	4,917,953
Investment in CDO Manager	-	6,633,575	-	-	931,870	-	7,565,445
Derivative financial assets	-	-	3,052,586	-	1,257,377	-	4,309,963
Total financial assets	**-**	**63,053,273**	**37,211,494**	**5,021,448**	**2,853,392**	**(17,158.512)**	**90,981,095**

C. Significant unobservable inputs used in measuring fair value

The recurring measurement of the estimated fair values of the Subsidiary's trading securities was determined through the use of Level 3 inputs. A discounted cash flows ("DCF") method was employed to estimate the fair values as of 31 December 2017. Projected cash flows were calculated using a third-party provider of cash flow information for structured securities for each bond. Key assumptions included: prepayment assumptions, default rates and loss severity, recovery lags, and the discount rate. These inputs were based on internal assumptions and market participant benchmarks for comparable bonds.

The table below sets out information about significant unobservable inputs used at 31 December 2017 in measuring the Subsidiary's trading securities categorised as Level 3 in the fair value hierarchy.

Valuation technique	Unobservable inputs	Range (weighted average)	Assumptions	Sensitivity to changes in significant unobservable
Discounted Cash Flows Model	Discount Rate	12.75%	No prepayments	A significant increase in discount would result in a
	Probability of Default	3.5%		
	Loss Severity	75% and 50%	Market Indication	lower fair value
	Recovery Lag	36 months		

The Subsidiary's remaining Level 3 investments have been valued using unadjusted third party transactions and quotations or the unadjusted Net Asset Value of investments in private investment companies. As a result, there were no unobservable inputs that have been internally developed by the Company in determining the fair value of these investments as of 31 December 2017.

D. Financial instruments not measured at fair value

The financial assets not measured at fair value through profit or loss include cash, certain amounts due from related parties and due from brokers, and accrued interest receivable. The carrying amount of such instruments approximates their fair value.

23. 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. Management 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 Net Asset Value (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 Net Asset Value; and
ii. borrowings for long-term investment purposes may only be incurred when the minimum cover amount, 3.5x for ZDP Shares, is met (calculated at the time of drawdown).

As disclosed in note 26, the Company has a revolving credit facility with ANB for the purpose of supporting working capital needs and to fund the Company's general business requirements. In order to achieve the Company's capital risk management objective, the Company aims to ensure that it meets financial covenants attached to the facility. The Company tests compliance with the financial covenants on a quarterly basis and considers the results in making decisions affecting dividend payments to shareholders or issue of new shares.

The Company's adjusted net debt equity ratio at 31 December 2017 was as follows:

	31 December 2017 £
Total liabilities	17,890,387
Less: cash and cash equivalents	(3,194,538)
Adjusted net debt	**14,695,849**
Total equity	86,301,945
Adjusted net debt to adjusted equity ratio	**0.17**

24. Related Party Transactions and other material contracts

Investment Management fee

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

In accordance with the terms of the Management Agreement, the Company pays a management fee calculated monthly and payable monthly in arrears commencing with the quarter in which the Exchange Offer was completed. Subject to certain limitations, the management fee is equal to 0.0833% (one-twelfth of 1%) of the Company's NAV. In May 2017, the Manager elected to assign its share of the dividends generated from the legacy collateral management contracts of the CDO Manager for the period 1 February 2017 to 31 January 2018. In lieu of paying such share of dividends the Manager reduced the management fees charged to the Company by the same amount. As a result no management fees have been charged to the Company within these financial statements.

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

Directors' fees

The Company's independent directors are entitled to a fee in remuneration for their services as Directors at a rate to be determined from time to time by the Board of Directors. During the period ended 31 December 2017, the Company recorded Directors' fees of £125,950. As at 31 December 2017, £40,366 of this amount was outstanding and included in accounts payable and accrued expense balance on the Statement of Financial Position.

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

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

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

As Chief Executive Office of the Manager, Neal Wilson does not receive any fees in return for his services to the Company.

Paul Perris, a former director of the Company, is a director of Crestbridge Limited. The Administrator, a wholly owned subsidiary of Crestbridge Limited, received £2,411.16 in respect of Paul Perris' director services. Emanuel J. Friedman and Lindsay Sparacino did not receive any fees in return for their services as directors of the Company.

Incentive fee

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

Adjusted NAV attributable to Ordinary Shares is calculated as an amount equal to the NAV attributable to Ordinary Shares: (i) excluding any increases or decreases in NAV attributable to Ordinary Shares attributable to the issue or repurchase of any Ordinary Shares; (ii) adding back the aggregate amount of any dividends paid or distributions made in respect of any Ordinary 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.

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

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

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

For the period from the First Admission to 31 December 2017, the Company incurred an Incentive Fee liability of £916,043, which is presented within operating expenses on the Statement of Comprehensive Income and accounts payable and accrued expenses on the Statement of Financial Position.

Ordinary Shares held by related parties

Shareholdings by the Directors in the Company as at 31 December 2017 were as follows:

Name	Ordinary Shares	Percentage of Ordinary Shares in Issue
Neal Wilson	1,131,184	2.07%
Joanna Dentskevich	20,548	0.04%

As at 31 December 2017, Alan Dunphy and Nick Watkins (including family members) held no Ordinary Shares in the Company.

Zero Dividend Preference shares held by related parties

Name	Zero Dividend Preference Shares	Percentage of Zero Dividend Preference Shares in Issue
Neal Wilson	375,000	2.5%

As at 31 December 2017, an affiliated entity to Emanuel J. Friedman, chair and Co-CIO of the Manager, held an aggregate of 10,732,306 Ordinary Shares issued by the Company, which is 19.68% of the issued share capital.

Other Material Contracts

In April 2017, the Manager voluntarily committed to absorb future operating expenses incurred by the Company through, no earlier than, 31 December 2017 excluding management fees and incentive fees. For the period ended 31 December 2017, £1,199,950 of operating expenses were offset by reimbursements from the Manager and is presented on the Statement of Comprehensive Income. As at 31 December 2017, the Company had a receivable balance of £648,255 from the Manager related to the reimbursement of these operating expenses included in the other receivables balance on the Statement of Financial Position.

The Manager committed to absorb all organisational costs associated with the Group's restructuring for risk retention purposes, resulting from the incorporation of the Subsidiary, and professional fees incurred in relation to the preparation of the Company's Prospectus.

On 30 June 2017, the Company, through its investment in the Subsidiary, entered into a cross-transaction with two private funds affiliated with the Manager for the purchase of interests in the depositor vehicle which held interests in the TFINS 2017-1 preference shares issued to the two affiliate funds as part of the securitisation in March 2017. The fair value of these preference shares is included in the Subsidiary's portfolio at a value of £4,917,953. The transaction was executed using pricing established through independent third-party valuations and following the review and approval by the Board of Directors of the Company.

During the period fees of £438,281 were payable to Crestbridge Fund Administrators Limited in respect of corporate services provided to the Company. At 31 December 2017 corporate services fees of £nil were outstanding.

25. Basic and diluted earnings per share

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

The weighted average number of Ordinary Shares in issue is 51,244,202 and is based on the average number of Ordinary Shares in issue during the period.

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 2017, there are no convertible instruments which will have an impact on the weighted average number of Ordinary Shares.

26. Commitments and Contingencies

On 30 March 2017, the Company and Access National Bank ("ANB") entered into a financing and security agreement (the "Revolving Credit Facility") pursuant to which ANB agreed to provide a revolving credit facility of up to $10 million. In June 2017, the Revolving Credit Facility was amended to include the Subsidiary. On 16 October 2017 the Revolving Credit Facility was extended and may be used by the Company for the purposes of supporting working capital needs and to fund the Company's general business requirements where necessary. Unless repaid earlier, the unpaid loan amount together with accrued interest shall be payable in full on 30 November 2019. Such interest shall be accrued at the 30 Day LIBOR plus a margin of 4.00%, with an interest floor of 5.00%. The Company's obligations under the Revolving Credit Facility have been guaranteed by the Manager and the CDO Manager and secured by (i) a pledge and assignment of the Company's right, title and interest in Armadillo I, (ii) a pledge and assignment of the Company's right, title and interest in Armadillo II, (iii) an assignment granted by the Manager over fees received in relation to its management of the Company, (iv) an assignment granted by the Company and the Manager over RRP distributions made by the Partnership, and (v) an assignment granted by the Manager and the Company over dividends from the CDO Manager. As at 31 December 2017 there were no amounts outstanding in relation to the Revolving Credit Facility.

27. Subsequent Events

The Subsidiary sold two REIT TruPS CDO securities on 18 January 2018 for a gain of approximately £10.6 million which generated total sale proceeds of approximately £15.8 million.

On 20 January 2018, the Company declared a dividend of 2.5p per share for the quarter ending 31 December 2017, the ex-dividend date was 2 February 2018 and payment was made on 2 March 2018.

On 7 March 2018, EJF Capital Limited, a wholly owned subsidiary of the Manager, acquired 534,135 ordinary shares in the Company at an average price of 171.5p pence per share. This transaction was in satisfaction of the Incentive Fee payable to the Investment Manager for the Incentive Fee Period ending 31 December 2017 and the Incentive Shares are subject to its Lock-Up Deed.

On 9 March 2018, the Company raised gross proceeds of approximately £5.8 million through a placing and subscription of 3,379,050 new Ordinary Shares under the Company's Placing Programme at 171.50 pence per share. The new Ordinary Shares were admitted for trading on the SFS of the London Stock Exchange on 13 March 2018.

The new ordinary share price represented a premium of 1.8% to the last published NAV per Share (adjusted for the dividend declared on 22 January 2018 and paid on 2 March 2018). The Company incurred costs of approximately £100,000 incurred as a result of the issuance of these new shares.

In April 2018, the Company changed its registrar to Computershare Investor Services (Jersey) Limited.

General Information

Board of Directors

Joanna Dentskevich (Chair) (appointed 17 March 2017)
Alan Dunphy (appointed 12 December 2016)
Nick Watkins (appointed 17 March 2017)
Neal J. Wilson (appointed 20 October 2016, resigned 12 December 2016, re-appointed 27 January 2017)
Emanuel J. Friedman (appointed 20 October 2016, resigned 12 December 2016)
Paul Perris (appointed 12 December 2016, resigned 17 March 2017)
Lindsay Sparacino (appointed 27 January 2017, resigned 17 March 2017)
All c/o the Company's registered office

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Channel Islands

Jersey Administrator and Company Secretary
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Websites
Company: www.ejfi.com
Manager: ww.ejfimanager.com

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[1] Link Market Services (Jersey) Limited was the Registrar until 7 April 2018

The person responsible for arranging for the release of this announcement on behalf of the Company is Stephanie Marriott of Crestbridge Fund Administrators Limited, Associate Director.

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About EJF Investments Limited

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

LEI: 549300XZYEQCLA1ZAT25

Investor information & warnings

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

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