

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

INTERIM REPORT AND UNAUDITED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2018 to 30 June 2018

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

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FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

MANAGEMENT AND ADMINISTRATION

DIRECTORS

Mel Carvill (Non-executive Chairman)
Fintan Kennedy (Non-executive Director)
Peter Gillson (Non-executive Director)

The address of the Directors is the registered office of the Company.

REGISTERED OFFICE

Sarnia House
Le Truchot
St Peter Port
Guernsey, GY1 1GR

ADMINISTRATOR, REGISTRAR, LISTING SPONSOR AND SECRETARY

Praxis Fund Services Limited
Sarnia House
Le Truchot
St Peter Port
Guernsey, GY1 1GR

INDEPENDENT AUDITOR

Grant Thornton Limited
Lefebvre House
Lefebvre Street
St Peter Port
Guernsey
GY1 3TF

INVESTMENT MANAGER, PLACING AGENT AND MARKET MAKER

Ravenscroft Limited
P.O. Box 222
Level 5, The Market Buildings
Fountain Street
St. Peter Port
Guernsey
GY1 4JG

REGISTERED NUMBER: 62421

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

INVESTMENT OBJECTIVES AND STRATEGY

Financial Services Opportunities Investment Fund Limited (the "Company") has an investment objective of attaining long term capital growth and income stream with the aim of spreading risk by investment in a diversified portfolio of investments principally in financial services businesses, which will in the main be based in offshore financial centres.

The Company may invest in unquoted stocks and private companies.

Businesses in which the Company is expected to invest are likely to have one or more of the following attributes:

- i. potential to increase the scale of its operations;
- ii. a need to replace a retiring owner-manager, or early stage, investors;
- iii. a need to change strategy and invest to make it an attractive sale or flotation prospect;
- iv. a need to make a strategic acquisition or some other transformation to make it an attractive sale or flotation prospect.

Up to 15% of the Net Asset Value (the "NAV") can be invested into businesses which, while not strictly falling within the definition of financial services business, are related to the sector and appear to the Investment Manager to fit well within the proposed portfolio of the Company.

Investment Restrictions

The Company will seek to invest (or commit to invest) in accordance with guidelines determined by the Board and notified to the Investment Manager from time to time.

The Company intends that no more than 60 per cent of the Company's NAV may be committed to any single investment, and no more than 60 per cent of the Company's NAV in investments considered by the Board to be "special situations" (such as in companies that are already listed) in each case at the time of investment (or commitment). These limits will not apply for so long as the Company has fewer than three investments.

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

INVESTMENT MANAGER'S REPORT

For the period from 01 January 2018 to 30 June 2018

Published Net Asset Value ("NAV") as at 30 June 2018 was 117.74p (31 December 2017: 114.98p)

Current Share Price: **120p – 123p**

Performance overview

Ravenscroft Limited (the "Investment Manager") is pleased to report an encouraging first six months of the 2018 financial year for Financial Services Opportunities Investment Fund Limited (the "Fund").

Since the 2017 year end, the Fund agreed to terms to indirectly acquire 65% of Oak Trust Group (Guernsey) Limited ("Oak Trust"), a fiduciary services provider specialising in trust and company administration. The transaction was completed on 10 September 2018. The Fund now has a portfolio comprising investments in seven individual companies across a range of financial services related industries.

As at 30 June 2018, the published NAV of the Fund has increased slightly by 2.4% (2.76p) since 31 December 2017. This increase has predominantly been delivered by the investment in PraxisIFM Group Ltd.

The share price of the Fund is 121.5p (mid-market price as at 4 October 2018), a 21.5% gain on the initial listing price.

On 10 April 2018, the Fund announced that 5,500,000 new shares had been admitted to The International Stock Exchange, resulting in a net cash inflow to the Fund of £6.4 million. The proceeds of the capital raise were partially used to fund the acquisition of Oak Trust, and the remainder will be used to fund future investment opportunities, existing commitments and further investments in underlying investee companies. In early October, the Fund completed a capital raise resulting in the creation of 3,138,795 new shares and net cash inflow to the Fund of £3.75 million, which was announced on 8 October 2018. These proceeds will be used for similar purposes.

Portfolio review

Oak Group Limited *(formerly FSO Holdings Limited)*

The shareholder newsletter released on The International Stock Exchange on 9 March 2018 referred to plans to consolidate the Company's fiduciary and fund investments with the aim of becoming the service provider of choice in servicing trusts, companies and funds within the jurisdictions in which it operates. FSO Holdings Limited was incorporated on 23 February 2018 and subsequently changed its name to Oak Group Limited ("OGL"). The first acquisition for OGL was Oak Trust Group (Guernsey) Limited, detailed below. The intention is to transfer the ownership of Kreston and Consortia into OGL, a plan which has the relevant management teams' full support. The Investment Manager is in the advanced stages of considering another potential investment which would be for acquisition by OGL. Stuart Platt-Ransom, formerly a consultant to the Investment Manager, has been appointed as Chief Executive Officer of OGL, responsible for managing the consolidation with a view to increasing overall efficiency, breadth and depth of services as well as realising cost and revenue synergies and, ultimately, delivering an attractive outcome for all shareholders. The Fund currently owns 69.89% of OGL.

– Oak Trust Group (Guernsey) Limited

As announced on 10 September 2018, the Fund completed the acquisition of Oak Trust Group (Guernsey) Limited ("Oak Trust") and its wholly owned subsidiaries. The Fund subscribed for shares in OGL, the proceeds of which were used by OGL to fund the cash element of the acquisition cost of Oak Trust.

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

INVESTMENT MANAGER'S REPORT (continued)

For the period from 01 January 2018 to 30 June 2018

– Oak Trust Group (Guernsey) Limited (continued)

The remaining consideration for the transaction was satisfied by the issue of shares in OGL to the sellers of Oak Trust, constituting up to 35% of OGL's issued share capital dependent on post completion earn out provisions. Mark Chasey and Graham McCormack of Oak Trust will act as Group Chairman and Group Finance Director respectively of OGL, working alongside Stuart Platt-Ransom to achieve the consolidation objectives.

Consortia Partnership Limited ("Consortia") and Kreston IOM Limited ("Kreston")

Stuart Platt-Ransom has been overseeing these businesses as part of the consolidation plans. Both Kreston and Consortia are performing well against their respective budgets, new business pipelines continue to grow and there has recently been a number of significant client wins. Nicola Gott, the recently appointed Managing Director of Consortia, has been making a positive impact on the business, and two further senior appointments have been made to enable an organised wind down by the founder directors. A director appointment has also been made in Kreston, which will add further capability to the leadership team.

PraxisFM Group Limited ("Praxis")

On 21 September 2018, Praxis released a fantastic set of annual results for the year ended 30 April 2018. Revenue increased 21% to £42.5m (FY17: £35.1m), which comprised £4.3m relating to acquisitions and organic revenue growth of 11%, and adjusted EBITDA increased 9% to £9.8m (FY17: £9.0m). The share price of Praxis increased off the back of these results from 162p-166p to 170p-175p.

On 27 June 2018, Praxis announced the acquisition of Nerine Trust, its fourth acquisition in two years. Nerine brings a significant business in the BVI, as well as Guernsey, Geneva and Hong Kong, together with 95 staff and annual revenue of £12m. On 15 August 2018, Praxis announced the acquisition of Jeffcote Donnison's trust and corporate administration business in London, together with their corporate entities in the Isle of Man and Hong Kong with combined annual revenues of £2.8m.

Enhance Group Limited ("Enhance")

As previously reported, Tom Wiseman was appointed CEO of the business in September 2017 following a management restructure. Since his appointment, Tom has made several senior management appointments, adding an experienced Chief Operating Officer and an equally experienced Finance Director. In addition, Tom has overseen a reshaping of the business to refocus on its core competencies, divesting or progressing the divestment of certain non-core areas of the business, and attracting partners and investment in another area.

The recent financial performance delivered by Enhance has been very encouraging and we are content that, following a number of years when the business focused almost entirely on growth, a welcome focus has now returned to achieving profitability at a sustainable and anticipated level. We are very supportive of the focused transformation of Enhance and look forward to seeing further improved financial performance in the future.

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

INVESTMENT MANAGER'S REPORT (continued)

For the period from 01 January 2018 to 30 June 2018

Next Generation Holdings Limited ("NextGen")

Toby Esser, the Fund's joint venture partner in NextGen, has overseen fantastic growth in terms of both the AFL team and revenue since taking the helm at AFL Insurance Brokers in September 2017. Toby has managed a number of senior appointments and presided over both NextGen's very recent investment in Zodiac Insurance Services (more below) and AFL's investment in Concordia, a specialist employer protection insurance Managing General Agency ("MGA").

In recent days the Fund has, alongside Toby, completed a further investment programme in NextGen in order to finance its investment in Zodiac Insurance Services LLC, a New Jersey USA based insurance broker. The acquisition will further diversify and deepen the wider group's current insurance offering. The group had been in discussion and negotiations with Zodiac for a number of months and we are delighted that the process has now drawn to a successful conclusion. The Zodiac business is highly complementary to the existing AFL business and significant revenue synergies are expected to be delivered across the wider group as a result. We remain fully supportive of Toby and the group strategy and are excited with the emerging shape and promise of this investment.

CORVID Holdings Limited ("Corvid")

Late 2017 saw a well-publicised change of Chief Executive Officer for Corvid's parent company, Ultra Electronics Holdings PLC ("Ultra"), and a strategic review of Ultra's business. Disappointingly, we have very recently been informed that it is Ultra's intention to enter a process for the sale of Corvid Paygate Limited ("Paygate"). Ultra concluded that this business requires more resources and regulatory management than they are willing to provide, and that new owners would be better placed to maximise the potential of the business. This is particularly disappointing for the Fund as Paygate's secure payment technology was the main reason the Fund invested in the business. Upon receipt of the formal notification of the intended disposal, we submitted a request that Ultra buy the Fund out of its remaining investment in Corvid Protect Limited, the cyber protection side of the business. Prudently, we recommended that the Fund write down the value of the investment to £500,000 in the June 2018 NAV calculation. We have recommended a further write down of £100,000 in the September NAV on the back of this news.

Ravenscroft Limited

24 October 2018

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

REPORT ON THE REVIEW OF INTERIM FINANCIAL INFORMATION TO THE MEMBERS OF FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

Introduction

We have reviewed the accompanying Interim Statement of Financial Position of Financial Services Opportunities Investment Fund Limited as of 30 June 2018 and the related Interim Statement of Other Comprehensive Income, Interim Statement of Changes in Equity and Interim Statement of Cash Flows for the period then ended and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation and fair presentation of the Interim Financial Statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Our responsibility is to express a conclusion on the Interim Financial Statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Statements do not give a true and fair view of the financial position of the Company as at 30 June 2018, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Grant Thornton Limited
Chartered Accountants
St Peter Port, Guernsey, Channel Islands

24 October 2018

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	<i>Notes</i>	30 June 2018 £	31 December 2017 £
Non-current assets			
Financial assets at fair value through profit or loss	4	48,607,295	46,693,074
Current assets			
Financial assets at fair value through profit or loss	4	-	46,124
Cash and cash equivalents	4	12,668,541	6,651,385
Other receivables	4	35,000	50,983
Prepayments		6,689	15,563
Total assets		<u>61,317,525</u>	<u>53,457,129</u>
Current liabilities			
Trade and other payables	7	1,735,544	1,788,499
Non-current liabilities			
Trade and other payables	7	750,000	750,000
Total liabilities		<u>2,485,544</u>	<u>2,538,499</u>
Net assets		<u>58,831,981</u>	<u>50,918,630</u>
Equity			
Share capital	8	49,309,947	42,779,083
Reserves		9,522,034	8,139,547
Total equity		<u>58,831,981</u>	<u>50,918,630</u>
Number of Ordinary Shares	8	<u>49,437,474</u>	<u>43,766,810</u>
NAV per Ordinary Share	13	<u>119.00p</u>	<u>116.34p</u>

The Interim Financial Statements on pages 7 to 23 were approved by the Board of Directors and authorised for issue on 24 October 2018.

Fintan Kennedy

Director

The accompanying notes on pages 11 to 23 form an integral part of these Unaudited Interim Financial Statements.

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January 2018 to 30 June 2018

		For the period from 1 January to 30 June 2018	For the period from 30 August 2016 (date of incorporation) to 30 June 2017
	Notes	£	£
Income			
Net gains on financial assets at fair value through profit or loss	4	1,917,997	7,192,194
Dividends received		278,720	-
Bank interest income		1,509	23,905
Total income		<u>2,198,226</u>	<u>7,216,099</u>
Expenses			
Investment Management fees	3	362,593	238,363
Investment Manager – other fees	3	19,560	312,252
Administration fees	3	30,000	49,189
Administration fees – other fees	3	8,454	4,540
Directors’ fees and expenses		40,000	67,638
Legal and professional fees		327,829	328,933
Share based payment expense	9	58,726	475,309
Other expenses		27,303	35,823
Total expenses		<u>874,465</u>	<u>1,512,047</u>
Profit and total comprehensive income for the period		<u>1,323,761</u>	<u>5,704,052</u>
Earnings per Ordinary Share – basic	12	2.86p	14.35p
Earnings per Ordinary Share – diluted	12	2.60p	12.84p

All items in the above statement derive from continuing operations.

The accompanying notes on pages 11 to 23 form an integral part of these Unaudited Interim Financial Statements.

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

UNAUDITED INTERIM STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2018 to 30 June 2018

	<i>Notes</i>	Share capital £	Reserves £	Total £
At 31 December 2017		42,779,083	8,139,547	50,918,630
Issue of Ordinary Shares during the period	8	6,660,664	-	6,660,664
Share issue costs	8	(129,800)	-	(129,800)
Profit and total comprehensive income for the period		-	1,323,761	1,323,761
Credit to equity for equity-settled share based payments	9	-	58,726	58,726
At 30 June 2018		49,309,947	9,522,034	58,831,981

	<i>Notes</i>	Share capital £	Reserves £	Total £
At 30 August 2016 (date of incorporation)		-	-	-
Issue of Ordinary Shares during the period	8	43,766,810	-	43,766,810
Share issue costs	8	(987,727)	-	(987,727)
Profit and total comprehensive income for the period		-	5,704,052	5,704,052
Credit to equity for equity-settled share based payments	9	-	475,309	475,309
At 30 June 2017		42,779,083	6,179,361	48,958,444

The accompanying notes on pages 11 to 23 form an integral part of these Unaudited Interim Financial Statements.

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

UNAUDITED INTERIM STATEMENT OF CASH FLOWS

For the period from 1 January 2018 to 30 June 2018

		For the period from 1 January to 30 June 2018	For the period from 30 August 2016 (date of incorporation) to 30 June 2017
	<i>Notes</i>	£	£
Cash flows from operating activities			
Profit and total comprehensive income for the period		1,323,761	5,704,052
Adjusted for:			
Net gains on financial assets at fair value through profit or loss	4	(1,917,997)	(7,192,194)
Share based payment expense	9	58,726	475,309
Decrease/(increase) in prepayments and other receivables		24,857	(70,580)
Increase in other payables		12,733	2,294,763
Purchase of investments		(65,788)	(30,492,994)
Proceeds from sale of investments		50,000	176,869
Net cash outflow from operating activities		(513,708)	(29,104,775)
Cash flows from financing activities			
Proceeds from issue of Ordinary Shares	8	6,660,664	43,776,810
Costs of issue of Ordinary Shares	8	(129,800)	(987,727)
Net cash inflow from financing activities		6,530,864	42,779,183
Net increase in cash and cash equivalents		6,017,156	13,674,408
Cash and cash equivalents at the start of the period		6,651,385	-
Cash and cash equivalents at the end of the period		12,668,541	13,674,408

The accompanying notes on pages 11 to 23 form an integral part of these Unaudited Interim Financial Statements.

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2018 to 30 June 2018

1. General Information

Financial Services Opportunities Investment Fund Limited (the “Company”) is a Guernsey authorised closed-ended investment company which was incorporated under The Companies (Guernsey), Law 2008 on 30 August 2016 with registration number 62421. On 7 October 2016 the Company was admitted to the Channel Islands Securities Exchange (the “CISE”) and following the rebrand of the CISE on 6 March 2017, is now listed on The International Stock Exchange (“TISE”).

The principal activity of the Company is to attain long term capital growth and income stream with the aim of spreading risk by investment in a diversified portfolio of investments principally in financial services businesses and has an indefinite life.

With effect from 27 September 2016, Ravenscroft Limited (the “Investment Manager”) was appointed as the Investment Manager.

2. Significant Accounting Policies

Statement of compliance

The Unaudited Condensed Interim Financial Statements (the “Financial Statements”), which give a true and fair view, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and comply with The Companies (Guernsey) Law, 2008.

Basis of preparation

These Financial Statements have been prepared in accordance with International Accounting Standard (IAS) 34 ‘Interim Financial Reporting’, the Listing Rules of The International Stock Exchange (“TISE”) and applicable legal and regulatory requirements. They do not include all the information and disclosures required in Annual Financial Statements and should be read in conjunction with the Company’s last Annual Audited Financial Statements for the period from 30 August 2016 (date of incorporation) to 31 December 2017.

The accounting policies applied in these Financial Statements are consistent with those applied in the last Annual Audited Financial Statements for the period from 30 August 2016 (date of incorporation) to 31 December 2017, which were prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the IASB. Having reassessed the principal risks, the Company’s financial position as at 30 June 2018 and the factors that may impact its performance in the forthcoming year, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing these Financial Statements.

These Financial Statements were authorised for issue by the Company’s Board of Directors on 24 October 2018.

Significant judgements and estimates

There have been no changes to the significant accounting judgements, estimates and assumptions from those applied in the Company’s Audited Annual Financial Statements for the period from 30 August 2016 (date of incorporation) to 31 December 2017.

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (continued)

For the period from 1 January 2018 to 30 June 2018

2. Significant Accounting Policies (continued)

New Accounting Standards, interpretations and amendments adopted

At the date of approval of these Financial Statements, there are a number of new standards, amendments to existing standards and interpretations, which have not been applied in these Financial Statements that were in issue but not yet effective and will be adopted from their effective date. The following standard has been adopted for the first time in these Financial Statements:

- IFRS 9, published in July 2014, will replace the existing guidance in IAS 39. It includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

The adoption of this standard has not had a material impact on the Financial Statements of the Company as the majority of the Company's financial assets are already designated at fair value through profit or loss.

In addition, the IASB completed its Annual Improvements 2014-2016 Cycle project in December 2016 and its Annual Improvements 2015-2017 Cycle project in December 2017. These projects have amended a number of existing standards and interpretations effective for accounting periods commencing on or after 1 January 2018 or 1 January 2019.

3. Material Agreements

Management fees

With effect from 27 September 2016, Ravenscroft Limited was appointed as the Investment Manager. The Investment Manager is entitled to an amount equal to an annualised 1.5% of the Adjusted Closing NAV (excluding cash and near cash investments). The management fee will be calculated on a quarterly basis after calculation of the Adjusted Closing NAV and shall be a sum equal to $A \times 0.25$, where $A = 1.5\%$ of Adjusted Closing NAV.

There is no performance fee. The Company instead grants options over shares to the Investment Manager, for itself and for onward transfer to members of the management team as may be agreed. Further details on the options granted are disclosed in note 9.

The Company also pays the Investment Manager a deal fee equal to 1% of the total amount paid by the Company for any completed investments, within three months after the date of completion of that investment (except in relation to investments where the total amount payable is determined later than three months after completion, in which case the deal fee element referable to any deferred part of the consideration shall be payable within three months of the date of payment of that deferred consideration, but of the deal fee element relating to that part of the consideration payable on completion of the investment shall be payable within three months after the date of completion).

The Investment Manager also receives a trading account administration fee and a market maker retainer fee of £5,000 per annum.

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (continued)

For the period from 1 January 2018 to 30 June 2018

3. Material Agreements (continued)

Management fees (continued)

During the period, the Investment Manager was due a management fee of £362,593 (30 June 2017: £238,363), of which £183,988 (31 December 2017: £175,166) was outstanding at the end of the period. The Investment Manager earned no deal fees in the period (30 June 2017: £304,930). A deal fee of £22,500 (31 December 2017: £23,160) remained outstanding at the end of the period. The Investment Manager also received other fees of £19,560 (30 June 2017: £7,322) of which £Nil (31 December 2017: £Nil) was outstanding at the end of the period.

The Investment Management agreement can be terminated by either party giving not less than 18 months written notice.

Administration fees

With effect from 27 September 2016, Praxis Fund Services Limited was appointed as the Administrator. The Administrator is entitled to receive an annual fee of 0.10% of the NAV of the Company subject to a minimum fee of £60,000 plus disbursements, payable quarterly in arrears for Administration, Accounting and Company Secretarial services.

The Administrator also charges a fee for assisting with reporting under Article 24 of the AIFM Directive of £5,000 per annum, for each regulatory authority, where such Annex IV Reporting is required by the Company.

The Administrator also charges an annual fee of £500 per entity for providing a Responsible Officer for FFI purposes. For any additional reporting under FATCA and CRS fees will be charged on a time spent basis.

During the period, the Administrator was due administration fees of £30,000 (30 June 2017: £49,189) of which £Nil (31 December 2017: £Nil) was outstanding at the period end, and other fees of £8,454 (30 June 2017: £4,540)

Directors' fees

Mel Carvill is entitled to a fee in remuneration for his services as Chairman of the Board of Directors at a rate payable of £30,000 per annum. The remaining Directors are entitled to a fee in remuneration for their services as Directors at a rate of £25,000 each per annum. The total remuneration paid to the Directors for the period was £40,000 (30 June 2017: £67,638) of which £Nil (31 December 2017: £Nil) was outstanding at the end of the period.

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (continued)

For the period from 1 January 2018 to 30 June 2018

4. Fair value

Financial assets at fair value through profit or loss

	30 June 2018
	£
Cost at the start of the period	37,585,651
Purchases	100
Sales	(50,000)
Realised gain on sales	3,876
Cost at the end of the period	<u>37,539,627</u>
Net unrealised gains at the start of the period	9,153,547
Movement in net unrealized gains in the period	1,914,121
Net unrealised gains at the end of the period	<u>11,067,668</u>
Financial assets at fair value through profit or loss at the end of the period	<u>48,607,295</u>
Realised gain on sales during the period	3,876
Movement in net unrealised gains during the period	1,914,121
Net gains on financial assets at fair value through profit or loss	<u>1,917,997</u>
	31 December 2017
	£
Cost at the start of the period	-
Purchases	38,439,022
Sales	(1,260,823)
Realised gain on sales	407,452
Cost at the end of the period	<u>37,585,651</u>
Net unrealised gains on financial assets at the end of the period	<u>9,153,547</u>
Financial assets at fair value through profit or loss at the end of the period	<u>46,739,198</u>
Realised gain on sales during the period	407,452
Movement in net unrealised gains during the period	9,153,547
Net gains on financial assets at fair value through profit or loss	<u>9,560,999</u>

IFRS 13 requires that a fair value hierarchy be established that prioritises the inputs to valuation techniques used to measure fair value. 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 in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted 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.

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (continued)

For the period from 1 January 2018 to 30 June 2018

4. Fair value (continued)

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

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 level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement. Observable data is considered to be market data that is readily available, regularly distributed or updated, reliable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Level 2 financial instruments are valued based on quoted bid price, dealer quotations or alternative pricing sources supported by observable inputs. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Investment Manager will assess at each valuation date whether a discount should be applied to the quoted market price and provide evidence to the Board (using all observable inputs available) to substantiate their suggestion. If applicable, an appropriate discount rate (calculated in reference to industry norms and all observable inputs available) will be suggested by the Investment Manager for approval by the Board.

Level 3 investments are initially (for a period ended 12 months after acquisition) valued at the purchase price of the recent investment, excluding transaction costs. Once maintainable earnings can be identified, the preferred method of valuation is the earnings multiple valuation technique, where a multiple that is an appropriate and reasonable indicator of value (given the size, risk profile and earnings growth prospects of the investee company) is applied to the maintainable earnings of the investment. Occasionally other methods as deemed suitable may be used, such as revenue or gross profit multiples, net assets, break-up value or discounted cash flows. The techniques used in determining the fair value of the Company's investments will be selected on an investment by investment basis so as to maximise the use of market based observable inputs. The Company's policy is to value its Level 3 investments on an annual basis for the purposes of the Annual Financial Statements.

The following table analyses within the fair value hierarchy the Group's financial assets and liabilities measured at fair value at 30 June 2018:

	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Financial assets at fair value through profit or loss	-	29,414,347	19,192,948	48,607,295
Total	-	29,414,347	19,192,948	48,607,295

There have been no transfers between levels of the fair value hierarchy during the period. Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change has occurred.

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (continued)

For the period from 1 January 2018 to 30 June 2018

4. Fair value (continued)

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

Valuation models

Description	Fair Value (£)	Level	Valuation Technique	Unobservable Inputs	Sensitivity to changes unobservable inputs	Impact on fair value of changes in unobservable inputs (£)
Corvid Holdings Limited B shares	500,000	Level 3	Investment Manager's valuation based on Gross Profit	Adjustment based on shortfall in gross profit against budget	The estimate of fair value would increase/decrease if the company's gross profit were higher/lower	A 5% increase/decrease in the shortfall in gross profit would have resulted in a decrease/increase in fair value of £100,000.
Praxis IFM Group Limited	29,414,347	Level 2	Quoted market bid price	N/A	N/A	N/A
Consortia Partnership Limited A shares	5,000,000	Level 3	Investment Manager's valuation based on transaction	N/A	N/A	N/A
Consortia Partnership Limited ordinary shares	4,591,879	Level 3	Investment Manager's valuation based on transaction	N/A	N/A	N/A
Enhance Group Limited A ordinary shares	511,440	Level 3	Investment Manager's valuation based on transaction	N/A	N/A	N/A
Enhance Group Limited C ordinary shares	1,065,587	Level 3	Investment Manager's valuation based on transaction	N/A	N/A	N/A
Enhance Group Limited D preference shares	213,907	Level 3	Investment Manager's valuation based on transaction	N/A	N/A	N/A
Oak Group Limited	100	Level 3	Investment Manager's valuation based on transaction	N/A	N/A	N/A
Next Generation Holdings Ltd	1,059,950	Level 3	Investment Manager's valuation based on transaction	N/A	N/A	N/A
Kreston IOM Ltd	6,250,085	Level 3	Investment Manager's valuation based on transaction	N/A	N/A	N/A
Total	48,607,295					

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (continued)

For the period from 1 January 2018 to 30 June 2018

4. Fair value (continued)

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

Valuation models (continued)

The investment in Corvid Holdings Limited has been written down from cost based on a gross profit metric for the period ended 30 June 2018. This investment is included in Level 3 of the fair value hierarchy.

The investment in PraxisIFM Group Limited is valued at the quoted bid price on TISE at 30 June 2018. As PraxisIFM shares are not considered to be traded in an active market, this investment is included in Level 2 of the hierarchy.

The investments in Consortia Partnership Limited, Next Generation Holdings Limited and Kreston IOM Limited took place within 12 months of the reporting date and are valued at cost. Although the first investment in Enhance Group Limited took place in November 2016, numerous additional investments took place within 12 months of the reporting date and this investment has also been valued at cost. The Investment Manager considers the purchase cost a reliable representation of the fair value at 30 June 2018. These investments are included in Level 3 of the fair value hierarchy.

Price sensitivity of investments not valued using unobservable inputs

A 5% increase/decrease in the valuation of the investment valued at quoted market bid price would result in an increase/decrease in fair value of £1,470,717 (31 December 2017 :£1,325,461).

.A 5% increase/decrease in the valuation of the investments valued at their transaction cost would result in an increase/decrease in fair value of £934,647 (31 December 2017 :£936,949).

Movements in the Company's Level 3 financial instruments during the period were as follows:

	30 June 2018	31 December 2017
	£	£
Opening balance	20,229,972	-
Purchases	100	20,825,522
Sales	(50,000)	-
Realised gains on investments	3,876	-
Net unrealised losses on financial assets in the period	(991,000)	(595,550)
Closing balance	19,192,948	20,229,972

The Company's policy is to value its Level 3 investments on an annual basis for the purposes of the Annual Financial Statements in accordance with the most appropriate valuation methodology for each investment, as determined by the Directors. For the purposes of these Interim Financial Statements, the Directors have determined that the cost of the Level 3 investments represents the best estimate of their fair value as at 30 June 2018.

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (continued)

For the period from 1 January 2018 to 30 June 2018

4. Fair value (continued)

Other financial assets and liabilities

All of the Company's other financial assets and liabilities are measured at amortised cost. The carrying value of these assets and liabilities is considered to be a reasonable approximation of their fair value.

	Carrying value	30 June 2018 Fair value
	£	£
Assets		
Cash and cash equivalents	12,668,541	12,668,541
Other receivables	35,000	35,000
Total	12,703,541	12,703,541
Liabilities		
Trade and other payables	2,485,544	2,485,544
Total	2,485,544	2,485,544

Cash and cash equivalents include deposits held with banks.

5. Dividends

The Directors intend that returns should be generated for Shareholders primarily through capital appreciation of their investment.

The Directors intend to operate a distribution policy for the Company commensurate with and appropriate to the make-up of its investment portfolio and investment policy from time to time.

The Board of Directors do not recommend the payment of a dividend for the period from 01 January 2018 to 30 June 2018.

6. Taxation

The Company is registered as a Guernsey income tax company and is subject to the standard rate of tax of 0%.

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (continued)

For the period from 1 January 2018 to 30 June 2018

7. Trade and other payables

	30 June 2018	31 December 2017
	£	£
Current		
Investment purchases settlement	1,500,186	1,565,874
Investment Management fee	183,988	175,166
Investment Manager's deal fee	22,500	23,160
Other payables	28,870	24,299
	<u>1,735,544</u>	<u>1,788,499</u>
Non-current		
Investment purchases settlement	750,000	750,000
	<u>2,485,544</u>	<u>2,538,499</u>

Amounts due in respect of outstanding investment purchases include deferred settlements in respect of the purchase of the Company's investments in Consortia and Kreston IOM, contingent on specific performance targets.

8. Share capital

The Company's Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary Shares are recognised as a deduction in equity and are charged to the share capital account, including the initial set up costs.

The authorised share capital of the Company is represented by an unlimited number of Ordinary Shares of nil par value. All Ordinary Shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the Shareholders' meeting.

	30 June 2018	
	Number	£
Ordinary Share Capital at the beginning of the period	43,766,810	42,779,083
Ordinary Share Capital issued and fully paid	5,670,664	6,660,664
Share issue costs	-	(129,800)
Total Ordinary Share Capital at the end of the period	<u>49,437,474</u>	<u>49,309,947</u>
	31 December 2017	
	Number	£
Ordinary Share Capital at the beginning of the period	-	-
Ordinary Share Capital issued and fully paid	43,766,810	43,766,810
Share issue costs	-	(987,727)
Total Ordinary Share Capital at the end of the period	<u>43,766,810</u>	<u>42,779,083</u>

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (continued)

For the period from 1 January 2018 to 30 June 2018

9. Share-based payments

During the period, the following options for shares of the Company were granted to the Investment Manager and members of the investment management team. The options are exercisable at a price in accordance with the agreements on the date of grant.

Options granted to the Investment Manager

	Date of grant	Vesting date	Date of expiry	Remaining contractual life (days)	Number of share options	Estimated fair value £	Expensed through Profit or Loss £
Tranche 1a	07/10/2016	08/10/2018	08/10/2021	1,196	1,764,706	9,140	2,622
Tranche 2a	16/12/2016	17/12/2018	17/12/2021	1,266	690,694	3,339	1,077
Tranche 3a	06/02/2017	07/02/2021	07/02/2022	1,318	119,117	282	100
Tranche 4a	11/04/2018	12/04/2020	12/04/2023	1,747	323,529	824	824

Options granted to members of the investment management team

Tranche 1b	07/10/2016	08/10/2018	08/10/2021	1,196	2,786,400	179,190	30,021
Tranche 2b	16/12/2016	17/12/2018	17/12/2021	1,266	1,153,620	68,082	15,843
Tranche 3b	06/02/2017	07/02/2019	07/02/2022	1,318	161,700	8,613	1,563
Tranche 4b	11/04/2018	12/04/2020	12/04/2023	1,747	647,058	6,676	6,676
					7,646,824	276,146	58,726

The fair value of the options is estimated using a Black Scholes model using the following inputs:

	Tranche 1a	Tranche 2a	Tranche 3a	Tranche 4a	Tranche 1b	Tranche 2b	Tranche 3b	Tranche 4b
Share price	£1.00	£1.00	£1.00	£1.19	£1.00	£1.00	£1.00	£1.19
Adjusted share price to reflect liquidity discount) (20%)	£0.80	£0.80	£0.80	£0.95	£0.80	£0.80	£0.80	£0.95
Expected volatility	12.65%	12.65%	12.65%	11.53%	12.65%	12.65%	12.65%	11.53%
Discount rate	0.52%	0.66%	0.85%	1.14%	0.52%	0.66%	0.64%	1.14%

During the period, 5,670,664 shares in the Company were issued, 5,500,000 as a capital placement and 170,664 as a take up of share options at £1 per share. There are no exercisable options at the end of the period and no options have expired.

As at 31 December 2017, 4,764,746 share options were in issue, with an estimated fair value of £358,521.

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (continued)

For the period from 1 January 2018 to 30 June 2018

10. Related party transactions

Ordinary Shares held by related parties

The Shareholdings of the Directors' in the Company at 30 June 2018 were as follows:

Name	Number of Ordinary Shares	Percentage
Mel Carvill (Chairman)	600,000	1.21%
Peter Gillson	600,000	1.21%

The Investment Manager holds options for 2,898,046 shares in the Company and members of the investment management team hold options for 4,748,778 shares in the Company (see note 9).

Mel Carvill holds 70,000 Ordinary Shares in the Investment Manager and Peter Gillson holds 25,000 Ordinary Shares in the Investment Manager.

Details of the Directors', Investment Manager's and Administrator's fees are disclosed in note 3.

The Company invests in PraxisIFM Group Limited, which is the parent company of the Administrator of the Company and of PraxisIFM Treasury Services Limited, which provides cash management services to the Company.

11. Investment in unconsolidated subsidiaries, associates and joint ventures

	Date of incorporation/ acquisition	Domicile	Ownership
Consortia Partners Limited	3 February 2017	Jersey	100%
Kreston IOM Limited	15 December 2017	Isle of Man	85%
Enhance Group Limited	28 November 2016	Jersey	38%
Next Generation Holdings Limited	28 April 2017	Guernsey	50%

There are no significant restrictions on the ability of an unconsolidated subsidiary to transfer funds to the Company in the form of cash dividends, nor any current commitments or intentions to provide financial or other support to an unconsolidated subsidiary.

12. Earnings per Ordinary Share

	30 June 2018	
	Basic	Diluted
Profit for the period	£1,323,761	£1,323,761
Weighted average number of Ordinary Shares	46,249,823	50,998,601
Earnings per Ordinary Share	2.86p	2.60p
	31 December 2017	
	Basic	Diluted
Profit for the period	£8,359,795	£8,359,795
Weighted average number of Ordinary Shares	41,405,553	46,170,299
Earnings per Ordinary Share	20.19p	18.11p

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (continued)

For the period from 1 January 2018 to 30 June 2018

12. Earnings per Ordinary Share (continued)

Basic and diluted earnings per Share are arrived at by dividing the profit for the financial period by, respectively, the weighted average number of Ordinary Shares in issue and the weighted number of Ordinary and potential Shares in issue. The reconciliation of the weighted average number of shares used for the purposes of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	Number of Shares
Weighted average number of Ordinary Shares used in basic earnings per Share	46,249,823
Weighted average number of potential shares deemed to be issued	4,748,778
Weighted average number of Shares used in diluted earnings per Share	<u>50,998,601</u>

The dilution arises from the potential exercise of share options granted to the members of the investment management team (see note 9). As at 30 June 2018, only the share options granted to the members of the investment management team have a dilutive effect, as they are in the money, as the price of the Company's shares at 30 June 2018 exceeded the exercise price.

13. NAV per Ordinary Share

The NAV per Ordinary Share is calculated based on the net assets attributable to Ordinary Shareholders of £58,831,981 and on 49,437,474 Ordinary Shares in issue at 30 June 2018.

The table below reconciles the difference between the Interim Financial Statements NAV per Ordinary Share compared to the NAV per Ordinary Share reported on the TISE.

	NAV	Number of Ordinary Shares	NAV per Ordinary Share
Published NAV	£58,206,662	49,437,474	117.74p
Share issue costs	(£100,546)	49,437,474	(0.21)p
Dilution levy	£725,865	49,437,474	1.47p
Interim Financial Statements NAV	<u>£58,831,981</u>	49,437,474	<u>119.00p</u>

The adjustment in respect of share issue costs represents the unamortised balance of costs incurred in relation to the setting up of the Company. For the purposes of these Interim Financial Statements, these costs have been charged in full, however for the purposes of the published NAV they are amortised over a period of five years.

The dilution levy represents an adjustment to the published NAV to reflect the dilutive effect of the share options granted to the Investment Manager and members of the Investment Manager's management team, however under IFRS this adjustment is not recognised in these Interim Financial Statements.

14. Commitments

The Company entered into a subscription agreement to purchase 100% of Consortia Partners Limited for £9,600,000 of which £1,000,000 is due to be paid on 30 November 2018, contingent on revenue reaching specific targets.

The Company also entered into an agreement to purchase Kreston IOM Hold Co Limited for £6,250,000 of which £750,000 is due to be paid by 23 November 2019, subject to meeting conditions set out in the share purchase agreement dated 23 November 2017.

At the end of the reporting period no other commitments existed.

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (continued)

For the period from 1 January 2018 to 30 June 2018

15. Controlling Parties

The Directors consider that the Company has no ultimate controlling party.

16. Events after the end of the reporting period

On 10 September 2018 Oak Group Limited (“OGL”) successfully completed the acquisition of Oak Trust Group (Guernsey) Limited (“Oak Trust Group”) and its wholly owned subsidiary companies.

The Company had subscribed for shares in OGL, the proceeds of which were used by OGL to fund the cash element of the acquisition cost of Oak Trust Group. The remaining consideration for the transaction was satisfied by the issue of shares in OGL to the sellers of Oak Trust Group, constituting up to 35% of OGL’s issued share capital, dependent on post completion earn out provisions. The Company will own at least 65% of the issued share capital of OGL.

On 8 October 2018, the Fund announced on The International Stock Exchange that it had completed a capital raise resulting in the creation of 3,138,795 new shares and net cash inflow to the Fund of £3.75 million.

There were no other events after the end of the reporting period that require disclosure in these Financial Statements.

FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

PORTFOLIO STATEMENT (unaudited)

As at 30 June 2018

	Holding	Market Value	Percentage of Net Asset Value
Listed Investments		£	%
Praxis IFM Group Limited	18,157,004	29,414,347	50.00
Unlisted Investments			
Consortia Partners Limited	59,559	9,591,879	16.31
Corvid Holdings Limited	10	500,000	0.85
Enhance Group Limited	500	1,790,934	3.04
Oak Group Limited	100	100	0.00
Kreston IOM Limited	25,085	6,250,085	10.62
Next Generation Holdings Limited	500	1,059,950	1.80
		<hr/>	
		19,192,948	32.62
		<hr/>	
Total Investments		48,607,295	82.62
Other net assets		10,224,686	17.38
		<hr/>	
Net assets attributable to holders of Ordinary Shares		58,831,981	100.00