

**FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED**

**INTERIM REPORT AND UNAUDITED CONDENSED FINANCIAL STATEMENTS**

For the period from 1 January 2019 to 30 June 2019

# 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  
20 New 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 achieving long term capital growth and delivering an income stream to shareholders with the aim of spreading risk by investing 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 of the Company (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 committed to 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).

# FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

## INVESTMENT MANAGER'S REPORT

For the period from 1 January 2019 to 30 June 2019

**Published NAV as at 30 June 2019 was 129.01p per share (31 December 2018: 122.97p per share).**

**NAV per the Statement of Financial Position as at 30 June 2019 was 130.99p per share (31 December 2018: 124.44p per share).**

Current share price: **118p – 127p**

### **Performance overview**

Ravenscroft Limited (the "Manager") is pleased to report on an encouraging first six months of the 2019 financial year for Financial Services Opportunities Investment Fund Limited (the "Fund").

The Fund has now completed the consolidation of its existing fiduciary investments through Oak Group Limited ("Oak Group"). In addition, the Fund increased its investment in Oak Group in order to fund Oak Group's acquisition of the Guernsey based corporate services and fund administration group International Administration Group ("IAG").

The Manager is content with the overall performance of the Fund's investee companies and continues to believe that these will continue to enable the Fund to achieve its objective of long-term capital growth whilst also delivering an income stream to shareholders.

As at 30 June 2019, the published NAV of the Fund had increased by 4.91% during the period and by 29.01% since launch.

### **Portfolio review**

#### **PraxisIFM**

PraxisIFM has continued to perform well during the year to date, with its share price increasing from £1.85 to £1.95 over the course of the first six months, subsequently retreating to £1.85 post the period end.

The Fund sold a small number of shares to satisfy investor demand in January which saw its interest reduced from 16.42% to 16.10% but otherwise was content to maintain its holding.

PraxisIFM has grown its global presence to 19 jurisdictions and increased staff numbers from 300 to 550 over the last 2 years, and its annual results for the year ended April 2019 are expected imminently.

PraxisIFM comprised 50.31% of the Fund's published NAV as at 30 June 2019.

#### **Oak Group Limited ("Oak Group")**

In Q1 2019 the Fund's existing investments in Consortia Partnership Limited, Kreston IOM Limited and Oak Trust were consolidated under the umbrella of Oak Group, followed by Oak Group's acquisition of IAG in May 2019. These businesses have rebranded and are all operating together as an integrated group.

The Fund purchased additional shares in Oak Group in May 2019 in order to enable Oak Group to settle the initial cash consideration for the IAG acquisition, thus bringing the Fund's stake in Oak Group to 76.1% as at 30 June 2019.

Oak Group now comprises of over 200 staff in 6 jurisdictions, with £20 billion of assets under administration, and it intends to increase both staff numbers and geographical presence through certain future targeted acquisitions.

## **FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED**

### **INVESTMENT MANAGER'S REPORT (continued)**

**For the period from 1 January 2019 to 30 June 2019**

#### **Oak Group Limited ("Oak Group") (continued)**

Oak Group's aim is to become the service provider of choice in servicing trusts, companies and funds within the jurisdictions in which it operates. It aims to capitalise on market conditions, a strong client base, management and reputation in order to build revenue and market share. As intended it has become a cornerstone investment for the Fund alongside PraxisIFM.

Oak Group's financial year end has been set as 31 March, and its subsidiary companies are being aligned to this date. The group as a whole has enjoyed a solid performance so far in 2019, with management accounts for the financial year to date showing underlying profit approximately 3% ahead of budget. This has largely been driven by Oak Trust Guernsey, outperforming its target by 18%, partially offset by an underperformance in Oak Group Jersey (formerly Consortia) which missed budget by the same margin. Oak Fund Services (formerly IAG) and Oak Group Isle of Man (formerly Kreston) have so far delivered profits in line with expectations.

Further progress is expected over the remainder of the year, both organically through group synergies and through further anticipated acquisitions.

Oak Group comprised 43.40% of the Fund's published NAV as at 30 June 2019.

#### **Next Generation Holdings Limited ("NextGen")**

The Fund has a 50% holding in NextGen which is a joint venture with Toby Esser, the former CEO of a multinational insurance company. In turn NextGen is the majority stakeholder in AFL Insurance Brokers Limited ("AFL"), a Lloyds broker based in Manchester and London, and has an interest in Zodiac Insurance Services LLC ("Zodiac"), a managing general agent (MGA) based in the USA.

In early 2019, the Fund increased its £1m term loan to NextGen to £1.588m. This increase was used to fund the deferred consideration on the 2018 acquisition of Zodiac through NextGen's subsidiaries. The Fund also made a further £195k equity injection, alongside its joint venture partner, to assist AFL on its planned path to meaningful growth.

Following its significant acquisition activity in 2018, AFL is focussing its efforts this year on continuing its transition to a more efficient broker model. This approach is starting to bear fruit, with the AFL moving into profit during the second quarter and Zodiac consistently producing strong results. The Manager has regularly attended AFL's board meetings and been impressed with its management and their commitment to growing the business effectively.

NextGen comprised 3.16% of the Fund's published NAV as at 30 June 2019.

#### **Enhance Group Limited ("Enhance")**

2018 produced very positive results following management changes in late 2017, with revenues increasing 10% and costs reduced by 9% year on year. Further growth was anticipated for 2019, however, challenging trading conditions during the first six months means that this has not yet fully materialised. Management is hopeful that its strong business pipeline will enable it to close the revenue shortfall in the second half of the year.

Enhance comprised 2.35% of the Fund's published NAV as at 30 June 2019.

## **FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED**

### **INVESTMENT MANAGER'S REPORT (continued)**

**For the period from 1 January 2019 to 30 June 2019**

#### **CORVID Holdings Ltd ("CORVID")**

CORVID owned two subsidiary businesses, Corvid Paygate Limited ("Paygate") and Corvid Protect Holdings Limited ("Protect").

In June 2019 the management of Ultra Electronics plc ("Ultra"), the parent company and main customer of CORVID, confirmed that it had completed the sale of Paygate, having previously flagged this intention to the Fund. Following an internal review Ultra had concluded that Paygate was non-core to their business. This sale crystallised an indicative loss for the Fund, and confirmation of any distribution of sales proceeds is awaited from Ultra.

Negotiations are still pending between the Manager and Ultra regarding the future of the remaining holding in Protect, with a view to negotiating the best possible outcome for the Fund.

CORVID comprised 0.32% of the Fund's published NAV as at 30 June 2019.

#### **Future Opportunities**

The Manager continues to explore a number of suitable opportunities, both for the Fund and via its investee companies.

#### **Conclusion**

We are content with the performance of the investment portfolio over the year to date, and are confident that it, as well as potential future investments, can achieve the Fund's stated objectives.

Together with the Board, the Manager remains committed to ensuring the active management of the investment portfolio and continues to work alongside the principals of the businesses and their management teams to provide the best possible return on investment for the Fund and its shareholders.

**Ravenscroft Limited**

**25 October 2019**

## **FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED**

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

#### **Introduction**

We have reviewed the accompanying Condensed Statement of Financial Position of Financial Services Opportunities Investment Fund Limited as at 30 June 2019 and the related Condensed Statement of Other Comprehensive Income, Condensed Statement of Changes in Equity and Condensed Statement of Cash Flows for the six-month 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 adopted by the European Union. 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 2019, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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

**25 October 2019**

## FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

### UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

|   | <i>Notes</i> | 30 June 2019<br>(unaudited)<br>£ | 31 December 2018<br>(audited)<br>£ |
|---|--------------|----------------------------------|------------------------------------|
| <b>Non-current assets</b>                             |              |                                  |                                    |
| Financial assets at fair value through profit or loss | 4            | 69,235,466                       | 62,913,713                         |
| Loans due from associates                             | 11           | 1,723,397                        | 1,035,000                          |
| <b>Current assets</b>                                 |              |                                  |                                    |
| Financial assets at fair value through profit or loss | 4            | -                                | 23,215                             |
| Cash and cash equivalents                             |              | 891,990                          | 6,092,384                          |
| Other receivables                                     | 7            | 803,267                          | 20,164                             |
| Prepayments   |              | 6,189                            | 15,378                             |
| <b>Total assets</b>                                   |              | <u>72,660,309</u>                | <u>70,099,854</u>                  |
| <b>Current liabilities</b>                            |              |                                  |                                    |
| Trade and other payables                              | 8            | 2,031,548                        | 2,039,104                          |
| <b>Non-current liabilities</b>                        |              |                                  |                                    |
| Trade and other payables                              | 8            | -                                | 964,964                            |
| <b>Total liabilities</b>                              |              | <u>2,031,548</u>                 | <u>3,004,068</u>                   |
| <b>Net assets</b>                                     |              | <u><b>70,628,761</b></u>         | <u><b>67,095,786</b></u>           |
| <b>Equity</b>   |              |                                  |                                    |
| Share capital   | 9            | 54,604,160                       | 54,604,160                         |
| Reserves  |              | 16,024,601                       | 12,491,626                         |
| <b>Total equity</b>                                   |              | <u><b>70,628,761</b></u>         | <u><b>67,095,786</b></u>           |
| <b>Number of shares in issue</b>                      | 9            | <u><b>53,919,127</b></u>         | <u><b>53,919,127</b></u>           |
| <b>NAV per share</b>                                  | 14           | <u><b>130.99p</b></u>            | <u><b>124.44p</b></u>              |

The Unaudited Condensed Financial Statements on pages 7 to 28 were approved by the Board of Directors and authorised for issue on 25 October 2019.

**Peter Gillson**  
Director

The accompanying notes on pages 11 to 28 form an integral part of these Unaudited Condensed Financial Statements.

## FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

### UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January 2019 to 30 June 2019

|  | <i>Notes</i> | 1 January 2019 to<br>30 June 2019<br>(unaudited)<br>£ | 1 January 2018 to<br>30 June 2018<br>(unaudited)<br>£ |
|--|--------------|---|---|
| <b>Income</b>  |              |   |   |
| Net gains on financial assets at fair value through profit or loss | 4            | 3,881,403   | 1,917,997   |
| Dividend income  |              | 288,416   | 278,299   |
| Loan interest income   |              | 53,265  | -   |
| Bank interest income   |              | 1,664   | 1,509   |
| <b>Total income</b>  |              | <u>4,224,748</u>                                      | <u>2,197,805</u>                                      |
| <b>Expenses</b>  |              |   |   |
| Investment management fees   | 3            | 518,951   | 362,593   |
| Investment manager's deal fees                                     | 3            | 39,034  | -   |
| Investment manager's other fees                                    | 3            | 22,444  | 19,560  |
| Administration fees  | 3            | 34,547  | 30,190  |
| Administrator's other fees   | 3            | 2,967   | 8,264   |
| Directors' fees  | 3            | 45,000  | 40,000  |
| Legal and professional fees  |              | 2,325   | 327,829   |
| Share based payment expense  | 10           | 1,917   | 58,726  |
| Other expenses   |              | 26,505  | 26,882  |
| <b>Total expenses</b>  |              | <u>693,690</u>  | <u>874,044</u>  |
| <b>Profit and total comprehensive income for the period</b>        |              | <u><b>3,531,058</b></u>                               | <u><b>1,323,761</b></u>                               |
| <b>Earnings per share – basic</b>                                  | 13           | <b>6.55p</b>  | <b>2.86p</b>  |
| <b>Earnings per share – diluted</b>                                | 13           | <b>6.08p</b>  | <b>2.60p</b>  |

All items in the above statement derive from continuing operations.

The accompanying notes on pages 11 to 28 form an integral part of these Unaudited Condensed Financial Statements.

## FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

### UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2019 to 30 June 2019

|  | <i>Notes</i> | Share capital<br>£ | Reserves<br>£     | Total<br>£        |
|--|--------------|--------------------|-------------------|-------------------|
| <b>At 1 January 2019</b>                                 |              | <b>54,604,160</b>  | <b>12,491,626</b> | <b>67,095,786</b> |
| Profit and total comprehensive income for the period     |              | -                  | 3,531,058         | 3,531,058         |
| Credit to equity for equity-settled share based payments | 10           | -                  | 1,917             | 1,917             |
| <b>At 30 June 2019</b>                                   |              | <b>54,604,160</b>  | <b>16,024,601</b> | <b>70,628,761</b> |

|  | <i>Notes</i> | Share capital<br>£ | Reserves<br>£    | Total<br>£        |
|--|--------------|--------------------|------------------|-------------------|
| <b>At 1 January 2018</b>                                 |              | <b>42,779,083</b>  | <b>8,139,547</b> | <b>50,918,630</b> |
| Issue of shares during the period                        |              | 6,660,664          | -                | 6,660,664         |
| Share issue costs  |              | (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 | 10           | -                  | 58,726           | 58,726            |
| <b>At 30 June 2018</b>                                   |              | <b>49,309,947</b>  | <b>9,522,034</b> | <b>58,831,981</b> |

The accompanying notes on pages 11 to 28 form an integral part of these Unaudited Condensed Financial Statements.

## FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

### UNAUDITED CONDENSED STATEMENT OF CASH FLOWS

For the period from 1 January 2019 to 30 June 2019

|   | <i>Notes</i> | <b>1 January 2019 to<br/>30 June 2019<br/>(unaudited)<br/>£</b> | <b>1 January 2018 to<br/>30 June 2018<br/>(unaudited)<br/>£</b> |
|---|--------------|---|---|
| <b>Cash flows from operating activities</b>   |              |   |   |
| <b>Profit and total comprehensive income for the period</b>                                       |              | 3,531,058   | 1,323,761   |
| Adjusted for:   |              |   |   |
| Net gains on financial assets at fair value through profit or loss                                | 4            | (3,881,403)   | (1,917,997)   |
| Share based payment expense   | 10           | 1,917   | 58,726  |
| (Increase)/decrease in prepayments and other receivables<br>(excluding dividends receivable)      |              | (23,914)  | 24,857  |
| Increase in loans due from associates   |              | (688,397)   | -   |
| (Decrease)/increase in trade and other payables (excluding<br>settlement of investment purchases) |              | (7,470)   | 12,733  |
| Purchases of financial assets   |              | (4,179,970)   | (65,788)  |
| Proceeds from sale of financial assets  |              | 47,785  | 50,000  |
| <b>Net cash outflow from operating activities</b>   |              | <b>(5,200,394)</b>  | <b>(513,708)</b>  |
| <b>Cash flows from financing activities</b>   |              |   |   |
| Proceeds from issue of shares   |              | -   | 6,660,664   |
| Costs of issue of shares  |              | -   | (129,800)   |
| <b>Net cash inflow from financing activities</b>  |              | <b>-</b>  | <b>6,530,864</b>  |
| <b>Net (decrease)/ increase in cash and cash equivalents</b>                                      |              | <b>(5,200,394)</b>  | <b>6,017,156</b>  |
| <b>Cash and cash equivalents at the start of the period</b>                                       |              | <b>6,092,384</b>  | <b>6,651,385</b>  |
| <b>Cash and cash equivalents at the end of the period</b>   |              | <b>891,990</b>  | <b>12,668,541</b>   |

The accompanying notes on pages 11 to 28 form an integral part of these Unaudited Condensed Financial Statements.

# FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

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## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the period from 1 January 2019 to 30 June 2019

### 1. General Information

Financial Services Opportunities Investment Fund Limited (the “Company”) is authorised by the Guernsey Financial Services Commission as a registered closed-ended investment company which was incorporated under The Companies (Guernsey), Law 2008 on 30 August 2016 with registration number 62421. The Company is listed on The International Stock Exchange (“TISE”).

The principal objective of the Company is to attain long term capital growth and deliver an income stream to shareholders with the aim of spreading risk by investing 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 adopted by the European Union (“EU”) 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. These Financial Statements have been condensed and as a result do not include all of the information and disclosures required in Annual Financial Statements, they therefore should be read in conjunction with the Company’s last Annual Audited Financial Statements for the year ended 31 December 2018.

The accounting policies applied in these Financial Statements are consistent with those applied in the last Annual Audited Financial Statements for the year ended 31 December 2018, which were prepared in accordance with IFRS, as adopted by the EU.

#### **Going Concern**

The Company has considerable financial resources and after making enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Directors continue to adopt the going concern basis in preparing these Financial Statements.

These Financial Statements were authorised for issue by the Company’s Board of Directors on 25 October 2019.

#### **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 year ended 31 December 2018.

## FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

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### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (continued)

For the period from 1 January 2019 to 30 June 2019

#### 2. Significant Accounting Policies (continued)

##### *New, revised and amended standards applicable to future reporting periods*

At the date of authorisation of these Financial Statements, the following relevant standards and interpretations, which have not been applied in these Financial Statements, were in issue but not yet effective:

- IFRS 3 (amended), "Business Combinations" (amendments to clarify the definition of a business, effective for periods commencing on or after 1 January 2020, not yet endorsed by the EU);

In addition, the IASB published 'Definition of Material (Amendments to IAS 1 and IAS 8)' in October 2018. This project has amended IAS 1 and IAS 8 to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards, effective for accounting periods commencing on or after 1 January 2020, not yet endorsed by the EU.

The Directors do not anticipate that the adoption of these standards in future periods will have a material impact on the financial statements of the Company.

##### *New accounting standards effective and adopted*

The following relevant amended standards have been applied for the first time in these Financial Statements:

- IAS 12 (amended), "Income Taxes" (amendments resulting from the IASB's Annual Improvements 2015-2017 Cycle project regarding the income tax consequences of dividends, effective for periods commencing on or after 1 January 2019, endorsed by the EU on 14 March 2019);
- IAS 28 (amended), "Investments in Associates and Joint Ventures" (amendments regarding long-term interest in associates and joint ventures, effective for periods commencing on or after 1 January 2019, endorsed by the EU on 8 February 2019);
- IFRS 3 (amended), "Business Combinations" (amendments regarding the remeasurement of a previously held interest resulting from the IASB's Annual Improvements 2015-2017 Cycle project, effective for periods commencing on or after 1 January 2019; endorsed by the EU on 14 March 2019);
- IFRS 11 (amended), "Joint Arrangements" (amendments resulting from the IASB's Annual Improvements 2015-2017 Cycle project regarding the remeasurement of a previously held interest, effective for periods commencing on or after 1 January 2019, endorsed by the EU on 14 March 2019);
- IFRS 9 (amended), "Financial Instruments" (amendments regarding prepayment features with negative compensation and modifications of financial liabilities, effective for periods commencing on or after 1 January 2019, endorsed by the EU on 22 March 2018);

The adoption of these amended standards has had no material impact on the financial statements of the Company.

## FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

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### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (continued)

For the period from 1 January 2019 to 30 June 2019

#### 2. Significant Accounting Policies (continued)

##### *Segmental reporting*

The Board has considered the requirements of IFRS 8 – “Operating Segments”. The Company has entered into an investment management agreement with the Investment Manager. Subject to its terms and conditions, the investment management agreement requires the Investment Manager to manage the Company’s investment portfolio in accordance with the Company’s investment guidelines in effect from time to time. However, the Board retains full responsibility to ensure that the Investment Manager adheres to its mandate. Moreover, the Board is fully responsible for the appointment and/or removal of the Investment Manager. Accordingly, the Board is deemed to be the “Chief Operating Decision Maker” of the Company.

In the Board’s opinion, the Company is engaged in a single segment of business, being investment principally in financial services businesses, that business being conducted from Guernsey.

#### 3. Material Agreements

##### *Management fees*

Ravenscroft Limited was appointed as the Investment Manager with effect from 27 September 2016. 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 is calculated on a quarterly basis after calculation of the Adjusted Closing NAV.

There is no performance fee. Instead, the Company grants options over shares to the Investment Manager, for itself and for onward transfer to members of the management team. Further details on the options granted are disclosed in note 10.

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 the deal fee element relating to that part of the consideration payable on completion of the investment is payable within three months after the date of completion.

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

## FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (continued)

For the period from 1 January 2019 to 30 June 2019

#### 3. Material Agreements (continued)

##### *Administration fees*

Praxis Fund Services Limited was appointed as the Administrator with effect from 27 September 2016. The Administrator charges an annual fee of 0.10% of the NAV of the Company subject to a minimum fee of £62,546 plus disbursements, effective from 1 May 2019 (effective from 1 May 2018: £61,140).

The Administrator 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 for the ongoing provision of an employee to act as the Responsible Officer. Fees are charged on a time spent basis for any additional reporting under FATCA and CRS.

The amounts charged for the above-mentioned fees during the period ended 30 June 2019 and outstanding at 30 June 2019 are as follows:

|                                 | Charge for the period             |                                   | Outstanding at period/year end |                     |
|---------------------------------|-----------------------------------|-----------------------------------|--------------------------------|---------------------|
|                                 | 1 January 2019<br>to 30 June 2019 | 1 January 2018<br>to 30 June 2018 | 30 June<br>2019                | 31 December<br>2018 |
|                                 | £<br>(unaudited)                  | £<br>(unaudited)                  | £<br>(unaudited)               | £<br>(audited)      |
| Investment management fees      | 518,951                           | 362,593                           | 269,224                        | 251,109             |
| Investment manager's deal fees  | 39,034                            | -                                 | 17,150                         | 40,514              |
| Investment manager's other fees | 22,444                            | 19,560                            | 8,649                          | -                   |
| Administration fee              | 34,547                            | 30,190                            | 2,175                          | 2,085               |
| Administrator's other fees      | 2,967                             | 8,264                             | -                              | -                   |
| <b>Total</b>                    | <b>617,943</b>                    | <b>420,607</b>                    | <b>297,198</b>                 | <b>293,708</b>      |

In addition, in its role as listing sponsor to the Company, the Administrator has also charged the following fees: £2,499 in respect of acting as listing sponsor (30 June 2018: £3,546) and £1,226 in respect of the annual TISE listing fee (30 June 2018: £7,247).

## FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (continued)

For the period from 1 January 2019 to 30 June 2019

#### 3. Material Agreements (continued)

##### *Directors' fees*

Mel Carvill is entitled to a fee for his services as Chairman of the Board of Directors of £35,000 per annum, effective from 1 January 2019 (31 December 2018: £30,000). The remaining Directors are entitled to a fee for their services as Directors of £27,500 each per annum, effective from 1 January 2019 (31 December 2018: £25,000). The total remuneration paid to the Directors for the period was £45,000 (30 June 2018: £40,000) of which £Nil (31 December 2018: £Nil) was outstanding at the end of the period.

#### 4. Fair value

##### *Financial assets at fair value through profit or loss*

|   | 30 June 2019<br>(unaudited)<br>£ | 31 December 2018<br>(audited)<br>£ | 30 June 2018<br>(unaudited)<br>£ |
|---|----------------------------------|------------------------------------|----------------------------------|
| Cost at the beginning of the period/ year   | 48,132,013                       | 37,585,651                         | 37,585,651                       |
| Investment purchases settled in full during the period/year                         | 18,306,884                       | 10,228,446                         | 100                              |
| Investment purchases outstanding during the period/year                             | -                                | 364,140                            | -                                |
| Total purchases   | 18,306,884                       | 10,592,586                         | 100                              |
| Sales   | (15,889,749)                     | (50,100)                           | (50,000)                         |
| Realised gain on sales  | 24,570                           | 3,876                              | 3,876                            |
| Cost at the end of the period/year  | 50,573,718                       | 48,132,013                         | 37,539,627                       |
| Net unrealised gains on financial assets at the end of the period/year              | 18,661,748                       | 14,804,915                         | 11,067,668                       |
| Financial assets at fair value through profit or loss at the end of the period/year | <b>69,235,466</b>                | <b>62,936,928</b>                  | <b>48,607,295</b>                |
| Non-current financial assets at fair value through profit or loss                   | 69,235,466                       | 62,913,713                         | 48,607,295                       |
| Current financial assets at fair value through profit or loss                       | -                                | 23,215                             | -                                |
| Total financial assets at fair value through profit or loss                         | <b>69,235,466</b>                | <b>62,936,928</b>                  | <b>48,607,295</b>                |
| <i>Net gains on financial assets at fair value through profit or loss</i>           |                                  |                                    |                                  |
| Realised gain on sales during the period/year                                       | 24,570                           | 3,876                              | 3,876                            |
| Movement in net unrealised gains during the period/year                             | 3,856,833                        | 5,651,368                          | 1,914,121                        |
| Net gains on financial assets at fair value through profit or loss                  | <b>3,881,403</b>                 | <b>5,655,244</b>                   | <b>1,917,997</b>                 |

## FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

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### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (continued)

For the period from 1 January 2019 to 30 June 2019

#### 4. Fair value (continued)

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

The Company uses valuation techniques, in accordance with International Private Equity and Venture Capital Valuation Guidelines (“IPEVC”) and methodologies to estimate a fair value that is in adherence with the requirements of IFRS 13 as at the valuation date. 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. 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.

## FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (continued)

For the period from 1 January 2019 to 30 June 2019

#### 4. Fair value (continued)

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

Level 3 investments are initially valued at the purchase price of the recent investment, excluding transaction costs. During the initial 12 month period following each investment, an assessment will be made at each valuation date whether any changes or events subsequent to the investment would imply a change in the investment's fair value from the original investment price. In the absence of such changes or events, investments will continue to be valued at the initial cost of the investment itself, excluding transaction costs, or, where there has been subsequent investment, the price at which a significant amount of new investment into the investee company was made. 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 industry, geographic location, 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 investment in PraxisIFM is valued at its quoted bid price on TISE. As PraxisIFM shares are not considered to be traded in an active market, this investment is included in Level 2 of the fair value hierarchy.

There are no available market prices for the investments in Oak Group, NextGen, Enhance and CORVID, which are valued using appropriate valuation techniques. These investments are included in Level 3 of the fair value hierarchy.

The following table analyses within the fair value hierarchy the Group's financial assets and liabilities measured at fair value at 30 June 2019:

| <b>At 30 June 2019 (unaudited)</b>                    | <b>Level 1</b> | <b>Level 2</b>    | <b>Level 3</b>    | <b>Total</b>      |
|---|----------------|-------------------|-------------------|-------------------|
|   | <b>£</b>       | <b>£</b>          | <b>£</b>          | <b>£</b>          |
| <b>Assets</b>   |                |                   |                   |                   |
| Financial assets at fair value through profit or loss | -              | 34,994,478        | 34,240,988        | 69,235,466        |
| <b>Total</b>  | -              | <b>34,994,478</b> | <b>34,240,988</b> | <b>69,235,466</b> |
| <b>At 31 December 2018 (audited)</b>                  | <b>Level 1</b> | <b>Level 2</b>    | <b>Level 3</b>    | <b>Total</b>      |
|   | <b>£</b>       | <b>£</b>          | <b>£</b>          | <b>£</b>          |
| <b>Assets</b>   |                |                   |                   |                   |
| Financial assets at fair value through profit or loss | -              | 33,590,457        | 29,346,471        | 62,936,928        |
| <b>Total</b>  | -              | <b>33,590,457</b> | <b>29,346,471</b> | <b>62,936,928</b> |

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 CONDENSED FINANCIAL STATEMENTS (continued)

For the period from 1 January 2019 to 30 June 2019

#### 4. Fair value (continued)

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

Valuation models at 30 June 2019

| Description   | Fair Value (£)    | Level   | Valuation Technique   | Unobservable Inputs                         | Sensitivity to changes unobservable inputs   | Impact on fair value of changes in unobservable inputs (£)  |
|---|-------------------|---------|---|---|--|---|
| Praxis IFM Group Limited                            | 34,994,478        | Level 2 | Quoted market bid price   | N/A   | N/A  | N/A   |
| Oak Group Limited                                   | 30,191,218        | Level 3 | Investment Manager's valuation based on earnings multiple       | EBITDA and earnings multiple                | The estimate of fair value would increase/decrease if the EBITDA or earnings multiple was higher/lower | A 5% increase/decrease in EBITDA or earnings multiple would have resulted in an increase/decrease in fair value of £1,509,561 |
| Next Generation Holdings Limited                    | 1,901,481         | Level 3 | Investment Manager's valuation based on purchase cost           | N/A   | N/A  | N/A   |
| Next Generation Holdings Unsecured Convertible Loan | 296,218           | Level 3 | Investment Manager's valuation based on purchase cost           | N/A   | N/A  | N/A   |
| Enhance Group Limited C ordinary shares             | 800,364           | Level 3 | Investment Manager's valuation based on recent transaction      | Recent transaction price                    | The estimate of fair value would increase/decrease if the transaction price was higher/lower           | A 5% increase/decrease in the transaction price would have resulted in an increase/decrease in fair value of £40,018          |
| Enhance Group Limited A ordinary shares             | 618,388           | Level 3 | Investment Manager's valuation based on recent transaction      | Recent transaction price                    | The estimate of fair value would increase/decrease if the transaction price was higher/lower           | A 5% increase/decrease in the transaction price would have resulted in an increase/decrease in fair value of £30,919          |
| Corvid Holdings Limited B shares                    | 219,412           | Level 3 | Investment Manager's valuation based on expected sales proceeds | Adjustment based on expected sales proceeds | The estimate of fair value would increase/decrease if the proposed sales price was higher/lower        | A 5% increase/decrease in the proposed sales price would have resulted in a increase/decrease in fair value of £10,971        |
| Enhance Group Limited D preference shares           | 213,907           | Level 3 | Investment Manager's valuation based on purchase cost           | N/A   | N/A  | N/A   |
| <b>Total</b>  | <b>69,235,466</b> |         |   |   |  |   |

## FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (continued)

For the period from 1 January 2019 to 30 June 2019

#### 4. Fair value (continued)

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

Valuation models at 31 December 2018

| Description  | Fair Value (£)    | Level   | Valuation Technique  | Unobservable Inputs                     | Sensitivity to changes unobservable inputs  | Impact on fair value of changes in unobservable inputs (£)   |
|--|-------------------|---------|--|---|---|--|
| Praxis IFM Group Limited                                   | 33,590,457        | Level 2 | Quoted market bid price  | N/A                                     | N/A   | N/A  |
| Oak Group Limited  | 9,649,642         | Level 3 | Investment Manager's valuation based on purchase cost              | N/A                                     | N/A   | N/A  |
| Consortia Partnership Limited A shares and ordinary shares | 9,591,879         | Level 3 | Investment Manager's valuation based on purchase cost              | N/A                                     | N/A   | N/A  |
| Kreston IOM Limited  | 6,250,085         | Level 3 | Investment Manager's valuation based on purchase cost              | N/A                                     | N/A   | N/A  |
| Next Generation Holdings Limited                           | 2,002,794         | Level 3 | Investment Manager's valuation based on purchase cost              | N/A                                     | N/A   | N/A  |
| Enhance Group Limited C ordinary shares                    | 800,364           | Level 3 | Investment Manager's valuation based on recent transaction         | Recent transaction price                | The estimate of fair value would increase/decrease if the transaction price was higher/lower    | A 5% increase/decrease in the transaction price would have resulted in an increase/decrease in fair value of £40,018   |
| Enhance Group Limited A ordinary shares                    | 618,388           | Level 3 | Investment Manager's valuation based on recent transaction         | Recent transaction price                | The estimate of fair value would increase/decrease if the transaction price was higher/lower    | A 5% increase/decrease in the transaction price would have resulted in an increase/decrease in fair value of £30,919   |
| Corvid Holdings Limited B shares                           | 219,412           | Level 3 | Investment Manager's valuation based on the price of proposed sale | Adjustment based on proposed sale price | The estimate of fair value would increase/decrease if the proposed sales price was higher/lower | A 5% increase/decrease in the proposed sales price would have resulted in a increase/decrease in fair value of £10,971 |
| Enhance Group Limited D preference shares                  | 213,907           | Level 3 | Investment Manager's valuation based on purchase cost              | N/A                                     | N/A   | N/A  |
| <b>Total</b>   | <b>62,936,928</b> |         |  |   |   |  |

## FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (continued)

For the period from 1 January 2019 to 30 June 2019

#### 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 to the expected sales proceeds for the period ended 30 June 2019.

The investment in PraxisIFM is valued at the quoted bid price on TISE at 30 June 2019.

The investment in Oak Group Limited is valued using the earnings multiple technique.

The investments in NextGen and Enhance (D preference shares) have been valued at purchase cost. The investments in Enhance (A and C ordinary shares) are valued at the price of a recent transaction. The Investment Manager considers that these bases for valuation provide a reliable representation of the fair value at 30 June 2019.

##### *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 £1,749,724 (31 December 2018: £1,679,523).

A 5% increase/decrease in the valuation of the investments valued at their purchase cost would result in an increase/decrease in fair value of £120,580 (31 December 2018: £1,385,415).

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

|   | <b>30 June 2019</b> | <b>31 December 2018</b> |
|---|---------------------|-------------------------|
|   | <b>£</b>            | <b>£</b>                |
| Opening balance   | 29,346,471          | 20,229,972              |
| Purchases   | 18,306,884          | 10,592,586              |
| Sales   | (15,841,964)        | (50,100)                |
| Net realised gains on financial assets at the end of the period/year            | -                   | 3,876                   |
| Net unrealised gains/(losses) on financial assets at the end of the period/year | 2,429,597           | (1,429,863)             |
| Closing balance   | <b>34,240,988</b>   | <b>29,346,471</b>       |

The Company's policy is to value its Level 3 investments in accordance with the most appropriate valuation methodology for each investment, as determined by the Directors.

## FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (continued)

For the period from 1 January 2019 to 30 June 2019

#### 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.

|                           | 30 June 2019<br>(unaudited) |                  | 31 December 2018<br>(audited) |                  |
|---------------------------|-----------------------------|------------------|-------------------------------|------------------|
|                           | Carrying value<br>£         | Fair value<br>£  | Carrying value<br>£           | Fair value<br>£  |
| <b>Assets</b>             |                             |                  |                               |                  |
| Cash and cash equivalents | 891,990                     | 891,990          | 6,092,384                     | 6,092,384        |
| Loans due from associates | 1,723,397                   | 1,723,397        | 1,035,000                     | 1,035,000        |
| Other receivables         | 803,267                     | 803,267          | 20,164                        | 20,164           |
| <b>Total</b>              | <b>3,418,654</b>            | <b>3,418,654</b> | <b>7,147,548</b>              | <b>7,147,548</b> |
| <b>Liabilities</b>        |                             |                  |                               |                  |
| Trade and other payables  | 2,031,548                   | 2,031,548        | 3,004,068                     | 3,004,068        |
| <b>Total</b>              | <b>2,031,548</b>            | <b>2,031,548</b> | <b>3,004,068</b>              | <b>3,004,068</b> |

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 2019 to 30 June 2019 (30 June 2018: £Nil).

#### 6. Taxation

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

#### 7. Other receivables

|  | 30 June 2019<br>(unaudited)<br>£ | 31 December 2018<br>(audited)<br>£ |
|--|----------------------------------|------------------------------------|
| <b>Current</b>   |                                  |                                    |
| Subscription amount pending for Oak Group Limited shares | 750,000                          | -                                  |
| Loan interest receivable                                 | 53,265                           | 20,164                             |
| Bank interest receivable                                 | 2                                | -                                  |
|  | <u>803,267</u>                   | <u>20,164</u>                      |

## FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (continued)

For the period from 1 January 2019 to 30 June 2019

#### 8. Trade and other payables

|                                    | 30 June 2019<br>(unaudited) | 31 December 2018<br>(audited) |
|------------------------------------|-----------------------------|-------------------------------|
|                                    | £                           | £                             |
| <b>Current</b>                     |                             |                               |
| Settlement of investment purchases | 1,714,964                   | 1,715,050                     |
| Investment Management fee          | 269,224                     | 251,109                       |
| Investment Manager's deal fee      | 17,150                      | 40,514                        |
| Other payables                     | 30,210                      | 32,431                        |
|                                    | <u>2,031,548</u>            | <u>2,039,104</u>              |
| <b>Non-current</b>                 |                             |                               |
| Settlement of investment purchases | -                           | 964,964                       |
|                                    | <u>2,031,548</u>            | <u>3,004,068</u>              |

Amounts due in respect of outstanding investment purchases include deferred settlements in respect of the purchase of the Company's investments in Oak Group Limited and Kreston IOM (see note 15), contingent on specific performance targets.

#### 9. Share capital

The Company's shares are classified as equity. Incremental costs directly attributable to the issue of 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 shares of nil par value. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the Shareholders' meeting.

|   | 30 June 2019      |                   | 31 December 2018  |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | Number            | £                 | Number            | £                 |
| Share capital at the beginning of the period/year | 53,919,127        | 54,604,160        | 43,766,810        | 42,779,083        |
| Share capital issued and fully paid               | -                 | -                 | 10,152,317        | 12,057,821        |
| Share issue costs                                 | -                 | -                 | -                 | (232,744)         |
| Total share capital at the end of the period/year | <u>53,919,127</u> | <u>54,604,160</u> | <u>53,919,127</u> | <u>54,604,160</u> |

## FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (continued)

For the period from 1 January 2019 to 30 June 2019

#### 10. Share-based payments

The following options for shares of the Company have been granted to the Investment Manager (excluding options which have lapsed). The options are exercisable at a price in accordance with the agreements on the date of grant.

As at 30 June 2019

#### Options granted solely to the Investment Manager

|            | Date of grant | Vesting date | Date of expiry | Remaining contractual life (days) | Number of share options | Estimated fair value<br>£ | Expensed through Profit or Loss during the period<br>£ |
|------------|---------------|--------------|----------------|-----------------------------------|-------------------------|---------------------------|--|
| Tranche 1a | 07/10/2016    | 08/10/2018   | 08/10/2021     | 831                               | 1,764,706               | 10,588                    | -  |
| Tranche 2a | 16/12/2016    | 17/12/2018   | 17/12/2021     | 901                               | 690,694                 | 4,351                     | -  |
| Tranche 3a | 06/02/2017    | 07/02/2021   | 07/02/2022     | 953                               | 119,117                 | 810                       | 100  |
| Tranche 4a | 11/04/2018    | 12/04/2020   | 12/04/2023     | 1,382                             | 323,529                 | 7,021                     | 1,736  |

#### Options granted to the Investment Manager, transferrable to members of the Investment Management team

|            |            |            |            |       |                  |                |              |
|------------|------------|------------|------------|-------|------------------|----------------|--------------|
| Tranche 1b | 07/10/2016 | 08/10/2018 | 08/10/2021 | 831   | 2,329,411        | 173,540        | (14,900)     |
| Tranche 2b | 16/12/2016 | 17/12/2018 | 17/12/2021 | 901   | 994,599          | 76,485         | -            |
| Tranche 3b | 06/02/2017 | 07/02/2019 | 07/02/2022 | 953   | 150,088          | 11,482         | 597          |
| Tranche 4b | 11/04/2018 | 12/04/2020 | 12/04/2023 | 1,382 | 647,058          | 58,171         | 14,384       |
|            |            |            |            |       | <b>7,019,202</b> | <b>342,448</b> | <b>1,917</b> |

The fair values of the options are estimated using a Black Scholes simulation model using the following inputs:

|                           | Tranche 1a | Tranche 2a | Tranche 3a | Tranche 4a | Tranche 1b | Tranche 2b | Tranche 3b | Tranche 4b |
|---------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Exercise price            | £1.50      | £1.50      | £1.50      | £1.50      | £1.00      | £1.00      | £1.00      | £1.18      |
| Share price at grant date | £1.00      | £1.00      | £1.00      | £1.18      | £1.00      | £1.00      | £1.00      | £1.18      |
| Expected volatility       | 12.65%     | 12.65%     | 12.65%     | 11.53%     | 12.65%     | 12.65%     | 12.65%     | 11.53%     |
| Expected dividend yield   | 2.00%      | 2.00%      | 2.00%      | 2.00%      | 2.00%      | 2.00%      | 2.00%      | 2.00%      |
| Discount rate             | 0.52%      | 0.66%      | 0.85%      | 1.14%      | 0.52%      | 0.66%      | 0.64%      | 1.14%      |

## FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (continued)

For the period from 1 January 2019 to 30 June 2019

#### 10. Share-based payments (continued)

As at 30 June 2018

##### 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<br>£ | Expensed through Profit or Loss<br>£ |
|------------|---------------|--------------|----------------|-----------------------------------|-------------------------|---------------------------|--------------------------------------|
| Tranche 1a | 07/10/2016    | 08/10/2018   | 08/10/2021     | 1,196                             | 1,764,706               | 10,588                    | 2,622                                |
| Tranche 2a | 16/12/2016    | 17/12/2018   | 17/12/2021     | 1,266                             | 690,694                 | 4,351                     | 1,077                                |
| Tranche 3a | 06/02/2017    | 07/02/2021   | 07/02/2022     | 1,318                             | 119,117                 | 810                       | 100                                  |
| Tranche 4a | 11/04/2018    | 12/04/2020   | 12/04/2023     | 1,747                             | 323,529                 | 7,021                     | 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 | 207,588 | 30,021 |
| Tranche 2b | 16/12/2016 | 17/12/2018 | 17/12/2021 | 1,266 | 1,153,620 | 88,713  | 15,843 |
| Tranche 3b | 06/02/2017 | 07/02/2019 | 07/02/2022 | 1,318 | 161,700   | 12,370  | 1,563  |
| Tranche 4b | 11/04/2018 | 12/04/2020 | 12/04/2023 | 1,747 | 647,058   | 58,171  | 6,676  |

|                  |                |               |
|------------------|----------------|---------------|
| <b>7,646,824</b> | <b>389,612</b> | <b>58,726</b> |
|------------------|----------------|---------------|

The fair values of the options are estimated using a Black Scholes simulation model using the following inputs:

|                           | Tranche 1a | Tranche 2a | Tranche 3a | Tranche 4a | Tranche 1b | Tranche 2b | Tranche 3b | Tranche 4b |
|---------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Exercise price            | £1.50      | £1.50      | £1.50      | £1.50      | £1.00      | £1.00      | £1.00      | £1.18      |
| Share price at grant date | £1.00      | £1.00      | £1.00      | £1.18      | £1.00      | £1.00      | £1.00      | £1.18      |
| Expected volatility       | 12.65%     | 12.65%     | 12.65%     | 11.53%     | 12.65%     | 12.65%     | 12.65%     | 11.53%     |
| Expected dividend yield   | 2.00%      | 2.00%      | 2.00%      | 2.00%      | 2.00%      | 2.00%      | 2.00%      | 2.00%      |
| Discount rate             | 0.52%      | 0.66%      | 0.85%      | 1.14%      | 0.52%      | 0.66%      | 0.64%      | 1.14%      |

As the options do not contain market vesting conditions, the Black Scholes model is considered to be the most appropriate method of estimating the fair value of the options.

During the period, Nil (31 December 2018: 420,664) share options were exercised, Nil new share options were issued, with the lapse of 200,000 (31 December 2018: 669,984) options.

At the end of the period there were 3,474,098 (31 December 2018: 3,524,010) exercisable options that were in the money.

As at 30 June 2019, 7,019,202 (31 December 2018: 7,219,202) share options were in issue, with an estimated fair value of £342,448 (31 December 2018: £357,349).

## FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (continued)

For the period from 1 January 2019 to 30 June 2019

#### 11. Related party transactions

##### *Shares held by related parties*

The Shareholdings of the Directors' in the Company at 30 June 2019 were as follows:

| Name                   | 30 June 2019     |            | 31 December 2018 |            |
|------------------------|------------------|------------|------------------|------------|
|                        | Number of Shares | Percentage | Number of Shares | Percentage |
| Mel Carvill (Chairman) | 750,000          | 1.39%      | 600,000          | 1.11%      |
| Peter Gillson          | 600,000          | 1.11%      | 600,000          | 1.11%      |
| Fintan Kennedy         | 25,000           | 0.05%      | -                | -          |

On 25 March 2019, Mel Carvill acquired a further 150,000 shares in the Company, and Fintan Kennedy acquired 25,000 shares in the Company, at a price of £1.16 per share.

As at the date of this report, Mel Carvill and Peter Gillson hold 70,000 shares and 25,000 shares respectively in the Investment Manager.

As at 30 June 2019, the Investment Manager held Nil (31 December 2018: 18,850) shares in the Company and options for 3,003,850 (31 December 2018: 3,003,850) shares in the Company and members of the board of the investment manager and investment management team held 12,087,500 (31 December 2018: 12,087,500) shares in the Company and options for 4,015,352 (December 2018: 4,215,352) shares in the Company (see note 10).

As at 30 June 2019, the Company had extended a loan of £35,000 (31 December 2018: £35,000) and a secured loan of £1,688,397 (31 December 2018: £1,000,000) to Next Generation Holdings Limited. The terms of the secured loan are interest payable quarterly at a rate of 8% per annum for a term up to three years.

As at 30 June 2019, the Company had outstanding deferred settlements in respect of the purchase of the investments in Oak Group Limited and Kreston IOM of £1,714,964 (31 December 2018: £2,680,014).

As at the date of this report, the Investment Manager holds 225 shares in the Company and members of the board of the investment manager and investment management team hold 12,087,500 shares in the Company.

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.

## FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (continued)

For the period from 1 January 2019 to 30 June 2019

#### 12. Investment in unconsolidated subsidiaries, associates and joint ventures

|                                  | Date of acquisition | Domicile | Ownership |
|----------------------------------|---------------------|----------|-----------|
| Enhance Group Limited            | 28 November 2016    | Jersey   | 38%       |
| Next Generation Holdings Limited | 28 April 2017       | Guernsey | 50%       |
| Oak Group Limited                | 7 September 2018    | Guernsey | 76%       |

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.

#### 13. Earnings per share

|                                   | 30 June 2019 |              |
|-----------------------------------|--------------|--------------|
|                                   | Basic        | Diluted      |
| Profit for the period             | £3,531,058   | £3,531,058   |
| Weighted average number of shares | 53,919,127   | 58,040,283   |
| Earnings per share                | <b>6.55p</b> | <b>6.08p</b> |
|                                   | 30 June 2018 |              |
|                                   | Basic        | Diluted      |
| Profit for the period             | £1,323,761   | £1,323,761   |
| Weighted average number of shares | 46,249,823   | 50,998,601   |
| Earnings per share                | <b>2.86p</b> | <b>2.60p</b> |

Basic and diluted earnings per share are arrived at by dividing the profit for the financial period by, respectively, the weighted average number of shares in issue and the weighted number of shares 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:

|  | 30 June 2019     | 30 June 2018     |
|--|------------------|------------------|
|  | Number of shares | Number of shares |
| Weighted average number of shares used in basic earnings per share   | 53,919,127       | 46,249,823       |
| Number of potential shares deemed to be issued                       | 4,121,156        | 4,748,778        |
| Weighted average number of shares used in diluted earnings per share | 58,040,283       | 50,998,601       |

The dilution arises from the potential exercise of share options granted to the Investment Manager and the members of the investment management team (see note 10). As at 30 June 2019, 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 2019 exceeded the exercise price.

## FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (continued)

For the period from 1 January 2019 to 30 June 2019

#### 14. NAV per share

The NAV per share is calculated based on the net assets attributable to Shareholders of £70,628,761 and on 53,919,127 shares in issue at 30 June 2019.

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

|                                  | NAV<br>£          | Number of<br>shares | NAV per<br>share |
|----------------------------------|-------------------|---------------------|------------------|
| Published NAV                    | 69,559,398        | 53,919,127          | 129.01p          |
| Share issue costs                | (69,950)          | 53,919,127          | (0.13)p          |
| Dilution levy                    | 1,139,313         | 53,919,127          | 2.11p            |
| Interim Financial Statements NAV | <b>70,628,761</b> | 53,919,127          | <b>130.99p</b>   |

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.

#### 15. Commitments

In 2017, the Company acquired 85% of Kreston IOM Limited ("Kreston") for £6,250,000, of which a second deferred consideration of £750,000 was due to be paid by 23 November 2019, contingent on earnings reaching specific targets. Upon the purchase of Kreston by Oak Group Limited from the Company in March 2019, the Company agreed to fund this deferred payment as consideration for further shares in Oak Group Limited.

On 7 September 2018, the Company agreed to provide funding to Oak Group Limited of £9,649,642, in order to purchase Oak Trust Group (Guernsey) Limited ("Oak Trust"). The Company made an initial payment of £7,719,714 (80% of commitment), with an agreement to make two subsequent payments of £964,964 to Oak Group Limited, contingent on Oak Trust's earnings reaching specific targets as at 31 December 2018 and 31 December 2019. On 8 March 2019, the Company paid the first of the two agreed payments of £964,964 to Oak Group Limited.

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

#### 16. Controlling Parties

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

## FINANCIAL SERVICES OPPORTUNITIES INVESTMENT FUND LIMITED

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### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (continued)

For the period from 1 January 2019 to 30 June 2019

#### 17. Events after the end of the reporting period

On 8 August 2019, the second deferred payment relating to the acquisition of Kreston was made. In accordance with the original SPA, as a result of the adjusted EBITDA of Kreston falling short of its target, the second Earn Out payment was reduced from £750,000 to £668,680.

On 22 August 2019, the following share dealings in the Company were executed. Mel Carvill acquired a further 160,000 shares in the Company, and Fintan Kennedy acquired a further 20,000 shares in the Company.

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

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### PORTFOLIO STATEMENT (unaudited)

As at 30 June 2019

|  | <b>Holding</b> | <b>Market Value</b> | <b>Percentage<br/>of<br/>Net Asset Value</b> |
|--|----------------|---------------------|--|
| <b>Listed Investments</b>                                    |                | <b>£</b>            | <b>%</b>                                     |
| Praxis IFM Group Limited                                     | 18,131,854     | 34,994,478          | 49.55  |
| <b>Unlisted Investments</b>                                  |                |                     |  |
| Oak Group Limited  | 277,697        | 30,191,218          | 42.75  |
| Next Generation Holdings Limited                             | 297,085        | 2,197,699           | 3.11   |
| Enhance Group Limited  | 500            | 1,632,659           | 2.31   |
| Corvid Holdings Limited                                      | 10             | 219,412             | 0.31   |
|  |                | <hr/>               |  |
|  |                | 34,240,988          | 48.48  |
|  |                | <hr/>               |  |
| <b>Total Investments</b>                                     |                | <b>69,235,466</b>   | <b>98.03</b>                                 |
| Other net assets   |                | 1,393,295           | 1.97   |
|  |                | <hr/>               |  |
| <b>Net assets attributable to holders of Ordinary Shares</b> |                | <b>70,628,761</b>   | <b>100.00</b>                                |