

Company Number: 10918785



# Life Settlement Assets PLC

Financial results for the period of incorporation  
on 16 August 2017 to 31 December 2018

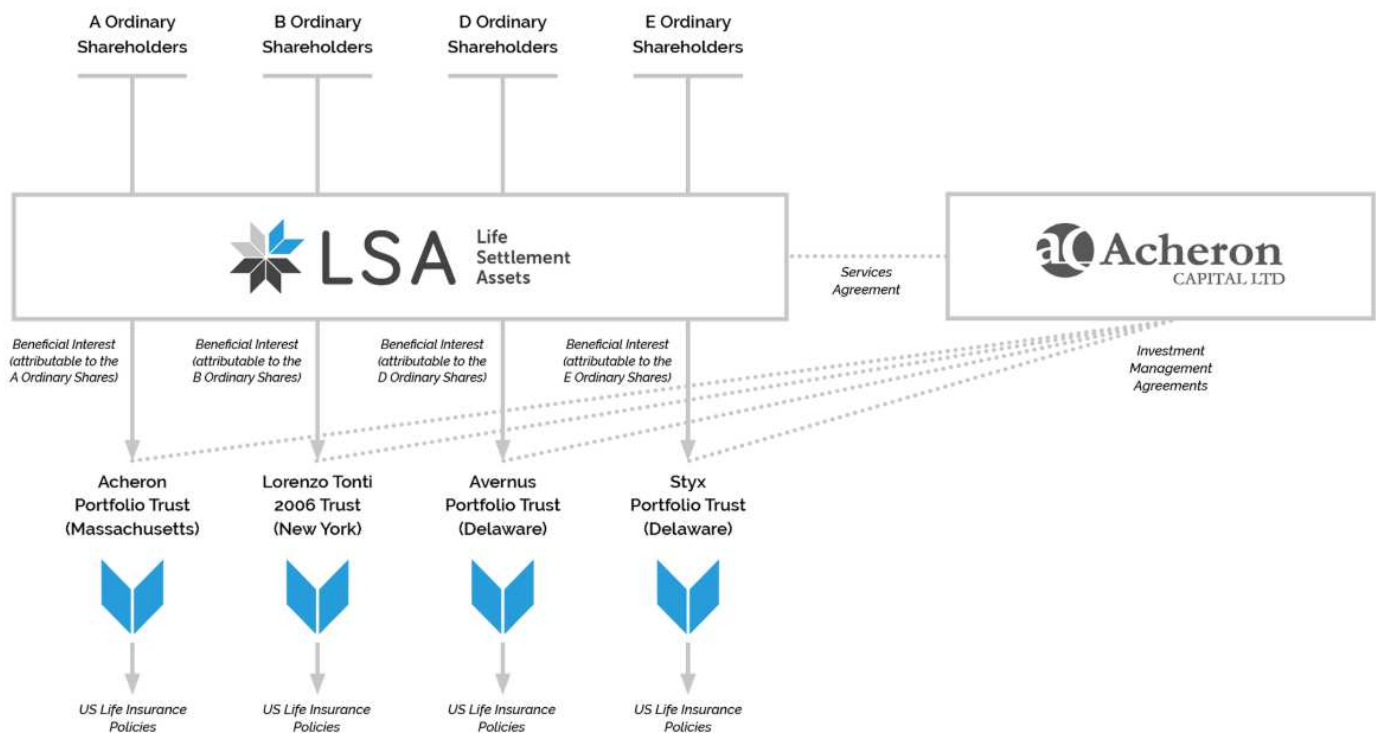
## STRATEGIC REPORT

### INTRODUCTION

Life Settlement Assets PLC ("LSA" or the "Company") is a closed-ended investment trust company which manages portfolios of whole and partial interests in life settlement policies issued by life insurance companies operating predominantly in the United States.

*Life Settlement Assets PLC aims to generate long-term returns for investors by investing in the life settlement market. We seek to achieve this through each of our separate Share Classes.*

### COMPANY STRUCTURE



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## HISTORY

The Company's shares were admitted to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange on 26 March 2018. The Company was formed for the purposes of continuing the activities of Acheron Portfolio Corporation (Luxembourg) S.A (the "Predecessor Company"). The Company acquired the entire beneficial ownership in each of the four Trusts through which the Predecessor Company's portfolios of life settlement policies were held. The Predecessor Company delisted from the Luxembourg Stock Exchange on 6 March 2018.

## **STRATEGIC REPORT / AT A GLANCE**

The Strategic Report has been prepared to help Shareholders assess how the Company works and how it has performed. The Strategic Report has been prepared in accordance with the requirements of Section 414A to 414D of the Companies Act 2006 (the “Act”). The Strategic Report also discloses the Company’s risks and uncertainties as identified by the Board, the key performance indicators used by the Board to measure the Company’s performance, the strategies used to implement the Company’s objectives, the Company’s environmental, social and ethical policy and the Company’s anticipated future developments.

### ***Principal Activity***

The principal activity of the Company is to manage portfolios of whole and fractional interests in life settlement policies issued by life insurance companies operating predominantly in the United States. The life settlement market enables individuals to sell their life insurance policies to investors at a higher cash value than they would otherwise receive from insurance companies (if they were cancelled or surrendered at the date of sale). The Company aims to manage portfolios of life settlement products so that the realised value of the policy maturities exceeds the aggregate cost of acquiring the policies, ongoing premiums, management fees and other operational costs.

### ***The Investments***

The Company’s investment objective is to generate long-term returns for investors by investing in the life settlement market. We seek to achieve this through each of our separate Share Classes:

- Ordinary A Share Class (“LSAA”) invests in life insurance policies acquired from special or “distressed” situations, with exposure to both HIV (average age mid to late 50s) and elderly insureds (average age mid to late 80s). It is widely diversified by gender and the number of lives with circa 4,700 underlying policies. LSAA has exposure to whole and fractional policies.
- Ordinary B Share Class (“LSAB”) invests in life insurance policies exposed only to elderly insureds (average age mid to late 80s). Class B has exposure to whole and fractional policies.
- Ordinary D & E Share Classes (“LSAD” and “LSAE”) - both these Share Classes invest in separate portfolios comprising predominantly fractional policies with exposure to both HIV or elderly insureds, where the LSAA and/or LSAB are already fractional owners.

### ***Comparative Benchmark***

The Company does not follow a specific sector or geographic benchmark however comparisons may be made from time to time with relevant market indices.

### ***Performance***

The life settlement market has a low correlation with traditional equity and fixed income markets. This, coupled with current low interest rates, can make this an attractive asset class. The performance of the Company against its key performance indicators is described on pages 5 to 6.

### ***Ongoing Charges***

The Company’s total annual costs (investment management fees and other expenses) are 5.3% of net assets for the period to 31 December 2018.

### ***Dividend/Distributions***

The Company has not paid a dividend or made distributions to Shareholders during the reporting period. Distributions were made to the Shareholders of the Predecessor Company on 2 March 2018. Since the period end, plans are being formulated for distributions to Shareholders, which are described on page 9.

## STRATEGIC REPORT / COMPANY PERFORMANCE

Performance analysis by Share Class is provided in the tables below.

<b>LSAA</b>	<b>at 31 December 2018</b>	
Shares in Issue	45,446,946	
Net assets attributable to Shareholders	USD 91,649,093	
NAV per share	USD 2.02	
Closing share price	USD 1.45	
Discount to NAV	28.1%	
Total maturities	USD 20,825,540	
Split of maturities	HIV	USD 14,007,664
	non-HIV	USD 6,817,876
Net income from portfolio	USD 2,447,082	
Loss before tax	USD (3,811,032)	

<b>LSAB</b>	<b>at 31 December 2018</b>	
Shares in Issue	14,596,098	
Net assets attributable to Shareholders	USD 16,150,211	
NAV per share	USD 1.11	
Closing share price	USD 0.60	
Discount to NAV	45.8%	
Total maturities	USD 5,242,275	
Split of maturities	HIV	n/a
	non-HIV	USD 5,242,275
Net income from portfolio	USD (1,765,020)	
Loss before tax	USD (2,455,324)	

<b>LSAD</b>	<b>at 31 December 2018</b>	
Shares in Issue	9,292,561	
Net assets attributable to Shareholders	USD 11,590,732	
NAV per share	USD 1.25	
Closing share price	USD 0.60	
Discount to NAV	51.9%	
Total maturities	USD 3,719,375	
Split of maturities	HIV	USD 466,348
	non-HIV	USD 3,253,027
Net income from portfolio	USD 568,902	
Loss before tax	USD (70,178)	

<b>LSAE</b>	<b>at 31 December 2018</b>	
Shares in Issue	1,733,269	
Net assets attributable to Shareholders	USD 8,246,887	
NAV per share	USD 4.76	
Closing share price	USD 1.70	
Discount to NAV	64.3%	
Total maturities	USD 2,989,092	
Split of maturities	HIV	USD 226,051
	non-HIV	USD 2,763,041
Net income from portfolio	USD 760,092	
Profit before tax	USD 249,278	

## STRATEGIC REPORT / KEY PERFORMANCE INDICATORS (KPIs)

The Board monitors success in implementing the Company's strategy against a range of key performance indicators (KPIs), which are viewed as significant measures of success over the longer term. These key indicators are those provided in the performance tables above. Although performance relative to the KPIs is monitored over quarterly periods, it is success over the long-term that is viewed as more important. This is particularly important given the inherent volatility of maturities and short-term investment returns.

The Board has chosen the following KPIs:

**Share Price** – a key measure for shareholders to show the most likely realisable value of this investment if it was sold. Changes in the share price are closely monitored by the Board.

**NAV per share** – as this is the primary indicator of the underlying value attributable to each share.

**Premium / (Discount) to NAV** – as this measure can be used to monitor the difference between the underlying net asset value and share price.

**Total maturities (USD)** – the value of the total maturities in USD provides an indicator of the underlying cash flow that the Company receives from its main source of income - policy maturities. There are factors which could impact the outcome of this performance measure including: average life expectancy and the age of the underlying policy holders.

Please note that the Actual to Expected ("A/E") ratio, which is closely linked to the total maturities KPI, is a key method by which the Board seeks to anticipate the level of maturities. The A/E ratio measures the declared maturities compared to the projected maturities based on the actuarial models. A ratio close to 100% indicates maturities correspond exactly to the model. A percentage greater than 100% means the maturities are more than anticipated by the models and less than 100% the opposite is the case.

**Profit (Loss) before tax** – this is a key measure of financial performance used to assess the fortunes of the Company over each financial period.

*Please Note: The Company regularly uses performance measures to present its financial performance. These measures may not be comparable to similar measures used by other companies, nor do they correspond to IFRS standards or other accounting principles.*

## STRATEGIC REPORT / CHAIRMAN'S STATEMENT

I am pleased to present my first statement to investors following the Company's admission to trading on the Specialist Funds Segment of the London Stock Exchange on 26 March 2018. In this statement I have highlighted the key developments over the period and plans that your Board has for the period ahead.

### Investment Performance

Against a background of challenging market conditions 2018 proved to be a solid year for your Company. The NAVs of three Share Classes changed little and the NAV of class B saw a more pronounced decline of 13%, hence the share price of Classes A and B remained relatively flat in 2018 since the initial listing on the London Stock Exchange whereas Class D and E had almost no trading volumes. However, the share prices of Class A and Class B increased by 26% and over 100%, respectively compared to the 2017 year end share prices of the Predecessor Company on the Luxembourg stock exchange. The discount to NAV narrowed significantly and the trading volumes on the stock exchange increased, underlining the benefit of listing on the London Stock Exchange and in line with our expectations. Looking in more detail across our portfolios it is noticeable that whilst the HIV portfolio performed in line with expectations, the portfolio of non-HIV policies, in particular that relating to what are termed "the elderly segment", was disappointing reflecting the concentration risk inherent in the exposure to a few policies with large face values. Until this small number of specific policies mature it will be necessary for your Board to maintain higher levels of cash reserves than might otherwise be the case. Since the year-end however, the Company has been notified of three policy maturities which, when received, will have a significant positive impact on the Company's cash balances and will enable it to consider various ways of distributing these proceeds to investors.

Before dealing with each Share Class in closer detail I should like to draw attention to the Company's valuation methodology and certain changes that have occurred in the industry over the last year. In our industry, the correct prediction of probable mortality rates is essential to effective cash flow management and the long-term profitability of the Company. On the advice of its Investment manager, Acheron Capital, LSA (and its Luxembourg Predecessor Company) has adopted an actuarial based model to predict mortality and value life settlement policies. This model is regularly calibrated to account for the portfolio experience. On an annual basis a separate valuation is done by Lewis & Ellis ("L&E") to validate externally the predicted mortality and portfolio value in the investment manager's model. This was further tested by Mazars at the time of the Company's listing on the London Stock Exchange. Every independent test has validated the methodology used by Acheron Capital as an accurate and reliable way of predicting future mortality rates. Furthermore, it is interesting to note that industry providers of mortality tables, based primarily on probabilistically based medical models, another method of predicting mortality rates have proved consistently overoptimistic. As a result, this method was recently revised. This has brought their mortality predictions more closely into line with our own methodology. This subject is dealt with in greater depth in the report produced by Acheron Capital.

### Our Share Classes

*\* Please note that the comparative NAV figures below for 2017 relate to the Predecessor Company, which was also the deemed acquisition price.*

LSAA's net asset value ("NAV") per share decreased to USD 2.02 (FY2017: USD 2.10\*) during the period. This can be mainly attributed to the impact of the non-HIV portfolio performing below expectations and, the somewhat binary effect of one or two policies with large face values not maturing during the period. While there can be no absolute certainty it is probable that given the maturity profile of this segment, there will be a higher level of maturities in the foreseeable future.



LSAB reduced to USD 1.11 (FY2017: USD 1.27\*). As the portfolio is relatively small, there is a degree of concentration risk in LSAB which means a low level of maturities in one year can be followed by a period of increased maturities thereby enhancing the future income stream.

LSAD and LSAE are made up of fractional policies and have a relatively high concentration on a few lives. Fractional policies are single life insurance policies initially purchased by multiple investors, each of whom acquire a percentage interest. They have a higher expected level of return and tend to be acquired at a deep discount to the fair value of the policies. LSAD NAV per share remains flat at USD 1.25 (FY2017: USD 1.25\*). LSAE NAV per share rose to USD 4.76 (FY2017: USD 4.61\*).

### **Dividends and Distributions**

Since total income was below expectations, your Board has decided that it would be inappropriate to propose any distribution for the year under review. However, in light of the very sizeable maturities notified since the year end the Board is now in a position to consider the most efficient way to return value to shareholders, once the premiums from the policies have been collected and the requisite shareholder approvals have been obtained.

### **Board**

There have not been any changes to the Board since admission to trading and, I would like to thank the Board and the advisors for their counsel and engagement over the time when the new Company was being established in the UK regulatory environment.

### **Outlook**

The Company is exposed to a small number of policies with large face values, which, because of their size and maturity profile can have a significant but unpredictable impact on cash flows and income. The Board is examining opportunities to acquire larger quantities of fractional policies at a discount and transforming them into wholly owned policies, which will also act to mitigate this concentration risk. The Board is also mindful that every maturity reduces the size of each Share Class and that it may be appropriate to consider consolidating the Share Classes in the future. Setting aside these specific issues aside the Board remains confident that the valuation methodology applied by the Company (and its predecessor) to its acquisition and retention of policies provides a stable and conservative portfolio which will stand the Company in a strong position in the year ahead.

**Jean Medernach**  
**Chairman**  
**30 April 2019**

## STRATEGIC REPORT / TRUSTS' INVESTMENT MANAGER'S REPORT 2018

### The Life Settlement Market

2018 has proven to be the most active year for the US life settlements industry in recent years. The total face value of annual settlements was projected at USD 3.4bn at the end of 2018, up from USD 2.8bn in 2017. The 2016 Conning report predicted 1 to 2% growth per annum, instead the market grew by approximately 21% compared to 2017.

The life settlement industry was marked by significant developments in the medical underwriting market in 2018. The two main life expectancy data providers, ITM TwentyFirst ("TwentyFirst") and AVS Underwriting ("AVS") (together "Life Expectancy Providers"), announced major adjustments in mortality assumptions and underwriting methodologies. These revisions are likely to result in the Actual to Expected ratio (A/E) from the two Life Expectancy Providers to be much higher than before, possibly close to 100% going forward. These changes could significantly impact market valuation and additionally, it is also unclear at this stage if this will translate in significant mark downs, or a reduction in the discount rate used to value policies. Most likely, a combination of the two will be observed. With longer life expectancy, some policies will become worthless. Discount rates should vary with mortality assumptions; a higher A/E reflects a lower risk and would therefore warrant a lower discount rate.

We have carefully reviewed the aforementioned developments and do not foresee any direct material impact on our portfolio as adjusted mortality tables, instead of the opinions of the Life Expectancy Providers, are predominantly used as the basis of our mortality projections. Across all of our Share Classes, by end 2018, no TwentyFirst life expectancy opinion is used, only eight adjusted life expectancy opinions from AVS and four adjusted life expectancy opinions from Fasano are used. The discount rates used has remained constant as at this time we cannot predict how the market will react to these underwriting adjustments.

### Our Portfolio

The current portfolio is subdivided into portfolios exposed to either HIV policy holders or non-HIV policy holders. The respective sizes of these segments are USD 195m for life settlements or non-HIV policy holders and USD 397m for HIV. The face-weighted average age for the non-HIV segment is about 91 years. This translates into a life expectancy for a normal population of four years for men and five years for women.

HIV life expectancy is a more difficult variable to assess. The current face-weighted average age of the HIV population is about 59 years old; however actual mortality is similar to a population of about 15 to 20 years older. Therefore, assuming the HIV policies have the life expectancy of the general male population aged 77, the average life expectancy for HIV policy holders would be 16 years. The current total premium paid on this portfolio is about USD 23m. For the next year, we will retain USD 20.5m as a basis for premium projections.

During 2018, investments were made in three small portfolios of fractional policies in which the Company is already a fractional owner for a total face cost of USD 1.2m. Fractional policies are single life insurance policies initially purchased by multiple investors, each of whom acquired a fractional interest. These acquisitions are critical to ensure the premiums on fractional policies that we are exposed to are continued to be paid and do not lapse. These policies are mainly held in the Acheron Portfolio Trust (LSAA) which is significantly exposed to such fractional policies.

The following table provides information on the Companies' policies by Share Class and by exposure to HIV and non-HIV positive insureds, as at 31 December 2018.

**HIV and Non-HIV Exposed Policies (all values in USD)**

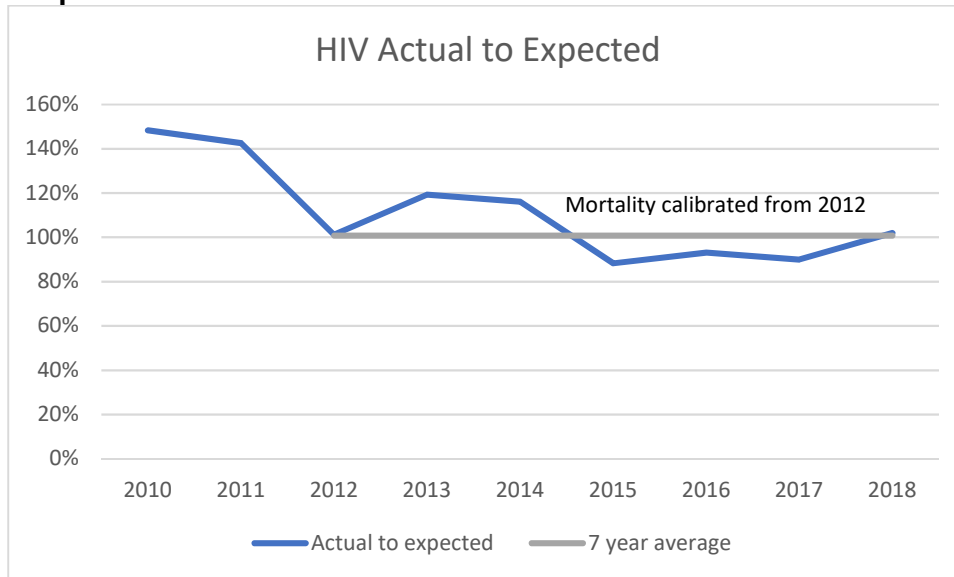
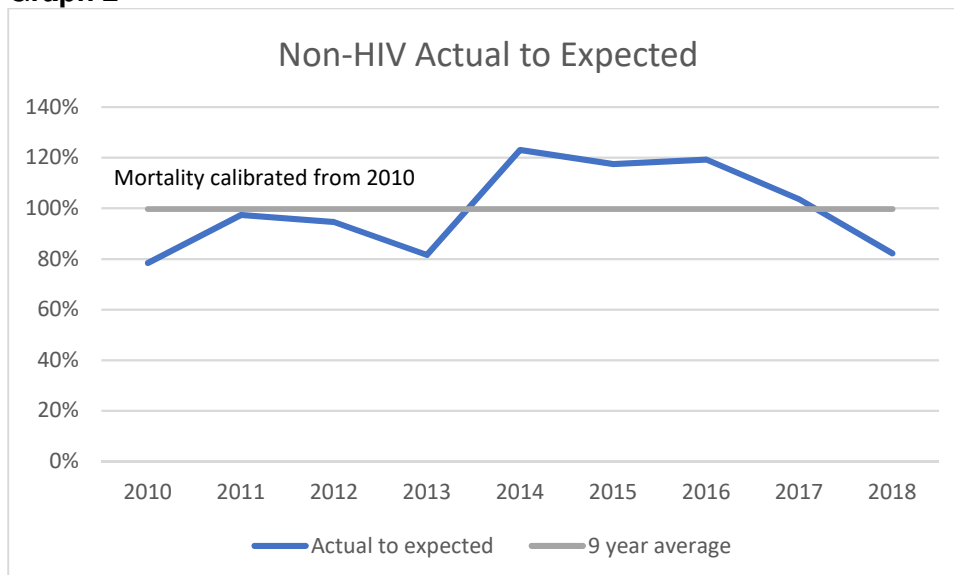
<b>LSAA</b>	<b>HIV</b>	<b>Non-HIV</b>	<b>Total</b>
Number of policies	4,362	211	4,573
Total face value	383,257,821	100,936,850	484,194,671
Valuation	41,208,000	23,886,000	65,094,000
Percentage of face value	10.8%	23.7%	13.4%

<b>LSAB</b>	<b>HIV</b>	<b>Non-HIV</b>	<b>Total</b>
Number of policies	0	109	109
Total face value	n/a	49,048,273	49,048,273
Valuation	n/a	10,645,000	10,645,000
Percentage of face value	n/a	21.7%	21.7%

<b>LSAD</b>	<b>HIV</b>	<b>Non-HIV</b>	<b>Total</b>
Number of policies	371	94	465
Total face value	16,308,803	23,930,280	40,239,083
Valuation	2,232,000	7,092,000	9,324,000
Percentage of face value	13.7%	29.6%	23.2%

<b>LSAE</b>	<b>HIV</b>	<b>Non-HIV</b>	<b>Total</b>
Number of policies	164	68	232
Total face value	6,652,344	13,837,753	20,490,097
Valuation	1,029,000	3,722,000	4,751,000
Percentage of face value	15.5%	26.9%	23.2%

The U.S. actuary L&E provided valuations for all portfolios for the period ended 31 December 2018. The actuaries performed a nine-year A/E study based on historical data available and made some improvements to the mortality assumptions. Figures from 2010 and 2011 were removed as the A/E ratios were significantly higher to ensure a more conservative set of estimates. As a result, both HIV and non-HIV segments reached long-term A/E ratio of circa 100%, which is shown in the graphs 1 and 2 below. In comparison, the actuary's expectation of A/E for most portfolios in the market which utilised data from TwentyFirst and AVS to define their expected mortality, is in the 60-75% range.

**Graph 1**

**Graph 2**


The valuations used were derived by adopting an actuarial approach. The mortality models were calibrated so that the actual to expected over the last 10 years were at, or close to, 100%. This compares favourably with other life settlement entities which are commonly believed to have actual to expected in the high 60% on average. The primary reason for adopting this approach and not to use the prevailing probabilistic models centred on externally provided medical underwriting of life expectancy on individual policies, is that the actual outcome of these projections has been, overall, poor, leading to significant overvaluation. Furthermore, it would incur a significant cost for a portfolio with a large number of policies. Finally, it may simply not be practically possible, as the insured may refuse to give the necessary medical information.

## Maturities

The year saw declared maturities and A/E in the different Share Classes as follow:

Maturities (USD)	Class A	Class B	Class D	Class E
HIV	6,817,876		466,348	226,051
Non-HIV	14,007,664	5,242,275	3,253,027	2,763,041
Total	20,825,540	5,242,275	3,719,375	2,989,092

A/E	Class A	Class B	Class D	Class E	All classes
HIV	112%		148%	159%	115%
Non-HIV	85%	86%	70%	79%	83%
Total	93%	86%	75%	82%	88%

In monetary terms, the HIV segment performed above expectations by 15% in the year under review. For non-HIV segment, the third largest exposure matured in November 2018, contributing USD 14.9m across all Share Classes. This is in line with our internal projection of one large face maturity for this year. Other elderly maturities fell short of expectations, leading to overall A/E of under 100%.

The reduction in the size of our portfolio means our performance will be more reliant on large face value policies and we may experience volatility. For LSAA, two policies out of 213 represent about 5% of the total face value of the portfolio; 10 policies represent about 10% of the total face value of the portfolio. The probability of no mortality in the top two policies FY2019 is circa 50%, underlying the binary - and volatile nature - of the cash flow forecast for 2019-2020.

## Going forward

We were notified of three maturities on one life in March 2019, contributing USD 20.1m across all Share Classes. This policy was the largest face value policy across all portfolios. In the coming year, the transactions of the tertiary market could be boosted by the Tax Cuts and Job Act ("TCJA"). TCJA makes the basis calculation for both selling and surrendering the same policy, resulting in the abolition of a tax incentive to surrender rather than to sell a policy. This measure will therefore broaden the supply of life settlements since insureds will have a less onerous path to sell.

We will continue to follow the recent research on mortality in general and on long-term HIV patients in particular. Our observations on HIV mortality in the portfolio substantiate our view that HIV sufferers age much more rapidly than the general population from a medical perspective, and that this disease has cumulative characteristics. This results in long-term patients having a worse medical status than patients of the same age that only recently contracted the disease.

Over the next twelve months, the most significant factor that will affect the financial outcome of the company will be the mortality of the policies it is exposed to. This will mechanically affect the cash flow, not only due to the maturities that will or will not be collected, but also in terms of premiums that will have to be paid or not. Other factors, such as unexpected premium change or discount rate, would have little effect on cash flow, and, within a reasonable range, little effect on valuation.

**Acheron Capital**  
**30 April 2019**

## **STRATEGIC REPORT / OVERVIEW OF STRATEGY AND INVESTMENT POLICY**

### **Investment Objective**

The Company's investment objective is to generate long-term returns for investors by investing in the life settlement market. The Company has not established target rates of return with respect to its investments.

### **Investment Policy**

The Company will seek to achieve the Company's Investment Objective in respect of each Share Class as follows:

#### *A Ordinary Share Class (LSAA)*

The assets attributable to the A Ordinary Share Class are predominantly invested in life insurance policies acquired from special or "distressed" situations, with exposure to both HIV and elderly insureds.

The Company acquired the entire beneficial interest in the Acheron Portfolio Trust from the Predecessor Company shortly after Admission.

#### *B Ordinary Share Class (LSAB)*

The assets attributable to the B Ordinary Share Class are predominantly invested in life insurance policies exposed only to elderly insureds.

The Company met this Investment Policy by acquiring the entire beneficial interest in the Lorenzo Tonti 2006 Portfolio Trust from the Predecessor Company shortly after Admission.

#### *D Ordinary Share Class and E Ordinary Share Class (LSAD and LSAE)*

The assets attributable to the D and E Ordinary Share Classes are invested predominantly in Fractional Policies with exposure to both HIV and elderly insureds, where the A and/or B Share Classes are already fractional owners.

The Company met these Investment Policies by acquiring the entire beneficial interest in:

- a) the Avernus Portfolio Trust, in respect of the D Ordinary Share Class; and
- b) the Styx Portfolio Trust, in respect of the E Ordinary Share Class, from the Predecessor Company shortly after Admission.

#### *Source of Policies*

In respect of each Share Class, such Policies will be or has been obtained from a variety of sources, primarily in the United States.

#### *Further acquisitions*

The Company does not intend to substitute assets held by the Trusts as the Policies mature. The Trusts are self-liquidating in nature. The Company may however, from time to time: (a) acquire Policies or cause the Trusts to acquire Policies that meet the Investment Policy of the relevant Share Class, in particular but not only Fractional Policies; and (b) cause the Trusts to dispose of Policies.

The Company may also raise further capital in the future to acquire further Policies that meet the Investment Objective and Investment Policy of the relevant Share Class (or those of a Share Class to be established in future). Such Policies will subsequently be granted to the relevant Trust.

### **Investment Restrictions**

Any transaction involving more than 10% of the Gross Asset Value of the Company, directly or indirectly, will require the prior approval of the Board in writing.

### **Hedging and use of derivatives**

The Company and/or the Trusts may also hold derivative or other financial instruments designed for efficient portfolio management or to hedge interest or inflation risks. The Trusts may invest in liquidity management products as deemed fit by the Trustee or the Investment Manager, as well as mortality hedging products as deemed fit by the Investment Manager, including, but not limited to, mortality related Insurance Linked Securities (“ILS”).

### **Dividend Policy**

The Company has no stated dividend target. The Company aims to distribute a substantial portion of its funds derived from its operations in respect of a Share Class as dividends to Shareholders of that share class. There can be no assurance that the Company will be able to achieve this aim.

The Company will only pay dividends on the Ordinary shares to the extent that it has sufficient financial resources available for the purpose and in accordance with the Companies Act 2006 (as amended).

In accordance with regulation 19 of the Investment Trust (Approved Company) (Tax) Regulations 2011, the Company will not (except to the extent permitted by those regulations) retain more than 15% of its income (as calculated for UK tax purposes) in respect of any accounting period.

### **Borrowing**

As at the date of this Report, the Company as a small registered Alternative Investment Fund (“AIF”) does not intend to borrow due to the costs and regulatory implications that this would entail. However, the Company reserves the right to borrow in the future in appropriate circumstances and at the discretion of the Board (or, subject to the terms of the applicable Investment Management Agreement, the Investment Manager if such borrowing is at Trust level), provided that any such borrowing entered into in respect of, or attributable to, a Share Class shall be limited to a maximum of 10% of the Net Asset Value of such Share Class (at the time the borrowing is incurred).

In addition, the Board (or the Investment Manager, subject to any limits imposed by the Board) has discretion to make short-term loans out of the assets attributable to one Share Class to another Share Class where the Board or the Investment Manager (as the case may be) considers it necessary in order to fully or partially remedy a cash-flow shortfall in respect of that other Share Class.

### **Policy Loans**

The Company does utilise policy loans to provide an acceleration of the cash flow to the Company. A policy loan refers to excess cash withdrawn from cash reserves generated at the level of the life insurance contracts. Policy loans will be deducted from any proceeds when the maturities are collected. These policy loans are also described in Note 3.5 of these accounts. The Board is of the opinion that these policy loans do not constitute borrowing for the purposes of the Alternative Investment Fund Managers Directive (“AIFMD”).

### **Cash management**

Pending reinvestment or distribution of cash receipts, cash received by the Company and the Trusts may be held on deposit, in cash, cash equivalents, near cash instruments, money market instruments and money market funds and cash funds in line with the risk appetite specified by the Board.

The Trusts’ Investment Manager has to ensure that the Company’s and each Trust’s liabilities can be met as they fall due.

### **Corporate and Operational Structure**

The Board retains responsibility for key elements of the Company’s strategy, including the following:

- the Company’s investment policy which determines the diversity of the Company’s portfolio. The Board sets limits and restrictions with the aim of reducing risk and maximising returns;
- the appointment, amendment or removal of the Company’s third-party service providers; and

- ensuring an effective system of oversight over the Company's risk management and corporate governance.

In order to effectively undertake its duties, the Board may seek expert legal advice. It can also call upon the advice of the Company Secretary.

The Board act in a way that they consider to be in good faith and is most likely to promote the success of the Company for the benefit of its Shareholders as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long-term;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly to avoid conflicts between the interests of the Directors and those of the Company.

The Company has outsourced various operations to various third-party service providers as detailed below:

- **Investment Management:** As it is an internally-managed investment trust, the Company has not appointed an investment manager to provide it with investment managerial services. However, each of the Trusts have appointed the Investment Manager, Acheron Capital Limited as their investment manager under the Investment Management Agreements with effect from the date of Admission. The Investment Manager is authorised and regulated by the FCA (under reference number 443685). Further details of Investment Management Agreements are set out in Part 6 of the Prospectus.
- **The Trustee:** The Trustee of each of the Trusts is Dr Robert Edelstein who is also a Director of the Company.
- **The Registrar:** Link Market Services Limited has been appointed as the Company's Registrar.
- **Administrator:** The Company has appointed Compagnie Européenne de Révision Sàrl as its administrator. The Administrator has been retained by the Company to calculate its Net Asset Values and to provide certain other services.
- **Company Secretarial:** Maitland Administration Services Limited has been appointed as Company Secretary to provide company secretarial services to the Company.
- **Tracking and Servicing Agents:** The Trusts have appointed a Tracking and Servicing Agent to assess on a regular basis if consenting Individuals have passed away. If Consenting Individuals have passed away the Tracking and Servicing Agent obtains respective death certificates and ensure that they are delivered to the insurance company that issued the relevant Policy so that applicable death benefits can be claimed. Each Trust has entered into a servicing agreement with the Tracking and Servicing Agent detailing the services the Tracking and Servicing Agent will provide. As at the date of this Report, Litai Assets LLC, Fort Lauderdale and the Asset Servicing Group, Oklahoma City, have both been appointed by the Trusts to service life settlement policy interests owned by the Trusts.
- **Actuaries:** The Company retains actuaries to estimate the life expectancy of individuals insured under particular Policies or portfolios of Policies. Actuaries provide life expectancy or valuation estimates based on a more general set of assumptions and experience.



## STRATEGIC REPORT / PRINCIPAL RISKS

The Company is exposed to a number of potential risks and uncertainties. These risks could have a material impact on financial performance and position and could cause actual results to differ materially from expected and historical results.

The Company faces a number of risks in the normal course of its activities and as a result the management of the risks the Company faces is essential. The Board maintains the overall responsibility for risk management but has delegated to the Audit Committee the task of regular and robust assessments of the Company's risks and controls. The Audit Committee has accordingly established a robust process to identify and monitor the risks faced by the Company. The process involves the maintenance of a risk register, which identifies the risks facing the Company and assesses each risk on a scale, classifying the probability of the risk and the potential impact that an occurrence of the risk could have on the Company. A number of day-to-day risk management functions of the Trusts are undertaken by the Trusts' Investment Manager, who regularly reports to the Audit Committee.

**Third Party Service Providers:** The Company has no employees and the Directors have all been appointed on a non-executive basis. Whilst the Company has taken all reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations, the Company relies upon the performance of third-party service providers for its executive function. In particular, the Trust's Investment Manager, Custodian, Administrator, Registrar and Company Secretary.

The termination of service provision by any service provider, or failure by any service provider to carry out its obligations to the Company, or to carry out its obligations to the Company in accordance with the terms of its appointment, could have a material adverse effect on the Company's operations and its ability to meet its investment objective.

### ***Mitigation***

Day-to-day performance of third-party service providers is discussed by the Board and each of the service providers is subject to regular performance and compliance monitoring. The regularity of the reviews relate to the specific function being undertaken.

The appointment of each service provider is governed by agreements which contain the ability to terminate each of these counterparties with limited notice should they continually or materially breach any of their obligations to the Company.

**Reliance on key individuals:** The Company relies on key individuals to manage the day-to-day affairs of the Company. There can be no assurance as to the continued service of these key individuals. The departure of key individuals without adequate replacement may have a material adverse effect on the Company's prospects and results. Accordingly, the ability of the Company to achieve its investment objective depends heavily on the experience of the Investment Manager's team, and more generally on the ability of the Investment Manager to attract and retain suitable staff.

### ***Mitigation***

The interests of the Trust's Investment Manager are closely aligned with the performance of the Company through the management and performance fee structures in place and direct investment by certain key individuals of the Investment Manager. Furthermore, investment decisions are made by a team of professionals, mitigating the impact loss of any single key professional within the Investment Manager's organisation. The performance of the Investment Manager in its duties to the Company is subject to ongoing review by the Board.

**Fluctuations in the market price of the Company's shares:** The market price of the Company's shares may not reflect the Net Asset Value of each Share Class and may fluctuate widely in response to different factors. There can be no assurance that the Company's shares will be repurchased by the Company even if they trade materially below their Net Asset Value. Similarly, the shares may trade at a premium to Net Asset Value whereby the shares can trade on the open market at a price that is higher than the value of the underlying assets. There can be no assurance, express or implied, that Shareholders will receive back the amount of their investment in the Company's shares.

***Mitigation***

The Board closely monitors the level of discount or premium at which the Company's shares trade on the open market. The Company may purchase the shares in the market with the intention of enhancing the Net Asset Value per ordinary share. However, there can be no assurance that any repurchases will take place or that any repurchases will have the effect of narrowing any discount to Net Asset Value at which the shares may trade. When the Company's shares trade at a premium the Company may issue shares to reduce the premium at which shares trade.

**Achievement of the Investment Objective**

There can be no assurance that the Company will be successful in implementing the investment objective.

***Mitigation***

Performance of the Company against its investment objectives is closely monitored on an ongoing basis by the Board and is reviewed in detail at each Board meeting. The Board receives regular reporting from the Trusts' Investment Manager in order to assist with ensuring that the Company meets its investment objective.

**Tax:** Any changes in the Company's tax status or in taxation legislation could affect the value of investments held by the Company, affect the Company's ability to provide returns to Shareholders and affect the tax treatment for Shareholders of their investments in the Company.

The results of the Company would also likely be adversely affected if the Company were not eligible to claim benefits under the current income tax treaty between the United Kingdom and the United States. In conformity with the income tax treaty, withholding tax on matured policies is not due if at least 6% of the average capital stock of the main class of Shares is traded annually on a recognised stock exchange. Changes in taxation may also adversely affect the results of the Company.

***Mitigation***

The Company intends at all times to conduct its affairs so as to enable it to qualify as an investment trust for the purposes of Section 1158 of the Corporation Tax Act 2010. Both the Board and the Investment Manager are aware of the requirements which are to be fulfilled in any accounting period for the Company to maintain its investment trust status. The conditions required to satisfy the investment trust criteria shall be monitored by the compliance function of the Investment Manager and performance of the same shall be reported to the Board on a quarterly basis.

The Board monitors the trading of the main class of Shares regularly to assess the 6% requirement. This helps ensure that action could be taken to encourage more trading and reduce the likelihood of incurring a tax charge.

**Breach of applicable legislative obligations:** The Company and its third-party service providers are subject to various legislative and regulatory regimes. Any breach of applicable legislative and/or regulatory obligations could have a negative impact on the Company and impact returns to Shareholders.

### **Mitigation**

The Company engages only with third party service providers which hold the appropriate regulatory approvals for the function they are to perform and can demonstrate that they can adhere to the regulatory standards required of them. Each appointment is governed by agreements which contain the ability for the Company to terminate the arrangements with each of these counterparties with limited notice should such counterparty continually or materially breach any of their legislative obligations, or their obligations to the Company more broadly. Additionally, each of the counterparties is subject to regular performance and compliance monitoring by the Investment Manager, as appropriate to their function, to ensure that they are acting in accordance with applicable regulations and are aware of any upcoming regulatory changes which may affect the Company.

### **Other risks specific to the Company:**

As described on page 29, the Board and Audit Committee have an ongoing process of monitoring and reviewing risks and internal controls. The principal risks and mitigations are highlighted above. There are also other important risks that the Company monitors and these are provided below for completeness.

- Mortality risk: Changes in mortality rates may adversely affect the performance of the Policies held by the Company in respect of a Share Class.
- Premium management risk: Unanticipated volatility in mortality rates makes liquidity management of premium reserves difficult, as the Company (or the Trusts) need to be able to meet premium and costs at all times. Failure to pay premium may result in the relevant Policy lapsing and the Company being unable to receive insured sums as a result.
- Premium assumptions risk: Changes in the amount of premiums charged by the insurance company that has issued a Policy may increase the costs borne by the Company and adversely affect its performance.
- Counterparty risk: If an insurance company defaults that has issued a Policy in which the Company invests, the Company may not receive one or more payments owing to it.
- Volatility risk: The portfolio of each Share Class may be more volatile than expected as a consequence of certain policies representing a larger proportion of the portfolio than other policies.
- Litigation risk: The assignment of life insurance policies can be a contentious matter and the sector has historically been subject to high levels of litigation.
- Modelling risk: The Investment Manager uses modelling in determining the investments to make; however, if the assumptions made by the Investment Manager in building these models are or were materially incorrect, there could be a substantial adverse effect on the Net Asset Value of the Ordinary Shares participating in the relevant Policies and the Company's performance and that of the Ordinary Shares may fall short of expectations.
- Discount rate risk: The discount rate used for reporting or valuation purposes may be on a portfolio basis or on a bottom up Policy by Policy or Policy type by Policy type basis, which can create material value differences. Further, there is no well-established market discount rate, which makes the use of specific discount rates for actuarial purposes subjective.
- Advance age mortality risk: There is a lack of data to reliably determine general or disease specific mortality at advanced ages, as well as the date beyond which a Policy no longer has value. This makes the use of statistically unproven assumptions necessary. As a consequence, should such assumptions prove to be incorrect, the Company's performance and that of the Ordinary Shares may fall short of expectations.

For a detailed description of the Company's financial risks, please refer to note 4 of the financial statements.

## **STRATEGIC REPORT / VIABILITY STATEMENT**

The Directors have assessed the prospects of the Company over a longer period than the 12 months referred to in the 'Going Concern' guidelines.

The Board conducted this review focusing on a period of three years. This period was selected as it is aligned with the Company's strategic planning. In making this assessment the Board also considered the Company's principal risks.

Investment trusts in the UK operate in a well-established and robust regulatory environment and the Directors have assumed that:

- Investors will continue to want to invest in closed-end investment trusts because the fixed capitalisation structure is suited to pursuing the current investment strategy;
- The Company's remit of investing in life settlement assets predominantly in the U.S. will continue to be attractive to investors.

The Company's primary source of income is from policy maturities. As the timing of these maturities is not entirely predictable the Board sometimes will need to take advantage of policy loans. The Company can utilise policy loans in order for premiums to be maintained active. A policy loan refers in this case to excess cash withdrawn from cash reserves generated at the level of the life insurance contracts. Policy loans are deducted from any proceeds when the maturities are collected.

In the unlikely event that maturities and policy loans are insufficient to meet ongoing cash and policy premium obligations, the Directors have the authority to make short-term borrowing arrangements with financial institutions. These borrowing options are explained in more detail in the Strategic Report on page 15.

As with all investment vehicles, there is a risk that the performance of individual investments will vary and that capital may be lost, but this is not regarded as a threat to the viability of the Company. Operationally, the Company retains title to all assets including the life settlement assets and cash.

The closed-end nature of the Company means that, unlike an open-ended fund, it does not need to liquidate positions when Shareholders wish to sell their shares, the expenses of the Company are predictable and modest in comparison with the assets and there are no capital commitments currently foreseen which would alter that position. Taking these factors into account, the Directors confirm that they have a reasonable expectation that the Company will continue to operate and meet its expenses as they fall due over the next three years.

The Company's portfolio consists primarily of U.S. investments, accordingly, the Company believes that the "Brexit" process will not materially affect the prospects for the Company, but the Board will continue to keep developments under review.

### **Donations**

The Company made no political or charitable donations during the year under review.

### **Environment, human rights, employee, social and community issues**

The Company is required by law to provide details of environmental matters (including the impact of the Company on the environment), employee, human rights, social and community issues (including information about any policies it has in relation to these matters and the effectiveness of those policies). The Company does not have any employees and the Board is composed of independent non-executive Directors. As an investment trust, the Company has minimal impact on the environment. The Company aims to minimise any detrimental effect that its actions may have by adhering to applicable social legislation, and as a result does not maintain specific policies in relation to these matters.

The Company has no internal operations and therefore no greenhouse gas emissions to report nor does it have responsibility for any other emissions producing sources, including those within its underlying investment portfolio.

In carrying out its investment activities and in relationships with suppliers, the Company aims to conduct itself responsibly, ethically and fairly.

**Modern Slavery Act**

The Company is not within the scope of the Modern Slavery Act 2015 because it has insufficient turnover and is therefore not obliged to make a human trafficking statement.

**Approval**

The Strategic Report was approved by the Board of Directors on 30 April 2019 and signed on its behalf by:

**Jean Medernach**  
**30 April 2019**

## **GOVERNANCE / BOARD OF DIRECTORS**

### **Jean Medernach, Chairman**

Jean Medernach is an independent auditor licensed in Luxembourg and a former US certified public accountant. Mr Medernach has more than 15 years of experience in public accounting in Luxembourg, Asia and the US as well as 12 years as a finance and investment director of a Luxembourg investment company. Mr Medernach is a Luxembourg national.

### **Michael Baines**

Michael Baines is a graduate of the University of Oxford and The Royal Military Academy Sandhurst and has previously held high-level positions such as the Head of Risk Management and Deputy Chairman of Robert Fleming Securities and Managing Director at Atlas Capital. Mr Baines is currently Chairman of Church House Investment Management. He is also Chairman of the Advisory Board of the BlackRock Armed Forces Common Investment Fund.

### **Robert Edelstein**

Dr Edelstein joined the faculty of the University of California at Berkeley in 1985 after being a Professor of Finance at the Wharton School, University of Pennsylvania, and is active in the fields of real estate economics, finance, and property taxation; energy and environmental economics; public finance; and urban financial problems. He has been President and has served on the Board of Directors of the American Real Estate and Urban Economics Association. He is a member of the Board of the Asian Real Estate Society. Dr Edelstein received an A.B., A.M., and Ph.D. in Economics from Harvard University. Robert Edelstein is a United States National.

### **Franck Mathé**

Franck Mathé is a senior portfolio manager at EFFICAP in Paris. He holds a Doctor of Mathematics degree and a Master's degree in Finance from HEC (Hautes études commerciales) Paris. With more than 15 years' experience in the sector, he is director of a number of other investment funds.

### **Yves Mertz**

Yves Mertz has been a member of the Luxembourg Chartered Accountants Institute and the Luxembourg Independent Auditors Institute since 1984. Prior to joining Compagnie Européenne de Révision, he was founder and partner of Mazars Luxembourg where he acquired extensive experience in the life insurance and reinsurance sectors. He holds a Master degree in finance and EDP processing from the Faculté Universitaire de Mons, Belgium. Mr Mertz is a Belgium national.

### **Guner Turkmen**

Guner Turkmen has extensive experience in trading, risk and asset management and asset allocation. In 2000 he founded Cougar Asset Management, an independent hedge fund manager. In 2006 he co-founded Union Capital Group and was in charge of asset management through 2011. At the end of 2007, he founded Lake Geneva Investment Partners S.A. Mr Turkmen is a Turkish national.

## **GOVERNANCE / REPORT OF THE DIRECTORS**

The Directors present the annual report and financial statements of the Company for the period to 31 December 2018. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in accordance with the requirements of the Companies Act 2006.

### **Legal Form**

The Company was incorporated on 16 August 2017 in England and Wales with company number 10918785 under the Companies Act 2006 as a private company limited by share. It is a closed-ended investment company and is an investment trust for the purposes of section 1158 of the Corporation Tax Act 2010. The Company was re-registered as a public company limited by shares and an investment company under section 833 of the Companies Act 2006 on 24 January 2018.

### **Regulatory Status**

The Company is not a collective investment scheme and therefore is not regulated as such by the FCA. However, it is subject to the FCA's Disclosure Guidance and Transparency Rules, Market Abuse Regulation ("MAR"), and Prospectus Rules.

The Company is registered by the FCA as a "small registered UK AIFM" pursuant to regulation 10(2) of the AIFM Rules on the basis that it is a small internally managed AIF.

The Directors intend, at all times, to conduct the affairs of the Company so as to enable it to qualify as an investment trust for the purposes of section 1158 of the Corporation Tax Act 2010.

The Company's shares are listed on the Specialist Fund Segment of the London Stock Exchange.

In the opinion of the Directors, the Company has conducted its affairs during the period under review, and subsequently, so as to qualify as an investment trust for the purposes of section 1158 of the Corporation Tax Act 2010 (as amended). The Company has applied to, and obtained approval from, HMRC as an investment trust company subject to continuing to meet the eligibility requirements.

### **Directors**

The names and biographical details of the Board members who served on the Board as at the period-end can be found on page 22.

Directors' retirements are subject to the Company's Articles of Association (the "Articles"). The Articles provide that the directors may appoint a person who is willing to act as a director, any director so appointed is required to retire at the next AGM after his or her appointment and is eligible for reappointment.

Mr Toller was appointed as the Company's first Director on the incorporation of the Company on 16 August 2017. Mr Baines, Mr Edelstein, Mr Mathé, Mr Medernach, Mr Turkmen and Mr Mertz were subsequently appointed as Directors on 24 January 2018 and Mr Toller resigned at the same time. All Directors will therefore retire at the forthcoming AGM and, being eligible, will offer themselves for election.

None of the Directors has a service contract with the Company or is entitled to compensation for loss of office on the takeover of the Company.

The powers of the Directors are set out in the Corporate Governance Statement.

**Going Concern**

The financial statements of the Company have been prepared on a going concern basis. The forecast projections and actual performance are reviewed on a regular basis throughout the period. The Directors believe that this is an appropriate basis and that the Company has adequate resources to continue in operational existence for the foreseeable future and is financially sound. The Company is able to meet all of its liabilities from its assets and the ongoing charges, including annual premiums which are approximately 23% of assets.

**Corporate Governance**

A Statement on Corporate Governance is provided on page 28.

**Management agreements**

The Company has not appointed an investment manager to provide it with investment managerial services. However, each of the Trusts has appointed Acheron Capital Limited as their investment manager under the Investment Management Agreements signed from the date of admission to trading on the London Stock Exchange. A Services Agreement has been entered into between the Company and the Investment Manager whereby the Investment Manager has agreed to assist the Board in the management of the day-to-day activities of the Company. The Company will reimburse the Investment Manager for certain expenses related to carrying out the day-to-day activities of the Company. The Investment Manager will be remunerated under the agreements with the Trusts but will not be paid fees in connection to the Services Agreement. Further details of the agreement with Acheron Capital are provided in Note

The Trustee of each of the Trusts is Dr Robert Edelstein who is also a Director of the Company.

The Company has appointed Compagnie Européenne de Révision Sàrl as its administrator. They have been retained by the Company to calculate its Net Asset Value and to provide certain other services. The Company has appointed Lewis & Ellis Inc. as its valuation agent.

It is the Directors' opinion that the continuing appointment of these key suppliers is in the best interests of the Company and its Shareholders. The Directors are satisfied that these suppliers have the required skill and expertise to continue to manage the Company's assets successfully.

**Dividends**

The Company has not paid a dividend during the period, the Chairman's Statement provides some commentary on the plans for future distributions to Shareholders.



### Substantial shareholdings

The Directors have been informed of the following notifiable interests in the voting shares of the Company at 31 December 2018:

Notification From	Number of shares	% of voting rights
EFFIL II S.A.	6,600,000 (Ordinary D shares and 1,500,000 (Ordinary E shares)	11%
Metage Capital Limited	8,166,854 (indirect holding)	11.49%

The Company has not been notified of any changes to the above holdings between 31 December 2018 and the date of this report.

### Annual General Meeting

The Company will be holding its first AGM on Thursday 13 June 2019 full details of the meeting, the resolutions to be proposed and how to vote are set out in the Notice of Meeting on pages 85 to 87. A summary of some of the resolutions being proposed is set out below.

### Ordinary Business at the Annual General Meeting

#### Remuneration Policy

Resolution 2 allows Shareholders to have a binding vote on the Company's remuneration policy. The policy remains unchanged from that detailed in the Prospectus dated 30 January 2018. The Company's Articles of Association limit the maximum fees for Directors at £200,000.

#### Election of Directors

The notice of the meeting includes resolutions to elect each of the Company's Directors at this the first Annual General Meeting since their appointment. Biographies of each Directors are on page 21 of this Report. The Board believes that they bring valuable skill, experience and expertise to the Company and recommends that Shareholders vote in favour of the resolutions relating to their election.

#### Re-appointment of Auditors

Resolution 10 proposes the re-appointment of Grant Thornton UK LLP as the Company's External Auditor for the forthcoming year and the authority proposed under Resolution 11 will authorise the Directors to determine the Auditor's remuneration.

### Special Business at the Annual General Meeting

#### Allotment of shares

The authority proposed under Resolution 12 will authorise the Directors to allot shares or grant rights to subscribe for shares in the Company generally, in accordance with section 551 of the Companies Act 2006 (the "Act"), up to an aggregate nominal amount of 10% of each Ordinary Share Class, as of the date of this Notice (excluding treasury shares) .

### Disapplication of pre-emption rights

Resolution 13 will give Directors the general authority to allot Ordinary Shares for cash without first offering the securities to existing Shareholders in certain circumstances. The resolution proposes that the disapplication of such pre-emption rights be sanctioned in respect of the allotment of equity securities with an aggregate 10% of the issued share capital of each Ordinary Share Class as at the date of this report. No allotment of shares from treasury may be made at a price below the prevailing estimated net asset value.

### Authority for the Company to purchase its own shares

Resolution 14 authorises the Company to purchase up to 14.99% of the Company's shares for each Share Class in issue at the date of the Annual General Meeting. Purchases will be made on the open market for cash at prices in accordance with the terms laid out in the Resolution. Shares will be purchased only in circumstances where the Board believes that it is in the best interests of the each class Shareholders generally. Furthermore, purchases will only be made if the Board believes that they would result in an increase in NAV per share and earnings per share. The Board currently intends to cancel those shares.

The authority for each of the above resolutions under special business will expire on the date falling 15 months after the passing of this resolution or, if earlier, at the conclusion of the Annual General Meeting to be held in 2020.

### Class meetings

The Company will also hold class meetings to approve the items of Special Business (resolutions 12, 13 and 14) to be considered at the AGM.

### Recommendation

The Board considers that the Resolutions to be proposed at the AGM are in the best interests of Shareholders as a whole and the Company and, accordingly, recommends that Shareholders vote in favour of each Resolution, as the Directors intend to do in respect of their own shareholdings.

### Company information

The following information is disclosed in accordance with the Companies Act 2006:

- The Group's capital structure and voting rights are summarised on page 74.
- Details of the substantial shareholders in the Company are listed on page 25.
- The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association.
- The Articles of Association can be amended by the passing of a Special Resolution of the members in a General Meeting.
- Amendment of the Articles of Association and the giving of powers to issue or buy back the Company's shares require the relevant Resolution to be passed by Shareholders.
- There are no restrictions concerning the transfer of securities in the Company; no restrictions on voting rights; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.
- Consideration of likely future developments is detailed in the Strategic Report.

**Auditor**

The Auditor, Grant Thornton UK LLP, has indicated its willingness to continue in office and Resolutions 10 and 11 proposing its re-appointment and authorising the Directors to determine its remuneration for the ensuing year will be submitted at the AGM.

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are each aware, that there is no relevant audit information of which the Auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the Auditor.

On behalf of the Board

**Jean Medernach**  
**30 April 2019**

## GOVERNANCE / STATEMENT ON CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance and the Directors are accountable to Shareholders for the governance of the Group's affairs. A high-level description of the Company's corporate governance structure is provided below.

The Company is not obliged to and does not currently intend to comply with the UK Corporate Governance Code issued by the Financial Reporting Council or the corporate governance code issued by the Association of Investment Companies.

### Responsibilities of the Board

The Board is responsible for the effective stewardship of the Company's affairs and determines the strategic direction of the Company. The Board meets at least four times a year and reviews the Company's investment policy, performance and financial position. There is an agreed procedure for Directors, in the furtherance of their duties, to take independent professional advice at the Company's expense.

The Chairman is responsible for leading the Board and ensuring that it continues to deal effectively with all aspects of its role. In particular, he ensures that the Acheron Capital and the Administrator provide the Directors, in a timely manner, with management, regulatory and financial information that is clear, accurate and relevant. Representatives of the third-party service providers attend each Board meeting, enabling the Directors to seek clarification on specific issues or to probe further on matters of concern.

The Board comprises six Directors all of whom are non-executive and independent of the Investment Manager. In the light of the small size of the Board, it has been decided not to appoint a formal Nominations Committee and appointments of any new directors are considered by the Board as a whole.

### Powers of the Directors

The powers of the Directors are set out in the Articles of Association which are publicly available from Companies House. Except as otherwise provided by regulation and legislation, the Directors may exercise all of the ordinary powers usually conferred on directors to manage the affairs of a company and to delegate such of those powers to committees, agents or individuals as they consider appropriate. The Directors may authorise the Company to borrow; to pay fees, expenses, salaries and make other payments to directors, executives and employees; and to provide pensions or other benefits for directors, executives and employees; but have not exercised these powers except for the payment of fees to non-executive directors.

### Board attendance

Attendance at the Board and Audit Committee meetings held during the reporting period is shown below.

No. of meetings	Board meetings	Audit committee meetings
Jean Medernach	6/6	2/2
Michael Baines	6/6	2/2
Robert Edelstein	6/6	n/a
Franck Mathé	6/6	n/a
Yves Metz	6/6	2/2
Guner Turkman	6/6	n/a

## **Performance Evaluations**

The performance of the Company is considered in detail at each Board meeting.

The Board will undertake in 2019 a self-evaluation of its performance, that of its committees and individual Directors, including the Chairman. The review will be led by the Chairman, who assisted by the Company Secretary shall determine the scope and format for the review. There are no significant matters to bring to the attention of Shareholders at this time. The Board confirms that the composition of the Board, at the time of this report, reflects a suitable mix of skills and experience, and that the Board as a whole, the individual Directors and its committees are functioning effectively.

## **Internal Controls**

The Board has overall responsibility for the establishment of the Company's systems of internal control and for reviewing their effectiveness. Internal control systems are designed to meet the particular requirements of the Company and to manage rather than eliminate the risks of failure to achieve its objectives. The systems by their very nature provide reasonable but not absolute assurance against material misstatement or loss. The Board has reviewed the effectiveness of the Company's internal control systems including the financial, operational and compliance controls and risk management processes for the period.

The key procedures which have been established with a view to providing effective internal control are as follows:

- Throughout the year under review, there has been an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, which accords with the guidance in the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The process involves reports from the Company Secretary and Investment Manager on risk control and compliance, in conjunction with the Investment Manager's regular report which covers investment performance. In addition, the Company Secretary or Investment Manager report on the internal control environment at the Company's third party service providers. Internal control statements from third party service providers are also made available to the Audit Committee.
- The duties relating to investment management, accounting and custody of assets are segregated; the procedures of the individual parties are designed to complement one another.
- The Board is responsible for setting the overall investment policy and monitors the activities of the Investment Manager at its regular meetings. The responsibilities of the Investment Manager are included in the Investment Management Agreement between the Company and Acheron Capital. Acheron is authorised and regulated by the Financial Conduct Authority.
- Administration, accounting duties are performed by Compagnie Euopéenne de Révision Sàrl
- Company secretarial duties are performed by Maitland Administration Services Limited.
- Authorisation and exposure limits are set by the Board.
- The Company clearly defines the duties and responsibilities of its agents through their contracts. The appointment of agents and advisers is conducted by the Board after consideration of the quality of parties involved; the Board monitors their on-going performance and contractual arrangements. The Board reviews financial information produced by the Investment Manager and the Company Secretary on a regular basis.

The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives. It should be recognised that such systems can only provide reasonable, rather than absolute, assurance against material misstatement or loss. No significant failings or weaknesses have been identified.

### **Accountability and Relationship with Investment Manager**

The Statement of Directors' Responsibilities in respect of the accounts is set out on pages 37 and 38. The responsibilities of the independent auditor are set out on pages 39 to 45. The Directors' Report states that the Company is a going concern and confirmation of the Directors consideration on viability is on page 20.

The Board has delegated contractually to external third parties day to day accounting, company secretarial and administration duties, and registration services. Each of these contracts was entered into after consideration by the Board of the quality and cost of the services offered. The Board receives regular formal reports from Acheron Capital and ad hoc information as required.

### **Conflicts of Interest**

The Board has put in place a framework for Directors to report conflicts of interest or potential conflicts of interest, which it believes works effectively. Directors are aware that they have a continuing obligation to notify the Company Secretary of all existing, new and potential situations or interests which do or could conflict with the interests of the Company. All disclosed situations and interests are reviewed by the Board at its meetings and, where appropriate, authorised. It is the Board's intention to continue to review all notified situations on a regular basis.

The following potential conflicts of interest exist between the duties of the Directors to the Company and their private interests and/or other duties:

- Mr Mertz is an executive director of the Administrator, which receives fees from the Company under the Administration Agreement.
- Dr Edelstein is the Trustee of each of the Trusts and receives fees in such capacity; and
- Mr Mathé is an employee of Efficap II, which is the general partner of a fund having a significant investment in the D shares and E shares of the Company.

## **GOVERNANCE / AUDIT COMMITTEE REPORT**

The Audit Committee is chaired by Michael Baines. The other members of the Committee are Jean Medernach and Yves Metz. All of the Committee members have recent and relevant financial experience and all the members of the Committee have competence relevant to the sector in which the Company is operating.

### **Role of the Committee**

The Audit Committee ('the Committee') is responsible for monitoring the process of production and ensuring the integrity of the Group's financial statements. The other primary responsibilities of the Committee are:

- to consider the financial statements of the Company and make recommendations to the Board;
- to monitor adherence to best practice in financial reporting and corporate governance;
- to review the effectiveness of the internal control and risk management environment of the Company;
- to receive compliance reports from the Investment Manager and other service providers;
- to consider the accounting policies of the Group;
- to consider the valuation process of the life settlement assets;
- to make recommendations to the Board in relation to the re-appointment of the Auditor;
- to make recommendations to the Board in relation to the Auditors' remuneration and terms of engagement; and
- to review and monitor the Auditor's independence and objectivity and the effectiveness of the audit process.

### **Matters considered in the year**

The Committee met twice during the financial year to consider the financial statements and to review the internal control systems. The principal matters considered by the Committee were the valuation of the Company's assets, proof of ownership of its investments and cash, and the maintenance of its approval as an investment trust.

The Manager and Administrator have reported to the Committee to confirm continuing compliance with their individual regulatory requirements and for maintaining the Company's investment trust status.

The Committee liaised with Acheron Capital Limited, throughout the year, and received reports on their legal compliance. A Risk Assessment and Review of Internal Controls document maintained by the Board was considered in detail and amended as necessary.

### **Internal Audit**

The Group does not have an internal audit function, as most of its day-to-day operations are delegated to third parties, all of whom have their own internal control procedures. The Committee discussed whether it would be appropriate to establish an internal audit function, and agreed that the existing system of monitoring and reporting by third parties remains appropriate and sufficient. The need for an internal audit function is reviewed annually.

### **External Audit**

The Audit Committee monitors and reviews the effectiveness of the external third-party service providers, audit process for the publication of the Annual Report and makes recommendations to the Board on the re-appointment, remuneration and terms of engagement of the Auditors.

Prior to each Annual Report being published, the Committee considers the appropriateness of the scope of the audit plan, the terms under which the audit is to be conducted, as well as the matter of remuneration, with a view to ensuring the best interests of the Company are promoted.

Audit fees are computed on the basis of the time spent on Company affairs by the Audit partners and staff and on the levels of skill and responsibility of those involved.

Grant Thornton UK LLP has been Auditor to the Company since launch. As part of its review of the continuing appointment of the Auditor, the Committee considers the length of tenure of the audit firm, its fees and independence, along with any matters raised during each audit. The Committee has discussed with Grant Thornton UK LLP its objectivity, independence and experience in the investment trust sector.

Grant Thornton UK LLP has indicated its willingness to continue in office as Auditor of the Group. Following its review, the Committee considers that, individually and collectively, the Auditor is appropriately experienced to fulfil the role required, and have recommended its re-appointment to the Board. A resolution for its re-appointment will be proposed at the forthcoming Annual General Meeting.

The Committee has considered the independence and objectivity of the Auditor and it is satisfied in these respects that Grant Thornton UK LLP has fulfilled its obligations to the Group and its Shareholders. During the year, Grant Thornton UK LLP provided reporting accountant services relating to the listing of the Company on the London Stock Exchange. The fee for this service was £80,000. The auditor also provided a section 92 report in relation to the re-registration of the Company from a limited to a public limited company. The fee for this service was £4,500. Neither service affected the work by the auditor on the Company's financial statements.

The Committee has advised that, based on its assessment of their performance and independence, Grant Thornton UK LLP has fulfilled its obligations to the Company and its Shareholders.

I intend to be present at the Annual General Meeting to address any questions from Shareholders relating to the financial statements.

**Michael Baines**  
**Audit Committee Chairman**  
**30 April 2019**



## GOVERNANCE / DIRECTORS' REMUNERATION REPORT

The Board presents the Directors' remuneration report for the period 16 August 2017 to 31 December 2018. Ordinary resolutions for the approval of this report and the Directors' Remuneration Policy will be put to Shareholders at the forthcoming AGM.

As the Company has no employees and all of the Directors are non-executive, the Board has not established a separate Remuneration Committee. Directors' remuneration is determined by the Board as a whole, at its discretion within an aggregate ceiling of £200,000 per annum. Each Director abstains from voting on their own individual remuneration.

### Statement from the Chairman

This Report sets out the Company's remuneration policy which Shareholders will be asked to approve at the forthcoming AGM on 13 June 2019. A separate resolution to adopt the Remuneration report is advisory only and not binding on the Company. The votes cast at the 2019 AGM on the advisory resolutions will be disclosed in the remuneration report for the year to 31 December 2019.

Subject to shareholder approval the remuneration policy, set out in the following policy table below, will be binding and effective from the date of the 2019 AGM. It is intended to apply for three years.

### Policy Table

Fixed fee element	Remuneration consists of a fixed fee each year and the Directors of the Company are entitled to such rates of annual fees as the Board at its discretion determines.
Discretionary element	In accordance with the Company's Articles of Association, if a Director is requested to perform extra or special services, they will be entitled to receive such additional remuneration as the Board considers appropriate.
Taxable benefits	In accordance with the Company's Articles of Association the Directors are also entitled to be reimbursed for out-of-pocket expenses and any other reasonable expenses incurred in the proper performance of their duties. Such expenses are treated as a benefit in kind and are subject to tax and national insurance.
Purpose and link to strategy	Directors' fees are set to: <ul style="list-style-type: none"> <li>• be sufficient to attract and retain individuals of a high calibre with suitable knowledge and experience to promote the long-term success of the Company;</li> <li>• reflect the time spent by the directors on the Company's affairs;</li> <li>• reflect the responsibilities borne by the directors; and</li> <li>• recognise the more onerous roles of the Chairman of the Board and the Chairman of the Audit Committee through the payment of higher fees.</li> </ul>
Operation	Fees payable to the Directors will be reviewed annually. A number of factors will be considered to ensure that the fees are set at an appropriate level. These will include: <ul style="list-style-type: none"> <li>• the average rate of inflation during the period since the last fee increase;</li> <li>• the level of Directors' remuneration for other investment trusts of a similar size; and</li> <li>• the complexity of the Directors' responsibilities.</li> </ul>

Maximum	Total remuneration paid to the non- executive Directors is subject to an annual aggregate limit of £200,000 in accordance with the Company's Articles of Association. Any changes to this limit will require Shareholder approval by ordinary resolution.
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There are no performance related elements to the Directors' fees.

Directors do not receive bonus payments or pension contributions from the Company or any option to acquire shares. There is no entitlement to exit payments or compensation on loss of office. None of the Directors has a service contract with the Company and their terms of appointment are set out in a letter provided when they join the Board. These letters are available for inspection at the Company's registered office.

### Consideration of Shareholders' Views

Shareholder approval for the remuneration report will be sought at the 2019 AGM and shareholders will also have the opportunity to express their views and raise any queries on the policy at this meeting.

### Directors' emoluments

The Directors who served during the period received the following emoluments in the form of fees:

Period ended 31 December 2018

Director	Basic Fees USD	Non -recurring Fees* USD	Total USD
Jean Medernach	57,190	28,595	85,785
Michael Baines	38,070	6,604	44,674
Robert Edelstein	10,000	-	10,000
Frank Mathé	10,000	-	10,000
Yves Mertz	15,000	-	15,000
Guner Turkmen	10,000	-	10,000
Total	----- 140,260 =====	----- 35,199 =====	----- 175,459 =====

\* The non-recurring fees totalling USD 35,199 related to additional work undertaken for the listing on the London Stock Exchange.

As the Company has no employees the table above sets out the total remuneration costs and benefits paid by the Company.

In addition to the fees stated above amounts totalling USD 125,000 of which (USD 50,000 is non-recurring) was paid as a trustee fee to Robert Edelstein.

In total USD 69,968 was reimbursed to Directors during the period for their expenses travelling to attend Board and Audit Committee meetings in London. There are no other directors' expenses to report.

The annual fees for each Director for the twelve months commencing 1 January 2019 are expected to be:

- Jean Medernach, Chairman – €50,000 and USD 5,000
- Michael Baines, Chairman of the Audit Committee – £30,000
- Yves Mertz – USD 15,000
- all other Directors – USD 10,000.

Directors’ and Officers’ liability insurance cover is maintained by the Company on behalf of the Directors.

### Relative importance of spend on remuneration

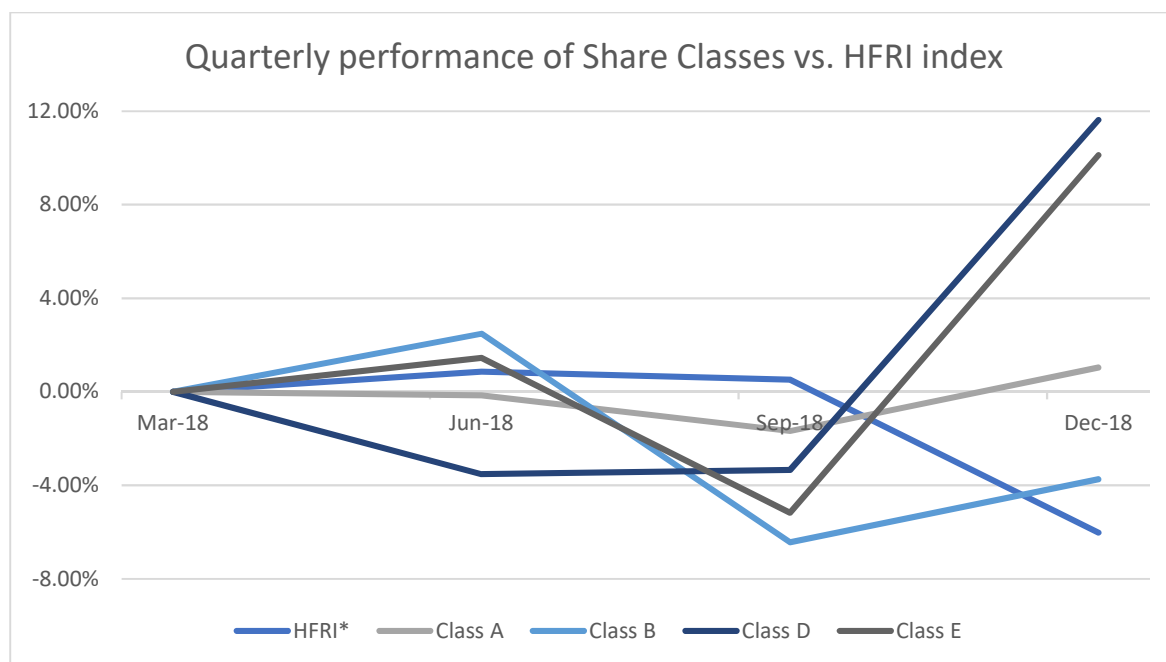
The following table shows the proportion of the Company’s income spent on remuneration during the period 16 August 2017 to 31 December 2018.

	USD
Management fees paid	2,101,172
Directors’ remuneration paid	175,459
Loss on ordinary activities after tax	(6,087,256)

### Total Shareholder Return

The Company does not have a specific benchmark against which performance is measured. The graph below compares the Company’s NAV and share price on a total return basis with the total return on an equivalent investment in the HFRI Fund Weighted Composite Index during the period. This index reflecting the performance of an investment in Hedge Funds has been selected as the most relevant.

### Company’s performance graph



\*The HFRI Fund Weighted Composite Index is a global, equal-weighted index of over 1,400 single-manager funds that report to HFR Database. Constituent funds report monthly net of all fees performance in US Dollar and have a minimum of USD 50 Million under management or a twelve (12) month track record of active performance. The HFRI Fund Weighted Composite Index does not include Funds of Hedge Funds.

### Directors' interests in shares

There are no requirements for the Directors to own shares in the Company.

The Directors interests and those of their connected persons in the shares of the Company are set out in the table below. All of the holdings are beneficial and all of the Directors held office during the period under review.

<b>Director</b>	<b>26 March 2018*</b>	<b>31 December 2018</b>
Jean Medernach	50,000 Ordinary A shares	50,000 Ordinary A shares
Michael Baines	-	-
Robert Edelstein	-	-
Frank Mathé	-	-
Yves Mertz	-	-
Guner Turkmen	-	-

\* date of admission to trading.

No other changes to these holdings had been notified up to the date of this report.

The Directors' Remuneration Report was approved by the Board on 30 April 2019.

For and on behalf of the Board

**Jean Medernach**  
**Chairman**  
**30 April 2019**

## **GOVERNANCE / STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under the law the directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ("EU") and Article 4 of the EU IAS Regulation and have also chosen to prepare the company financial statements under IFRSs as adopted by the EU.

Under company law the Directors must not approve the financial statements unless they are satisfied that they are true and fair of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

In preparing the Group and Company's financial statements, the Directors are required to:

- select suitable accounting policies in accordance with International Accounting Standard ('IAS') 8: 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and the Company's financial position and financial performance;
- state that the Group and the Company have complied with IFRSs, as adopted by the EU subject to any material departures disclosed and explained in the financial statements;
- make judgments and estimates that are reasonable and prudent; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company's financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, a Directors' Report, Directors' Remuneration Report and Statement on Corporate Governance that comply with that law and those regulations, and for ensuring that the Annual Report includes information required by the Disclosure and Transparency Rules of the FCA.

The Directors are responsible for the integrity of the information relating to the Company on its website. Legislation in the UK governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

The Directors confirm that, to the best of their knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group and Company; and
- the Annual Report includes a fair review of the development, performance and position of the Group and Company, together with a description of the principal risks and uncertainties faced.

The Directors also confirm that the Annual Report is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group and Company's position, performance, business model and strategy.

For and on behalf of the Board

**Jean Medernach**  
**Chairman**  
**30 April 2019**

## Independent auditor's report to the members of Life Settlement Assets Plc.

### Opinion

#### **Our opinion on the financial statements is unmodified**

We have audited the financial statements of Life Settlement Assets Plc (the 'parent company') and its subsidiary (the 'group') for the year ended 31 December 2018 which comprise Consolidated Statement of Comprehensive Income, Consolidated and Individual Company Statement of Financial Position, Consolidated and Individual Company Statement of Changes in Equity, Consolidated and Individual Company Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

As explained in note 1 to the group financial statements, the group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements give a true and fair view of the consolidated financial position of the group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

#### **Basis for opinion**


We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate;  
or

the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



**Overview of our audit approach**

- Overall materiality: \$1,325,000 which represents 1% of the company's total assets;
- Key audit matters were identified as valuation, existence and ownership of life settlement investments, and completeness and occurrence of income.
- Our audit approach was a risk based substantive audit focussed on life settlement portfolio at the year end and income recognised during the year.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group and parent	How the matter was addressed in the audit – Group and parent
<p><b>Valuation, existence and ownership of life settlement investments</b></p> <p>The group is a close-ended investment company which manages a portfolio of whole and partial interests in life settlement policies issued by life insurance companies operating predominantly in the United States. The company's investment objective is to generate long-term returns for investors by investing in the life settlement market. The investment is combined by classes of shares which are Class A, Class B and Class D and E.</p> <p>The fair value of the investments involves a significant degree of judgement and estimation. It is based on assumptions such as mortality rates in particular, discount rates and projected premiums, all of which can vary over time, and may significantly impact the fair value of the portfolio.</p> <p>Also, there is a risk that investments recorded might not, exist or might not be owned by the Company.</p> <p>We therefore identified valuation, existence and ownership of life settlement portfolio as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> <li>assessing the design and implementation of controls in relation to the valuation, existence and ownership of the life settlement assets and operating effectiveness for the existence and ownership thereof;</li> <li>considering the experience and expertise of management's external expert, and the nature, content and conclusions of their valuation report for the life settlement asset portfolio; engaging our own internal actuarial specialists in order to challenge management's assumptions. Our internal actuarial specialists performed an independent fair value projection of the investments and compared it to the projections determined by management and sought to understand any significant difference arising;</li> <li>reconciling the portfolio details between the general ledger and the custodian to test for ownership and existence; and</li> <li>confirming the ownership and existence of portfolio details with the primary custodian and a sample of portfolio details with the underlying insurer.</li> </ul> <p>The company's accounting policy on valuation of life settlement portfolio is shown in note 13 to the financial statements and related disclosures are included in note 13.</p>

### Key observations

Our testing did not identify any material misstatements in the valuation of the Company's investment portfolio as at the year-end nor were any issues noted with regards to the existence or the Company's ownership of the underlying investments at the year end.



### Key Audit Matter – Group and parent

### How the matter was addressed in the audit – Group and parent

#### Completeness and occurrence of income

The life settlement market enables people to sell their life insurance policies to investors at a higher cash value than they would otherwise receive from insurance companies. Income from investments is a significant, material item in the income statement.

Income is made up of large volume of transactions which can also give rise to income being recognised in the wrong period. Under International Standard on Auditing (UK) 240 'The auditor's responsibilities relating to fraud in an audit of financial statements', there is a presumed risk of fraud in income recognition.

We therefore identified completeness and occurrence of income as a significant risk, which was one of the most significant assessed risks of material misstatement.

Our audit work included, but was not restricted to:

- assessing whether the Company's accounting policies for income recognition are in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice Statement of recommended Practice (SORP) issued by Association of Investment Companies (AIC) and testing their consistent application on income recognition during the year;
- substantive testing over the occurrence of investment income by selecting a sample of maturities of life settlement portfolio and checking the associated income to third party sources;
- cut off testing to assess whether transactions have been recorded in the correct accounting period while considering the Company's income recognition policy;
- assessing the design and implementation of controls in relation to income recognition.

The group's accounting policy on completeness and occurrence of income is shown in note 5 to the financial statements and related disclosures are included in note 5.

#### Key observations

Our testing did not identify any material misstatements in the amount of income recognised during the year.

### Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	\$1,325,000 which is 1% of total assets. This benchmark is considered the most appropriate because net assets, which primarily comprise the Group's investment portfolio, are considered to be the key driver of the Group's total return performance and form a part of the net asset value calculation.	\$1,324,000 which is 1% of total assets. This benchmark is considered the most appropriate because net assets, which primarily comprise the Company's investment portfolio, are considered to be the key driver of the Company's total return performance and form a part of the net asset value calculation.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as, management fees, directors' remuneration and related party transactions.	We determined a lower level of specific materiality for certain areas such as, management fees, directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£993,486 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£993,486 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

### **An overview of the scope of our audit**

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- Obtaining an understanding and evaluating, relevant internal controls at both the Group and third-party service providers. This included an evaluation of the design and operating effectiveness of certain internal controls implemented by the Group and relevant third-party service providers;
- Performing substantive audit procedures on specific transactions, which included journal entries and individual material balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment and our evaluation of the design and implementation of controls that address significant risk.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Our opinions on other matters prescribed by the Companies Act 2006 are unmodified**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

### **Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement set out on pages 37 to 38, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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

We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). Our audit approach is a risk-based approach and is explained more fully in the 'An overview of the scope of our audit' section of our audit report.

As part of our work, we obtained an understanding of the legal and regulatory frameworks that are applied to the Group and have a direct impact on the preparation of the financial statements. We determined that the most significant ones are:

- Financial Conduct Authority (the disclosure guidance and transparency rules sourcebook)
- Corporation Tax Act 2010
- Companies Act 2006

We understood how the Company's is complying with those frameworks by holding discussions with Company's board of directors' and amongst others. We inquired as to any known instances of non-compliance or suspected non-compliance with laws and regulations. We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by holding discussions with Senior Management and Audit Committee. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Other matters which we are required to address**

We were appointed by the Audit Committee on 1 September 2018. Our total uninterrupted period of engagement is 1 year.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Heffron  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
30 April 2019

**Life Settlement Assets Plc**  
**Consolidated Statement of Comprehensive Income**  
**for the period ended 31 December 2018**

	<u>Notes</u>	<u>Revenue</u> <u>USD</u>	<u>Capital</u> <u>USD</u>	<u>Total</u> <u>USD</u>
<b>Income</b>				
Income from life settlement portfolios	5	566,303	-	566,303
Gains from life settlement portfolios	6	-	1,338,642	1,338,642
Other income	7	133,656	-	133,656
Net foreign exchange loss		(27,545)	-	(27,545)
<b>Total income</b>		<u>672,414</u>	<u>1,338,642</u>	<u>2,011,056</u>
<b>Operating expenses</b>				
Investment management fees	8	(2,101,172)	75,349	(2,025,823)
Other expenses	9	(4,776,141)	-	(4,776,141)
<b>(Loss)/profit before finance costs and taxation</b>		<u>(6,204,899)</u>	<u>1,413,991</u>	<u>(4,790,908)</u>
<b>Finance costs</b>				
Interest payable	10	(1,296,348)	-	(1,296,348)
<b>(Loss)/profit before taxation</b>		<u>(7,501,247)</u>	<u>1,413,991</u>	<u>(6,087,256)</u>
<b>Taxation</b>				
	11	-	-	-
<b>(Loss)/profit for the period</b>		<u>(7,501,247)</u>	<u>1,413,991</u>	<u>(6,087,256)</u>
		=====	=====	=====
Basic and diluted earnings per class A share	12	(0.125)	0.042	(0.084)
Basic and diluted earnings per class B share	12	(0.045)	(0.123)	(0.168)
Basic and diluted earnings per class D share	12	(0.073)	0.065	(0.008)
Basic and diluted earnings per class E share	12	(0.270)	0.414	0.144

All revenue and capital items in the above statement derive from continuing operations of the Group.

The Group does not have any income or expense that is not included in the loss for the year and therefore the loss for the year is also the total comprehensive income for the year.

The total column of this statement is the Statement of Total Comprehensive Income of the Group. The supplementary revenue and capital columns are prepared in accordance with the Statement of Recommended Practice ("SORP") issued by the Association of Investment Companies ("AIC") in November 2014 and updated in February 2018 with consequential amendments.

The notes on pages 50 to 76 form part of these financial statements.

**Life Settlement Assets Plc**  
**Consolidated and Company Statement of Financial Position**  
**as at 31 December 2018**

		<u>Group</u> <u>USD</u>	<u>Company</u> <u>USD</u>
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss			
- Life settlement investments	13,14	89,813,000	89,813,000
- Shares in subsidiary		-	25,232,533
		<hr/>	<hr/>
		89,813,000	115,045,533
<b>Current assets</b>			
Maturities receivable	15	17,796,938	17,796,938
Trade and other receivables		940,022	940,022
Premiums paid in advance	16	13,327,613	13,327,613
Cash and cash equivalents	17	10,587,215	10,587,215
		<hr/>	<hr/>
		42,651,788	42,651,788
<b>Total Assets</b>		<hr/> <b>132,464,788</b>	<hr/> <b>157,697,321</b>
<b>Current liabilities</b>			
Other payables	18	(2,015,022)	(2,015,022)
Provision for performance fees	19	(2,812,843)	(2,812,843)
Liabilities to subsidiary	20	-	(25,232,533)
		<hr/>	<hr/>
Total liabilities		(4,827,865)	(30,060,398)
<b>Net Assets</b>		<hr/> <b>127,636,923</b> =====	<hr/> <b>127,636,923</b> =====
Represented by			
<b>Capital and reserves</b>			
Share capital	21	710,689	710,689
Share premium	21	133,013,490	133,013,490
Capital reserve		1,413,991	1,413,991
Revenue reserve		(7,501,247)	(7,501,247)
		<hr/>	<hr/>
<b>Total equity attributable to ordinary shareholders of the Company</b>	<b>4.2</b>	<b>127,636,923</b> =====	<b>127,636,923</b> =====
Net Asset Value per share basic and diluted			
Class A shares	23	2,0166	
Class B shares	23	1,1065	
Class D shares	23	1,2473	
Class E shares	23	4,7580	

**Life Settlement Assets Plc**  
**Consolidated and Company Statement of Financial Position (continued)**  
**as at 31 December 2018**

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. The amount of the Company's return for the financial year dealt with in the financial statements of the Group is a loss after tax of USD 6,087,256.

These financial statements were approved by the Board of Directors on 30 April 2019 and signed on its behalf by:

.....  
Jean Medernach, Chairman

Registered in England and Wales with Company Registration number: 10918785

The notes on pages 50 to 76 form part of these financial statements.

**Consolidated and Company Statement of Changes in Equity  
for the period ended 31 December 2018**

	<u>Share capital USD</u>	<u>Share premium USD</u>	<u>Capital reserve USD</u>	<u>Revenue reserve USD</u>	<u>Total USD</u>
<b>Group</b>					
Balance as at 16 August 2017:	-	-	-	-	-
Shares issued on incorporation	66,988	-	-	-	66,988
Additional Shares issued on 26 March 2018	710,689	133,013,490	-	-	133,724,179
Redemption of redeemable shares	(66,988)	-	-	-	(66,988)
Profit (loss) for the period	-	-	1,413,991	(7,501,247)	(6,087,256)
Balance as at 31 December 2018	<u>710,689</u>	<u>133,013,490</u>	<u>1,413,991</u>	<u>(7,501,247)</u>	<u>127,636,923</u>
Of which:					
Realised (Loss)			(1,247,892)		
Unrealised Profit			2,661,883		
<b>Company</b>					
Balance as at 16 August 2017	-	-	-	-	-
Shares issued on incorporation	66,988	-	-	-	66,988
Additional Shares issued on 26 March 2018	710,689	133,013,490	-	-	133,724,179
Redemption of redeemable shares	(66,988)	-	-	-	(66,988)
Profit (loss) for the period	-	-	1,413,991	(7,501,247)	(6,087,256)
Balance as at 31 December 2018	<u>710,689</u>	<u>133,013,490</u>	<u>1,413,991</u>	<u>(7,501,247)</u>	<u>127,636,923</u>
Of which:					
- Realised (Loss)			(1,247,892)		
- Unrealised Profit			2,661,883		

The revenue and realised capital reserves are distributable reserves.

The notes on pages 50 to 76 form part of these financial statements.



**Life Settlement Assets Plc**  
**Consolidated and Company Cash Flow Statement**  
**for the period ended 31 December 2018**

	<u>Notes</u>	<u>Group</u> <u>USD</u>	<u>Company</u> <u>USD</u>
<b>Cash flow used in operating activities</b>			
Loss for the period		(6,087,256)	(6,087,256)
Non-cash adjustment			
- movement on portfolios		8,700,388	8,700,388
- value adjustment on shares in subsidiary		-	(5,109)
<b>Changes in operating assets and liabilities</b>			
Changes in maturities receivables		(3,927,405)	(3,927,405)
Changes in trade and other receivables		(362,868)	(362,868)
Changes in premiums paid in advance		560,830	560,830
Changes in other payables		(5,624,495)	(5,624,495)
Changes in liabilities to subsidiary		-	5,109
<b>Net cash flows used in operating activities</b>		<u>(6,740,806)</u>	<u>(6,740,806)</u>
<b>Cash flow used in investing activities</b>			
Investment in life settlement portfolios		(1,272,035)	(1,272,035)
Cash acquired from Predecessor Company	2.1	18,833,528	18,833,528
<b>Net cash flows from investing activities</b>		<u>17,561,493</u>	<u>17,561,493</u>
<b>Cash flow from financing activities</b>			
Proceeds from issue of shares	2.1	-	-
Movements in "policy loans"		(233,472)	(233,472)
<b>Net cash flows used in financing activities</b>		<u>(233,472)</u>	<u>(233,472)</u>
<b>Net changes in cash and cash equivalent</b>		<u>10,587,215</u>	<u>10,587,215</u>
<b>Cash balance at the end of the period</b>		<u>10,587,215</u> =====	<u>10,587,215</u> =====

Interest paid is USD 1,296,348; dividend and interest received is USD 581,260.

The notes on pages 50 to 76 form part of these financial statements.

**Life Settlement Assets Plc**  
**Consolidated and Company Notes to the Financial Statements**  
**for the period ended 31 December 2018**

**Note 1**      **General information**

Life Settlement Assets (“Life Settlement Assets” or the “Company”) is a public company limited by shares and an investment company under section 833 of the Companies Act 2006. It was incorporated in England and Wales on 16 August 2017 with a registration number of 10918785. The registered office of the Company is 115 Park Street, 4th Floor, London W1K 7AP.

The principal activity of Life Settlement Assets and its subsidiaries (together “the Group”) is to manage investments in whole and partial interests in life settlement policies issued by life insurance companies operating predominantly in the United States.

In May 2018, the Company received confirmation from HM Revenue & Customs of its approval as an investment trust for tax accounting periods commencing on or after 26 March 2018, subject to the Company continuing to meet the eligibility conditions contained in section 1158 of the Corporation Tax Act 2010 and the ongoing requirements in Chapter 3 of Part 2 of the Investment Trust (Approved Company) (Tax) Regulations 2011 (Statutory Instrument 2011/2999).

The Company currently has four classes of Ordinary Shares in issue, namely A, B, D and E, each of which principally participates in a separate portfolio of life settlement assets and associated liabilities, which were acquired from Acheron Portfolio Corporation (Luxembourg) SA (“APC” or the “Predecessor Company”) on 26 March 2018.

On that date, the Company entered into an Acquisition agreement with the Predecessor Company. Following the agreement, all assets and liabilities of APC have been transferred to the Company as an in specie subscription for ordinary shares. More specifically:

- 100% of the interest in the Acheron Portfolio Trust has been attributed to the ordinary A shares;
- 100% of the interest in the Lorenzo Tonti 2006 Portfolio Trust has been attributed to the ordinary B shares;
- 100% of the interest in the Avernus Portfolio Trust has been attributed to the ordinary D shares;
- 100% of the interest in the Styx Portfolio Trust has been attributed to the ordinary E shares;
- Any cash and other net assets have been recorded in the books of the Company as being attributable to the class of ordinary shares which corresponds to the existing class of shares in APC to which such cash and other net assets are attributable.

Net assets acquired from the Predecessor Company have been valued for the purpose of Section 593 of the Companies Act by Mazars LLP as at 31 December 2017, based on the net asset values as at that date less any distributions to shareholders of the Predecessor Company prior to the date of acquisition. These financial statements include all transactions performed on the life insurance policies as from 1 January 2018, being the valuation point at which the assets were acquired.

**Statement of compliance with IFRS**

The consolidated and individual company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB) as adopted by the European Union. They have also been prepared in accordance with the SORP for investment companies issued by the AIC in November 2014 and updated in February 2018, with consequential amendments, except to the extent that it conflicts with IFRS.

**Life Settlement Assets Plc**  
**Consolidated and Company Notes to the Financial Statements**  
**for the period ended 31 December 2018**

IFRS 9 “Financial Instruments” is effective for accounting periods beginning on or after 1 January 2018. The Group has applied IFRS 9 as from the start of its operations.

As this is the first accounting period of the Company, there are no comparative figures in these financial statements.

**Note 2 IFRS accounting policies**

**2.1 Basis of preparation**

The financial statements have been prepared using the accounting policies specified below and in accordance with IFRS that are in effect at the end of the reporting period or which have been adopted early. The financial statements have been prepared on a going concern basis under the historical convention except for the measurement at fair value of investments held at fair value through profit or loss. The going concern statement can be found on page 24. The Company’s activities, together with the material risk factors likely to affect its future development and performance, as well as the Board of Directors’ “Viability Statement” are set out in the Strategic Report. The Company’s wholly owned subsidiary was put into liquidation on 18 December 2017 but this process has not yet completed. As the subsidiary does not carry out any life settlement activities, the liquidation does not affect the going concern of the Company and should have no significant impact on the NAV or the capital and reserves of the Company.

The financial statements report on the activity for the period from inception on 16 August 2017 until 31 December 2018.

For the purpose of the cash flow statement, the acquisition by the Company of Net Assets from the Predecessor Company under the Acquisition agreement mentioned in Note 1 for a total amount of USD 133,724,179 and the allotment of 71,068,874 shares to the Predecessor Company is a non-cash transaction that is not shown in the cash flow statement except for the net cash contribution of USD 18,833,528.

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarised below.

**2.2 Changes in accounting policy and disclosures**  
**Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group**

The following new standards and amendments have been published but are not effective for the Group’s accounting period beginning on 16 August 2017. The Directors do not expect the adoption of the following new standards, amended standards or interpretations to have a significant impact on the financial statements of the Group in future periods.

IFRS 16 “Leases” defines a lease as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. IFRS 16 requires lessees to recognise nearly all leases on the balance sheet which will reflect their right to use an asset for a period of time and the associated liability for payments. IFRS 16 will be effective for reporting periods beginning on or after 1 January 2019. It is expected that IFRS 16 will have no impact on the Company’s financial statements.

**Life Settlement Assets Plc**  
**Consolidated and Company Notes to the Financial Statements**  
**for the period ended 31 December 2018**

IFRS 17 “Insurance contracts” applies to insurance contracts, including reinsurance contracts issued by an entity; reinsurance contracts held by an entity; and investment contracts with discretionary participation features issued by an entity that issues insurance contracts. IFRS 17 will be effective for reporting periods beginning on or after 1 January 2022. It is expected that IFRS 17 will have no impact on the Company’s financial statements.

**Note 3 Significant accounting policies**

**3.1 Basis of consolidation**

The consolidated financial statements of the Group include those of the parent Company and of its wholly owned subsidiary, Lorenzo Tonti Ltd, whose registered office is at 18 Westland Square, Pearse Street, Dublin 2, Ireland, are drawn up to 31 December 2018. Subsidiaries are entities over which the Group has control. The Group controls an entity when it has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect these returns through its power over the entity.

All transactions and balances between the Group companies, including realised and unrealised gains and losses on transactions are eliminated. Amounts reported in the financial statements of the subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

There was no non-controlling interest (minority interest) at year end.

**3.2 Foreign currency translation**

The consolidated financial statements are presented in United States Dollars (USD), which is also the functional currency of the Company and the Group.

All companies included in the consolidated accounts have their financial statements prepared in USD.

Foreign currency transactions are translated into the functional currency of the Group, using the exchange rates prevailing at the date of the transaction (spot exchange rates). Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss.

**3.3 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting used by the Group’s management. The Group’s management, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

**Segment information**

The Group’s management makes the strategic resource allocations on behalf of the Group. The Group’s management has identified that the insurance portfolios or portfolio rights acquired can all be classified as life settlement activities and all of which are located in the United States of America. As such, there is a single operating segment.

**Life Settlement Assets Plc**  
**Consolidated and Company Notes to the Financial Statements**  
**for the period ended 31 December 2018**

The asset allocation decisions are based on a single, integrated investment strategy, and the Group's performance is evaluated on an overall basis. The investment objective of the Group is medium-term capital growth. An analysis of the investment portfolio is given in Note 14 of the consolidated financial statements.

The internal reporting provided to the Management team for the Group's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS.

All of the Group's income is generated on the life settlement portfolios in the USA. The life settlement portfolios are classified as non-current assets.

### **3.4 Life settlement portfolios**

Being the final and exclusive beneficiary of the Acheron Portfolio Trust, the Lorenzo Tonti 2006 Trust, the Avernus Portfolio Trust and the Styx Portfolio Trust, the Group reflects all the transactions performed on these life insurance portfolios in its own financial statements. Investments in transactions to support the acquisition of life settlement assets by the Trusts are considered as having been undertaken by the Group for its own account.

Insurance policies which are acquired are recognised initially at fair value (the transaction price). If a life insurance policy matures, is surrendered or is sold, the related purchase price is recognised as a cost of sale. Cash borrowed on life insurance policies is deducted from the value of the relevant policy.

The value of insurance contracts is usually recovered upon the death of the insured policyholder. However, the Company may from time-to-time decide to dispose of an individual life insurance contract.

Insurance portfolios are measured at fair value with changes in fair value allocated to capital.

### **3.5 Policy loans**

Certain type of life settlement policies ('whole life') accumulate over time a cash surrender value reflecting fixed premiums paid in excess of the cost of insurance ('COI'). The Trusts can access this excess cash reserves on its policies in the form of 'loans on each individual policy from the insurance company. The Trusts can pay back these "policy loans" in whole or in part at any time before the death of the insured. The interest paid on the 'loan accrues on the cash account of the policy. After the death of the insured, the outstanding loan balance will be deducted from any proceeds when the maturity is collected. If the Trusts decide to lapse the policy, any remaining cash in the policy in excess of the 'loan is paid to the Trust as the owner of the policy. In practice, the 'loans work as an accelerated death benefit on the policy and its impact is fully accounted for in the policy valuation.

The Company has included the policy loans within the investments in life settlement portfolios.

Please refer to note 14 for the gross amounts of policy loans and life settlement policies.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Life Settlement Assets Plc**  
**Consolidated and Company Notes to the Financial Statements**  
**for the period ended 31 December 2018**

### **3.6 Financial instruments**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

#### **Financial assets**

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Financial assets at amortised cost;
- Financial assets held at fair value through profit or loss.

All financial assets, except for those held at fair value through profit or loss, are subject to review for impairment at least at each reporting date.

#### *Financial assets at amortised cost*

Financial assets at amortised cost include receivables and cash.

Where credit risk in relation to short term receivables has increased significantly since initial recognition, an impairment provision is recognised at an amount of the expected credit loss.

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

The life settlement investments and the investments in subsidiary are classified as financial assets held at fair value through profit or loss.

Assets in this category are measured at fair value, with gains or losses recognised in profit or loss.

#### **Financial liabilities**

The Group's financial liabilities are only constituted by trade and other payables.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**Life Settlement Assets Plc**  
**Consolidated and Company Notes to the Financial Statements**  
**for the period ended 31 December 2018**

### **3.7 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held on call with banks and other short-term, highly liquid investments with original maturities of three months or fewer.

### **3.8 Taxation**

The current income tax charge is calculated on the basis of the local tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of the amounts expected to be paid to the tax authorities.

Deferred income tax, if any, is recognised, using the liability method, on temporary differences arising between the tax bases of the Group's assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Due to the Company's status as an investment trust, and its intention to continue to meet the conditions required to maintain approval under Section 1158 of the Corporation Act Tax 2010, the Company has not accounted for any deferred tax on its losses.

In relation to the subsidiary being in liquidation, the Company has not accounted for any deferred tax on its losses.

### **3.9 Equity and reserves**

Share capital represents the nominal value of the Shares that have been issued.

Share premium includes any premiums received on the issue of shares, or by other means.

Capital reserve represents realised and unrealised capital gains and losses on the disposal and revaluation of investments.

Revenue reserve represents retained (losses) from the revenue derived from holding investment assets less the costs associated with running the Company.

All transactions with owners of the Group are recorded separately within equity.

### **3.10 Provisions, contingent liabilities and contingent assets**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

**Life Settlement Assets Plc**  
**Consolidated and Company Notes to the Financial Statements**  
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Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

### **3.11 Income and expense recognition**

#### **3.11.1 Capital and revenue**

The Capital column comprises the fair value of the consideration received in relation to maturities or to the surrender or sale (if any) of life settlement policies. Maturities are recognised when the Company is formally aware of the maturity of a life insurance policy. Net gains from life settlement portfolios derives from the maturity or the sale of insurance policies less their acquisition value and the change in the valuation of the fair market value of the remaining policies. Acquisition costs of matured policies as well as premiums incurred are deducted for determining net gains/(losses) from life settlement policies.

The Revenue column comprises dividends and interest income generated on invested cash in the life settlement policies as well as other operational income (reversal of excess accrued expenses by the Predecessor Company).

#### **3.11.2 Premiums**

Premiums are expensed when paid. However, only the portion of the premiums that relates to the insurance coverage period up to 31 December of each financial period is recognised as an expense. The remaining amount is shown as premiums paid in advance on the balance sheet.

#### **3.11.3 Interest income**

Interest income is recognised on a proportional basis using the effective interest method.

### **3.12 Significant estimates**

The preparation of these financial statements in conformity with IFRS requires the use of certain critical accounting estimates. Critical accounting estimates are reflective of significant judgements and uncertainties and potentially yield materially different results under different assumptions or conditions.

The areas where assumptions and estimates are significant to the financial statements and involve a higher degree of judgement or complexity relate mainly to the valuation of the investment portfolios.

The life settlement (LS) and HIV portfolio values are modelled by management and valued annually by qualified external professional actuaries in the United States, Lewis & Ellis. The key assumptions used by the actuary for factors such as mortality, projected premiums and discount rates are further explained in Note 14.1. The results from a sensitivity analysis around these factors are shown in Note 14.3. Risk factors related to actuarial assumptions are further described in Note 4.1.



**Life Settlement Assets Plc**  
**Consolidated and Company Notes to the Financial Statements**  
**for the period ended 31 December 2018**

Using these values, Acheron Capital Ltd (the Investment manager of the trusts in which the policies of Class A, B, D and E shares are kept) resets its internal model at beginning of each year, if necessary. It then produces regular monthly valuations using its internal model.

### **3.13 Expenses**

All operating expenses and the management fee are accounted for on an accruals basis and are allocated wholly to revenue. The performance fee paid to the investment manager is allocated wholly to capital.

## **Note 4 Financial risk management**

### **4.1 Financial risk factors**

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Group's financial performance. Risk management is carried out by the Board of Directors. Note 14.3 on page 68 also provides details of the sensitivity analysis to significant risk factors undertaken by L&E.

#### *Foreign Exchange Risk*

Assets, income and most transactions are denominated in USD. Only part of the Company's current expenses is denominated in USD and other parts are denominated in Euros and Pound Sterling, and are paid as incurred. Consequently, the Group believes that it does not have a significant foreign exchange risk and therefore no sensitivity analysis is required.

#### *Interest Rate Risk*

Apart from cash and cash equivalents, the assets of the Group are mainly composed of portfolios of life settlement policies. Life settlement policies are uncorrelated with traditional capital markets. Changes in the level of interest rates (other than extraordinary moves) are not a major factor in the valuation of such assets. Mortality projections and premium payment projections are the major factors that affect the valuation of the Group's assets.

The Group has no significant interest-bearing assets, The Group pays interest on so called "policy loans" (Note 3.5). The interest rate is either fixed or variable depending on each policy contract. A change of one percent in the interest rate has no significant impact on the Group financial situation. Therefore the Group's income and operating cash flows are not substantially dependent on changes in market interest rates and no sensitivity analysis is required.

#### *Market Risk*

The Group invests in life settlement policies, generally acquired in the secondary market. Markets for these investments are not active markets, and transactions happen more often when there is a forced seller. The Board is of the opinion that, although a secondary market exists, the market risk is not relevant because the valuation of the portfolio is based on an actuarial model and not on market values.

**Life Settlement Assets Plc**  
**Consolidated and Company Notes to the Financial Statements**  
**for the period ended 31 December 2018**

*Credit Risk*

The primary credit risk faced by the Group relates to solvency of the insurance companies that underwrite the insurance policies, which are the main assets of the Group. It should be noted that in addition to the creditworthiness of the insurance company issuing the life insurance policy, most of the policies also benefit from legal guarantees at a state level in the event that the insurance company that issued the policy becomes insolvent.

Credit risk is also mitigated by owning life insurance policies issued by a wide range of insurance companies and through not having an excessive exposure to any one company.

Available cash is deposited with reputable banks.

The Company's maximum exposure to credit risk at the Balance Sheet date was as follows:

	<u>USD</u>
Life settlement portfolio	89,813,000
Accrued income and other debtors	32,064,573
Cash and cash equivalents	<u>10,587,215</u>
Total	132,464,788 =====

The maximum credit exposure represents the carrying amount. No financial assets carried at amortised cost are past due or impaired.

*Liquidity risk*

Prudent liquidity risk management requires the Group to maintain sufficient cash for the Group's operational requirements such as operating expenses and on-going premium payments.

Life settlement policies are long term investments maturing on the death of the insured person. Therefore, investments in life settlement policies will not generate immediate income and are highly illiquid by nature.

A proportion of the Group's investments are in fractional life insurance policies. Fractional life insurance policies are where a number of different investors own interests in a single underlying life insurance policy.

There is a risk that other investors in a given life insurance policy may decide not to continue to pay the premiums associated with their interest and may allow their investment to lapse. In this situation the Group must retain sufficient additional liquidity to buy out the lapsing investors' fractional interests and to bear the associated increase in premium payments in order to ensure that the underlying life insurance policy does not lapse.

Management monitors cash and cash equivalents on an ongoing basis. This is carried out in accordance with the practice and limits set by the Board of Directors.

**Life Settlement Assets Plc**  
**Consolidated and Company Notes to the Financial Statements**  
**for the period ended 31 December 2018**

*Risks associated with actuarial assumptions*

Mortality tables are used in the valuation processes of the Group in order to simulate the cash flow expected from the policies. Past mortality experience may not be an absolute accurate indicator of future mortality rates. Individuals with specific life expectancies may experience a lower mortality rate in the future than experienced by persons with the same traits in the past. Changes in the mortality tables may have an adverse effect on the Group's operations and the net asset value of the Shares.

Individuals may live longer than expected by the Group when the respective policies were purchased. In this case, the value of the policy decreases. The Group will be required to pay additional life insurance premium payments on the policy until its maturity. This may result in delayed cash flow to the Group, which may have an adverse effect on the return per share.

The Group has often acquired policies by auction without having obtained all available information concerning such policies. The valuation leading to these acquisitions is thus, based on assumptions that may, in fact, be incorrect or may never be validated.

The valuation methods used by different actuaries may vary. The methods used by an actuary may thus produce different results for the same insured person from those used by other actuaries.

Advances in medical science and disease treatment, particularly those related to HIV and AIDS, may increase the life expectancy of individuals or viators. Although an actuary will attempt to account for such advances, one or more unexpected breakthroughs in medical treatment, or a cure for a previously incurable illness, could further increase the life expectancy of the insured.

In some cases, the Group will depend on life expectancy estimate of doctors, disease specific medical mortality models or actuaries. From time to time, the Group may seek the opinion of any such persons or rely on such a model to determine life expectancies. The valuation is thus dependent on these estimations or mortality profiles accurately modelling life expectancies.

The valuation of the policies is inherently difficult due to a number of assumptions that have to be made in this process. Any change in one of these assumptions may result in substantially different values. Whilst the Investment Manager and the Valuation Agent attempt to provide reasonable valuations for the policies held by the Trusts, there is no guarantee that these valuations will correspond to the realisable value of the policies.

A more detailed description of the key risks is included in the Strategic Report on pages 2 to 21.

**Life Settlement Assets Plc**  
**Consolidated and Company Notes to the Financial Statements**  
**for the period ended 31 December 2018**

**4.2 Capital risk management**

The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure in order to minimise the Group's cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, return capital to Shareholders or issue new Shares.

The Group's capital at 31 December 2018 comprises:

	<u>USD</u>
Share capital	710,689
Share premium	133,013,490
Capital reserve	1,413,991
Retained earnings and other reserves	(7,501,247)
	127,636,923
	=====

**4.3 Fair value estimation**

The fair value of life settlement portfolios (which are not traded in an active market) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on the market conditions that exist at each balance sheet date. Valuation policies are further explained in Note 14.

**Note 5 Income from life settlement portfolios**

	<u>USD</u>
Dividend	341,093
Interest	225,210
	566,303
	=====

**Life Settlement Assets Plc**  
**Consolidated and Company Notes to the Financial Statements**  
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**Note 6 Gains from life settlement portfolios**

	<u>USD</u>
Realised gains:	
Maturities	33,370,704
Acquisition cost of maturities	<u>(11,362,271)</u>
Sub total	22,008,433
Incurred premiums	(23,331,674)
Unrealised gains:	
Fair value adjustments	2,661,883
	<u>1,338,642</u>
	=====

When a maturity is declared, a realised capital income or loss is recognised on the investment in the policy, calculated by deducting from the value of the maturity the initial acquisition cost and the previously unrealised fair value adjustments.

The amount of premiums incurred during the period is reflected as a deduction of income from life settlement portfolios. The amount of premiums paid in advance amounted to USD 13,327,613 as at 31 December 2018.

**Note 7 Other income**

Other income comprises:

	<u>USD</u>
Other operating income	118,700
Interest income	14,956
	<u>133,656</u>
	=====

Other operating income mainly refers to reversal of accrued expenses made by the Predecessor Company and where incurred expenses by the Company were lower.

**Note 8 Management fees and performance fees**

	<u>USD</u>
Acheron Capital management fees	2,101,172
Performance fees	(75,349)
	<u>2,025,823</u>
	=====

Under an agreement dated 26 March 2018, the Investment Manager is entitled to a management fee payable by the Trusts at an annual rate of no more than 1.5% of the Net Asset Value for classes A, B and D, and 2% for class E. Management fees paid during the period amounted to USD 2,101,172.

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The Performance fee in respect of the Trusts shall be an amount equal to 25% of the sum of the distributions made to the holders of the Shares in the Company corresponding to the Trusts, in excess of the Performance Hurdle (assessed at the time of each distribution).

The "Performance Hurdle" is met when (from time to time) the aggregate distributions (in excess of the Catch-Up Amount) made to the holders of the corresponding Ordinary Shares compounded at 3% per annum for classes A and B, and 5% for classes D and E (from the date of each distribution) equal the aggregate investment made by the Ordinary Shares in the Company (from time to time) compounded at 3% and 5% respectively.

The "Catch-Up Amount" is an amount equal to the distributions that would have been required to be made to the Predecessor Company's shareholders of the corresponding share class in order for the Accrued Performance Distributions (less, where applicable, any clawback of such Accrued Performance Distributions) to be paid (determined as at 31 December 2018), reduced by an amount equal to any distributions paid to the Predecessor Company's shareholders of the relevant share class prior to the Acquisition.

The accrued performance fees (Note 19) include an amount of USD 2,888,192 assumed from the Predecessor Company. That amount has been reduced by USD 75,349 in relation to the performance of the portfolio for the period ended 31 December 2018.

**Note 9 Other expenses**

	<u>USD</u>
Policies servicing fees (including trustees fees)	2,499,370
Audit fees payable to the Company's auditor	114,212
Other non-audit services paid to the Company's auditor	107,233
Legal and financial advisors fees	1,281,323
Administration management	124,970
Accounting fees and NAV calculation	253,835
Actuarial fees	63,026
Directors' fees	175,459
Directors liability insurance	64,507
Travelling expenses	68,939
Rent building	4,848
Other expenses	58,116
Effects of VAT, reversal of provisions and foreign exchange differences	(39,697)
	-----
	4,776,141
	=====

Details of the Directors' fees are disclosed in the Directors' Remuneration Report on pages 33 to 36. An amount of USD 57,442 remains payable at 31 December 2018.

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**Note 10 Interest expenses**

Interest expenses amount to USD 1,296,348 and includes interest on “policy loans” of USD 1,258,070 (Notes 14 and 22).

**Note 11 Taxation**

	<u>USD</u>
Loss before taxation	(6,087,256)
Theoretical tax at UK Corporation Tax rate of 19%	(1,156,578)
Effects of:	
Non-taxable capital gain	(254,342)
Non-taxable income	(107,598)
Excess management expenses and tax losses carried forward	1,518,518
	-----
Actual tax charge	-
	=====

As at 31 December 2018, the Company has tax losses and excess management expenses of USD 7,992,201 that are available to offset future taxable profits. A deferred tax asset has not been recognised in respect of those losses as due to the Company’s status as an investment trust it is not expected to generate taxable income in the future against which such losses can be utilized.

Provided the Company maintains its status as an investment trust, then any capital gains will remain exempt from Corporation Tax.

**Withholding tax on matured policies**

In accordance with the taxation treaty between the United States of America and the United Kingdom, withholding tax on matured policies is not due if at least 6% of the average capital stock of the main class of Shares is traded during the previous year (or in the Company’s case during the first year) on a recognised stock exchange. The Board believes that in the period ended 31 December the Company fulfilled this requirement.

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**Note 12 Net consolidated loss per share**

As stated in Note 21, the share capital of the Company comprises 71,068,874 shares represented by 45,446,946 A Shares, 14,596,098 B Shares, 9,292,561 D Shares, and 1,733,269 E Shares. All Shares are fully paid. Neither unpaid shares nor any kind of option are outstanding, so the basic (loss)/profit per share is also the diluted (loss)/profit per share.

As the different classes of Shares have specific rights in relation to their investments, the net consolidated (loss)/profit per share is given for each Share Class:

<b><u>2018</u></b>	<b><u>Class A</u></b>	<b><u>Class B</u></b>	<b><u>Class D</u></b>	<b><u>Class E</u></b>
	<b><u>USD</u></b>	<b><u>USD</u></b>	<b><u>USD</u></b>	<b><u>USD</u></b>
Earnings per share:				
Revenue return	(5,700,127)	(658,646)	(673,923)	(468,551)
Capital return	1,889,095	(1,796,678)	603,745	717,829
Total Return	(3,811,032)	(2,455,324)	(70,178)	249,278
Weighted average number of shares the year	45,446,946	14,596,098	9,292,561	1,733,269
Income return per share	(0.125)	(0.045)	(0.073)	(0.270)
Capital return per share	0.041	(0.123)	0.065	0.414
Basic and diluted total earnings per share	(0.084)	(0.168)	(0.008)	0.144

**Note 13 Financial instruments measured at fair value**

The life settlement portfolios have been classified as financial assets held at fair value through profit or loss as their performance is evaluated on a fair value basis.

The fair value hierarchy set out in IFRS 13 groups financial assets and liabilities into three levels based on the significant inputs used in measuring the fair value of the financial assets and liabilities.

The fair value hierarchy has the following levels:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The life settlement portfolios of USD 89,813,000 are classified as level 3. At the period end, these portfolios were valued by the external actuaries using an actuarial model as discussed in note 14.



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**Note 14 Financial assets held at fair value through profit or loss: Life Settlement Portfolios**

Movements of the year are as follows:	<u>USD</u>
Opening valuation (acquired from the Predecessor Company)	97,007,881
Acquisitions during the period	1,272,035
Proceeds from matured policies	(33,370,704)
Net realised gains on policies	22,008,433
Movements in cash from policy loans	233,472
Movements in unrealised valuation	2,661,883
	<hr/>
Closing valuation	89,813,000
	=====

Detail at period end :	<u>USD</u>
Acquisition value	109,415,812
Unrealised capital gains	2,661,883
Policy loans	(22,264,695)
	<hr/>
Closing valuation	89,813,000
	=====

Distribution of the portfolio by class of Shares and by type of risk:

	<u>Class A</u>	<u>Class B</u>	<u>Class D</u>	<u>Class E</u>	<u>Total</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Elderly life insurance (non HIV) portfolio	23,889,000	10,645,000	7,092,000	3,722,000	45,348,000
HIV portfolio	41,204,000	-	2,232,000	1,029,000	44,465,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2018	65,093,000	10,645,000	9,324,000	4,751,000	89,813,000
	=====	=====	=====	=====	=====

Fair market value reflects the view of Acheron Capital Ltd (the Investment manager of the trusts in which the policies of Class A, B, D and E are kept). Acheron Capital has set up an internal actuarial model to value the policies and produces monthly valuations.

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**14.1 Main assumptions used to determine the fair value**

a) Mortality/Life expectancy

Lewis & Ellis Inc. (“L&E”) has built its own proprietary general population mortality table. It has done so by utilising insurance industry and other data available, including the underlying data that went into the construction of the Valuation Basic Table, which has been commonly utilised within the life settlement industry. The mortality is adjusted for several factors, such as demographic shifts in the population, improvements in mortality, pharmaceutical advances and volatility in the mortality experienced as measured against the baseline curves chosen for valuation. The table includes an assumption of continuing mortality improvement each year. The retained table is used in connection with each insured age, gender and smoking status.

L&E is also considering the most recent life expectancy reports, when available. Life expectancy reports are medical opinions from specialised companies, based on the latest medical updates of each individual, giving their specific mortality profile and life expectancy. When life expectancy reports from more than one external provider are available, L&E uses an average. When only ‘stale’ life expectancy reports are available, the life expectancy is used but adjusted materially upwards using a formula dependent upon the medical underwriter that issued the report. L&E uses the retained or computed life expectancy with the adjusted mortality table to derive a probability of death for each insured for every month over the next 35 years.

The Actual to Expected ratio is a measure of how well the model has behaved compared to experience. This ratio was computed for the life settlement portfolios underlying Class A and Class B Shares. A key issue with this exercise is the concentration of all Share Classes in certain policies with larger face values. This generates an imbedded volatility in the actual maturity outcomes compared to statistical projections. To circumvent this imbalance, the actuaries have calculated the Actual to Expected ratio to measure the model’s performance while limiting the maximum exposure of the portfolio to any life insurance policy. L&E set its model such as the Actual to Expect of the portfolio is 100% from 2010 to 2018 for the Life Settlement and 101% for HIV from 2012 to 2018 (110% from 2010 to 2018).

L&E report an actual to expect of 82% for Life Settlement and 102% for HIV in 2018 for class A.

In the case of specific diseases, such as HIV, L&E has developed an internal specific mortality adjustment that is applied to the general population table it has built. In 2015, L&E updated its HIV model with a focus on the most advanced age mortality. The updated L&E model continues to allow for a yearly increase of the mortality for each additional year that a patient has suffered from HIV, but at a reduced pace for the senior over 65. It is thus an age-based and time-based disease model, with a specifically computed over-mortality applied to each affected individual.

L&E’s HIV model continues to be adjusted to fit the observed data over the past years, so that it is by nature consistent with observed experience. One of the modelling challenges is the speculative nature of HIV at the most advanced ages given the lack of a population to test any hypothesis on. Another is incurred but not reported maturities (“IBNR”), particularly with one servicer. On the ABC portfolio (representing less than 5% of the value of the portfolios), the Board has come to the conclusion that additional monitoring is required to ensure maturities are captured on a timely basis.

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b) Projected Premiums

Whenever an illustration is available, L&E uses this data for premium projections. An illustration is an official document from the insurance company that specifies what premiums are due to be paid in the following years for a life insurance policy. An illustration can be used to compute what is the likely minimum payment that can be made for each year until the life insurance policy expires. The process of moving from paying a fixed premium to paying the minimum contractual premium is known as optimisation.

Premium projection has been more challenging given the unilateral increases in COI made by a few insurance companies. Whenever information on such COI increases has been available, it has been directly incorporated.

When no illustration is available or is deemed unsuitable to be used, for instance because it does not project sufficiently into the future, L&E takes the last observed premium payment and applies an annual increase of 8% per year.

c) Discount rate

The discount rate reflects the time value of money and a risk component. The risk component reflects the uncertainties attached to each individual life insurance policy, such as its mortality risk, premium risk and counterparty party risk.

HIV/AIDS Portfolios

In determining the discount rate for the HIV/AIDS portfolios, it should be noted that there is no readily observable market for these policies. As a result L&E used their experience in the life settlement market, on the basis that life settlement portfolios are comparable assets.

A discount rate of 11% is used for the HIV/AIDS portfolios which is consistent with past valuations. To assess the discount rate, the following reasoning has been used, starting with a base rate:

- Assuming a sufficiently large portfolio, the base rate must be consistent with the discount rate determined for a situation where the mortality assumptions and policy specifics are well-defined. Specifically, the mortality is defined so that actual experience is expected to track well with the defined mortality assumptions.

The base rate is increased for the following criteria:

- Mortality experience: although the actual-to-expected (A/E) mortality ratio over the last seven years is about 100%, the A/E ratio over the last three years is about 90%;
- Mortality assumptions: this criterion has been lowered in relation with the more conservative mortality assumptions beyond age 65;

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- Policy modelling: this parameter reflects some portfolio-wide assumptions that are made to define the premium schedules;
- An additional adjustment has been added to the base rate to account for items not mentioned above.

Life Settlement Portfolios (Non-HIV/Non-AIDS)

In determining the discount rate for the life settlement portfolios, it has been considered that complete policy information was not always available. For most life settlement valuations, the premium schedules and at least two recent life expectancy opinions are usually provided. For these valuations, premium schedules were estimated for some of the policies and mortality assumptions were developed using an actuarial approach. Across all classes, only 13 policies were valued using older 'extended' AVS and Fasano Life Expectancies. Given this, the discount rate is subjective but based on the actuary's experience in the life settlement market.

In determining the portfolio values, a portfolio-wide discount rate assumption equal to 12% for non HIV and 11% for HIV has been used which is consistent with past valuations. Some buy/sale observations were considered where the effective discount rate was between 12% and 14%, although effective discount rates in the competitive market were probably between 10% and 12%. Other well documented portfolios have been valued at between 7% and 11% in their financial statements. It is estimated that the actual-to-expected mortality ratios for most of these portfolios are lower than 70%, materially below the rates of experience by our portfolios. Given this, discount rates of 12% and 11% respectively have been maintained for the current period, considering the actual performance compared to other portfolios in the market, and considering a risk premium related to the quality of the documentation.

**14.2 Precision and changes in actuarial parameters/data**

As per the market standard, the servicing, management and holding entities expenses are not taken into account in deriving the valuation of the life settlement portfolios. The actuaries, following industry standards, are solely discounting the probabilistic projections of death benefits minus premiums, "policy loans" and interest thereon.

**14.3 Sensitivity analysis**

L&E conducted various sensitivity analyses which are summarised as follows:

**a) Class A**

**a.1) Discount rate sensitivity**

<u>Discount rate - non HIV portfolio</u>	<u>10%</u>	<u>11%</u>	<u>12%</u>	<u>13%</u>
Value of portfolio (USD)	25,377,000	24,610,000	<b>23,889,000</b>	23,218,000
% of total face amount	25.1%	24.4%	23.7%	23.0%
<u>Discount rate - HIV portfolio</u>	<u>10%</u>	<u>11%</u>	<u>12%</u>	<u>13%</u>
Value of portfolio (USD)	43,898,000	<b>41,204,000</b>	38,869,000	36,832,000
% of total face amount	11.5%	10.8%	10.1%	9.6%

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**a.2) Premium assumption sensitivity**

<u>Value based on 12% discount rate – non HIV portfolio</u>	<u>Annual premium increase at</u>	
	<u>8%</u>	<u>9%</u>
Value of portfolio (USD)	<b>23,889,000</b>	23,657,873
% of total face amount	23.7%	23.4%

<u>Value based on 11% discount rate – HIV portfolio</u>	<u>Annual premium increase at</u>	
	<u>8%</u>	<u>9%</u>
Value of portfolio (USD)	<b>41,204,000</b>	40,023,904
% of total face amount	10.8%	10.7%

**a.3) Mortality sensitivity**

<u>Value based on 12% discount rate – non HIV portfolio</u>	<u>USD</u>	<u>% of face amount</u>
Value of portfolio as reported	<b>23,889,000</b>	23.7%
Value at 90% of current mortality assumption <sup>(*)</sup>	20,698,000	20.5%
Value at 80% of current mortality assumption	17,468,000	17.3%

<sup>(\*)</sup> Assumption that mortality is only 90% of expected mortality.

<u>Value based on 11% discount rate – HIV portfolio</u>	<u>USD</u>	<u>% of face amount</u>
Value of portfolio as reported	<b>41,204,000</b>	10.8%
Value at 90% of current mortality assumption	36,386,000	9.5%
Value at 80% of current mortality assumption	31,249,000	8.2%

**b) Class B**

**b.1) Discount rate sensitivity**

<u>Discount rate - non HIV portfolio</u>	<u>11%</u>	<u>12%</u>	<u>13%</u>	<u>14%</u>
Value of portfolio (USD)	11,047,000	<b>10,645,000</b>	10,269,000	9,915,000
% of total face amount	22.5%	21.7%	20.9%	20.2%

In class B, the portfolio comprises one HIV Policy with amount of USD 5 446.

**b.2) Premium assumption sensitivity**

<u>Value based on 12% discount rate (non HIV portfolio)</u>	<u>Annual premium increase at</u>	
	<u>8%</u>	<u>9%</u>
Value of portfolio (USD)	<b>10,645,000</b>	10,613,115
% of total face amount	21.7%	18.7%

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***b.3) Mortality sensitivity***

<u>Value based on 12% discount rate (non HIV portfolio)</u>	<u>USD</u>	<u>% of face amount</u>
Value of portfolio as reported	<b>10,645,000</b>	21.5%
Value at 90% of current mortality assumption	9,215,000	18.8%
Value at 80% of current mortality assumption	7,727,000	15.8%

**c) Class D**

***c.1) Discount rate sensitivity***

<u>Discount rate - non HIV portfolio</u>	<u>10%</u>	<u>11%</u>	<u>12%</u>	<u>13%</u>
Value of portfolio (USD)	7,507,000	7,293,000	<b>7,092,000</b>	6,904,000
% of total face amount	31.4%	30.5%	29.6%	28.9%
 <u>Discount rate - HIV portfolio</u>	 <u>10%</u>	 <u>11%</u>	 <u>12%</u>	 <u>13%</u>
Value of portfolio (USD)	2,449,000	<b>2,232,000</b>	2,045,000	1,882,000
% of total face amount	15.0%	13.7%	12.5%	11.5%

***c.2) Premium assumption sensitivity***

<u>Value based on 12% discount rate – non HIV portfolio</u>	<u>Annual premium increase at</u>	
	<u>8%</u>	<u>9%</u>
Value of portfolio (USD)	<b>7,092,000</b>	6,837,088
% of total face amount	29.6%	28.6%
 <u>Value based on 11% discount rate – HIV portfolio</u>	 <u>Annual premium increase at</u>	
	 <u>8%</u>	 <u>9%</u>
Value of portfolio (USD)	<b>2,232,000</b>	2,150,514
% of total face amount	13.7%	13.2%

***c.3) Mortality sensitivity***

Over the last 10 years, the actual to expected has generally been in a range of 20% variation compared to the projected mortality. This kind of variation is normal and to be expected, as mortality will vary over time. On this basis, the Company retained 10% and 20% shift in mortality as reasonable threshold for the mortality stress testing analysis.

<u>Value based on 12% discount rate – non HIV portfolio</u>	<u>USD</u>	<u>% of face amount</u>
Value of portfolio as reported	<b>7,092,000</b>	29.6%
Value at 90% of current mortality assumption	6,280,000	26.2%
Value at 80% of current mortality assumption	5,442,000	22.7%

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<u>Value based on 11% discount rate – HIV portfolio</u>	<u>USD</u>	<u>% of face amount</u>
Value of portfolio as reported	<b>2,232,000</b>	13.7%
Value at 90% of current mortality assumption	1,928,000	11.8%
Value at 80% of current mortality assumption	1,611,000	9.9%

**d) Class E**

**d.1) Discount rate sensitivity**

<u>Discount rate - non HIV portfolio</u>	<u>10%</u>	<u>11%</u>	<u>12%</u>	<u>13%</u>
Value of portfolio (USD)	3,931,000	3,824,000	<b>3,722,000</b>	3,627,000
% of total face amount	28.4%	27.6%	26.9%	26.2%
<u>Discount rate - HIV portfolio</u>	<u>10%</u>	<u>11%</u>	<u>12%</u>	<u>13%</u>
Value of portfolio (USD)	1,122,000	<b>1,029,000</b>	949,000	879,000
% of total face amount	16.9%	15.5%	14.3%	13.2%

**d.2) Premium assumption sensitivity**

<u>Value based on 12% discount rate – non HIV portfolio</u>	<u>Annual premium increase at</u>	
	<u>8%</u>	<u>9%</u>
Value of portfolio (USD)	<b>3,722,000</b>	3,654,217
% of total face amount	26.9%	26.8%
<u>Value based on 11% discount rate – HIV portfolio</u>	<u>Annual premium increase at</u>	
	<u>8%</u>	<u>9%</u>
Value of portfolio (USD)	<b>1,029,000</b>	997,251
% of total face amount	15.5%	15.0%

**d.3) Mortality sensitivity**

<u>Value based on 12% discount rate – non HIV portfolio</u>	<u>USD</u>	<u>% of face amount</u>
Value of portfolio as reported	<b>3,722,000</b>	26.9%
Value at 90% of current mortality assumption	3,262,000	23.6%
Value at 80% of current mortality assumption	2,783,000	20.1%
<u>Value based on 11% discount rate – HIV portfolio</u>	<u>USD</u>	<u>% of face amount</u>
Value of portfolio as reported	<b>1,029,000</b>	15.5%
Value at 90% of current mortality assumption	891,000	13.4%
Value at 80% of current mortality assumption	750,000	11.3%

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**Distribution of face value by insurance company as at 31 December 2018**

Class A: companies assuring at least

	<u>Number</u>	<u>Total</u> %
Over 10 % of the nominal face value	1	12.1
5 % to 10 %	1	6.2
2 % to 5 %	12	35.1
0 % to 2 %	307	46.6

Class B: companies assuring at least

	<u>Number</u>	<u>Total</u> %
Over 10 % of the nominal face value	1	21.2
5 % to 10 %	3	24.1
2 % to 5 %	11	32.5
0 % to 2 %	30	22.2

Class D: companies assuring at least

	<u>Number</u>	<u>Total</u> %
Over 10 % of the nominal face value	-	-
5 % to 10 %	2	17.6
2 % to 5 %	15	47.1
0 % to 2 %	98	35.3

Class E: companies assuring at least

	<u>Number</u>	<u>Total</u> %
Over 10 % of the nominal face value	2	25.2
5 % to 10 %	2	11.6
2 % to 5 %	12	34.4
0 % to 2 %	67	28.8

**Note 15 Maturities receivable**

Maturities receivable of USD 17,796,938 are declared maturities that have not yet been paid. Maturities receivable are due within one year.



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**Note 16 Premiums paid in advance**

Premiums paid in advance of USD 13,327,613 consist of premiums on life insurance policies paid as at 31 December 2018 that relate to the period following the balance sheet date.

**Note 17 Cash and cash equivalents**

As at 31 December 2018, cash and cash equivalents consist solely of cash held on deposit and on current accounts with banks.

**Note 18 Other payables**

	<u>Group</u> <u>USD</u>	<u>Company</u> <u>USD</u>
Trade and other payables	486,186	486,186
Tax liabilities as assumed from the Predecessor Company	745,217	745,217
Other creditors and accruals	<u>783,619</u>	<u>783,619</u>
	2,015,022	2,015,022
	=====	=====

**Note 19 Provision for performance fees**

	<u>Group</u> <u>USD</u>	<u>Company</u> <u>USD</u>
Provision brought forward	2,888,192	2,888,192
Reduction in provision during the period	(75,349)	(75,349)
Provision at the period end	<u>2,812,843</u>	<u>2,812,843</u>
	=====	=====

The item relates mainly to performance fees assumed from the Predecessor Company.

**Note 20 Liabilities to subsidiary**

Liabilities to the subsidiary are interest free loans which will be reimbursed when the liquidation of the subsidiary is completed.

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**Note 21 Share Capital**

At the 31 December 2018 the Company's share capital amounts to USD 710,689, and is represented by 71,068,874 ordinary shares of USD 0.01 each. The movement in the share capital is as follows:

	<u>A Shares</u>	<u>B Shares</u>	<u>D Shares</u>	<u>E Shares</u>	<u>Redeemable preference shares</u>	<u>Total</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Balance as at 16 August 2017	-	-	-	-	-	-
Movements for the period:						
- Shares issued at Incorporation	-	-	-	-	66,988	66,988
- Redemption of shares	-	-	-	-	(66,988)	(66,988)
- Shares allotted on 26 March 2018	454,469	145,961	92,926	17,333	-	710,689
Balance as at 31 December 2018	454,469	145,961	92,926	17,333	-	710,689

At incorporation, the Company issued 1 ordinary A share of USD 0.01 and 50,000 of £1 preference shares at par. Redeemable Preference shares were cancelled on 26 March 2018.

The share capital was increased on 26 March 2018, by the issue of:

- 45,446,946 A Shares with a nominal value of USD 0.01, in addition to a share premium of USD 95,005,656
- 14,596,098 B Shares with a nominal value of USD 0.01, in addition to a share premium of USD 18,459,574
- 9,292,561 D Shares with a nominal value of USD 0.01, in addition to a share premium of USD 11,567,984
- 1,733,269 E Shares with a nominal value of USD 0.01, in addition to a share premium of USD 7,980,276.

As at 31 December 2018, the issued and fully paid share capital is comprised of 45,446,946 Class A shares, 14,596,098 Class B shares, 9,292,561 Class D shares, and 1,733,269 Class E shares.

Class A, Class B, Class D and Class E shares relate to specific investments determined by the Board of Directors or as the case may be, by a general meeting of Shareholders. Each investment is undertaken for the exclusive benefit and risk of the relevant class of shares. All shares have equal voting rights.

**Life Settlement Assets Plc**  
**Consolidated and Company Notes to the Financial Statements**  
**for the period ended 31 December 2018**

**Note 22 Capital management policies**

The Company's capital management objectives are:

- To ensure it will be able to continue as a going concern;
- To maximise the long-term revenue and capital return to its Shareholders by returning cash generated from maturities to Shareholders, taking into consideration cash requirements needed to fund operations and premium payments. To this effect the Board of Directors has set policies of the level of cash to be held at any point in time;
- To realise capital returns to Shareholders by way of dividend distributions, distributions of capital reserves and share buybacks or tender offers.

The Board of Directors, with the assistance of the Investment Manager of the Trusts, monitors the capital requirements and possibilities of realising capital returns to Shareholders on a regular basis.

The capital structure of the Company consists of share capital, share premium, capital and revenue reserves as disclosed on the Statement of Financial Position.

The capital structure of the Company does not include debt financing.

The Company uses policy loans to borrow from the cash surrender value accumulated at some life settlement policies. The Company's policy is to potentially withdraw that cash from time to time.

Considering the volatility of collected maturities and in some Share Classes the dependence on a reduced number of large life settlement policies, the use of gearing cannot be excluded.

**Note 23 Net consolidated assets and net asset value per class of shares**

The consolidated net assets and net asset value (NAV) for each class of Shares are shown below.

	Class A	Class B	Class D	Class E	Total
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Net assets	91,649,093	16,150,211	11,590,732	8,246,887	127,636,923
Number of shares	45,446,946	14,596,098	9,292,561	1,733,269	71,068,874
NAV per share	2.0166	1.1065	1.2473	4.7580	

**Note 24 Capital commitments and contingent liabilities**

At the period end, the Company has no capital commitments in respect of life settlement portfolios. Life settlements portfolios do require continued payments of insurance premiums unless the Company decides not to renew the policies.

At the period end, the Company has no contingent liabilities.

**Life Settlement Assets Plc**  
**Consolidated and Company Notes to the Financial Statements**  
**for the period ended 31 December 2018**

**Note 25 Related party transactions**

Related parties to the Company are the wholly owned subsidiary, the members of the Board of Directors of the Company, Compagnie Européenne de Révision S.à r.l. as Administrator who has a member on the Board of Directors and the Trustee of the US trusts who is also a member of the Board of Directors.

	<u>USD</u>
<i>Per income statement:</i>	
Trustee fees (*)	125,000
Compagnie Européenne de Révision S.à r.l.	243,986
Directors' fees (*) (Note 9)	175,459
 <i>Amounts payable per balance sheet:</i>	
Compagnie Européenne de Révision S.à r.l.	177,070
Directors' fees	57,442
 Shares held by related parties (Directors and companies under their control)- Jean Medernach	 50,000

All transactions with related parties are undertaken at arm's length.

(\*) includes within the total non-recurring fees comprising USD 50,000 in relation to Trustee fees and USD 35,199 in relation to Directors' fees.

**Note 26 Post balance sheet events**

There are no events that have occurred after the balance sheet date which would have an impact on or influence the financial statements.

By the end of February, the Company received a notification for maturities with a face value amounting to USD 20.3 million, impacting the four classes of shares.

**ADDITIONAL INFORMATION**

Additional information of exhibits I to IV do not form part of the financial statements.

**EXHIBIT I (unaudited)**  
**Life Settlement Assets Plc**  
**Class A**  
**Consolidated Statement of Comprehensive Income for the period ended 31 December 2018**

	<u>Revenue</u> <u>USD</u>	<u>Capital</u> <u>USD</u>	<u>Total</u> <u>USD</u>
<b>Income</b>			
Income from life settlement portfolios	515,755	-	515,755
Gains from life settlement portfolios	-	1,889,095	1,889,095
Other income	68,740	-	68,740
Net foreign exchange loss	(26,508)	-	(26,508)
	<hr/>	<hr/>	<hr/>
Total income	557,987	1,889,095	2,447,082
<b>Operating expenses</b>			
Investment management fees	(1,441,271)	-	(1,441,271)
Other expenses	(3,538,035)	-	(3,538,035)
	<hr/>	<hr/>	<hr/>
(Loss)/profit before finance costs and taxation	(4,421,319)	1,889,095	(2,532,224)
<b>Finance costs</b>			
Interest payable	(1,278,808)	-	(1,278,808)
	<hr/>	<hr/>	<hr/>
<b>(Loss)/profit before taxation</b>	(5,700,127)	1,889,095	(3,811,032)
<b>Taxation</b>	-	-	-
	<hr/>	<hr/>	<hr/>
<b>(Loss)/profit for the period</b>	(5,700,127)	1,889,095	(3,811,032)
	=====	=====	=====

**EXHIBIT I (unaudited)**  
**Life Settlement Assets Plc**  
**Class A**  
**Consolidated and Individual Company Statement of Financial Position**  
**as at 31 December 2018**

	<u>Group</u>	<u>Company</u>
	<u>USD</u>	<u>USD</u>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Financial assets at fair value through profit and loss - Life settlement investments	65,093,000	65,093,000
	<hr/>	<hr/>
	65,093,000	65,093,000
<b>Current assets</b>		
Maturities receivables	10,507,385	10,507,385
Trade and other receivables	644,254	644,254
Premiums paid in advance	9,401,624	9,401,624
Cash and cash equivalents	7,085,149	7,085,149
Inter class receivables	234,933	234,933
	<hr/>	<hr/>
	27,873,345	27,873,345
<b>Total Assets</b>	<hr/> <hr/>	<hr/> <hr/>
	92,966,345	92,966,345
<b>Current liabilities</b>		
Other payables	(1,317,252)	(1,317,252)
Provision for performance fees	-	-
	<hr/>	<hr/>
	(1,317,252)	(1,317,252)
<b>Net Assets</b>	<hr/> <hr/>	<hr/> <hr/>
	91,649,093	91,649,093
<b>Capital and reserves</b>		
Share capital	454,469	454,469
Share premium	95,005,656	95,005,656
Capital reserve	1,889,095	1,889,095
Revenue reserve	(5,700,127)	(5,700,127)
	<hr/>	<hr/>
<b>Total equity attributable to ordinary shareholders of the Company</b>	<hr/> <hr/>	<hr/> <hr/>
	91,649,093	91,649,093
	=====	=====

**EXHIBIT II (unaudited)**  
**Life Settlement Assets Plc**  
**Class B**

**Consolidated Statement of Comprehensive Income for the period ended 31 December 2018**

	<u>Revenue</u> <u>USD</u>	<u>Capital</u> <u>USD</u>	<u>Total</u> <u>USD</u>
<b>Income</b>			
Income from life settlement portfolios	8,777	-	8,777
Gains from life settlement portfolios	-	(1,796,678)	(1,796,678)
Other income	23,102	-	23,102
Net foreign exchange loss	(221)	-	(221)
	<hr/>	<hr/>	<hr/>
Total income	31,658	(1,796,678)	(1,765,020)
<b>Operating expenses</b>			
Investment management fees	(279,083)	-	(279,083)
Other expenses	(406,620)	-	(406,620)
	<hr/>	<hr/>	<hr/>
Loss before finance costs and taxation	(654,045)	(1,796,678)	(2,450,723)
<b>Finance costs</b>			
Interest payable	(4,601)	-	(4,601)
	<hr/>	<hr/>	<hr/>
<b>(Loss)/profit before taxation</b>	(658,646)	(1,796,678)	(2,455,324)
<b>Taxation</b>	-	-	-
	<hr/>	<hr/>	<hr/>
<b>(Loss)/profit for the period</b>	(658,646) =====	(1,796,678) =====	(2,455,324) =====

**EXHIBIT II (unaudited)**  
**Life Settlement Assets Plc**  
**Class B**  
**Consolidated and Individual Company Statement of Financial Position**  
**as at 31 December 2018**

	<u>Group</u>	<u>Company</u>
	<u>USD</u>	<u>USD</u>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Financial assets at fair value through profit and loss -		
- Life settlement investments	10,645,000	10,645,000
- Shares in subsidiary	-	25,232,533
	10,645,000	35,877,533
<b>Current assets</b>		
Maturities receivables	2,819,222	2,819,222
Trade and other receivables	92,797	92,797
Premiums paid in advance	1,469,244	1,469,244
Cash and cash equivalents	1,509,782	1,509,782
	5,891,045	5,891,045
<b>Total Assets</b>	16,536,045	41,768,578
<b>Current liabilities</b>		
Other payables	(262,376)	(262,376)
Provision for performance fees	-	-
Owed to subsidiary	-	(25,232,533)
Inter class payables	(123,458)	(123,458)
	(385,834)	(25,618,367)
<b>Net Assets</b>	16,150,211	16,150,211
<b>Capital and reserves</b>		
Share capital	145,961	145,961
Share premium	18,459,574	18,459,574
Capital reserve	(1,796,678)	(658,646)
Revenue reserve	(658,646)	(1,796,678)
<b>Total equity attributable to ordinary shareholders of the Company</b>	16,150,211 =====	16,150,211 =====



**EXHIBIT III (unaudited)**  
**Life Settlement Assets Plc**  
**Class D**

**Consolidated Statement of Comprehensive Income for the period ended 31 December 2018**

	<u>Revenue</u>	<u>Capital</u>	<u>Total</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>
<b>Income</b>			
Income from life settlement portfolios	19,762	-	19,762
Gains from life settlement portfolios	-	525,976	525,976
Other income	23,289	-	23,289
Net foreign exchange loss	(125)	-	(125)
	<hr/>	<hr/>	<hr/>
Total income	42,926	525,976	568,902
<b>Operating expenses</b>			
Investment management fees	(202,486)	77,766	(124,717)
Other expenses	(506,476)	-	(506,476)
	<hr/>	<hr/>	<hr/>
Loss/(profit) before finance costs and taxation	(666,036)	603,745	(62,291)
<b>Finance costs</b>			
Interest payable	(7,887)	-	(7,887)
	<hr/>	<hr/>	<hr/>
<b>(Loss)/profit before taxation</b>	(673,923)	603,745	(70,178)
<b>Taxation</b>	-	-	-
	<hr/>	<hr/>	<hr/>
<b>(Loss)/profit for the period</b>	(673,923)	603,745	(70,178)
	=====	=====	=====

**EXHIBIT III (unaudited)**  
**Life Settlement Assets Plc**  
**Class D**  
**Consolidated and Individual Company Statement of Financial Position**  
**as at 31 December 2018**

	<u>Group</u>	<u>Company</u>
	<u>USD</u>	<u>USD</u>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Financial assets at fair value through profit and loss - Life settlement investments	9,324,000	9,324,000
	9,324,000	9,324,000
<b>Current assets</b>		
Maturities receivables	2,328,199	2,328,199
Trade and other receivables	91,200	91,200
Premiums paid in advance	1,297,562	1,297,562
Cash and cash equivalents	704,058	704,058
	4,421,019	4,421,019
<b>Total Assets</b>	13,745,019	13,745,019
<b>Current liabilities</b>		
Other payables	(208,686)	(206,686)
Provision for performance fees	(1,883,679)	(1,883,679)
Inter class payables	(61,922)	(61,922)
	(2,154,287)	(2,154,287)
<b>Net Assets</b>	11,590,732	11,590,732
<b>Capital and reserves</b>		
Share capital	92,926	92,926
Share premium	11,567,984	11,567,984
Capital reserve	603,745	(673,923)
Revenue reserve	(673,923)	603,745
<b>Total equity attributable to ordinary shareholders of the Company</b>	11,590,732 =====	11,590,732 =====

**EXHIBIT IV (unaudited)**  
**Life Settlement Assets Plc**  
**Class E**

**Consolidated Statement of Comprehensive Income for the period ended 31 December 2018**

	<u>Revenue</u> <u>USD</u>	<u>Capital</u> <u>USD</u>	<u>Total</u> <u>USD</u>
<b>Income</b>			
Income from life settlement portfolios	22,009	-	22,009
Gains from life settlement portfolios	-	720,249	720,249
Other income	18,525	-	18,525
Net foreign exchange loss	(691)	-	(691)
	<hr/>	<hr/>	<hr/>
Total income	39,843	720,249	760,092
<b>Operating expenses</b>			
Investment management fees	(178,332)	(2,420)	(180,752)
Other expenses	(325,010)	-	(325,010)
	<hr/>	<hr/>	<hr/>
(Loss)/profit before finance costs and taxation	(463,499)	717,829	254,330
<b>Finance costs</b>			
Interest payable	(5,052)	-	(5,052)
	<hr/>	<hr/>	<hr/>
<b>(Loss)/profit before taxation</b>	(468,551)	717,829	249,278
<b>Taxation</b>	-	-	-
	<hr/>	<hr/>	<hr/>
<b>(Loss)/profit for the period</b>	(468,551)	717,829	249,278
	=====	=====	=====

**EXHIBIT IV (unaudited)**  
**Life Settlement Assets Plc**  
**Class E**  
**Consolidated and Individual Company Statement of Financial Position**  
**as at 31 December 2018**

	<u>Group</u>	<u>Company</u>
	<u>USD</u>	<u>USD</u>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Financial assets at fair value through profit and loss - Life settlement investments	4,751,000	4,751,000
	4,751,000	4,751,000
<b>Current assets</b>		
Maturities receivables	2,142,132	2,142,132
Trade and other receivables	111,771	111,771
Premiums paid in advance	1,159,183	1,159,183
Cash and cash equivalents	1,288,226	1,288,226
	4,701,312	4,701,312
<b>Total Assets</b>	9,452,312	9,452,312
<b>Current liabilities</b>		
Other payables	(226,708)	(226,708)
Provision for performance fees	(929,164)	(929,164)
Inter class payables	(49,553)	(49,553)
	(1,205,425)	(1,205,425)
<b>Net Assets</b>	8,246,887	8,246,887
<b>Capital and reserves</b>		
Share capital	17,333	17,333
Share premium	7,980,276	7,980,276
Capital reserve	717,829	(468,551)
Revenue reserve	(468,551)	717,829
<b>Total equity attributable to ordinary shareholders</b>	8,246,887	8,246,887

## SHAREHOLDER INFORMATION

### NOTICE OF ANNUAL GENERAL MEETING 2019 Life Settlement Assets PLC (the “Company”)

Notice is hereby given that the 2019 Annual General Meeting (the “**AGM**”) of the Company will be **held** at the offices of Hogan Lovells International LLP, Atlantic House, Holborn Viaduct, London EC1A 2FG on Thursday 13 June 2019 at 10:00 am for the following purposes:

1. To receive and adopt the audited Annual Report and Accounts of the Company for the period ended 31 December 2018 together with the Directors’ Report and Auditor’s Report thereon.
2. To approve the Directors’ Remuneration Policy.
3. To approve the Directors’ Remuneration Report as set out in the Annual Report.
4. To elect Jean Medernach as a Director of the Company.
5. To elect Michael Baines as a Director of the Company.
6. To elect Robert Edelstein as a Director of the Company.
7. To elect Franck Mathé as a Director of the Company.
8. To elect Yves Mertz as a Director of the Company.
9. To elect Guner Turkmen as a Director of the Company.
10. To re-appoint Grant Thornton UK LLP as Auditors to the Company until the conclusion of the next AGM.
11. To authorise the Directors’ to determine Grant Thornton UK LLP’s remuneration as Auditor to the Company.

#### **Special Business**

**To consider the following resolutions:**

#### **Authority to allot new shares - Ordinary Resolution**

12. THAT, in substitution for all existing authorities pursuant to section 551 of the Companies Act 2006,(the “Act”) the Directors of the Company are generally and unconditionally authorised to exercise any power of the Company to allot shares and relevant securities (as described in that section) in the Company, and to grant rights to subscribe for, or to convert any security into, shares in the Company, up to an amount representing 10% of each issued Ordinary Share Class (excluding treasury shares) as at the date of the notice convening the meeting at which this resolution is proposed, provided that the price at which each such Ordinary Share may be allotted will be above the then prevailing estimated net asset value per Ordinary Share of the relevant Share Class (as determined by the Board of Directors in their reasonable discretion) and that this authority shall expire at the conclusion of the annual general meeting of the Company to be held in 2020 (unless renewed at a general meeting prior to such time), save that the Company may before such expiry make offers or agreements which would or might require shares and relevant securities to be allotted, or rights to be granted after such expiry and so the directors of the Company may allot shares and relevant securities or grant rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

**Authority to disapply pre-emption rights on allotment or sale of relevant securities - Special Resolution**

13. THAT, subject to the passing of Resolution 12 set out in this notice, in substitution of all existing authorities the Directors of the Company be and hereby are empowered pursuant to sections 570 and 573 of the Act to allot or make agreements to allot equity securities (within the meaning of section 560 of that Act) for cash pursuant to the authority conferred on them by Resolution 12 set out in this notice or by way of a sale of treasury shares as if section 561(1) of the Act did not apply to any such allotment or sale provided that this power shall be limited to:
- (a) the allotment or equity securities and/or sale of equity securities held in treasury for cash up to an aggregate number of equity securities of each Share Class as represents 10% of the number of Ordinary Shares of that Share Class (excluding treasury shares) as at the date of the notice convening the meeting at which this resolution is proposed; this power shall expire (unless previously renewed, varied or revoked) upon the expiry of the general authority conferred by Resolution 12 above; and
  - (b) before this power expires, the Directors may make offers or agreements which would or might require equity securities to be allotted (and treasury shares sold) after such expiry and the directors are entitled to allot or sell equity securities pursuant to any such offer or agreement as if this power had not expired;
  - (c) this power is in substitution of all unexercised powers given for the purposes of section 570 of that Act; and
  - (d) no allotment of securities shall be made which would result in equity securities being issued or sold from treasury at a price which is equal to or less than the then prevailing estimated net asset value per Ordinary Share of the relevant Share Class as determined by the Board of Directors in their reasonable discretion.

**Authority to repurchase the Company's shares - Special Resolution**

14. THAT the Company be and hereby is generally and unconditionally authorised for the purposes of section 701 of the Act to make one or more market purchases (as defined in section 693(4) of the Act) of its issued Ordinary Shares of any class, in the capital of the Company, on such terms and in such manner as the Directors may from time to time determine, provided that:
- (a) the maximum number of Ordinary Shares hereby authorised to be purchased is the number of Ordinary Shares of each Share Class (excluding treasury shares) that represents 14.99% of the issued Ordinary Share capital of that Share Class as at the date of passing this resolution;
  - (b) the minimum price (exclusive of expenses) which may be paid for an Ordinary Share is the nominal amount of that share; and
  - (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is the higher of:
    - i. an amount equal to 5% above the average of the middle market quotations for an Ordinary Share as derived from the Daily Official List of the
    - ii. London Stock Exchange plc for the five business days immediately preceding the day on which that Ordinary Share is contracted to be purchased; and
    - iii. an amount equal to the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out at the relevant time,
  - (d) any purchase of shares will be made in the market for cash at prices below the latest estimated monthly net asset value per share (as determined by the Directors);

- (e) the authority conferred by this resolution shall (unless previously renewed or revoked in general meeting) expire on the date falling 15 months after the passing of this resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2020; and
- (f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which contract will or may be executed wholly or partly after the expiry of such authority and may make a purchase of shares pursuant to any such contract as if the authority conferred hereby had not expired.

**By order of the Board**

**Registered Office**

4th Floor  
115 Park Street,  
London,  
W1K 7AP

**Company Secretary**

Maitland Administration Services Limited  
Hamilton Centre,  
Rodney Way  
Chelmsford  
CM1 3BY

**PLEASE NOTE:** The notice of the class meetings have been provided to shareholders separately from this document. Shareholders will only receive the class meeting notices for the classes of shares that they own.

## Notes to the Notice of the AGM

### Proxy appointment and voting

- 1) A member is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at the AGM, or any adjournment thereof. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder.
- 2) The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person.
- 3) You can vote either:
  - by logging on to [www.signalshares.com](http://www.signalshares.com) and following the instructions;
  - You may request a hard copy form of proxy directly from the registrars, Link Asset Services at [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk), or on Tel: 0371 664 0300. Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.
  - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

In order for a proxy appointment to be valid a form of proxy must be completed. In each case the form of proxy must be received by Link Asset Services at 34 Beckenham Road, Beckenham, Kent, BR3 4ZF by 10.00am on Tuesday, 11 June 2019 (or, if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).

### Joint shareholders

- 4) In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names appear in the register of members in respect of the share.

### Nominated persons

- 5) The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Act ("**Nominated Persons**"). Nominated Persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if Nominated Persons do not have such a right or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

### Information about shares and voting

- 6) Holders of Ordinary Shares are entitled to attend and vote at general meetings of the Company. The total number of issued Ordinary Shares in the Company on 30 April 2019, which is the latest practicable date before the publication of this Notice is 71,068,874 divided into 45,446,946 Class A shares, 14,596,098 Class B shares, 9,292,561 D Shares, and 1,733,269 Class E shares. As at this date there were no shares held in treasury therefore the total number of voting rights in the Company at this date was 71,068,874.

### Right to attend and vote

- 7) Entitlement to attend and vote at the meeting, and the number of votes which may be cast at the meeting, will be determined by reference to the Company's register of members as at the close of business on Tuesday, 11 June 2019, or, if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time fixed for the adjourned meeting (as the case may be). In each case, changes to the register of members after such time will be disregarded.



### **Venue arrangements**

- 8) Members should note that the doors to the AGM will be open for registration at 9:45 am.
- 9) Mobile phones may not be used in the venue, and cameras, tape or video recorders and other such items as the Chair of the AGM may specify, are not allowed in the venue. We reserve the right to confiscate these items for the duration of the AGM if they are used to record or otherwise disrupt the AGM.

### **CREST members**

- 10) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting (and any adjournment of the meeting) by following the procedures described in the CREST Manual available on the website of Euroclear UK and Ireland Limited ("Euroclear") at [www.euroclear.com](http://www.euroclear.com). CREST Personal Members or other CREST sponsored members (and those CREST members who have appointed a voting service provider) should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received Link Asset Services Participant ID RA10 by the latest time(s) for receipt of proxy appointments specified in Note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy appointed through CREST should be communicated to him by other means.

CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

### **Corporate representatives**

- 11) Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

### **Audit concerns**

- 12) Shareholders should note that, under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the AGM for the financial period ended 31 December 2018; or (ii) any circumstance connected with an auditor of the Company appointed for the financial period ended 31 December 2018 ceasing to hold office since the previous meeting at which annual accounts and reports were

laid. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 (requirements as to website availability) of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM for the relevant financial period includes any statement that the Company has been required under section 527 of the Act to publish on a website.

#### **Questions**

- 13) Any member attending the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

#### **Website information**

- 14) A copy of this notice and other information required by section 311A of the Act can be found at [www.lsaplc.com/investor-relations/reports-company-literature/](http://www.lsaplc.com/investor-relations/reports-company-literature/)

#### **Use of electronic address**

- 15) Members may not use any electronic address provided in either this notice of meeting or any related documents (including the enclosed form of proxy) to communicate with the Company for any purposes other than those expressly stated.

#### **Documents available for inspection**

- 16) Copies of the letters of appointment of the non-executive Directors may be inspected during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company at 115 Park Street, London W1K 7AP, up to and including the date of the AGM, and on the date itself at the AGM venue 15 minutes before the meeting until it ends.

#### **Communication**

- 17) Except as provided above, shareholders who have general queries about the AGM should use the following means of communication (no other methods of communication will be accepted):
- by calling the Registrar's helpline on 0345 922 0044, or
  - by writing to the Registrar, Link Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4ZF.

## SHAREHOLDER INFORMATION

### Directors

Jean Medernach  
Michael Baines  
Robert Edelstein  
Franck Mathé  
Yves Metz  
Guner Turkman

### Registered Office

115 Park Street  
4th Floor  
London W1K 7AP

### Auditor

Grant Thornton UK LLP  
30 Finsbury Square  
London  
EC2P 2YU

### Trusts' Investment Manager

Acheron Capital Limited  
115 Park Street  
4th Floor  
London W1K 7AP

### Share Registrar

Link Asset Services  
34 Beckenham Road  
Beckenham  
Kent BR3 4ZF

### Brokers

Shore Capital  
100 Wood Street  
London  
EC2V 7AN

### Company Secretary

Maitland Administration Services Limited  
Hamilton Centre  
Rodney Way  
Chelmsford  
CM1 3BY

Email: [cosec@maitlandgroup.co.uk](mailto:cosec@maitlandgroup.co.uk)  
Telephone: 01245 398984

### Financial Calendar

Company year end: 31 December  
Annual results announced: April  
Annual General Meeting: 13 June 2019  
Company half-year end: 30 June  
Half-year results announced: November

**Website** - <https://www.lsaplc.com>