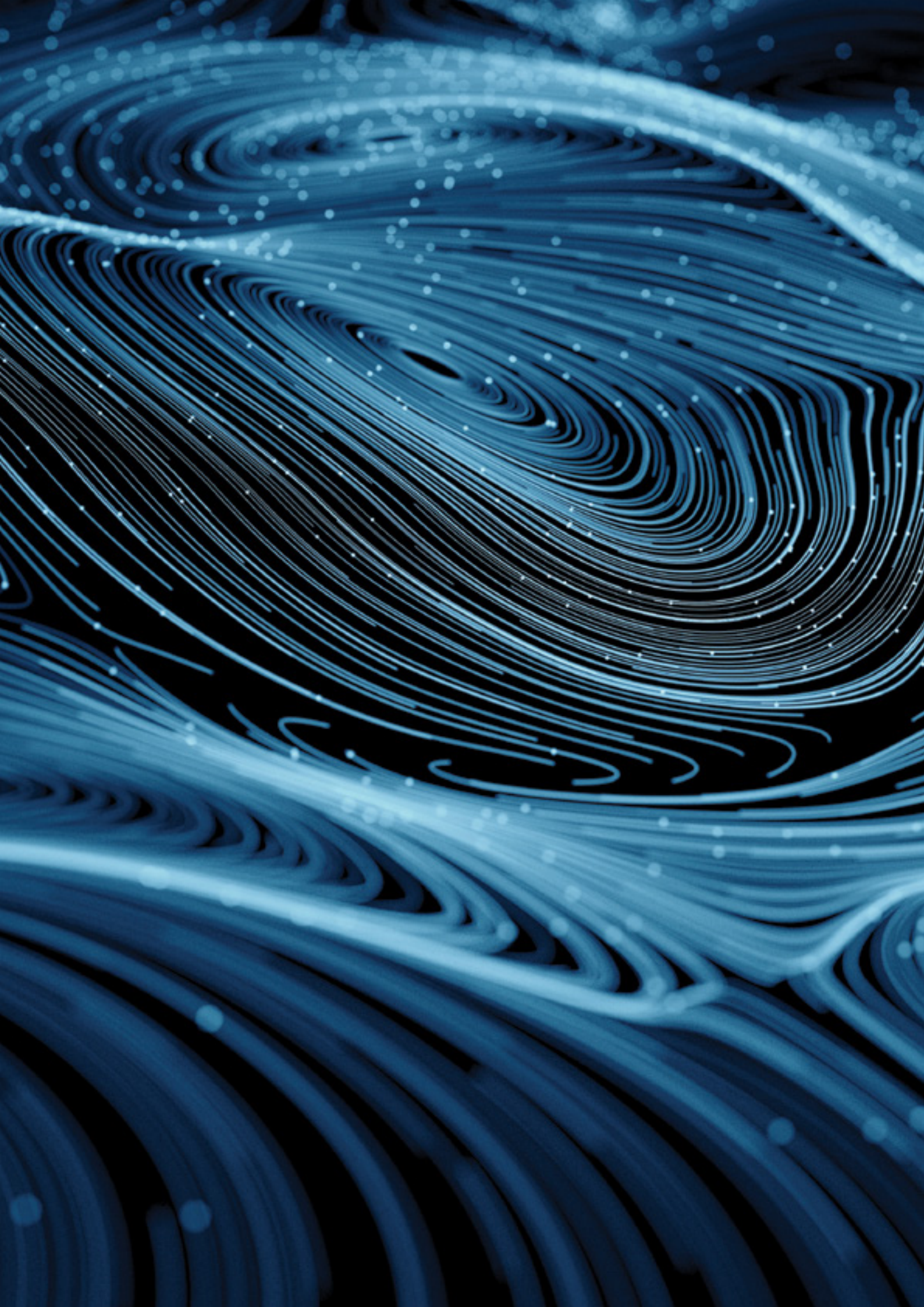


Life Settlement Assets PLC

Annual Report and Financial Statements

for the year ended
31 December 2019



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Strategic Report

Introduction

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

The well-established US life settlement market enables individuals to sell their 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). Certain of the investments by the Company in these life settlement assets have been made at a significantly discounted acquisition cost from distressed situations where the original purchaser of the Policy is in liquidation.

Corporate objective

The Company's objective is to generate long-term returns for investors by managing its portfolios of life settlement interests so that the realised value of the Policies at maturity exceeds the aggregate cost of acquiring the Policies, ongoing premiums, management fees and other operational costs. The Company seeks to achieve this for each of its separate Share Classes.

Core competencies

Through the combination of its Board and its strategic partnerships with service providers, LSA has core competencies in the following areas:

- Assessment of the underlying value of life settlement policy portfolios;
- Access to investment opportunities, especially to portfolios of policies where the Company already has an interest;
- Management of strategic partnerships with service providers providing investment management, actuarial, administration, company secretarial and tracking services to enable the efficient operation of its business; and
- Cash flow management to balance returns to Shareholders with financing ongoing acquisition costs.

Through these competencies the Company has developed a successful track record of realising value for Shareholders.

History

The life settlement market in the USA has developed since the 1980s and was estimated at USD 3.4 billion in 2017¹, and estimated to grow to USD 200 billion by 2028.

The underlying rationale for policyholders to transact in the primary market for life settlement policies is generally to release the value inherent in their policies to address short term or alternative financial requirements. This can be especially important for medical costs where there is no state-financed provision of healthcare.

The secondary market for life settlement policies emerged from the consolidation or failure of purchasers in the primary market. One of the first participants in this secondary market was Acheron Portfolio Corporation, the forerunner of the Company.

By supporting a secondary market for life settlement policies the Company provides a source of liquidity for policies traded in the primary market, and protects the value of these existing assets – thereby indirectly underpinning confidence in the life settlement market in the USA, which has become an important source of capital for some policyholders.

Acheron Portfolio Corporation listed its portfolios of assets in Luxembourg until acquisition by the Company in 2018. 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) SA (the "Predecessor Company") within the more developed London market. Life Settlement Assets PLC acquired the entire beneficial ownership in each of the four Trusts through which the Predecessor Company's portfolios of life settlement policies were held, following which the Predecessor Company delisted from the Luxembourg Stock Exchange on 6 March 2018.

¹ Source: Conning & Co

At a Glance

STRATEGIC ISSUES AND REPORTING

The Strategic Report section of this Annual Report has been prepared to help Shareholders understand the operation of the Company and assess its performance.

Basis of preparation

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.

Section 172(1) Statement

Under Section 172 ("s172") of the Companies Act 2006 the directors of a company are required to act in the way they consider will most likely promote the success of the company for the benefit of its members as a whole. In doing this, s172 requires directors to include these factors:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging the s172 duties the Board have regard to the factors set out above, although it should be noted that the Company does not have any employees. It also has regard to other factors where relevant. It is acknowledged that every decision the Board make will not necessarily result in a positive outcome for all stakeholders. By considering the Company's purpose and objectives together with its strategic priorities and having a process in place for decision-making, the Board do, however, aim to make sure that decisions are consistent and predictable.

It is normal practice for Investment companies to delegate authority for day-to-day administration and management of the assets to third parties.

At every Board meeting a review of financial and operational performance, as well as legal and regulatory compliance, is undertaken. The Board also review other areas over the course of the financial year including the Company's business strategy; key risks; stakeholder-related matters; diversity and inclusivity; environmental matters; corporate responsibility and governance, compliance and legal matters.

During the period Board received information to understand the interests and views of the Company's key stakeholders; Shareholders, the Administrator; Acheron as Investment Manager to the Trusts, the four Trusts responsible for the portfolio of each share class and the Servicing Agents. One of the Company's Directors sits as trustee of these Trusts and provides regular updates on each Trust. This information was distributed in a range of different formats including reports and presentations on the Company's financial and operational performance, non-financial KPIs, risk and the outcomes of specific engagements with stakeholders. As a result, the Board have received useful feedback which allows them to understand the nature of any stakeholder concerns and to comply with the s172 duty to promote the success of the Company. The Board engages with the key stakeholders in a variety of ways, including the publication of Annual and Half-Yearly Reports and Accounts, monthly fact sheets, announcements of results, information provided on the Company's website and at the Annual General Meeting. Shareholders are invited to contact the Directors at any opportunity either via Acheron or through the Company Secretary.

During the year the Board has considered:

- the distribution of cash through dividends to Shareholders and returned USD 14.5 million across all share classes as shown in note 27 on page 79;
- the retention of cash as working capital to meet the payment of ongoing premiums to service the portfolio of life policies;
- the buyback of shares through the stock market and via a tender offer. Full details are given in note 21 on page 76;
- the assessment of the valuation of the portfolio during the year including selecting an appropriate discount factor based on research available and the mix of policies in the portfolio;

At a Glance continued

- the advantages and disadvantages of the proposal to merge share classes A, D and E and concluding that the cost savings, strengthening of ownership of the underlying policies and improvement in the marketability of the Company's shares meant that the proposal should be put to a Shareholder vote at a General Meeting; and
- the outcomes of meetings with the Trustees and Servicing Agents in the United States to protect the Company's interests in the Life Policies held in each Trust.

Subsequent to the year end, the impact of the Covid-19 pandemic on the Company's operations, that of its service providers and on the valuation of its portfolio and concluding that the effect was expected to be minimal.

Employees

The Company has no employees as it engages third parties to provide all necessary services to the Company.

Community and Environment

As an investment company with no offices of its own nor any employees the Company has minimal carbon emissions. Where possible, meetings are held by electronically to reduce the Company's impact on the environment. The Company does not make any political or charitable donations.

Service Providers

The Company engages a number of service providers who it regards as key to its ongoing business, the Board recognise that the continued engagement with these service providers is vital and the success of these service providers is synonymous with the success of the Company. It receives reports from providers and regularly monitors the contribution they make to the Company's operations. The Administrator, Company Secretary, Investment Manager and Trustee of the underlying Trusts all attend Board Meetings.

Investment Strategy

The Company seeks to generate long-term returns for investors by investing in the life settlement market, through each of the separate Share Classes. The Company aims to manage its investment in 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 Company's investment Objective and Policy are stated on page 17.

Investments and underlying assets

As at 31 December 2019 each Share Class was invested in underlying assets as follows:

- 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 a widely diversified portfolio by gender and the number of lives insured with circa 4,400 underlying policies, and 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) with exposure to whole and fractional policies.
- Ordinary D and E Share Classes ("LSAD" and "LSAE") – both these Share Classes invest in separate portfolios comprising predominantly fractional policies with exposure to both HIV and elderly insureds, where the LSAA and/or LSAB Share Classes are already fractional owners.

Comparative benchmarks and performance

Due to the lack of directly comparable companies investing in the secondary market in life policies, the Company does not follow a specific sector or geographic benchmark, although indirect comparisons may be made from time to time with relevant market indices.

The life settlement market has a low correlation with traditional equity and fixed income markets, as returns are dependent on the actuarial and mortality rate assumptions used. This, coupled with current low interest rates, can make this an attractive alternative asset class.

The performance of the Company against its key performance indicators is described on pages 10 and 11.

Ongoing Charges

The Company's total annual costs (investment management fees and other expenses) are 6.2% of net assets for the year to 31 December 2019.

Dividends/Distributions

During the period the Company paid special dividends to LSAA Shareholders of 5.50 US cents per share (total USD 2.5 million), LSAD Shareholders of 66.09 US cents per share (total USD 6.0 million) and LSAE Shareholders of 355.37 US cents per share (total USD 6.0 million).

Chairman's Statement

It gives me great pleasure to present my first Annual Report as Chairman of LSA and your Company's second report since admission to the London Stock Exchange in March 2018. However, I am also conscious that I am writing at a time of great uncertainty for many around the world due to the Coronavirus pandemic ("Covid-19").

Investment Overview

As shown in the financial highlights on pages 10 and 11, the year to 31 December 2019 proved to be a positive year for your Company.

The maturities received in the year were such that the Company was able to make significant distributions to Shareholders by way of special dividends of 5.50 US cents per A share, 66.09 US cents per D share and 355.37 US cents per E share as shown in note 27 on page 79.

In addition, the Company used the additional proceeds from maturities to return USD 10.0 million to A Shareholders under a tender offer in July 2019. The Company also repurchased 500,000 D shares at a cost of USD 500,000 and 166,666 E shares at a cost of USD 500,000. Further details are given in note 21 on page 76.

After the distributions and repurchases mentioned above, the year-end NAV of class A increased by 10.4% whilst classes B, D and E reduced by 8.1%, 33.6% and 52.9% respectively. When adding back the dividends paid to Shareholders during the year, the NAV increased by 13.5% per A share, 19.6% per D share and 21.8% per E share. In contrast the NAV of class B declined by 8.1%, reflecting the very different composition of its portfolio when compared to the other share classes.

I would draw your attention to the Investment Manager's Report set out below in this Strategic Report where the underlying detail of this performance is set out. As in previous years, given the nature of its asset base, the Company has engaged Lewis and Ellis to provide an independent actuarial valuation of the portfolio of life policies and they have confirmed the approach taken by our Investment Manager is both accurate and represents fair value. Further details can be found in our Investment Manager's report, and I would particularly draw your attention to the comments regarding the changes we have made to the Board's assessment of fair value for the HIV portfolio.

Retention of cash

In our Half Year Report published in September 2019 we drew attention to certain factors which are likely to affect the future management of our portfolios. Firstly, as stated in the Company's announcement in January 2020, is the decision to retain more cash in order to ensure the Company is in a position to take advantage of any opportunity to consolidate our portfolios of fractional policies with the purchase of additional fractions of those policies. Currently two opportunities are being pursued by our Investment Manager, which if concluded successfully, will add to the longer-term value of our assets.

Structural changes

On 31 March 2020, the four Trusts through which the Company invests in the underlying assets of the Company were merged (the "Trusts Merger") in order to reduce annual operating costs and to reduce operational risks without creating cross liabilities. Following the Trusts Merger, the Company's life settlement assets are held by a single continuing trust, namely the Acheron Portfolio Trust, which is expected to achieve significant future cost savings.

Furthermore, proposals to merge the share classes A, D and E have been advanced since the year end with details of the Merger published in a Circular sent to Shareholders on 2 April 2020. Given the very different nature of the structure of Class B, with no exposure to HIV policies, the Board has decided after careful consideration not to propose the merger of class B at this stage, although this will be kept under review and may be considered at a later date depending on how the projected maturities develop.

Overall, the Board believes that the simplified share class structure resulting from the Merger should provide both improved liquidity for the holders of the merged Share Classes and also a clearer investment case for new investors in the future as well as the potential for nearer term cash flow enhancements to the existing A Ordinary Shareholders.

Chairman's Statement continued

A general meeting has been convened on 28 April 2020 at which Shareholders have been invited to consider and, if thought fit, to pass the necessary resolutions to give effect to the Merger.

Board changes

The Company also announced in its Half Year Report that Jean Medernach had announced his intention to step down as a Director and Chairman of your Company. The Board would like to record its thanks to Jean for his guidance and skill in helping the Company with the transition from Luxembourg to the UK.

I am delighted to welcome Christopher Casey to the Board and as Chair of the Audit Committee. Chris brings with him a wealth of experience both as a board member of other Investment Trusts and also as a former partner of KPMG.

Change of Auditor

In September 2019, we were informed that Grant Thornton had decided that having performed a strategic review of their business, for commercial reasons, they would not continue as the Company's Auditors. After reviewing the various options available I am delighted that we were able to appoint BDO as replacement Auditors.

Company Secretary

Following a review of our service providers, during the second half of the year the Board decided that the Company would be better served if the functions of Company Secretary and Financial Controller were carried out by the same firm. As a result, the Board decided to terminate the contract with Maitland Administration Services Limited and concentrate both these roles with ISCA Administration Services Limited.

Covid-19

The Board has reviewed the implications of the global Covid-19 pandemic and has put in place robust measures to maintain the ongoing operation of its business, and to ensure continued compliance by the Company of its regulatory obligations. Whilst there can be no guarantee that there will be no business

interruption, to date there has been no impact on the administration of the Company or its assets, and the Board has received details from its key service providers of the steps they are taking to protect their employees and operations.

The Board remains confident that all share classes offer our investors important defensive qualities, which remain highly decorrelated from equities and bonds and the current volatility of those markets.

As a result the Board have concluded that the current pandemic is likely to have a minimal effect on the Company's operations and results. Further details can be found on page 24.

Outlook

In the face of the many challenges and uncertainty facing global economies, communities and individuals, as they grapple with the impact of Covid-19, the Board believes that the investment opportunity offered by LSA, and the underpinning effect of its engagement with the life settlement market in the USA, will continue to offer value to all its direct and indirect stakeholders. With the various changes and streamlining actions described above being taken since the middle of last year, I believe that although many challenges lie ahead, the Company is now better positioned to attain its strategic objectives and move onto the next stage of its development.

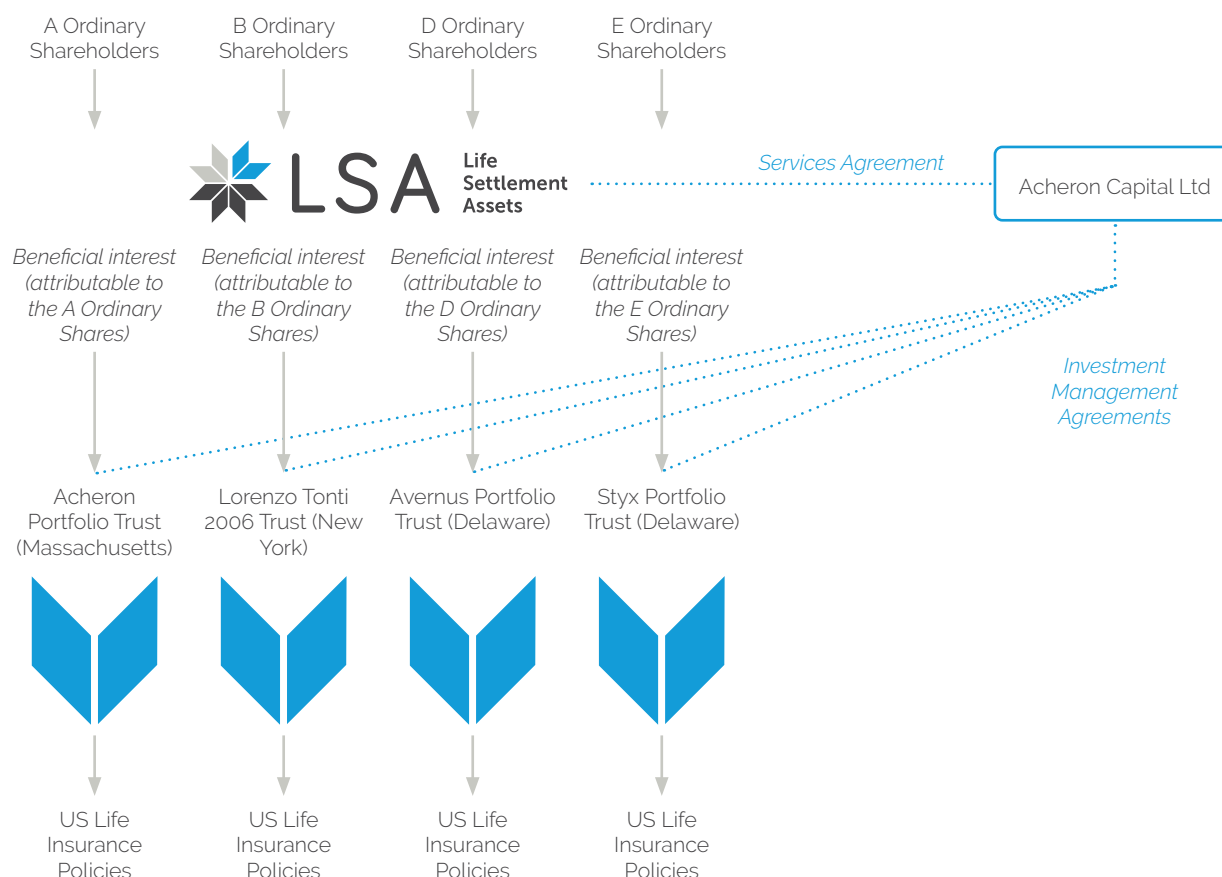
Michael Baines
Chairman

27 April 2020

Company Structure

Life Settlement Assets PLC operates through its Board, and strategic partnerships with service providers covering investment management, actuarial, administrative, company secretarial, and tracking services.

Reflecting the development of the Company through the acquisition of portfolios of interests in life settlement policies, where each portfolio was placed into a separate asset trust and reflected by a separate Share Class, as at 31 December 2019 the Company's share structure was as follows:



The Company's principal strategic partner relationship is with the Trusts' Investment Manager, Acheron Capital Ltd, which provides investment management services.

As more fully described in the section entitled Strategic Issues and Reporting on page 5, and in the Chairman's Statement on pages 7 and 8, it is intended, subject to Shareholder approval, to merge the D and E Share Classes with the A Share Class.

In addition, the four underlying trusts were merged on 31 March 2020.

Company Performance

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

LSAA	As at 31 December 2019	As at 31 December 2018	Percentage change (%)
Net assets attributable to Shareholders (USD '000)	89,108	91,649	(2.8)
Shares in Issue	39,891,391	45,446,946	(12.2)
NAV per share (USD)	2.23	2.02	10.4
Closing share price (USD)	1.78	1.45	22.8
Discount to NAV (%)	(20.2)	(28.1)	7.9
Total maturities (USD '000)	41,742	20,826	100.4
Split of maturities HIV (USD '000)	5,985	14,008	(57.3)
non-HIV (USD '000)	35,757	6,818	424.4
Net income from portfolio (USD '000)	19,427	2,446	694.2
Profit/(loss) before tax (USD '000)	10,140	(3,811)	366.1

LSAB	As at 31 December 2019	As at 31 December 2018	Percentage change (%)
Net assets attributable to Shareholders (USD '000)	14,863	16,150	(8.0)
Shares in Issue	14,596,098	14,596,098	–
NAV per share (USD)	1.02	1.11	(8.1)
Closing share price (USD)	0.63	0.60	5.0
Discount to NAV (%)	(38.2)	(45.8)	7.6
Total maturities (USD '000)	3,410	5,242	(34.9)
Split of maturities HIV (USD '000)	n/a	n/a	–
non-HIV (USD '000)	3,410	5,242	(34.9)
Net income from portfolio (USD '000)	(608)	(1,765)	65.6
Loss before tax (USD '000)	(1,286)	(2,455)	47.6

LSAD	As at 31 December 2019	As at 31 December 2018	Percentage change (%)
Net assets attributable to Shareholders (USD '000)	7,310	11,591	(36.9)
Shares in Issue	8,792,561	9,292,561	(5.4)
NAV per share (USD)	0.83	1.25	(33.6)
Closing share price (USD)	0.85	0.60	41.7
Premium/(discount) to NAV (%)	2.4	(51.9)	54.3
Total maturities (USD '000)	7,949	3,719	113.7
Split of maturities HIV (USD '000)	431	466	(7.5)
non-HIV (USD '000)	7,518	3,253	131.1
Net income from portfolio (USD '000)	3,557	569	525.1
Profit/(loss) before tax (USD '000)	2,220	(70)	3,271.4

LSAE	As at 31 December 2019	As at 31 December 2018	Percentage change (%)
Net assets attributable to Shareholders (USD '000)	3,512	8,247	(57.4)
Shares in Issue	1,566,603	1,733,269	(9.6)
NAV per share (USD)	2.24	4.76	(52.9)
Closing share price (USD)	1.90	1.70	11.8
Discount to NAV (%)	(15.2)	(64.3)	49.1
Total maturities (USD '000)	5,625	2,989	88.2
Split of maturities HIV (USD '000)	145	226	(35.8)
non-HIV (USD '000)	5,480	2,763	98.3
Net income from portfolio (USD '000)	2,797	761	267.5
Profit before tax (USD '000)	1,767	249	609.6

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 adopted the following KPIs which are summarised on pages 10 and 11:

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.

Earnings per share – this is a key measure of financial performance used to assess the fortunes of the Company over each financial period.

Running Costs – The Ongoing Charges of the Company for the financial year under review represented 6.2% (2018: 5.4%) of average net assets.

Shareholders should note that this ratio has been calculated in accordance with the Association of Investment Companies' ("AIC") recommended methodology, published in May 2012. This figure indicates the annual percentage reduction in Shareholder returns as a result of recurring operational expenses. Although the Ongoing Charges figure is based on historic information, it does provide Shareholders with a guide to the level of costs that may be incurred by the Company in the future.

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.

Investment Manager's Report

The Life Settlement Market

The year ended 31 December 2019 was generally a good year for the life settlement market, which continues to attract increasing attention. Conning & Co, in its recent fourteenth Annual Life Settlement Report, explores the expansion of the life settlement industry relative to carrier performance, cost-of-insurance drivers, a surge in retiring baby boomers, and growing interest from investors.

Based on demographics and market dynamics, Conning foresees that the life settlement market could see double-digit expansion over the next ten years. The life settlement market would reach over USD 200 billion in cumulative life settlement transactions by 2028, supported by a continued healthy supply of investors, a stable regulatory environment and a large pool of policies to choose from. In addition, the tertiary market is expected to continue thriving, allowing the settlement market to maintain stable year-over-year growth. One point that will continue to require improvements is the viators medical assessment, with Life Expectancy playing a critical role in the valuation of life settlements.

Portfolio Overview

LSA's current portfolios in the Trusts is subdivided into portfolios exposed to either HIV policy holders or non-HIV policy holders. For Class A, D and E Shareholders, the respective sizes of these segments are USD 146 million for life settlements for non-HIV policy holders. For all share classes, the respective sizes of these segments

are USD 381 million for HIV. The face-weighted average age for the non-HIV segment is about 89.2 years. This translates into a life expectancy for a normal population of five years for men and six years for women. Class B is not exposed to HIV.

HIV life expectancy is a difficult variable to assess. The current face-weighted average age of the HIV population is about 60.2 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 78, the average life expectancy for HIV policy holders could be around 15 years.

The current total premiums paid on this portfolio is about USD 20 million across all share classes. For 2020, we will retain USD 18 million as a basis for premium projections. Premiums are reducing year on year as the large elderly policies in the portfolio progressively reach maturity.

During 2019, investments were made in four small portfolios of fractional policies in which the Company is already a fractional owner for a total face cost of USD 1.0 million. 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 LSA is exposed to continue 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.

Investment Manager's Report continued

The following table provides information on the Company's policies by Share Class and by exposure to HIV and non-HIV positive insureds, as at 31 December 2019.

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

LSAA	HIV	Non-HIV	Total
Number of policies	4,233	182	4,415
Total face value (net of advances on policies)	358,298,484	75,535,147	433,833,631
Valuation	42,380,000	15,751,000	58,131,000
Percentage of net face value	11.8%	20.9%	13.4%

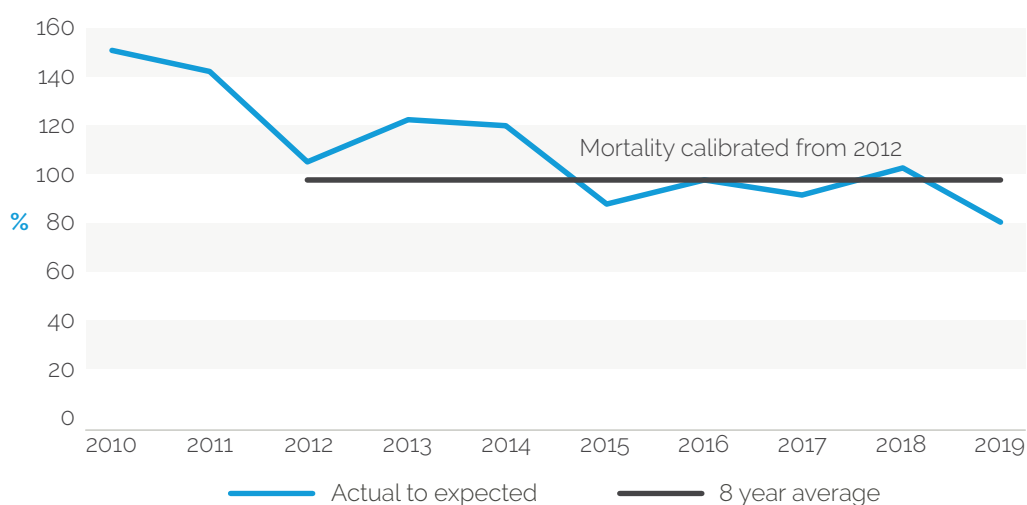
LSAB	HIV	Non-HIV	Total
Number of policies	n/a	96	96
Total face value	n/a	45,504,840	45,504,840
Valuation	n/a	10,739,000	10,739,000
Percentage of face value	n/a	23.6%	23.6%

LSAD	HIV	Non-HIV	Total
Number of policies	367	76	443
Total face value	15,966,447	16,306,527	32,272,974
Valuation	1,916,000	4,527,000	6,443,000
Percentage of face value	12.0%	27.8%	20.0%

LSAE	HIV	Non-HIV	Total
Number of policies	161	56	217
Total face value	6,679,096	8,183,789	14,862,885
Valuation	887,000	1,841,000	2,728,000
Percentage of face value	13.3%	22.5%	18.4%

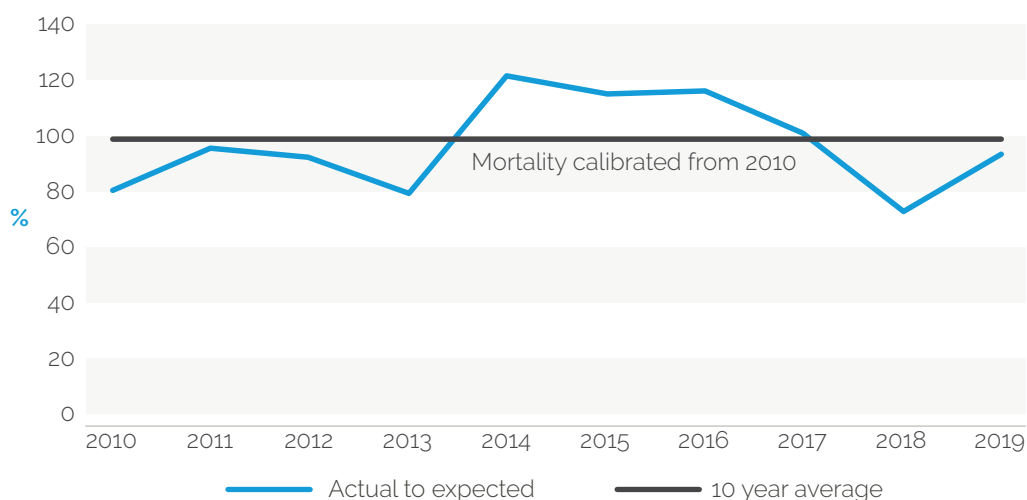
The US actuary provided valuations for all portfolios for the year ended 31 December 2019. The valuations shown were derived by adopting an actuarial approach. The actuaries performed an 2010-2019 A/E Study based on the observed mortality occurrences. Some improvements to the HIV mortality assumptions were made based on 2012-2019 A/E ratio. HIV figures from 2010 and 2011 were removed as the A/E ratios were significantly higher. This ensures a more conservative set of estimates. As a result, both HIV and non-HIV segments reached long-term A/E ratio of circa 100% even excluding these outperforming years, as is shown in the graphs titled HIV and Non-HIV below. In addition, none of the life expectancies from medical underwriters were used in the 2019 valuation. The Life Expectancy reports were not only out of date, but overall projections by medical underwriters had proven to be poor.

HIV



Note: Incurred but not reported ("IBNR") implies that last year's A/E are typically slightly underestimated at this point of time.

Non-HIV



Investment Manager's Report continued

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	5,984,541	–	431,125	144,846
Non-HIV	35,757,459	3,409,601	7,517,875	5,480,154
Total	41,742,000	3,409,601	7,949,000	5,625,000

A/E*	All classes
HIV	83%
Non-HIV	95%

*in the number of lives, from the US actuary reports

In the non-HIV segment, the two largest exposures matured in 2019, contributing USD 35 million across all Share Classes. Although Non-HIV A/E in the number of lives is 95%, those two maturities have pushed the Non-HIV A/E in monetary terms to 177% across all the share classes and 209% in Class A. This is above our internal projection of one extra-large maturity for this year, but not a sufficient factor for a model revision. However, Class B only shared USD 1.7 million in those two exposures, leading to the lower A/E ratio and poorer performance in 2019.

On the other hand, the HIV segment performed under expectations by 17% in the year under review. Compared to previous years, the HIV mortality rate seems lower in younger age ranges but much higher in above 70-year-old range. It means that the observed mortality curve in 2019 is steeper than before. An internal exercise was performed to study the possible impact on valuation from the change in the curve. By applying last year's best fit mortality curve to the portfolio, rather than the model currently in use, the valuation of the whole HIV portfolio for Class A would decrease by USD 0.6 million, or about 2%.

After the realisation of two largest exposures, the HIV face value concentration increased by 5% to 80% in Class A. The increased exposure to HIV only is increasing not only the risk concentration of the portfolio, but also reducing cash flow in the coming years. In order to adjust the portfolio risk return ratio for this steady increase in concentration, the discount rate applied to HIV was increased from 11% to 12% in July 2019.

Going forward

The mortality of the insureds in the portfolio will continue to be the most significant factor that will affect the financial results for the Company. This will have a direct impact on 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. We will continue to follow the recent research on mortality in general and especially on long-term HIV trends. The steepening of this year's HIV mortality curve is a potential validation of our view that HIV sufferers' health conditions worsen much more rapidly than the general population as they age. This results in long-term patients having a worse medical status that is different from patients of the same age that only recently contracted the disease.

Acheron Capital

27 April 2020

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 met this Investment Policy by acquiring 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 have been obtained from a variety of sources, primarily in the United States.

Further acquisitions

The Company has announced that it intends to retain a larger proportion of cash receipts from policy maturities in order to be in a position to fund potential investment opportunities through the acquisition and consolidation of the remaining fractions or participations of certain of the US trusts and conservatorships in which the Company was already indirectly invested. These opportunities were expected to arise over the forthcoming years as a result of the ageing (and therefore reducing size) of the underlying portfolios in which the Company was invested and as a result of the Investment Manager's proactive steps to protect and maximise the value of the assets. Accordingly, as surplus cash accumulates from policy maturities, the Board will carefully balance the amount that should be distributed to Shareholders and that which should be retained to fund future potential investment opportunities.

The Company may also raise additional 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 Controls

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").

Overview of Strategy and Investment Policy continued

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 that purpose.

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 Advances

The Company utilises policy advances to provide an acceleration of the cash flow to the Company. A policy advance refers to excess cash withdrawn from cash reserves generated at the level of the life insurance contracts. Policy advances will be deducted from any proceeds when the maturities are collected. These policy advances are also described in Note 3.4 of these accounts. The Board is of the opinion that these policy advances 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 must 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 acts in a way that it considers 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 importance 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 has 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 dated January 2018.
- *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.
- *Company Secretary:* With effect from 1 December 2019, ISCA Administration Services Limited has been appointed as Company Secretary.

- *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 ensures 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 engages 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.

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 those 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.

Risk	Mitigation
<i>Mortality risk</i> Changes in mortality rates may adversely affect the performance of the Policies held by the Company in respect of a Share Class.	The Investment Manager regularly assesses mortality rates based on available information.
<i>Premium management risk</i> Unanticipated volatility in mortality rates makes liquidity management of premium reserves difficult, as the Company (or the Trusts) need to be able to meet premiums and costs at all times. Failure to pay a premium may result in the relevant Policy lapsing and the Company being unable to receive insured sums as a result.	Management monitors cash on an ongoing basis in accordance with the practice and limits set by the Board.
<i>Volatility risk</i> 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.	The Investment Manager seeks to ensure a diversified portfolio of policies.
<i>Fractional premium risk</i> The other parties in a fractional policy may not renew the premium leading to the policy lapsing.	The Investment Manager regularly has first refusal in this event and will decide whether a policy is worth retaining or whether it should be allowed to lapse. If it is considered the policy should be retained the Company will pay the premium that remains unpaid by the other party. The Company is under no obligation to pay for a policy which it considers is uneconomic.

Risk

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.

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.

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.

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 has engaged an independent Actuary to perform its own assessment of the value of the portfolio of policies. Valuation differences between the two models are investigated.

The discount rate applied is regularly assessed by the Investment Manager based on available information. Changes in discount rate will only be made once approved by the Board.

The Company has engaged an independent Actuary to perform its own assessment of the value of the portfolio of policies. Valuation differences between the two models are investigated.

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.

Principal Risks continued

Risk	Mitigation
<p><i>Breach of applicable legislative obligations</i></p> <p>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.</p>	<p>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.</p>
<p><i>Counterparty risk</i></p> <p>If an insurance company that has issued a Policy in which the Company invests defaults, the Company may not receive one or more payments owing to it.</p>	<p>Insurance companies are required to separate their operations between General Insurance and Life Insurance, meaning the effect on the assets and the risk on Life Settlement policies would be ring-fenced in the event of significant business difficulties. The HIV policies are protected by a State Guarantee up to USD 150k - USD 200k per policy which covers a significant proportion of these policies. Non-HIV policies tend to be of a higher value than that covered by the State Guarantee and involve some risk, but the insurance industry spreads their risk through re-insurance in many asset backed companies across the world.</p>

Other risks specific to the Company

As described on page 34, 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.

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.

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.

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.

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.

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 Investment Manager, 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.

Achievement of the Investment Objective: There can be no assurance that the Company will be successful in implementing the Investment Objective.

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

Viability Statement and Other Disclosures

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; and
- 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 advances. The Company can utilise policy advances in order for premiums to be maintained active. A policy advance refers in this case to excess cash withdrawn from cash reserves generated at the level of the life insurance contracts. Policy advances are deducted from any proceeds when the maturities are collected.

In the unlikely event that maturities and policy advances 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 18.

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.

In assessing the viability of the Company the Board has fully considered the risks of the current Covid-19 pandemic and the effect any additional maturities may have on insurance companies within the Life Settlement Market. The potential risk to the Company and the mitigation is shown on page 22 under Counterparty risk. The Board has considered the position of the Company in the unlikely event that maturities are not paid out in full. Over the last year the Company has returned cash received from large maturities to Shareholders in the form of dividends, buybacks and a tender offer. It should be noted that such payments are not fixed and are at the Board's discretion based on the cash available at the time.

The Board have concluded that the effect of the current pandemic on the Company's asset valuation and its ability to service those assets through the payment of premiums is likely to be minimal.

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 a 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 27 April 2020 and signed on its behalf by:

Michael Baines

27 April 2020

Governance

Board of Directors

Michael Baines, Chairman

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 re-insurance sectors. He holds a Masters 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.

Christopher Casey, Audit Committee Chairman

Christopher Casey has extensive experience as a non-executive director and audit committee chairman of public companies, in particular investment trusts. His other current appointments include TR European Growth Trust plc, BlackRock North American Income Trust plc, CQS Natural Resources Growth and Income plc, Mobius Investment Trust plc and Eddie Stobart Logistics plc. Christopher's career spans over 40 years and he was previously a partner at KPMG. He graduated from Oxford University in 1977 with a degree in Politics, Philosophy and Economics.

Report of the Directors

The Directors present the Annual Report and financial statements of the Company for the year ended 31 December 2019. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union 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 shares. 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 as at the year end can be found on page 28.

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

Mr Baines, Mr Edelstein, Mr Mathé, Mr Turkmen and Mr Mertz will be subject to re-election at the forthcoming AGM on 17 June 2020. Christopher Casey, being appointed during the year, will also be seeking election at the AGM.

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 Statement on Corporate Governance on pages 33 to 35.

Share Capital

At the year-end there were 39,891,391 A Ordinary Shares of \$0.01 each, 14,596,098 B Ordinary Shares of \$0.01 each, 8,792,561 D Ordinary Shares of \$0.01 each and 1,566,603 E Ordinary Shares of \$0.01 each, none of which are held in Treasury. The buybacks of the Company's shares during the year are shown in note 21 on page 76. All shares are listed on the Specialist Fund Segment of the main market of the London Stock Exchange.

Risks

The principal risks of the Company are shown on pages 20 to 23 and in note 4 on pages 62 to 64.

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. In assessing the Company's ability to continue as a going concern the Board has fully considered the effect of the current pandemic. Further details are shown in the Viability

Report of the Directors continued

Statement on page 24. The Directors believe that it is appropriate to prepare the financial statements on a going concern 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, from its assets, all of its liabilities including annual premiums and its ongoing charges.

Corporate Governance

A Statement on Corporate Governance is provided on pages 33 to 35.

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 8.

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

Details of the dividends paid in the year are shown in Note 27 of the accounts on page 79. No final dividend in respect of the year ending 31 December 2019 is proposed.

Substantial shareholdings

The Directors have been informed of the following notifiable interests in the voting shares of the Company at 31 December 2019:

Notification From	Number of shares	% of voting rights
Tomson Pte Limited	10,089,227	15.56
Metage Capital Limited	6,498,468 (indirect holding)	10.02
Premier Miton Group Plc	3,769,216	5.81

The Company has not been notified of other any changes to the above holdings between 31 December 2019 and the date of this report.

Annual General Meeting

The Company will be holding its AGM on Wednesday 17 June 2020. Full details of the meeting, the resolutions to be proposed and how to vote are set out in the Notice of Meeting on pages 90 to 94. A summary of some of the resolutions being proposed is set out below.

Ordinary Business at the Annual General Meeting *Election and re-election of Directors*

The notice of the meeting includes resolutions to elect or re-elect each of the Company's Directors. Biographies of each Director are shown on page 28 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 or re-election.

Appointment of Auditors

Resolution 9 proposes the appointment of BDO LLP as the Company's External Auditor for the forthcoming year and the authority proposed under Resolution 10 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 11 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 12 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 13 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 each class of 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 purchased.

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 2021.

Class meetings

The Company will also hold class meetings to approve the items of Special Business (Resolutions 11, 12 and 13) to be considered at the AGM.

Circular for General and Class Meetings

On 2 April 2020, the Company issued a Circular convening a General Meeting and Class Meetings for class A, D and E shares. The Meetings will be held on 28 April 2020 to seek Shareholder approval to merge share classes D and E into A. If approved, the Company's share structure will consist of Class A shares and Class B shares. If the resolution is not approved, then the Company will merge Class D shares and Class E shares.

The Resolutions proposed at the Company's AGM will reflect the outcome of the General Meeting and Class Meetings will be withdrawn where appropriate.

Proxy voting

Forms of Proxy do not accompany this document. Instead, Shareholders are prompted to vote online at www.signalshares.com or through CREST. Whether or not you intend to attend any of the Shareholder Meetings, you are urged to complete and return the relevant proxy vote so as to be received by Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but, in any event, so as to arrive not less than 48 hours (excluding non-Business Days) before the time appointed for the General Meeting or the relevant Class Meeting, as applicable (or any adjournment thereof, as the case may be).

Covid-19 and Shareholder Meetings

The Board is closely monitoring the impact of Covid-19 and it is currently the intention of the Company to hold the Shareholder Meetings as planned. However, in light of the guidance issued by the UK government on 23 March 2020 restricting

Report of the Directors continued

travel and public gatherings of more than two people, Shareholders are prohibited from attending the Shareholder Meetings in person. Instead, Shareholders are requested to return a proxy vote (described above) as early as possible – if you appoint the Chairman of the Shareholder Meetings as your proxy, this will ensure your votes are cast in accordance with your wishes and avoids the need for another person to attend as a proxy in your place. If Shareholders have any questions that they would like to raise at the Shareholder Meetings, these should be submitted in advance to the following email address: lsa@iscaadmin.co.uk.

In light of the potential for the coronavirus situation in the United Kingdom to change rapidly, you should continue to monitor and act in accordance with guidance issued by the UK government and relevant health authorities. You should also continue to monitor the Company's website and announcements for any updates in relation to the meeting arrangements that may need to be provided. If the Board believes that it becomes necessary or appropriate to make alternative arrangements for the holding of the Shareholder Meetings due to Covid-19, we will ensure that Shareholders are given as much notice as possible. Further information will be made available through <https://www.lsaplc.com/investor-relations/reports-company-literature/>.

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 Company's capital structure and voting rights are summarised on pages 76 and 77.
- Details of the substantial shareholders in the Company are listed on page 30.

- 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, BDO LLP, has indicated its willingness to act as the Company's External Auditor and Resolutions 9 and 10 proposing its 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

Michael Baines

27 April 2020

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 Company'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 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.

	Board meetings	Audit committee meetings
Michael Baines	7/8	3/3
Christopher Casey (appointed 11 December 2019)	0/0	0/0
Robert Edelstein	7/8	n/a
Franck Mathé	7/8	n/a
Yves Metz	8/8	3/3
Guner Turkman	8/8	n/a
Jean Medernach (resigned 1 October 2019)	6/6	3/3

Statement on Corporate Governance continued

Performance Evaluations

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

As part of the Board evaluation discussions, each of the Directors assessed the overall time commitment of their external appointments and it was concluded that all Directors have sufficient time to discharge their duties. This conclusion was reached on the basis that most external appointments, are non-executive roles which are far less time-consuming than full-time executive positions in a trading company.

In addition to being a non-executive Director of LSA and as set out on page 28, Mr Casey is a non-executive director of four other investment trusts as well as Eddie Stobart Logistics plc, which is a cash shell under AIM Rule 15. Investment trusts generally only require time for quarterly board meetings, committee meetings which usually take place on the same day as board meetings and for reviewing documents such as Board papers, annual and half yearly reports. Since his appointment, Mr Casey has made himself available for all meetings of the Company and, in his capacity of Audit Committee Chairman, has also held several meetings and conference calls with the Company's auditors. In between scheduled meetings and calls, he also makes himself available to the Managers and the Company Secretary as and when his expertise and opinion are required.

The Board will undertake in 2020 a full 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 and accounting duties are performed by Compagnie Européenne de Révision Sàrl.
- Company secretarial duties are performed by an external Company Secretary. On 1 December 2019, ISCA Administration Services Limited was appointed as the Company Secretary.
- 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 page 42. The responsibilities of the independent auditor are set out on pages 43 to 49. The Directors' Report states that the Company is a going concern and confirmation of the Directors consideration on viability is on page 24.

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, which is the general partner of a fund having a significant investment in the D shares and E shares of the Company, during the year. These shares were sold in December 2019.

Audit Committee Report

The Audit Committee was chaired by Michael Baines until 11 December 2019, when Christopher Casey was appointed as a Director and as chairman of the Audit Committee. Until he stepped down as a Director on 27 September 2019, Jean Medernach was member of the Audit Committee. Robert Edelstein was appointed to the committee on 11 December 2019. Yves Metz was a member of the committee throughout the year

At the year end and at the date of this report, the committee comprised of Christopher Casey (chairman), Michael Baines, Robert Edelstein and Yves Mertz. 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 Company'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 Company;
- to consider the valuation process of the life settlement assets;
- to make recommendations to the Board in relation to the appointment of the Auditor, the terms of their engagement and remuneration;
- to review and monitor the Auditor's independence and objectivity and the effectiveness of the audit process; and
- to review the cyber security of the Company and its service providers.

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 Company 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.

During the year Grant Thornton LLP communicated to the Company that due to a change in partners and personnel it was unable to undertake the audit of the Company's accounts. Led by the Audit Committee, a number of audit firms were approached and assessed for their suitability to undertake the audit. BDO LLP were appointed by the Board based on their experience in the sector, their objectivity and independence.

BDO LLP do not provide any non-audit services to the Company.

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 BDO LLP can fulfill 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.

Christopher Casey

Audit Committee Chairman

27 April 2020

Directors' Remuneration Report

The Board presents the Directors' remuneration report for the year ending 31 December 2019. An Ordinary resolution for the approval of this report 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 approved at the AGM on 13 June 2019. A separate resolution to adopt the Remuneration report was advisory only and not

binding on the Company. The votes cast at the 2019 AGM on the advisory resolution were:

	Number of votes	% of votes cast
For	35,351,444	100.0
Against	–	0.0
At Chairman's discretion	–	0.0
Total votes cast	35,351,444	100.0
Number of votes withheld	–	0.0

Following Shareholder approval the remuneration policy, set out in the following policy table below, is binding and effective from 13 June 2019. 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. Travel and other expenses may be considered as taxable benefits for Directors. Where applicable, the associated tax liability will be settled by the Company.
Purpose and link to strategy	Directors' fees are set to: 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; reflect the time spent by the Directors on the Company's affairs; reflect the responsibilities borne by the Directors; and recognise the more onerous roles of the Chairman of the Board and the Chairman of the Audit Committee through the payment of higher fees.
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: the average rate of inflation during the period since the last fee increase; the level of Directors' remuneration for other investment trusts of a similar size; and the complexity of the Directors' responsibilities.
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.

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 2020 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:

Director	Year ended 31 December 2019			Period ended 31 December 2018		
	Basic Fees USD '000	Non- recurring Fees* USD '000	Total USD '000	Basic Fees USD '000	Non- recurring Fees* USD '000	Total USD '000
Michael Baines	45	–	45	38	6	44
Christopher Casey (appointed 11 December 2019)	–	–	–	–	–	–
Robert Edelstein	10	–	10	10	–	10
Frank Mathé	10	–	10	10	–	10
Yves Mertz	15	–	15	15	–	15
Guner Turkmen	10	–	10	10	–	10
Jean Medernach (resigned 1 October 2019)	49	64	113	57	29	86
Total	139	64	203	140	35	175

* The non-recurring fees totalling USD 64,000 (2018: USD 35,000) related to additional work undertaken by Jean Medernach (2018: Jean Medernach and Michael Baines).

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 124,000 (2018: USD 125,000) of which USD 50,000 (2018: USD 50,000) is non-recurring) was paid as a trustee fee to Robert Edelstein.

In total USD 139,000 (2018: USD 69,000) 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 2020 are expected to be:

- Michael Baines, Chairman – £50,000
- Christopher Casey, Audit Committee Chairman – £40,000
- 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.

Directors' Remuneration Report continued

Relative importance of spend on remuneration

The following table shows the proportion of the Company's income spent on remuneration during the year ended 31 December 2019.

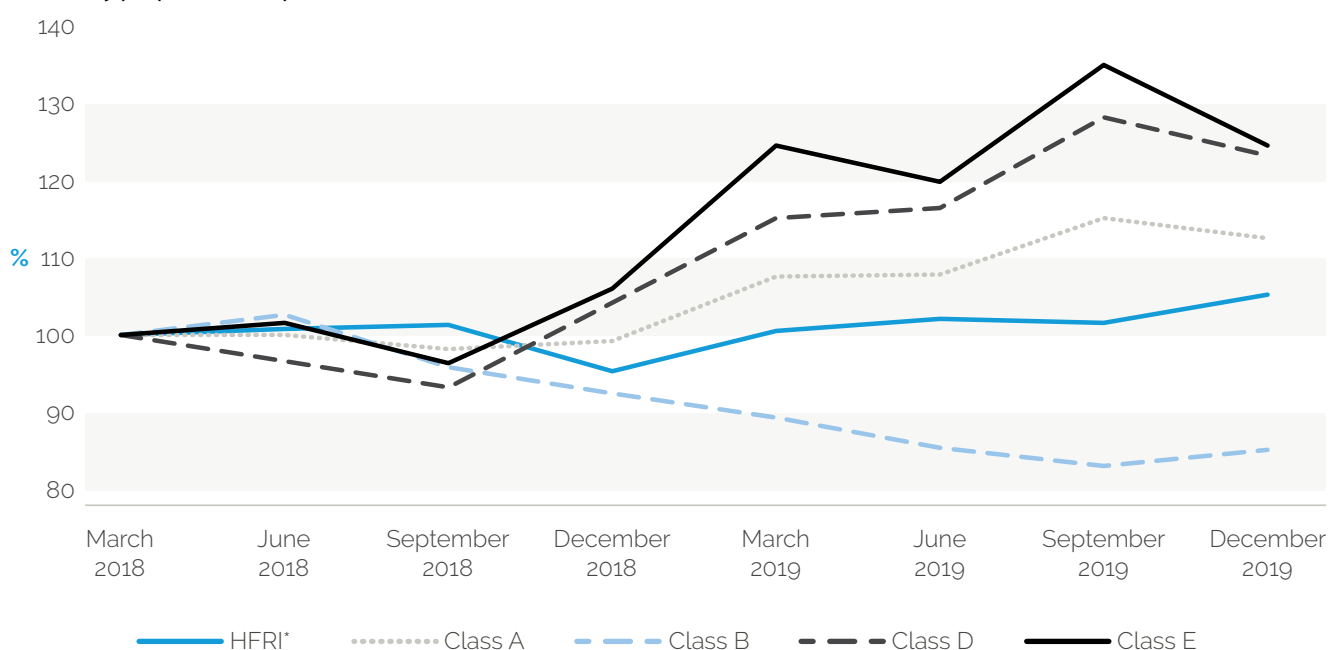
	2019 USD '000	2018 USD '000	% change
Directors' remuneration paid	203	175	16.0
Dividends paid (note 27)	14,500	–	100.0
Tender offer and share buy backs	11,055	–	100.0

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

Quarterly performance of Share Classes vs. HFRI Index



* 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. As an index that is not correlated to any specific market, the Board considers that this is the most appropriate index on which to compare the Company's performance.

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.

Director	31 December 2019	31 December 2018
Michael Baines*	75,000	–
Christopher Casey	–	–
Robert Edelstein	–	–
Frank Mathé	–	–
Yves Mertz	–	–
Guner Turkmen	–	–

* Class B Shares.

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 27 April 2020.

For and on behalf of the Board

Michael Baines

Chairman

27 April 2020

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 that law the Directors are required to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Directors' Report, a Strategic Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

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 financial statements comply with the Companies Act 2006 and, as regards the financial statements, Article 4 of the IAS Regulation. 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. The Directors are responsible for ensuring that the Annual Report and accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit of the Company.
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that they face.

Michael Baines
Chairman

27 April 2020

Independent Auditor's Report to the Members of Life Settlement Assets PLC

Opinion

We have audited the financial statements of Life Settlement Assets PLC (the 'Company') for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the 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 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 Company's affairs as at 31 December 2019 and of the Company's profit for the year then ended;
- 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; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Company financial statements, Article 4 of the IAS Regulation.

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 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 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.

Independent Auditor's Report to the Members of Life Settlement Assets PLC continued

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, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
<p>Valuation, existence and ownership of investments (Notes 3.3 and 14 to the financial statements)</p> <p>The life settlement portfolio at year-end comprised of 'level 3' (unobservable inputs) financial assets held at fair value through profit or loss as their performance is evaluated on a fair value basis valued at \$78.0m.</p> <p>We considered the valuation, existence and ownership of investments to be the key audit matters as investments represent the most significant balance in the financial statements and underpin the principal activity of the Company.</p> <p>The valuations are complex due to the estimation and judgement involved in their valuation. 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>The Investment Manager's fee payable by the Trusts is based on the audited NAV of each share class. The Investment Manager is ultimately responsible for the valuation of investments throughout the period which are reviewed and approved by the Board. At year-end, Management's actuarial expert (Lewis and Ellis) provides the valuation of the Life Settlement Portfolio, which is the valuation used in the financial statements after approval by the Board.</p> <p>Notwithstanding this, due to the estimation and judgement, there is a potential risk of misstatement in the investment valuations.</p> <p>There is also a risk that investments recorded might not exist or that fractional or whole policies are not owned by the Company.</p>	<p>We responded to this matter by performing the following procedures:</p> <ul style="list-style-type: none"> Involved our own auditor's expert actuary to review the inputs and mechanics of the Management's expert's valuations model and challenged their assumptions. We assessed conclusions reached by the Investment Manager and management's actuarial expert To ensure completeness of the list of policies used in the valuation models we reconciled the data set from the servicing agents to the valuation model and the general ledger. To verify the accuracy of the data and confirm the ownership of the policies within the valuation models we obtained a sample of policy documents from the servicing agents and agreed the underlying details to the models. Tested a sample of acquisitions and proceeds from matured policies during the year by agreeing to source documentation and bank accounts respectively. <p>Key observations:</p> <p>Based on our procedures performed we did not identify any exceptions with regards to valuation, existence or ownership of investments as well as the corresponding disclosures.</p>

Key Audit Matter

Revenue recognition

(Notes 5, 6 and 7 to the financial statements)

Income arises predominantly from the life settlement portfolios and can be unpredictable, but is often a key factor in demonstrating the performance of the portfolio. There is a risk that accrued income is not recoverable and that the classification of income between revenue and capital is not appropriate. Therefore, revenue recognition is regarded as a key audit matter.

How the matter was addressed in the audit

We responded to this matter by performing the following procedures:

- Assessed whether the Company's accounting policies for revenue recognition is 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 reviewed for its consistent application on revenue recognition during the year
- Tested a sample of maturities by tracing to policy custodian's Net Death Benefit report, agreeing the net amount to bank.
- Obtained a sample of confirmations from the servicing agents confirming the value of maturities and the existence of death certificates for fractional policies
- Tested a sample of the last 5 policies that matured in 2019 and first 5 policies maturing in 2020 to check that revenue had been recorded in the correct period. For the policies maturing in 2019, we agreed the death benefit received to bank and to the Portfolio Revenue Report held by Administrator (Cerlux). For policies realised in 2020, we have agreed the death benefit to the valuation summary from Lewis & Ellis, ensuring it was held as unrealised investment as at 31 December 2019. We also agreed post year end receipt to bank
- Under certain policies, the Company are beneficiary of additional interest and dividends agreed in the original Asset Purchase Agreement "APA". For a sample of these, we have agreed the amount back to policy custodian's Net Death Benefit report, agreeing the net amount to bank. Reviewed the classification of income between revenue and capital in accordance with the accounting policy

Key observations:

Based on our procedures performed we did not identify any exceptions with regards to revenue recognition.

Independent Auditor's Report to the Members of Life Settlement Assets PLC continued

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. The application of these key considerations gives rise to three levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (\$)
Financial statement materiality. (2% of total life settlement investments less maturities receivable)	Assessing whether the financial statements as a whole present a true and fair view.	<ul style="list-style-type: none"> The level of judgement inherent in the valuation The range of reasonable alternative valuations 	1,560,000
Performance materiality. (75% of materiality)	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	<ul style="list-style-type: none"> Financial statement materiality Risk and control environment 	1,170,000
Specific materiality – classes of transactions and balances which impact on net realised returns. (10% of gross expenditure, which includes Investment management fees and other expenses)	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	<ul style="list-style-type: none"> Gross expenditure 	1,230,000 Specific Performance Materiality 920,000 (75% of specific materiality)

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of \$30,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the Company's activities, and the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit to detect irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, industry practice represented by the AIC SORP and International Financial Reporting Standards (IFRSs) as adopted by the European Union. We also considered the Company's qualification as an Investment Trust under UK tax legislation.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We considered compliance with this framework through discussions with the Audit Committee and performed audit procedures on these areas as considered necessary. Our procedures involved enquiries with Management, review of the reporting to the Directors with respect to compliance with laws and regulation, review of board meeting minutes and review of legal correspondence.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of minutes of board meetings throughout the period; and
- considering the effectiveness of the control environment in monitoring compliance with laws and regulations

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

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.

Independent Auditor's Report to the Members of Life Settlement Assets PLC continued

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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 by exception

In the light of the knowledge and understanding of the 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.

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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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

As explained more fully in the Directors' Responsibilities Statement, 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 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 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.

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. This description forms part of our Auditor's Report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed on 21 November 2019 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the 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.

Vanessa-Jayne Bradley (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London, UK

27 April 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial Statements

Statement of Comprehensive Income

for the year ended 31 December 2019

		2019			2018*		
	Notes	Revenue USD '000	Capital USD '000	Total USD '000	Revenue USD '000	Capital USD '000	Total USD '000
Income							
Income from life settlement portfolios	5	868	–	868	566	–	566
Gains from life settlement portfolios	6	–	23,381	23,381	–	1,339	1,339
Other income	7	941	–	941	133	–	133
Net foreign exchange loss		(17)	–	(17)	(27)	–	(27)
Total income		1,792	23,381	25,173	672	1,339	2,011
Operating expenses							
Investment management fees	8	(1,852)	(3,285)	(5,137)	(2,101)	75	(2,026)
Other expenses	9	(5,994)	–	(5,994)	(4,776)	–	(4,776)
(Loss)/profit before finance costs and taxation		(6,054)	20,096	14,042	(6,205)	1,414	(4,791)
Finance costs							
Interest payable	10	(1,201)	–	(1,201)	(1,296)	–	(1,296)
(Loss)/profit before taxation		(7,255)	20,096	12,841	(7,501)	1,414	(6,087)
Taxation	11	(130)	–	(130)	–	–	–
(Loss)/profit for the year		(7,385)	20,096	12,711	(7,501)	1,414	(6,087)
Basic and diluted returns per share							
Return per class A share USD	12	(0.135)	0.369	0.234	(0.125)	0.041	(0.084)
Return per class B share USD	12	(0.036)	(0.052)	(0.088)	(0.045)	(0.123)	(0.168)
Return per class D share USD	12	(0.069)	0.313	0.244	(0.073)	0.065	(0.008)
Return per class E share USD	12	(0.271)	1.328	1.057	(0.270)	0.414	0.144

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

The Company does not have any income or expense that is not included in the profit for the year and therefore the profit 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 Company. 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 October 2019.

* For the period 16 August 2017 to 31 December 2018.

The notes on pages 56 to 79 form part of these financial statements.

Statement of Financial Position

as at 31 December 2019

	Notes	2019 USD '000	2018 USD '000
Non-current assets			
Financial assets at fair value through profit or loss			
– Life settlement investments	13,14	78,041	89,813
– Shares in subsidiary	20	–	25,232
Current assets		78,041	115,045
Maturities receivable	15	3,867	17,797
Trade and other receivables		697	940
Premiums paid in advance	16	9,231	13,328
Cash and cash equivalents	17	28,992	10,587
		42,787	42,652
Total assets		120,828	157,697
Current liabilities			
Other payables	18	(981)	(2,015)
Provision for performance fees	19	(5,054)	(2,813)
Liabilities to subsidiary	20	–	(25,232)
Total liabilities		(6,035)	(30,060)
Net assets		114,793	127,637
Represented by			
Capital and reserves			
Share capital	21	648	711
Share premium	21	–	133,013
Special reserve		107,458	–
Capital redemption reserve		63	–
Capital reserve		21,510	1,414
Revenue reserve		(14,886)	(7,501)
Total equity attributable to ordinary shareholders of the Company	4.2	114,793	127,637
Net Asset Value per share basic and diluted			
Class A shares USD	23	2.234	2.017
Class B shares USD	23	1.018	1.107
Class D shares USD	23	0.831	1.247
Class E shares USD	23	2.242	4.758

These financial statements were approved by the Board of Directors on 27 April 2020 and signed on its behalf by:

Michael Baines, Chairman

Registered in England and Wales with Company Registration number: 10918785

The notes on pages 56 to 79 form part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2019

	Share capital USD '000	Share premium USD '000	Special reserve USD '000	Capital redemption reserve USD '000	Capital reserve USD '000	Revenue reserve USD '000	Total USD '000
Balance as at 31 December 2018	711	133,013	–	–	1,414	(7,501)	127,637
Comprehensive income for the year	–	–	–	–	20,096	(7,385)	12,711
Contributions by and distributions to owners							
Cancellation of Share premium account	–	(133,013)	133,013	–	–	–	–
Tender offer July 2019	(56)	–	(10,050)	56	–	–	(10,050)
Share buybacks for cancellation	(7)	–	(1,005)	7	–	–	(1,005)
Dividends paid in year	–	–	(14,500)	–	–	–	(14,500)
Balance as at 31 December 2019	648	–	107,458	63	21,510	(14,886)	114,793
Of which:							
– Realised gains					17,619		
– Unrealised gains					3,891		

	Share capital USD '000	Share premium USD '000	Special reserve USD '000	Capital redemption reserve USD '000	Capital reserve USD '000	Revenue reserve USD '000	Total USD '000
Balance as at 16 August 2017	–	–	–	–	–	–	–
Comprehensive income for the period	–	–	–	–	1,414	(7,501)	(6,087)
Contributions by and distributions to owners							
Shares issued on incorporation	67	–	–	–	–	–	67
Additional Shares issued on 26 March 2018	711	133,013	–	–	–	–	133,724
Redemption of redeemable shares	(67)	–	–	–	–	–	(67)
Balance as at 31 December 2018	711	133,013	–	–	1,414	(7,501)	127,637
Of which:							
– Realised (loss)					(1,248)		
– Unrealised gains					2,662		

The Special reserve was created as a result of the cancellation of the Share premium account following a court order issued on 18 June 2019. The Special reserve is distributable and may be used to fund purchases of the Company's own shares and to make distributions to Shareholders.

The revenue and realised capital reserves are also distributable reserves.

The notes on pages 56 to 79 form part of these financial statements.

Cash Flow Statement

for the year ended 31 December 2019

	Notes	2019 USD '000	2018* USD '000
Cash flow used in operating activities			
Profit/(loss) for the year		12,711	(6,087)
Non-cash adjustment			
– movement on portfolios		15,989	8,700
– value adjustment on shares in subsidiary		(360)	(5)
Investment in life settlement portfolios	14	(1,167)	(1,272)
Movements in "policy advances"	14	(3,050)	(233)
Changes in operating assets and liabilities			
Changes in maturities receivables		13,930	(3,927)
Changes in trade and other receivables		243	(363)
Changes in premiums paid in advance		4,097	561
Changes in other payables		(1,034)	(5,625)
Changes in performance fee provision		2,241	–
Changes in liabilities to subsidiary		360	5
Net cash inflows/(outflows) from/used in operating activities		43,960	(8,246)
Cash inflows from investing activities			
Cash acquired from Predecessor Company	2.1	–	18,833
Net cash inflows from investing activities		–	18,833
Cash flow used in financing activities			
Dividends paid	27	(14,500)	–
Tender offer and share buybacks for cancellation		(11,055)	–
Net cash flows used in financing activities		(25,555)	–
Net changes in cash and cash equivalents		18,405	10,587
Cash balance at the beginning of the year		10,587	–
Cash balance at the end of the year		28,992	10,587

Included in cash flow used in operating activities is interest paid, USD 1,201,000 (2018: USD 1,296,000); dividends and interest received, USD 887,000 (2018: USD 581,000).

* For the period 16 August 2017 to 31 December 2018.

The notes on pages 56 to 79 form part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2019

1. GENERAL INFORMATION

Life Settlement Assets PLC ("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 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 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 October 2019, except to the extent that it conflicts with IFRS.

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 cost 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 pages 29 and 30. 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 on page 24. The Company's wholly owned subsidiary was put into liquidation on 18 December 2017 and this process was completed in May 2019. It did not have any active operations and, therefore, the Company has elected not to prepare consolidated financial statements for the year ended 31 December 2019 and the comparative information for December 2018 shows the standalone Company financial statements.

The comparative 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 133,724,000 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 18,833,000.

The significant accounting policies that have been applied in the preparation of these 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 Company

The following new standard has been published but is not effective for the Company's accounting period beginning on 1 January 2019. The Directors do not expect the adoption of the following new standards, amended standard or interpretation to have a significant impact on the financial statements of the Company in future periods.

IFRS 17 "Insurance contracts" applies to insurance contracts, including re-insurance contracts issued by an entity; re-insurance 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 2023. As IFRS 17 is not relevant to the life settlement market, it is expected that IFRS 17 will have no impact on the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Foreign currency translation

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

Foreign currency transactions are translated into the functional currency of the Company, 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.

Notes to the Financial Statements^{continued}

3. SIGNIFICANT ACCOUNTING POLICIES^{continued}

3.2. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting used by the Company's management. The Company'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 Company's management makes the strategic resource allocations on behalf of the Company. The Company's management has identified that the insurance portfolios or portfolio rights acquired can all be classified as life settlement activities all of which are located in the United States of America. As such, there is a single operating segment.

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

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

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

3.3. 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 Company 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 Company 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 deducted from the proceeds in calculating the gains from the policy. Cash advanced 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 recognised in profit or loss and allocated to capital.

3.4. Policy advances

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 advances on each individual policy from the insurance company. The Trusts can pay back these "policy advances" in whole or in part at any time before the death of the insured. The interest due on the advance accrues on the cash advance and after the death of the insured, the outstanding 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 advance is paid to the Trust as the owner of the policy. In practice, the advances work as an accelerated death benefit on the policy and its impact is fully accounted for in the policy valuation.

3. SIGNIFICANT ACCOUNTING POLICIES continued

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

Please refer to note 14 for the gross amounts of policy advances 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.

3.5. Financial instruments

Financial assets and financial liabilities are recognised when the Company 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.

Financial assets held at fair value through profit or loss

The life settlement investments 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 Company'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.

3.6. 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.

Notes to the Financial Statements^{continued}

3. SIGNIFICANT ACCOUNTING POLICIES^{continued}

3.7. 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 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 Company's assets and liabilities and their carrying amounts in the 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 liquidated, the Company has not accounted for any deferred tax on its losses.

3.8. 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 redemption reserve represents the nominal value of shares purchased and cancelled.

The Special reserve was created as a result of the cancellation of the Share premium account following a court order issued on 18 June 2019. The Special reserve is distributable and may be used to fund purchases of the Company's own shares and to make distributions to Shareholders.

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

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

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

3.9. Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Company 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.

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. SIGNIFICANT ACCOUNTING POLICIES *continued*

3.10. Income and expense recognition

3.10.1. 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 represents the overall net gain and derives from the maturity or the sale of insurance policies less their original 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).

3.10.2. 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 in determining the net gains/(losses) from life settlement policies. The remaining amount is shown as premiums paid in advance on the balance sheet.

3.10.3. Interest income

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

3.11. 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.

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.

3.12. 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.

Notes to the Financial Statements^{continued}

4. FINANCIAL RISK MANAGEMENT

4.1. Financial risk factors

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Company's financial performance. Risk management is carried out by the Board of Directors. Note 14.3 on pages 71 to 74 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 Company 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 Company 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 Company's assets.

The Company has no significant interest-bearing assets. The Company pays interest on so called "policy advances" (Note 3.4). 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 Company's financial situation. Therefore the Company'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 Company 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.

Credit Risk

The primary credit risk faced by the Company relates to solvency of the insurance companies that underwrite the insurance policies, which are the main assets of the Company. 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:

	31 December 2019 USD '000	31 December 2018 USD '000
Life settlement portfolio	78,041	89,813
Accrued income and other debtors	13,795	32,065
Cash and cash equivalents	28,992	10,587
	120,828	132,465

The maximum credit exposure represents the carrying amount. There is no material impairment of financial assets carried at amortised cost.

4. FINANCIAL RISK MANAGEMENT continued

Liquidity risk

Prudent liquidity risk management requires the Company to maintain sufficient cash for the Company'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 Company'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 Company 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.

Risks associated with actuarial assumptions

Mortality tables are used in the valuation processes of the Company 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 Company's operations and the Net Asset Value of the Shares.

Individuals may live longer than expected by the Company when the respective policies were purchased. In this case, the value of the policy decreases. The Company 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 Company, which may have an adverse effect on the return per share.

The Company 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 Company will depend on life expectancy estimate of doctors, disease specific medical mortality models or actuaries. From time to time, the Company 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 20 to 23.

Notes to the Financial Statements continued

4. FINANCIAL RISK MANAGEMENT continued

4.2. Capital risk management

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

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

The Company's capital at 31 December 2019 comprises:

	31 December 2019 USD '000	31 December 2018 USD '000
Share capital	648	711
Share premium	–	133,013
Special reserve	107,458	–
Capital redemption reserve	63	–
Capital reserve	21,510	1,414
Revenue reserve	(14,886)	(7,501)
	114,793	127,637

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 Company 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.

5. INCOME FROM LIFE SETTLEMENT PORTFOLIOS

	31 December 2019 USD '000	31 December 2018 USD '000
Dividends	339	341
Interest	529	225
	868	566

A number of the policies in which the Company invests have an embedded entitlement to dividends and interest as shown above.

6. GAINS FROM LIFE SETTLEMENT PORTFOLIOS

	31 December 2019 USD '000	31 December 2018 USD '000
Realised gains:		
Maturities	58,725	33,371
Acquisition cost of maturities and fair value movement	(17,218)	(11,362)
Sub total	41,507	22,009
Incurred premiums	(19,355)	(23,332)
Unrealised gains:		
Fair value adjustments	1,229	2,662
	23,381	1,339

6. GAINS FROM LIFE SETTLEMENT PORTFOLIOS continued

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 9,231,000 (2018: USD 13,328,000) as at 31 December 2019.

7. OTHER INCOME

Other income comprises:

	31 December 2019 USD '000	31 December 2018 USD '000
Other operating income	923	118
Interest income	18	15
	<u>941</u>	<u>133</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.

8. MANAGEMENT FEES AND PERFORMANCE FEES

	31 December 2019 USD '000	31 December 2018 USD '000
Acheron Capital management fees	1,852	2,101
Performance fees	3,285	(75)
	<u>5,137</u>	<u>2,026</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 year amounted to USD 1,852,000 (2018: USD 2,101,000).

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 2019), 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 2,813,000 (2018: USD 2,888,000) assumed from the Predecessor Company. That amount has been increased by USD 3,285,000 in relation to the performance of the portfolio for the year ended 31 December 2019 and reduced by the performance fee paid of USD 1,044,000.

Notes to the Financial Statements continued

9. OTHER EXPENSES

	31 December 2019 USD '000	31 December 2018 USD '000
Policies servicing fees (including trustees fees)	2,660	2,499
Audit fees payable to the Company's auditor	119	114
Other non-audit services paid to the Company's previous auditor	38	107
Legal and financial advisors fees	1,477	1,281
Administration management	360	125
Accounting fees and NAV calculation	225	254
Actuarial fees	112	63
Directors' fees*	203	175
Directors liability insurance	41	65
Travelling expenses	139	69
Rent building	–	5
Other expenses	82	58
Effects of VAT, reversal of provisions and foreign exchange differences	538	(39)
	5,994	4,776

* Details of the Directors' fees are disclosed in the Directors' Remuneration Report on pages 38 to 41. An amount of USD 45,000 (2018: USD 57,000) remains payable at 31 December 2019.

Details of Directors who are key management personnel are given on page 28.

10. INTEREST EXPENSES

Interest expenses amount to USD 1,201,000 (2018: USD 1,296,000) and includes interest on "policy advances" of USD 1,168,000 (2018: USD 1,258,000) (Notes 14 and 22).

11. TAXATION

	31 December 2019 USD '000	31 December 2018 USD '000
Profit/(loss) before taxation	12,841	(6,087)
Theoretical tax at UK Corporation Tax rate of 19% (2018: 19%)	2,440	(1,157)
Effects of:		
Non-taxable capital gain	(4,442)	(254)
Non-taxable income	(340)	(108)
US withholding tax suffered	130	–
Excess management expenses and tax losses carried forward	2,342	1,519
Actual tax charge	130	–

As at 31 December 2019, the Company has tax losses and excess management expenses of USD 19,006,000 (2018: USD 6,680,000) 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 utilised.

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

11. TAXATION continued

The Company suffers US withholding tax on income received from dividends and interest.

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 on a recognised stock exchange. The Board believes that in the year ended 31 December 2019 the Company fulfilled this requirement.

12. RETURN PER SHARE

Basic and diluted earnings per share is total earnings after taxation divided by the weighted average number of shares in issue during the year. 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 (loss)/profit per share is given for each Share Class.

2019	Class A	Class B	Class D	Class E
Earnings per share:				
Revenue return (USD '000)	(5,768)	(531)	(632)	(454)
Capital return (USD '000)	15,778	(755)	2,852	2,221
Total Return (USD '000)	10,010	(1,286)	2,220	1,767
Weighted average number of shares the year	42,691,999	14,596,098	9,106,812	1,672,113
Income return per share (USD)	(0.135)	(0.036)	(0.069)	(0.271)
Capital return per share (USD)	0.369	(0.052)	0.313	1.328
Basic and diluted total earnings per share (USD)	0.234	(0.088)	0.244	1.057

2018	Class A	Class B	Class D	Class E
Earnings per share:				
Revenue return (USD '000)	(5,700)	(658)	(674)	(469)
Capital return (USD '000)	1,889	(1,797)	604	718
Total Return (USD '000)	(3,811)	(2,455)	(70)	249
Weighted average number of shares the year	45,446,946	14,596,098	9,292,561	1,733,269
Income return per share (USD)	(0.125)	(0.045)	(0.073)	(0.270)
Capital return per share (USD)	0.041	(0.123)	0.065	0.414
Basic and diluted total earnings per share (USD)	(0.084)	(0.168)	(0.008)	0.144

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.

Notes to the Financial Statements continued

13. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE continued

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 78,041,000 (2018: USD 89,813,000) are classified as level 3. At the year end, these portfolios were valued by the external actuaries using an actuarial model as discussed in note 14.

14. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS: LIFE SETTLEMENT PORTFOLIOS

	31 December 2019 USD '000	31 December 2018 USD '000
Movements of the year are as follows:		
Opening valuation (2018: acquired from the Predecessor Company)	89,813	97,008
Acquisitions during the year	1,167	1,272
Proceeds from matured policies	(58,725)	(33,371)
Net realised gains on policies	41,507	22,009
Movements in cash from policy loans	3,050	233
Movements in unrealised valuation	1,229	2,662
Closing valuation	78,041	89,813
Detail at year end		
Acquisition value	93,364	109,415
Unrealised capital gains	3,891	2,662
Policy advances	(19,214)	(22,264)
Closing valuation	78,041	89,813

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

	Class A USD '000	Class B USD '000	Class D USD '000	Class E USD '000	Total USD '000
Elderly life insurance					
(non HIV) portfolio	15,751	10,739	4,527	1,841	32,858
HIV portfolio	42,380	–	1,916	887	45,183
Balance as at 31 December 2019	58,131	10,739	6,443	2,728	78,041

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

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

14. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS: LIFE SETTLEMENT PORTFOLIOS continued

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 sets its model such as the Actual to Expected of the portfolio from 2010 to 2019 is 98% for the Life Settlement and 102% for HIV from 2012 to 2019 (110% from 2010 to 2019).

L&E report an actual to expect of 95% for Life Settlement and 83% for HIV in 2019 for all classes.

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.

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.

14. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS: LIFE SETTLEMENT PORTFOLIOS^{continued}

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 which L&E has determined by observing the upper band of the premium increases on non-fixed policies (whole life) over a prolonged period of time.

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%, updated to 12% to reflect the changing nature of the portfolio from July 2019, is used for the HIV/AIDS portfolios. 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 eight 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;
- 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, 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. 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 has been used, which is consistent with past valuations, and 12% for HIV with effect from July 2019. 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, a discount rate of 12% has been used 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. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS: LIFE SETTLEMENT PORTFOLIOS *continued*

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

Discount rate – non HIV portfolio	10%	11%	12%	13%
Value of portfolio (USD)	16,799,000	16,254,000	15,751,000	15,283,000
% of total face amount	22.2%	21.5%	20.9%	20.2%

Discount rate – HIV portfolio	10%	11%	12%	13%
Value of portfolio (USD)	47,088,000	44,568,000	42,380,000	40,470,000
% of total face amount	12.5%	11.8%	11.8%	10.7%

a.2) Premium assumption sensitivity

Value based on 12% discount rate – non HIV portfolio	Annual premium increase at	
	8%	9%
Value of portfolio (USD)	15,751,000	15,564,000
% of total face amount	20.9%	20.6%

Value based on 12% discount rate – HIV portfolio	Annual premium increase at	
	8%	9%
Value of portfolio (USD)	42,380,000	41,518,000
% of total face amount	11.8%	11.0%

a.3) Mortality sensitivity

Value based on 12% discount rate – non HIV portfolio	USD	% of face amount
Value of portfolio as reported	15,751,000	20.9%
Value at 90% of current mortality assumption*	12,803,000	16.9%
Value at 80% of current mortality assumption	9,895,000	13.1%

Value based on 12% discount rate – HIV portfolio	USD	% of face amount
Value of portfolio as reported	42,380,000	11.8%
Value at 90% of current mortality assumption	37,892,000	10.1%
Value at 80% of current mortality assumption	32,768,000	8.7%

* Assumption that mortality is only 90% of expected mortality.

Notes to the Financial Statements continued

14. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS: LIFE SETTLEMENT PORTFOLIOS continued

b) Class B

b.1) Discount rate sensitivity

Discount rate – non HIV portfolio	10%	11%	12%	13%
Value of portfolio (USD)	11,495,000	11,105,000	10,739,000	10,395,000
% of total face amount	25.3%	24.4%	23.6%	22.8%

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

b.2) Premium assumption sensitivity

Value based on 12% discount rate – non HIV portfolio	Annual premium increase at 8%	9%
Value of portfolio (USD)	10,739,000	10,688,000
% of total face amount	23.6%	23.4%

b.3) Mortality sensitivity

Value based on 12% discount rate – non HIV portfolio	USD	% of face amount
Value of portfolio as reported	10,739,000	23.6%
Value at 90% of current mortality assumption	8,958,000	19.7%
Value at 80% of current mortality assumption	7,103,000	15.6%

c) Class D

c.1) Discount rate sensitivity

Discount rate – non HIV portfolio	10%	11%	12%	13%
Value of portfolio (USD)	4,799,000	4,659,000	4,527,000	4,404,000
% of total face amount	29.4%	28.6%	27.8%	27.0%

Discount rate – HIV portfolio	10%	11%	12%	13%
Value of portfolio (USD)	2,295,000	2,092,000	1,916,000	1,765,000
% of total face amount	14.4%	13.1%	12.0%	11.1%

c.2) Premium assumption sensitivity

Value based on 12% discount rate – non HIV portfolio	Annual premium increase at 8%	9%
Value of portfolio (USD)	4,527,000	4,496,000
% of total face amount	27.8%	27.6%

Value based on 12% discount rate – HIV portfolio	Annual premium increase at 8%	9%
Value of portfolio (USD)	1,916,000	1,845,000
% of total face amount	12.0%	11.6%

14. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS: LIFE SETTLEMENT

PORTFOLIOS *continued*

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.

Value based on 12% discount rate – non HIV portfolio	USD	% of face amount
Value of portfolio as reported	4,527,000	27.8%
Value at 90% of current mortality assumption*	3,885,000	23.8%
Value at 80% of current mortality assumption	3,227,000	19.8%

Value based on 12% discount rate – HIV portfolio	USD	% of face amount
Value of portfolio as reported	1,916,000	12.0%
Value at 90% of current mortality assumption	1,640,000	10.3%
Value at 80% of current mortality assumption	1,353,000	8.5%

d) *Class E*

d.1) *Discount rate sensitivity*

Discount rate – non HIV portfolio	10%	11%	12%	13%
Value of portfolio (USD)	1,948,000	1,893,000	1,841,000	1,791,000
% of total face amount	23.8%	23.1%	22.5%	21.9%

Discount rate – HIV portfolio	10%	11%	12%	13%
Value of portfolio (USD)	1,051,000	963,000	887,000	820,000
% of total face amount	15.7%	14.4%	13.3%	12.3%

d.2) *Premium assumption sensitivity*

Value based on 12% discount rate – non HIV portfolio	Annual premium increase at	
	8%	9%
Value of portfolio (USD)	1,841,000	1,815,000
% of total face amount	22.5%	22.2%

Value based on 12% discount rate – HIV portfolio	Annual premium increase at	
	8%	9%
Value of portfolio (USD)	887,000	853,000
% of total face amount	13.3%	12.8%

Notes to the Financial Statements continued

14. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS: LIFE SETTLEMENT PORTFOLIOS continued

d.3) Mortality sensitivity

Value based on 12% discount rate – non HIV portfolio	USD	% of face amount
Value of portfolio as reported	1,841,000	22.5%
Value at 90% of current mortality assumption*	1,515,000	18.5%
Value at 80% of current mortality assumption	1,185,000	14.5%

Value based on 12% discount rate – HIV portfolio	USD	% of face amount
Value of portfolio as reported	887,000	13.3%
Value at 90% of current mortality assumption	762,000	11.4%
Value at 80% of current mortality assumption	632,000	9.5%

Distribution of face value by insurance company as at 31 December 2019

Class A: companies assuring at least	Number	Total %
Over 10% of the nominal face value	1	12.0
5% to 10%	1	6.8
2% to 5%	9	28.5
0% to 2%	305	52.7

Class B: companies assuring at least	Number	Total %
Over 10% of the nominal face value	2	32.8
5% to 10%	3	18.9
2% to 5%	10	26.4
0% to 2%	28	21.8

Class D: companies assuring at least	Number	Total %
Over 10% of the nominal face value	–	–
5% to 10%	3	18.4
2% to 5%	12	37.8
0% to 2%	95	43.8

Class E: companies assuring at least	Number	Total %
Over 10% of the nominal face value	–	–
5% to 10%	4	22.0
2% to 5%	16	51.3
0% to 2%	63	26.7

15. MATURITIES RECEIVABLE

Maturities receivable of USD 3,867,000 (2018: USD 17,797,000) are declared maturities that have not yet been paid. Maturities receivable are due within one year.

16. PREMIUMS PAID IN ADVANCE

Premiums paid in advance of USD 9,231,000 (2018: USD 13,328,000) consist of premiums on life insurance policies paid as at 31 December 2019 that relate to the period following the balance sheet date.

17. CASH AND CASH EQUIVALENTS

As at 31 December 2019, cash and cash equivalents consist solely of cash held on deposit and on current accounts with banks.

18. OTHER PAYABLES

	31 December 2019 USD '000	31 December 2018 USD '000
Trade and other payables	316	486
Tax liabilities as assumed from the Predecessor Company	46	745
Other creditors and accruals	619	784
	<u>981</u>	<u>2,015</u>

19. PROVISION FOR PERFORMANCE FEES

	31 December 2019 USD '000	31 December 2018 USD '000
Provision brought forward	2,813	2,888
Increase/(reduction) in provision during the year (note 8)	3,285	(75)
Performance fee paid during the year	(1,044)	-
Provision at the year end	<u>5,054</u>	<u>2,813</u>

The Performance fee does not have a fixed date for repayment but can become payable immediately in the event that:

- a. a crystallisation event as set out in the Investment Management Agreement occurs; or
- b. distributions to Shareholders exceed the Performance Hurdle as described in note 8 on page 65.

As a result the Performance fee has been treated as a current liability.

20. LIABILITIES TO SUBSIDIARY

The liabilities to the subsidiary at 31 December 2018 were interest free loans which were reimbursed in May 2019 when the liquidation of the subsidiary was completed.

Notes to the Financial Statements continued

21. SHARE CAPITAL

At the 31 December 2019 the Company's share capital amounts to USD 648,467 (2018: USD 710,689), and is represented by 64,846,653 ordinary shares of USD 0.01 each. The movement in the share capital is as follows:

	A Shares USD '000	B Shares USD '000	D Shares USD '000	E Shares USD '000	Redeemable preference shares USD '000	Total USD '000
Balance as at 31 December 2018	455	146	93	17	–	711
Buybacks and Tender Offer in year	(56)	–	(5)	(2)	–	(63)
Balance as at 31 December 2019	399	146	88	15	–	648

	A Shares USD '000	B Shares USD '000	D Shares USD '000	E Shares USD '000	Redeemable preference shares USD '000	Total USD '000
Balance as at 16 August 2017	–	–	–	–	–	–
Shares issued at incorporation	–	–	–	–	67	67
Redemption of shares	–	–	–	–	(67)	(67)
Shares allotted on 26 March 2018	455	146	93	17	–	711
Balance as at 31 December 2018	455	146	93	17	–	711

At incorporation, the Company issued 1 ordinary A share of USD 0.01 and 50,000 of £1 preference shares at par. The 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 95,006,000
- 14,596,098 B Shares with a nominal value of USD 0.01, in addition to a share premium of USD 18,459,000
- 9,292,561 D Shares with a nominal value of USD 0.01, in addition to a share premium of USD 11,568,000
- 1,733,269 E Shares with a nominal value of USD 0.01, in addition to a share premium of USD 7,980,000.

On 3 July 2019, the Company completed a tender offer for 5,555,555 representing 12.2% of the Company's A Ordinary Shares at a price of USD 1.80 per share. Total consideration amounted to USD 9,999,999. The shares have subsequently been cancelled.

On 19 July 2019, the Company paid a special dividend out of the special distributable reserve created by the cancellation of the share premium account of US Cents 5.50 for A Ordinary Shares, US Cents 37.66 for D Ordinary Shares and US Cents 259.62 for E Ordinary Shares. Total consideration amounted to USD 2,500,000 for A Ordinary Shares, USD 3,500,000 for D Ordinary Shares and USD 4,500,000 for E Ordinary Shares.

On 6 August 2019 the Company announced a share buyback programme of USD 500,000 for each of the D and E Ordinary Shares. As at the date of this report, 500,000 representing 5.4% of the Company's D Ordinary Shares and 166,666 representing 9.6% of the Company's E Ordinary shares have been bought back. The shares have subsequently been cancelled.

On 22 November 2019, the Company paid a special dividend out of the special distributable reserve created by the cancellation of the share premium account of US Cents 28.43 for D Ordinary Shares and US Cents 95.75 for E Ordinary Shares. Total consideration amounted to USD 2,500,000 for D Ordinary Shares and USD 1,500,000 for E Ordinary Shares.

21. SHARE CAPITAL continued

As at 31 December 2019, the issued and fully paid share capital is comprised of 39,891,391 Class A shares (31 December 2018: 45,446,946), 14,596,098 Class B shares (31 December 2018: 14,596,098), 8,792,561 Class D shares (31 December 2018: 9,292,561), and 1,566,603 Class E shares (31 December 2018: 1,733,269). 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.

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, special reserve, capital redemption reserve, capital and revenue reserves as disclosed on the Statement of Financial Position.

The Special reserve was created as a result of the cancellation of the Share premium account following a court order issued on 18 June 2019. The Special reserve is distributable and may be used to fund purchases of the Company's own shares and to make distributions to Shareholders.

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

The Company uses policy advances to borrow from the cash surrender value accumulated on 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.

23. NET ASSETS AND NET ASSET VALUE PER CLASS OF SHARES

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

31 December 2019	Class A	Class B	Class D	Class E	Total
Net assets (USD '000)	89,108	14,863	7,310	3,512	114,793
Number of shares	39,891,391	14,596,098	8,792,561	1,566,603	64,846,653
NAV per share (USD)	2.234	1.018	0.831	2.242	

31 December 2018	Class A	Class B	Class D	Class E	Total
Net assets (USD '000)	91,649	16,150	11,591	8,247	127,637
Number of shares	45,446,946	14,596,098	9,292,561	1,733,269	71,068,874
NAV per share (USD)	2.017	1.107	1.247	4.758	

Notes to the Financial Statements continued

24. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At the year end, the Company has no (2018: nil) 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 year end, the Company has no (2018: nil) contingent liabilities.

25. RELATED PARTY TRANSACTIONS

Related parties to the Company are 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.

	Note	31 December 2019 USD '000	31 December 2018 USD '000
Per income statement:			
Trustee fees*		124	125
Compagnie Européenne de Révision S.à r.l.		220	244
Directors' fees*	9	203	175
Amounts payable per balance sheet:			
Compagnie Européenne de Révision S.à r.l.		85	177
Directors' fees		45	57

Michael Baines purchased 75,000 of the Company's Ordinary B shares on 4 July 2019, for a total cost of USD 54,000. No other Directors hold any shares in the Company.

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

* Includes within the total non-recurring fees comprising USD 50,000 (2018: USD 50,000) in relation to Trustee fees and USD 64,000 (2018: USD 35,000) in relation to Directors' fees.

26. POST BALANCE SHEET EVENTS

On 23 March 2020, the Board announced an interim dividend of 6.267 cents per A Share totalling USD 2.5 million, 15.922 cents per D share totalling USD 1.4 million and 38.299 cents per E share totalling USD 600,000. These dividends will be paid on 28 April 2020 to Shareholders on the register at 3 April 2020.

On 2 April 2020, the Board released a circular proposing the merger of share classes A, D and E. Full details of the proposed merger and the reasons behind it are included in the circular, in the Chairman's Statement on pages 7 and 8 and on page 31.

Although it is generally accepted as a non-adjusting post balance sheet event, since 31 December 2019, the scale of the Covid 19 pandemic has severely affected the world at large. As stated in the Chairman's statement on page 8 the Company's assets are highly decorrelated from equities and bonds and the Board have concluded that the effect on the Company's results is expected to be minimal.

27. DIVIDENDS

The Company has paid the following dividends during the year:

	2019 USD '000	2018 USD '000
Interim capital dividend of 5.50 cents per A share	2,500	-
Interim capital dividend of 37.66 cents per D share	3,500	-
Interim capital dividend of 28.43 cents per D share	2,500	-
Interim capital dividend of 259.62 cents per E share	4,500	-
Interim capital dividend of 95.75 cents per E share	1,500	-
	14,500	-

No final dividend in respect of the year ended 31 December 2019 will be paid.

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

Statement of Comprehensive Income for the year ended 31 December 2019

	2019			2018		
	Revenue USD '000	Capital USD '000	Total USD '000	Revenue USD '000	Capital USD '000	Total USD '000
Income						
Income from life settlement portfolios	752	–	752	515	–	515
Gains from life settlement portfolios	–	18,091	18,091	–	1,889	1,889
Other income	601	–	601	68	–	68
Net foreign exchange loss	(17)	–	(17)	(26)	–	(26)
Total income	1,336	18,091	19,427	557	1,889	2,446
Operating expenses						
Investment management fees	(1,342)	(2,313)	(3,655)	(1,440)	–	(1,440)
Other expenses	(4,447)	–	(4,447)	(3,538)	–	(3,538)
(Loss)/profit before finance costs and taxation	(4,453)	15,778	11,325	(4,421)	1,889	(2,532)
Finance costs						
Interest payable	(1,185)	–	(1,185)	(1,279)	–	(1,279)
(Loss)/profit before taxation	(5,638)	15,778	10,140	(5,700)	1,889	(3,811)
Taxation	(130)	–	(130)	–	–	–
(Loss)/profit for the year	(5,768)	15,778	10,010	(5,700)	1,889	(3,811)

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

EXHIBIT I (UNAUDITED)

Life Settlement Assets PLC

Class A

Statement of Financial Position as at 31 December 2019

	2019 USD '000	2018 USD '000
Assets		
Non-current assets		
Financial assets at fair value through profit or loss		
– Life settlement investments	58,131	65,093
	58,131	65,093
Current assets		
Maturities receivable	2,822	10,508
Trade and other receivables	377	644
Premiums paid in advance	6,536	9,402
Cash and cash equivalents	23,995	7,085
Inter class receivables	219	234
	33,949	27,873
Total assets	92,080	92,966
Current liabilities		
Other payables	(659)	(1,317)
Provision for performance fees	(2,313)	–
Total liabilities	(2,972)	(1,317)
Net assets	89,108	91,649
Represented by		
Capital and reserves		
Share capital	399	455
Share premium	–	95,005
Special reserve	82,454	–
Capital redemption reserve	56	–
Capital reserve	17,667	1,889
Revenue reserve	(11,468)	(5,700)
Total equity attributable to ordinary shareholders of the Company	89,108	91,649

Additional Information continued

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

EXHIBIT II (UNAUDITED)

Life Settlement Assets PLC

Class B

Statement of Comprehensive Income for the year ended 31 December 2019

	2019			2018		
	Revenue USD '000	Capital USD '000	Total USD '000	Revenue USD '000	Capital USD '000	Total USD '000
Income						
Income from life settlement portfolios	31	–	31	9	–	9
Losses from life settlement portfolios	–	(755)	(755)	–	(1,797)	(1,797)
Other income	116	–	116	23	–	23
Total income	147	(755)	(608)	32	(1,797)	(1,765)
Operating expenses						
Investment management fees	(242)	–	(242)	(279)	–	(279)
Other expenses	(432)	–	(432)	(407)	–	(407)
Loss before finance costs and taxation	(527)	(755)	(1,282)	(654)	(1,797)	(2,451)
Finance costs						
Interest payable	(4)	–	(4)	(4)	–	(4)
Loss before taxation	(531)	(755)	(1,286)	(658)	(1,797)	(2,455)
Taxation	–	–	–	–	–	–
Loss for the year	(531)	(755)	(1,286)	(658)	(1,797)	(2,455)

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

EXHIBIT II (UNAUDITED)

Life Settlement Assets PLC

Class B

Statement of Financial Position as at 31 December 2019

	2019 USD '000	2018 USD '000
Assets		
Non-current assets		
Financial assets at fair value through profit or loss		
– Life settlement investments	10,739	10,645
– Shares in subsidiary	–	17,632
	10,739	28,277
Current assets		
Maturities receivable	513	2,819
Trade and other receivables	113	93
Premiums paid in advance	1,385	1,469
Cash and cash equivalents	2,269	1,510
	4,280	5,891
Total assets	15,019	34,168
Current liabilities		
Other payables	(122)	(263)
Liabilities to subsidiary	–	(17,632)
Inter class payables	(34)	(123)
Total liabilities	(156)	(18,018)
Net assets	14,863	16,150
Represented by		
Capital and reserves		
Share capital	146	146
Share premium	–	18,459
Special reserve	18,458	–
Capital reserve	(2,552)	(1,797)
Revenue reserve	(1,189)	(658)
Total equity attributable to ordinary shareholders of the Company	14,863	16,150

Additional Information continued

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

EXHIBIT III (UNAUDITED)

Life Settlement Assets PLC

Class D

Statement of Comprehensive Income for the year ended 31 December 2019

	2019			2018		
	Revenue USD '000	Capital USD '000	Total USD '000	Revenue USD '000	Capital USD '000	Total USD '000
Income						
Income from life settlement portfolios	50	–	50	20	–	20
Gains from life settlement portfolios	–	3,396	3,396	–	526	526
Other income	111	–	111	23	–	23
Total income	161	3,396	3,557	43	526	569
Operating expenses						
Investment management fees	(148)	(544)	(692)	(203)	78	(125)
Other expenses	(638)	–	(638)	(506)	–	(506)
Loss/(profit) before finance costs and taxation	(625)	2,852	2,227	(666)	604	(62)
Finance costs						
Interest payable	(7)	–	(7)	(8)	–	(8)
(Loss)/profit before taxation	(632)	2,852	2,220	(674)	604	(70)
Taxation	–	–	–	–	–	–
(Loss)/profit for the year	(632)	2,852	2,220	(674)	604	(70)

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

EXHIBIT III (UNAUDITED)

Life Settlement Assets PLC

Class D

Statement of Financial Position as at 31 December 2019

	2019 USD '000	2018 USD '000
Assets		
Non-current assets		
Financial assets at fair value through profit or loss		
– Life settlement investments	6,443	9,324
– Shares in subsidiary	–	7,600
	6,443	16,924
Current assets		
Maturities receivable	532	2,328
Trade and other receivables	110	91
Premiums paid in advance	812	1,298
Cash and cash equivalents	1,481	704
	2,935	4,421
Total assets	9,378	21,345
Current liabilities		
Other payables	(112)	(208)
Provision for performance fees	(1,845)	(1,884)
Liabilities to subsidiary	–	(7,600)
Inter class payables	(111)	(62)
Total liabilities	(2,068)	(9,754)
Net assets	7,310	11,591
Represented by		
Capital and reserves		
Share capital	88	93
Share premium	–	11,568
Special reserve	5,067	–
Capital redemption reserve	5	–
Capital reserve	3,456	604
Revenue reserve	(1,306)	(674)
Total equity attributable to ordinary shareholders of the Company	7,310	11,591

Additional Information continued

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

EXHIBIT IV (UNAUDITED)

Life Settlement Assets PLC

Class E

Statement of Comprehensive Income for the year ended 31 December 2019

	2019			2018		
	Revenue USD '000	Capital USD '000	Total USD '000	Revenue USD '000	Capital USD '000	Total USD '000
Income						
Income from life settlement portfolios	35	–	35	22	–	22
Gains from life settlement portfolios	–	2,649	2,649	–	721	721
Other income	113	–	113	19	–	19
Net foreign exchange loss	–	–	–	(1)	–	(1)
Total income	148	2,649	2,797	40	721	761
Operating expenses						
Investment management fees	(120)	(428)	(548)	(179)	(3)	(182)
Other expenses	(477)	–	(477)	(325)	–	(325)
Loss/(profit) before finance costs and taxation	(449)	2,221	1,772	(464)	718	254
Finance costs						
Interest payable	(5)	–	(5)	(5)	–	(5)
(Loss)/profit before taxation	(454)	2,221	1,767	(469)	718	249
Taxation	–	–	–	–	–	–
(Loss)/profit for the year	(454)	2,221	1,767	(469)	718	249

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

EXHIBIT IV (UNAUDITED)

Life Settlement Assets PLC

Class E

Statement of Financial Position as at 31 December 2019

	2019 USD '000	2018 USD '000
Assets		
Non-current assets		
Financial assets at fair value through profit or loss		
– Life settlement investments	2,728	4,751
	2,728	4,751
Current assets		
Maturities receivable	–	2,142
Trade and other receivables	97	112
Premiums paid in advance	498	1,159
Cash and cash equivalents	1,247	1,288
	1,842	4,701
Total assets	4,570	9,452
Current liabilities		
Other payables	(88)	(227)
Provision for performance fees	(896)	(929)
Inter class payables	(74)	(49)
Total liabilities	(1,058)	(1,205)
Net assets	3,512	8,247
Represented by		
Capital and reserves		
Share capital	15	17
Share premium	–	7,981
Special reserve	1,479	–
Capital redemption reserve	2	–
Capital reserve	2,939	718
Revenue reserve	(923)	(469)
Total equity attributable to ordinary shareholders of the Company	3,512	8,247

Shareholder Information

Notice of Annual General Meeting 2020

LIFE SETTLEMENT ASSETS PLC (THE "COMPANY")

Notice is hereby given that the 2020 Annual General Meeting (the "AGM") of the Company will be held at the offices of Acheron Capital Limited, 4th Floor, 115 Park Street, London W1K 7AP on Wednesday 17 June 2020 at 12.00pm for the following purposes:

1. To receive and adopt the audited Annual Report and Accounts of the Company for the year ended 31 December 2019 together with the Directors' Report and Auditor's Report thereon.
2. To approve the Directors' Remuneration Report as set out in the Annual Report.
3. To re-elect Michael Baines as a Director of the Company.
4. To re-elect Robert Edelstein as a Director of the Company.
5. To re-elect Franck Mathé as a Director of the Company.
6. To re-elect Yves Mertz as a Director of the Company.
7. To re-elect Guner Turkmen as a Director of the Company.
8. To elect Christopher Casey as a Director of the Company.
9. To re-appoint BDO LLP as Auditors to the Company until the conclusion of the next AGM.
10. To authorise the Directors' to determine BDO LLP's remuneration as Auditor to the Company.

Special Business

To consider the following resolutions:

Authority to allot new shares – Ordinary Resolution

11. THAT, in substitution for any 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 2021 (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

12. THAT, subject to the passing of Resolution 11 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 11 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 11 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

13. 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 London Stock Exchange plc for the five business days immediately preceding the day on which that Ordinary Share is contracted to be purchased; and
 - ii. 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 2021; 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

ISCA Administration Services Limited
Suite 8, Bridge House
Courtenay Street
Newton Abbot TQ12 2QS

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:
 - (a) by logging on to www.signalshares.com and following the instructions;
 - (b) You may request a hard copy form of proxy directly from the registrars, Link Asset Services at 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.
 - (c) 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 4TU by 12.00pm on Monday, 15 June 2020 (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 24 April 2020, which is the latest practicable date before the publication of this Notice is 64,846,653 divided into 39,891,391 Class A shares, 14,596,098 Class B shares, 8,792,561 D Shares, and 1,566,603 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 64,846,653.

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 Monday, 15 June 2020, 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 11:30 am. At the date of this report, under the Government restrictions following the COVID-19 pandemic, Shareholders are requested not to attend the AGM in person and are encouraged to submit proxy votes as above.

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. 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 2019; or (ii) any circumstance connected with an auditor of the Company appointed for the financial period ended 31 December 2019 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.

Notes to the Notice of the AGM^{continued}

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. Shareholders have been advised not to attend the Annual General Meeting whilst under the Government's advice and restrictions following the Covid-19 pandemic. Shareholders are encouraged to submit any questions to the Board in advance of the meeting through the Company Secretary lsa@iscaadmin.co.uk.

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.

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.

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):
- (a) by calling the Registrar's helpline on 0345 922 0044, or
 - (b) by writing to the Registrar, Link Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Covid-19

18. In light of the potential for the coronavirus situation in the United Kingdom to change rapidly, Shareholders should continue to monitor and act in accordance with guidance issued by the UK government and relevant health authorities. You should also continue to monitor the Company's website and announcements for any updates in relation to the meeting arrangements that may need to be provided. If the Board believes that it becomes necessary or appropriate to make alternative arrangements for the holding of the Shareholder Meetings due to coronavirus. We will ensure that Shareholders are given as much notice as possible. Further information will be made available through an upload to www.lsaplc.com/investor-relations/reports-company-literature.

Company Information

DIRECTORS

Michael Baines – [Chairman](#)
Christopher Casey
Robert Edelstein
Franck Mathé
Yves Metz
Guner Turkman

REGISTERED OFFICE

115 Park Street
4th Floor
London W1K 7AP

AUDITOR

[BDO LLP](#)
150 Aldersgate Street
London
EC1A 4AB

TRUSTS' INVESTMENT MANAGER

[Acheron Capital Limited](#)
115 Park Street
4th Floor
London W1K 7AP

FINANCIAL CALENDAR

[Company year end](#)
[Annual results announced](#)
[Annual General Meeting](#)
[Company half-year end](#)
[Half-year results announced](#)
[Website](#)

LEI: [2138003OL2VBXWG1BZ27](#)

SHARE REGISTRAR

[Link Asset Services](#)
34 Beckenham Road
Beckenham
Kent BR3 4TU

BROKERS

[Shore Capital](#)
Cassini House
57 St James's Street
London
SW1A 1LD

COMPANY SECRETARY

[ISCA Administration Services Limited](#)
Suite 8, Bridge House
Courtenay Street
Newton Abbot TQ12 2QS

Email: lsa@iscaadmin.co.uk
Telephone: 01392 487056

31 December 2019
April 2020
17 June 2020
30 June 2020
September 2020
www.lsaplc.com

Glossary

The following definitions apply throughout this Annual Report, unless stated otherwise:

"A/D/E Merger" means the proposed merger of the D Ordinary Share Class and the E Ordinary Share Class with the A Ordinary Share Class.

"A Ordinary Shares" means the shares with a nominal value of US\$0.01 in the capital of the Company issued and designated as A Ordinary Shares and having the rights described in the Articles.

"Act" means the Companies Act 2006, as amended.

"Administrator" means Compagnie Européenne de Révision S.à.r.l.

"B Ordinary Shares" means the shares with a nominal value of US\$0.01 in the capital of the Company issued and designated as B Ordinary Shares and having the rights described in the Articles.

"Board" or **"Directors"** means the board of directors of the Company.

"Consenting Individuals" means the individuals whose lives are insured under the Policies and who have sold their interest in the Policies in accordance with the life settlements laws of the United States – such Consenting Individuals, having been compensated for ceding their interest in the Policies, explicitly agreeing to such transaction and having full knowledge that they no longer will benefit from said Policies

"Circular" means the Circular published by the Company dated 2 April 2020 containing details of the Merger.

"COI" means cost of insurance.

"Company" means Life Settlement Assets PLC.

"D/E Merger" means the proposed merger of the D Ordinary Share Class with the E Ordinary Share Class (which will only be implemented if the A/D/E Merger is approved by the D and E Ordinary Shareholders, but not the A Ordinary Shareholders).

"D Ordinary Shares" means the shares with a nominal value of US\$0.01 in the capital of the Company issued and designated as D Ordinary Shares and having the rights described in the Articles.

"E Ordinary Shares" means the shares with a nominal value of US\$0.01 in the capital of the Company issued and designated as E Ordinary Shares and having the rights described in the Articles.

"FCA" means the UK Financial Conduct Authority.

"Fractional interests" means partial interests in life policies arising after sale in the Primary Market.

"Investment Manager" means Acheron Capital Limited.

"Merged Share Classes" means, in the case of the A/D/E Merger, the A, D and E Ordinary Share Classes, and in the case of the D/E Merger, the D and E Ordinary Share Classes.

"Merger" means either the A/D/E Merger or the D/E Merger (as the case may be) as set out in the Circular dated 2 April 2020.

"NAV" or **"Net Asset Value"** means:

- a. in relation to the Company, the Net Asset Value of the Company as a whole on the relevant date calculated in accordance with the Company's normal accounting policies;
- b. in relation to a particular Share Class, the Net Asset Value of the Company in respect of that Share Class on the relevant date calculated in accordance with the Company's normal accounting policies; and
- c. in relation to an Ordinary Share of a particular Share Class, the Net Asset Value of the Company in respect of that Share Class on the relevant date calculated in accordance with the Company's normal accounting policies divided by the total number of Ordinary Shares of the relevant Share Class then in issue (excluding, for the avoidance of doubt, any Ordinary Shares of that Share Class held in treasury).

"Ordinary Shares" means any class of ordinary shares issued from time to time including but not limited to, where the context requires, the A Ordinary Shares, the B Ordinary Shares, the D Ordinary Shares and the E Ordinary Shares.

"Policy" or **"Policies"** means an individual or set of life settlement or mortality-related contracts.

"Predecessor Company" Acheron Portfolio Corporation, a company previously registered in Luxembourg.

"Primary Market" means the market in which the holder of a life policy transacts that policy for the first time to a purchaser, consenting to cede their total interest in the policy to the purchaser.

"Secondary Market" means the market in which policies acquired in the Primary Market are transacted again with secondary purchasers.

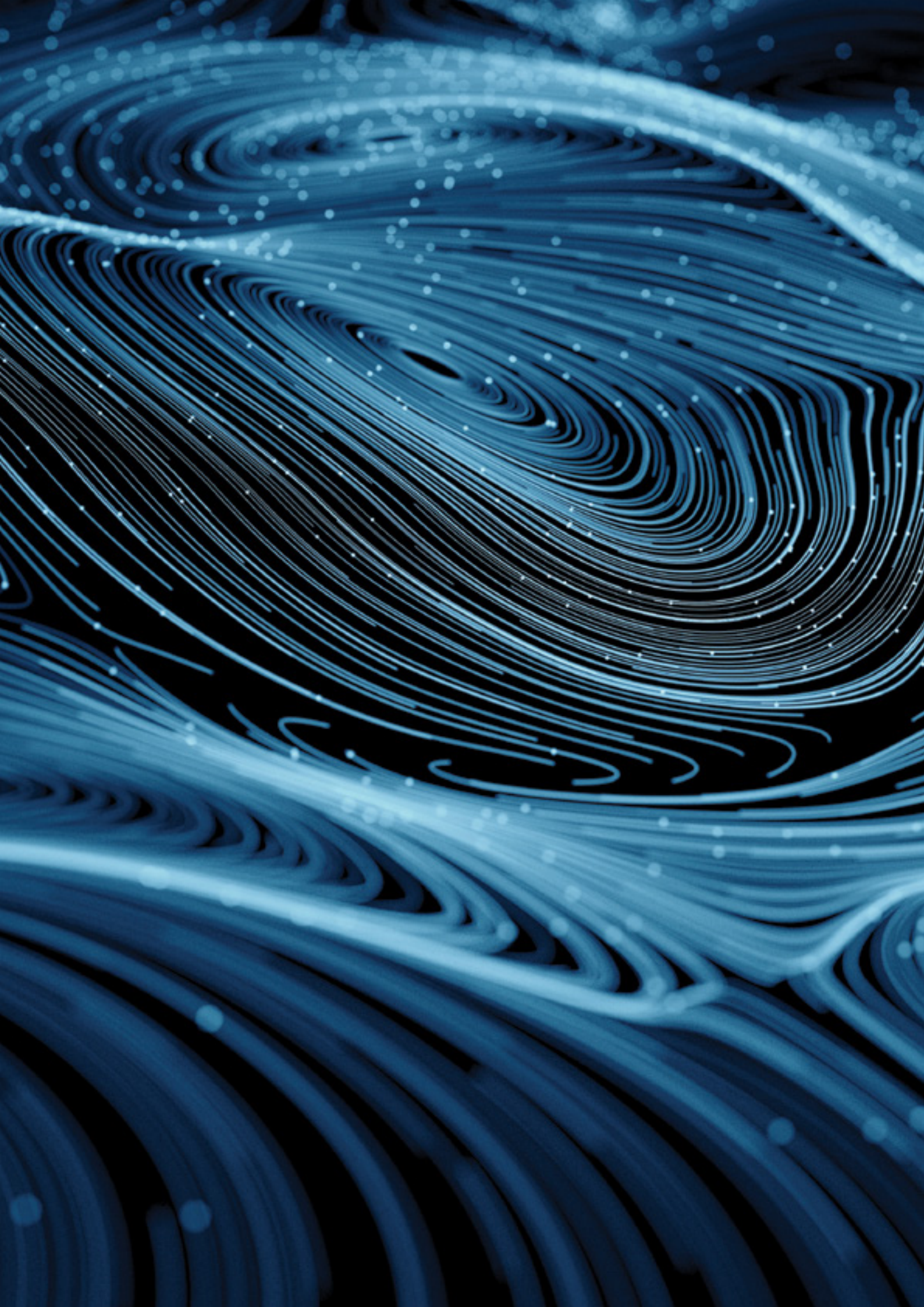
"Shareholder" means a holder of Ordinary Shares.

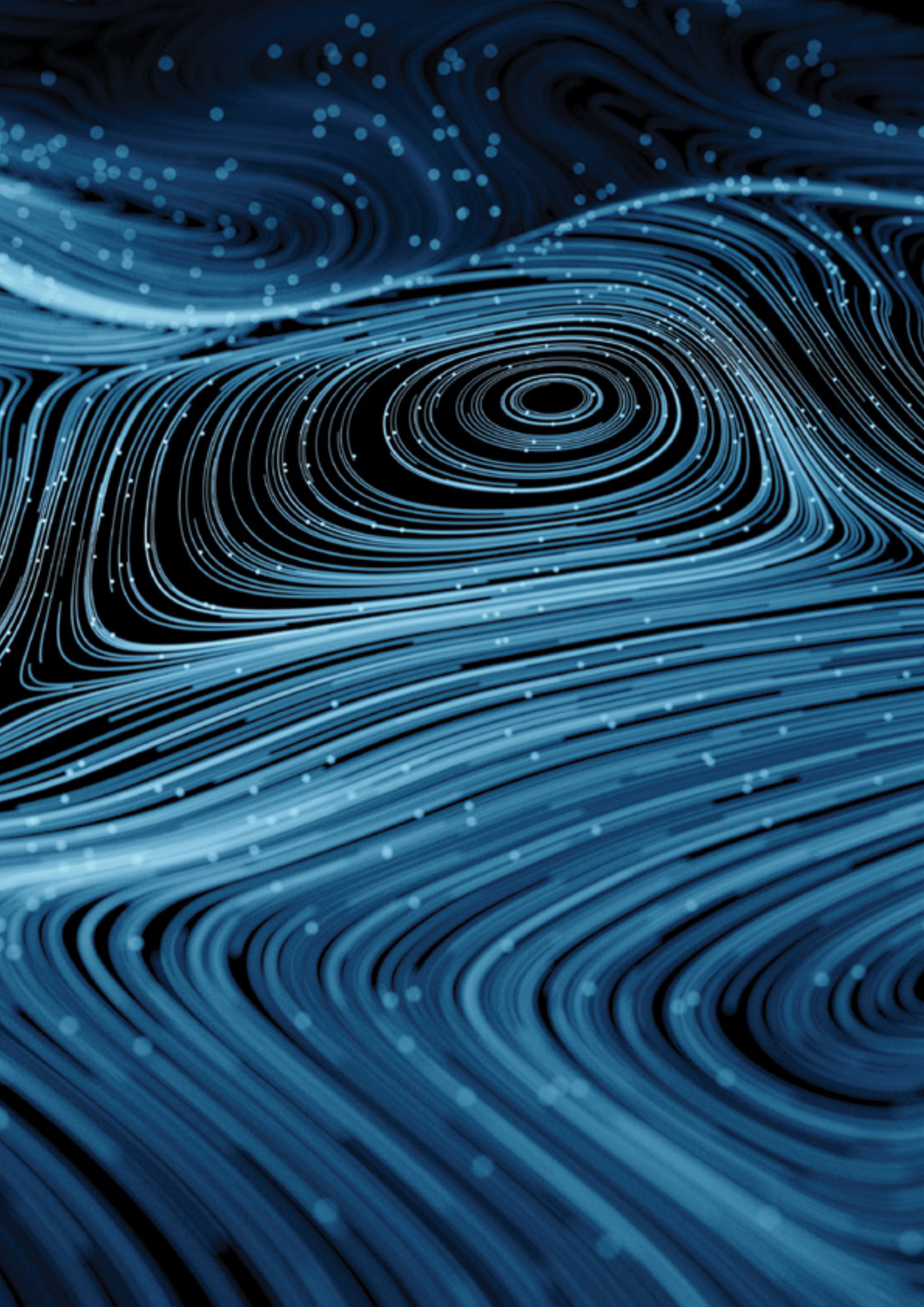
"Share Class" means a class of Ordinary Share in the Company.

"Trusts Merger" means the merger of the four Trusts through which the Company invests in the underlying assets of the Company, which took place on 31 March 2020.

Notes

Notes







Company Number: 10918785
115 Park Street, 4th Floor, London W1K 7AP
www.lsapl.com