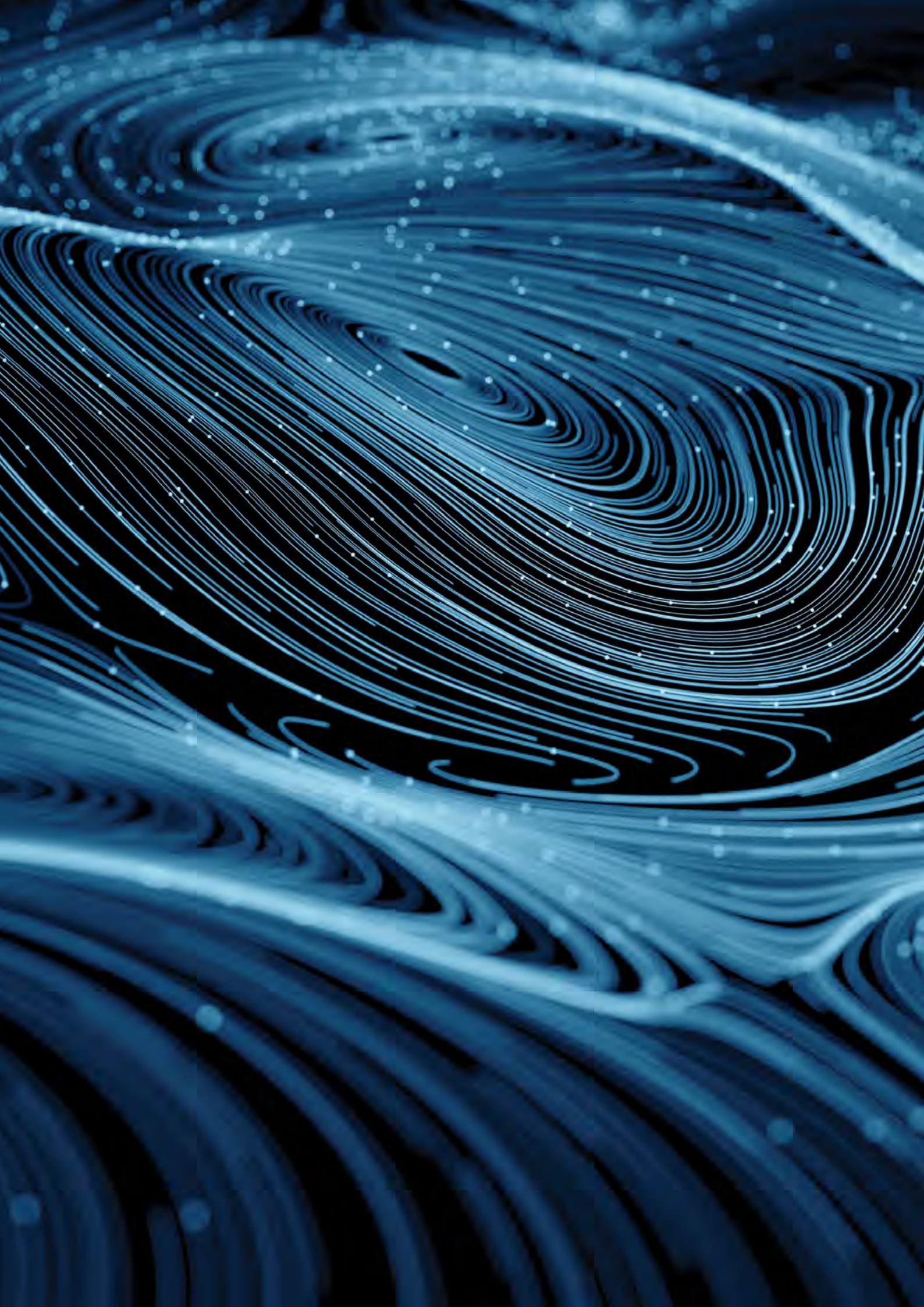


# Life Settlement Assets PLC

**Annual Report and  
Financial Statements**  
for the year ended  
31 December 2021





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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.

## 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 2017<sup>1</sup>, 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. The four Trusts were merged into one Trust on 31 March 2020.

<sup>1</sup> 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 has 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 makes 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 does, however, aim to make sure that decisions are fully evaluated before implementation.

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 reviews 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 year, the Board received information to understand the interests and views of the Company's key stakeholders; Shareholders, the Administrator; Acheron as Investment Manager to the Trust, the Trust responsible for the portfolio and the Servicing Agents. Mr Edelstein, who was a Director of the Company until 31 December 2020, sits as trustee of the Trust and provides regular updates to the Board. 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 engagement's 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 5.1 million as shown in Note 26 on page 78;
- the retention of cash as working capital to meet the payment of ongoing premiums to service the portfolio of life policies;
- 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;
- the advantages and disadvantages of the merger of share classes A and B 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. This was subsequently passed by Shareholders on 26 May 2021. Further details are given in the Circular issued on 30 April 2021;
- the purchase of additional policies from the ABC Trust for USD 11.1 million;
- 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 the Trust; and
- the impact of the continuing 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 continue to be minimal. In making this assessment, the Board has noted that it has continued to receive all information as expected and has received confirmation from its service providers that operations are continuing as normal.

### 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 trust, the Company outsources its activities to third parties, has no offices of its own nor any employees. Where possible, meetings are held electronically to reduce the Company's impact on the environment. The Company has minimal greenhouse gas emissions and is not required to report under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 nor the Streamlined Energy & Carbon Reporting regulations. 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 Company Secretary and Investment Manager both attend Board Meetings. The Trustee of the underlying Trust and the Administrator provide regular updates to the Board during the year.

### Investment Strategy

The Company seeks to generate long-term returns for investors by investing in the life settlement market. 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 18.

### Investments and Underlying Assets

As at 31 December 2021, the 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). This includes policies acquired from the mergers, in April 2020 and May 2021, of share classes D, E and B with share class A. 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.



### 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 page 12.

### Ongoing Charges

The Company's total annual costs (investment management fees and other expenses) are 7.6% (2020: 7.1%) of net assets for the year to 31 December 2021. Excluding the servicing and legal costs the ratio would be 3.6%.

### Dividends/Distributions

As shown in Note 26 on page 78, during the year the Company paid special dividends to LSAA Shareholders of 5.017 US cents per share (total USD 2.5 million) and to LSAB Shareholders of 17.813 US cents per share (total USD 2.6 million).

# Chairman's Statement

I am pleased to present my third Annual Report as Chairman of LSA and your Company's fourth report since its admission to the London Stock Exchange in March 2018. At the time of writing, after more optimistic trends were beginning to signal a decline in the impact of the Coronavirus pandemic, the Russian invasion of Ukraine, although not impacting this Company, has brought new pressures on world markets, causing loss of life and disruption for many people.

## Investment Portfolio Overview

As shown in the financial highlights on page 11 income from maturities increased in the year to December 2021 to significantly higher levels than in 2020, with non-HIV maturities being above the long term expected mean. Our analysis shows that this was unrelated to Covid, but rather was an expression of the normal long-term cycle of the business. This has allowed the Company to develop a strong cash position, supporting the strategy of acquiring policies where attractive pricing can be achieved and then returning to paying higher dividends to Shareholders.

## NAV

The year-end NAV attributable to Shareholders was USD 109.3 million, representing an uplift of USD 9.1 million during the year. After taking into account the distributions made to Shareholders totalling USD 5.1 million during the year, NAV increased by 14.2% over the year (the NAV results are shown in the table on page 11).

Further detail is contained in the Investment Manager's Report set out in this Strategic Report on pages 13 to 17.

## Maturities

Maturities totalling USD 38.5 million were declared, continuing the strong start reported at the beginning of the year. Of these, USD 30.1 million were non-HIV policies, and USD 8.4 million were HIV policies.

## Costs

The Company continues to manage its cost base carefully. Although the total ongoing charges ratio increased slightly from 7.1% to 7.6% of NAV in 2021 reflecting some inflation of third-party fees and an increase in the number of policies being serviced, the ongoing charges ratio excluding policy servicing fees and legal costs increased from 3.1% to 3.6% of NAV. Work continues to reduce the Company's future cost base including the revision to the Investment Manager's fees referred to below.

## Legal Action

As reported previously, in order to protect the interests of the policy holders, legal action may from time to time be taken by holders of fractional interests against policy trustees in order to protect or enhance the value of existing investments. At the year-end LSA was a party to one such ongoing legal action, in which, although taking longer than originally expected, progress has nevertheless been made. The Board believes the matter should be resolved in the current year through a judicially approved sale process relating to the portfolio, in which the Company expects to have the opportunity to participate. Such participation is clearly in Shareholders' interests and with this in mind the Board has been working to build the Company's cash position.

## Independent Actuarial Valuation

As in previous years, given the nature of its asset base, the Company has engaged Lewis & Ellis to provide an independent actuarial valuation of the portfolio of interests in life policies. They have confirmed that the approach taken by our Investment Manager is both accurate and represents fair value, although in the light of recent performance in the HIV portfolio, some adjustments have been made to the mortality assumptions for the future. Further details can be found in our Investment Manager's Report.

## Dividends

During the year the Company made distributions to Shareholders by way of special dividends as follows:

- In June 2021, a special B dividend of USD 2.6 million (17.813 US cents per B Share) as part of the share class merger arrangements noted below.
- In November 2021, a special dividend of USD 2.5 million (5.017 US cents per A Share).

As referred to previously, the Board has acted to accumulate cash to enable participation in any court mandated sale to acquire fractions in policies in which we already hold interests. Once this process is completed, which we expect will be during the course of the current financial year, we will revisit our potential to pay a dividend and would anticipate distributing a larger proportion of earnings by way of dividends in future periods. The Board has noted with concern the discount to Net Asset Value at which the Company's shares presently trade but believe that the completion of any sale process together with a return to a greater level of dividend payments should result in a narrowing of the discount.

### The Life Settlement Market

The outlook for the life settlement industry continues to remain positive with an increasing global interest in the sector. Two factors appeared to be having an increasing influence on the overall market for life settlements in 2021, which are discussed further in the Investment Manager's Report. There was increasing demand from Indian and southeast Asian investors, who are new to the life settlement market, seeking access to a non-correlated portfolio diversifier. Meanwhile, the generation coming into retirement are seeking new ways to increase retirement income or pay for long term care. These trends are expected to stimulate activity in the life settlement market from investors and secondary market participants alike, although in the longer-term margins obtainable for new investments may be affected by a decrease in the average face value of policies. Equally, given ongoing volatility in current world markets demand from investors to have exposure to risk which is not correlated to equity returns may well increase.

### Structural Changes

Shareholders will remember that in 2020 the Board embarked on a simplification of its trusts and capital structure. In that year the four trusts through which the Company invests in its underlying assets were merged into a single continuing trust, the Acheron Portfolio Trust, and the merger of share Classes A, D and E was also approved by Shareholders. The Company did not include the B Ordinary Shares in these arrangements because the Board was aware that certain holders of B Ordinary Shares would not favour such a merger despite the benefits, due (in part) to the maturity profile of the B Ordinary Share portfolio.

By the beginning of 2021, however, the B Ordinary Share portfolio had seen significant maturities resulting in a change to the maturity profile, as well as changes to the constituents of the registered holders of the B Ordinary Shares. Accordingly in April 2021 the Board considered that it was appropriate to bring forward proposals for the merger of the remaining two share classes, which was approved by Shareholders on 26 May 2021.

With a single class of LSA shares, this outcome represents the final consolidation of LSA's share classes. The Board believes that the simplification of the Company's share structure now concluded will provide both improved liquidity for Shareholders, lower operating costs, and also a clearer investment case for the Company.

There were no changes to the Board composition during the year.

### Revised Fee Arrangements with the Investment Manager

One of the consequences of the simplification of the share class structure has been to enable a review of the fee structure between the Company and its manager, Acheron Capital. In line with its aim of reducing its cost base over time, the Company is in discussions with a view to streamlining these arrangements and reducing fees.

### Covid-19

The Board wishes to thank the management and staff of Acheron Capital and all our service providers who served the Company's interests throughout the year, in spite of the challenges imposed by the Covid-19 pandemic.

### Outlook

The overall performance of the Company in 2021 was encouraging, with satisfactory cash resources at the year end. The Company continues to balance carefully the wish to make distributions to Shareholders while retaining sufficient cash resources to take advantage of opportunities to consolidate our portfolios of fractional policies at appropriate valuations.

At a time of great uncertainty around the world, the Board is reinforced in its belief that the Company's position as an alternative component in investment strategy, being uncorrelated to equity and bond markets, offers value to investors.

**Michael Baines**  
*Chairman*

22 April 2022

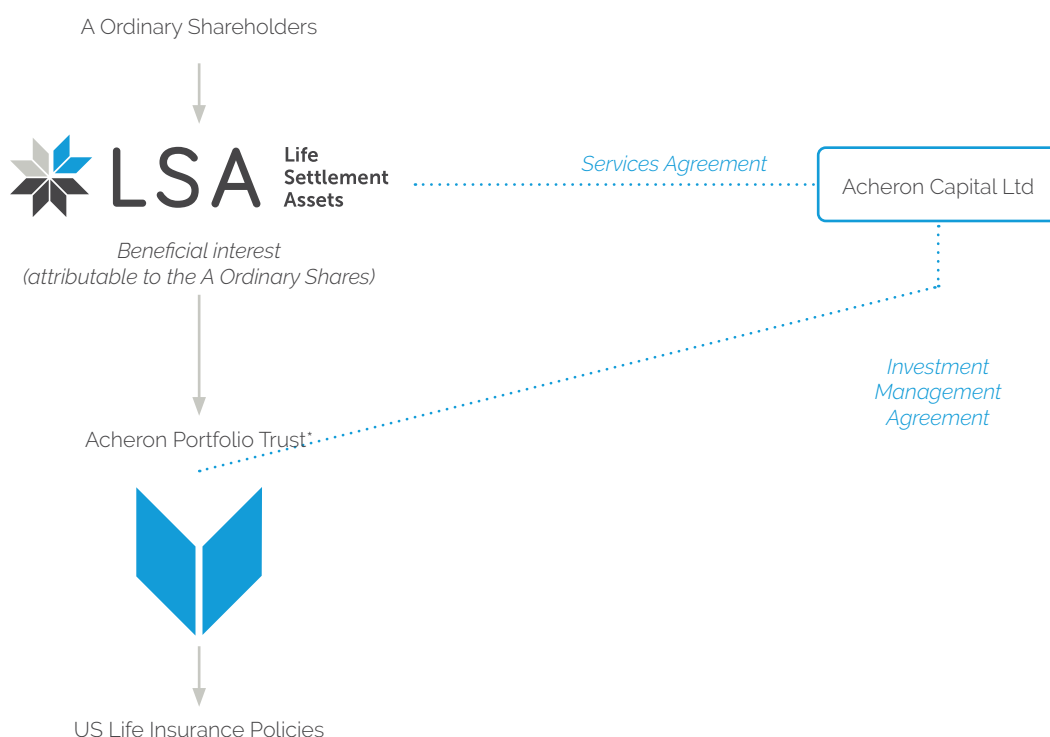


## Company Structure

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, each portfolio was placed into a separate asset trust and reflected by a separate Share Class.

Following the re-designation of the Class B Ordinary Shares into Class A Ordinary Shares on 3 June 2021, the Company structure as at 31 December 2021 was as follows:



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

## Company Performance

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

LSAA	As at 31 December 2021	As at 31 December 2020*	Percentage change (%)
Net assets attributable to Shareholders (USD '000)	109,314	100,200	9.1
Shares in Issue**	49,826,784	49,826,784	–
NAV per share (USD)	2.19	2.01	9.0
Closing share price (USD)***	1.43	1.90	(24.7)
Discount to NAV (%)****	(34.7)	(5.5)	(29.2)
Total maturities (USD '000)****	38,510	22,735	69.4
Split of maturities HIV (USD '000)****	8,418	7,157	17.6
non-HIV (USD '000)****	30,092	15,578	93.2
Total income/(loss) from portfolio (USD '000)****	25,872	(101)	25,715.8
Profit/(loss) for year (USD '000)	14,438	(6,749)	313.9

\* To aid comparison these figures have been restated to include Class B share figures as at 31 December 2020.

\*\* As at 31 December 2020, there were 58,320,157 total shares in issue. To aid comparison, the post-merger shares in issue of 49,826,784 has been used for 31 December 2020.

\*\*\* The 31 December 2020 closing share price reflects the share price for Class A only.

\*\*\*\* Non-IFRS measures.

## 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 on page 11. 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 page 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 7.6% (2020: 7.1%) of average net assets. Excluding the servicing and legal costs the ratio would be 3.6%.

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 US life settlement market slowed in 2020 due to Covid, but policy flow increased again in 2021. Looking ahead, many market participants expressed guarded optimism about market growth, yields and the enduring appeal of life settlements as a non-correlated diversifier. The positive market forecasts reflect several key drivers. From the demand side, the financial crisis and the Covid pandemic ten years later have reminded investors to add assets to their portfolio that do not behave in line with equity markets. Increased demand was coming from regions unfamiliar with life settlements as an asset class, particularly in India and southeast Asia. As the trend of Asian investors seeking non-correlated returns has begun, there is potential for international capital to flow into the life settlement space and support demand.

The increased demand from investors is complemented with the increasing number of retiring Baby Boomers seeking ways to increase their retirement income or pay for long-term care. The increased consumer awareness and the growth in direct-to-consumer settlements will lead to an increase in the number of policies, along with a decrease in average face value as the industry further develops its mass marketing capabilities. The challenge with this factor is that it is difficult to quantify the impact of mass marketing on the gross market potential.

To summarise, the gross market potential for the life settlement industry continues to increase. That increase reflects demographics as more Baby Boomers enter the life settlement age range. The increase also reflects a shift within the industry of a wider range of policies and ages an investor is willing to consider. Adding to that shift is the development of a life settlement mass market.

## Portfolio Overview

### Portfolio Structure

The portfolio structure was considerably simplified in 2021, with two events. First, the merger of all share classes was finalised, tilting the profile of the portfolio towards the elderly while reducing costs. Second, the ABC portfolio (ABC is a portfolio of around 700 policies, overwhelmingly HIV) was acquired for

USD 11.1 million, resulting in complete control of those policies. Again that resulted in superior cash flow in the following years as well as a reduction of costs associated with these policies.

### Policy Structure

LSA's current portfolio is subdivided into policies exposed to either HIV policy holders or non-HIV policy holders. Following the merger of Class A and B, Shareholders had an aggregated gross face value of USD 101 million for life settlements (or non-HIV policies) and USD 386 million for HIV policies at the year end. The face value-weighted average age for the non-HIV segment is just below 90 years old. This typically translates into a life expectancy for a normal population of 4.5 years for men and 5.5 years for women.

HIV life expectancy is a difficult variable to assess. The current face value-weighted average age of the HIV population is about 62 years old. However actual mortality is typically higher than the biological age, exhibiting characteristics of a population materially older. Therefore, life expectancy is lower than their non-HIV peer/age group. Nevertheless, great uncertainties remain, as a 'race' is taking place between the cumulative impact of the retrovirus over time and medical advances. Overall, life expectancy of HIV policies, while lower than non-HIV, has been increasing over the last decades.

### Premiums

The current total premiums paid on LSA's portfolios is about USD 16 million annually. We estimate the next year's premiums will be USD 14 million, notwithstanding any additional purchases of policies, as premiums should be reducing as policies in the portfolio progressively mature.

### Fractional Interests

During 2021, investments were made in eight small portfolios of fractional interests in policies in which the Company is already a fractional owner for a total cost of USD 0.18 million. Fractional policies are single life insurance policies initially purchased by multiple investors, each of whom acquired a fractional beneficial interest. Fractional beneficial ownership does not confer control of the policy, which is typically retained by a trustee who is required to act for the benefit of all fractional owners. In some cases, to

## Investment Manager's Report continued

protect the interests of the policyholders, action (which may include legal action) may be taken by holders of fractional interests to regulate the performance of the relevant trustee so that opportunities for maximising the value of their investments are taken, including (for example) ensuring the premiums on fractional policies continue to be paid and avoiding lapsing. In the case of certain of its fractional interests, LSA is party to such legal proceedings against a trustee with a view to protecting the value of its investments.

### Valuations

The following table provides information on the Company's policies and exposure to HIV positive insureds and non-HIV insureds, as of 31 December 2021.

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

LSAA	HIV	Non-HIV	Total
Number of policies	4,186	164	4,350
Total gross face value	386,269,683	100,573,516	486,843,199
Valuation	57,949,315	30,074,277	88,023,592
Percentage of face value	15.0%	29.9%	18.1%

The US actuary, Lewis & Ellis Inc., has provided valuations for all portfolios for the year ended 31 December 2021. The valuations used were derived by adopting an actuarial approach.

New information being made available on existing policies contributed to a valuation gain of USD 6.4 million as at the year end.

### A/E Ratio Trends

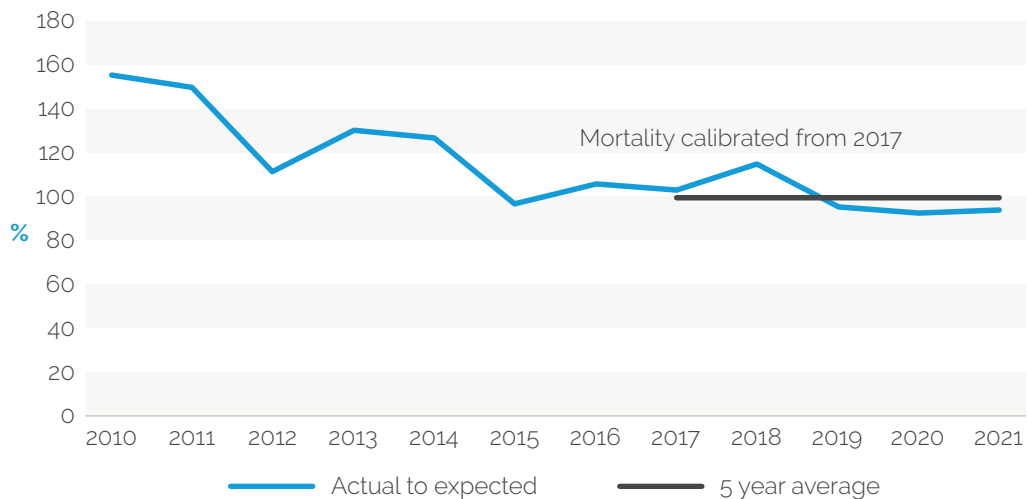
Lewis & Ellis performed a study into the actual over expected death ratio ("A/E ratio") for the period 2010-2021, based on historical data of the number of matured insureds. The actuaries then performed a new A/E study based on historical data available and proceeded with some adjustments to the mortality assumptions. In particular, the HIV A/E results for 2019-2021 were observed to have been low as shown in the table below, so that the actuaries decided to be more conservative in HIV portfolio valuation and adjust the HIV mortality assumptions to have an overall A/E ratio for the last five years at 100%.

Year	2019	2020	2021
A/E	89%	86%	85%

To be noted, even though non-HIV mortality was found to be well in excess of model, the mortality assumptions of non-HIV segment remain the same as last year because the long-term A/E ratio remained at 100%.

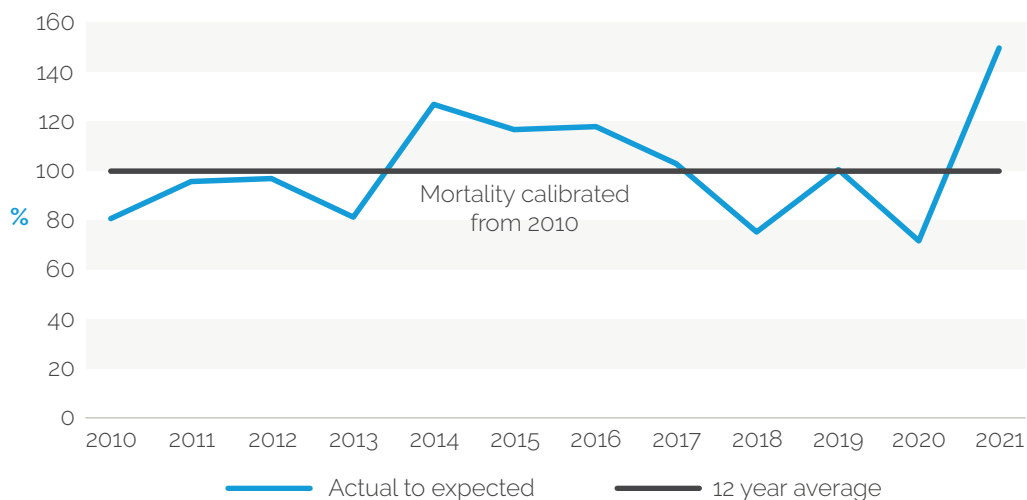
A/E trends are shown in graphs 1 and 2 below.

Graph 1: HIV Actual to Expected



Note: A delay in the reporting of deaths may mean that last year's A/E ratio is typically slightly underestimated at this point of time.

Graph 2: Non-HIV Actual to Expected





# Investment Manager's Report continued

## Maturities

In the year to December 2021, the following maturities and A/E were declared:

### Maturities (USD)

HIV	8,418,000
Non-HIV	30,092,000
Total	38,510,000

A/E*	Before HIV mortality revision	After HIV mortality revision
HIV	85%	94%
Non-HIV	150%	150%

\*in the number of lives, from Lewis & Ellis Inc 2021 reports.

The non-HIV segment outperformed the expectation by above 50% in both dollar amount and the number of insureds. 41 policies of 30 insureds matured, contributing USD 30.5 million to the segment. In comparison, only 31 policies of 22 insureds matured during 2020, contributing USD 13.7 million to the segment. Further, the ongoing reduction in the size of non-HIV portfolio means the maturities will be more volatile and irregular in the future.

On the other hand, the HIV segment performed under expectations by 15% in the number of lives or 13% in monetary terms in the year under review. The A/E results had already been low for the past three years, leading to a revision of the mortality assumption. Mortality assumptions were adjusted such that overall A/E ratio for the last five years is 100%.

## Company Structure

On 3 June 2021, the original Class B Ordinary Shares were merged into the Class A Ordinary Shares and the assets and liabilities attributable to Class B Ordinary Shares were attributed to the resulting enlarged group of Class A Ordinary Shareholders. Merging the relatively small B Ordinary Share Class provided a helpful simplification of the Company's structure. This structural simplification was a long-standing objective of the Board that will allow cost savings, economies of scale and a better cash flow profile. Also, the A Ordinary Shareholders will now benefit from a reduced concentration on HIV segment arising from the inclusion of the B Ordinary Share Class non-HIV only portfolio.

### Going Forward

In the next few years, the non-HIV portfolio will mature much faster than the HIV portfolio, which will leave the shares predominately invested in HIV policies. We will continue to follow the recent research on mortality in general and on long-term HIV patients. The HIV mortality in the portfolio will be the most significant factor that will affect the financial outcome of the Company in the future. This will directly affect cashflow, not only in terms of the maturities level, but also in terms of premiums paid. Other factors, such as unexpected premium change or discount rate, would also have effect on cashflow, and, within a reasonable range, some effect on valuation.

### Acheron Capital

22 April 2022

# 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 the 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 the Investment Policy by acquiring the entire beneficial interest in the Acheron Portfolio Trust from the Predecessor Company shortly after Admission.

As stated on page 16, the B Ordinary Share Class was merged into the A Ordinary Share Class on 3 June 2021.

### *Source of Policies*

In respect of the 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 previously 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 are 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 is 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 Share Class (or those of a Share Class to be established in future). Such Policies will subsequently be granted to the 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 Trust may also hold derivative or other financial instruments designed for efficient portfolio management or to hedge interest or inflation risks. The Trust may invest in liquidity management products as deemed fit by the Trustee or the Investment Manager, as well as mortality hedging products as deemed fit by the Investment Manager, including, but not limited to, mortality related Insurance Linked Securities ("ILS").

## Dividend Policy

The Company has no stated dividend target. The Company aims to distribute a substantial portion of its funds derived from its operations as dividends to Shareholders. 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.

As there is a deficit on the Revenue Reserve, all dividends are payable from the Special Reserve.

### 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, shall be limited to a maximum of 10% of the Net Asset Value of the Share Class (at the time the borrowing is incurred).

### 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 Trust 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 Trust's Investment Manager must ensure that the Company's and the 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; and

- 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 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, the Acheron Portfolio Trust, as the Trust holding the policy assets on behalf of the Company, has appointed the Investment Manager, Acheron Capital Limited, as its investment manager under the Investment Management Agreement with effect from the date of Admission. The Investment Manager is authorised and regulated by the FCA (under reference number 443685). Further details of the Investment Management Agreement are set out in Part 6 of the Prospectus dated January 2018.
- *The Trustee:* The Trustee of the Acheron Portfolio Trust is Dr Robert Edelstein who served as a Director of the Company until his retirement from the Board



# Overview of Strategy and Investment Policy continued

## Corporate and Operational Structure continued

on 31 December 2020. Robert has continued in his role as Trustee and advises the Board directly, as required.

- *The Registrar:* The City Partnership (UK) Limited was appointed as the Company's Registrar on 26 March 2021.
- *Administrator:* Compagnie Européenne de Révision Sàrl has been the Administrator to the Company since its formation and was also the Administrator to the predecessor company.
- *Company Secretary:* ISCA Administration Services Limited was appointed as the Company Secretary in December 2019.
- *Tracking and Servicing Agents:* The Trust has 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. The 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 Trust to service life settlement policy interests owned by the Trust.
- *Actuary:* The Company engages an actuary 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.

# Risks

## 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 principal and emerging 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 Trust are undertaken by the Trust's Investment Manager, who regularly reports to the Audit Committee.

Risk	Mitigation
<b>Mortality Risk</b> Changes in mortality rates may adversely affect the performance of the Policies held by the Company.	The Investment Manager regularly assesses mortality rates based on available information.
<b>Premium Management Risk</b> Unanticipated volatility in mortality rates makes liquidity management of premium reserves difficult, as the Company (or the Trust) 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.
<b>Volatility Risk</b> The portfolio 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.
<b>Fractional Premium Risk</b> 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.
<b>Fractional Ownership Risk</b> Ownership of fractional policies in the US lies with external trustees who act on behalf of the underlying beneficiaries. Any breakdown in the working relationship between the trustee and beneficiary could jeopardise the interests of the beneficiary.	<p>Close monitoring of the operational procedures of the trustee to ensure payments are made when due.</p> <p>Being prepared to take legal action to defend our beneficial interests, as we are currently doing and as more fully discussed in the Chairman's Statement.</p> <p>Ensuring sufficient cash is held along with the ability to utilise policy loans to ensure beneficial interests not already owned could be purchased if offered for sale by the trustee.</p>

## Principal Risks continued

Risk	Mitigation
<p><b>Advance Age Mortality Risk</b></p> <p>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.</p>	<p>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.</p>
<p><b>Discount Rate Risk</b></p> <p>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.</p>	<p>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.</p>
<p><b>Modelling Risk</b></p> <p>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.</p>	<p>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.</p>
<p><b>Tax</b></p> <p>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.</p>	<p>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 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.</p>

## Principal Risks continued

Risk	Mitigation
<p><b><i>Breach of Applicable Legislative Obligations</i></b></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><b><i>Counterparty Risk</i></b></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>

## Secondary Risks Specific to the Company

As described on pages 34 and 35, 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 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.

*Climate Change:* The Company is aware of the impact of Climate Change across the business world and has sought to assess the impact this could have on the Company either directly or indirectly. The Company is managed and operated through a number of third-party suppliers and does not undertake any activities directly nor does it have any offices. The nature of its investments in life assurance policies is not directly impacted by Climate Change, any long-term change in climate is unlikely to have a detrimental impact on the valuation of those policies. Long-term climate change could have an impact on the ability of third-party suppliers to continue to service the Company and impact the insurance industry as a whole and its ability to meet all claims, including the maturity of life assurance policies when they are payable. The Board has sought to reduce its carbon impact through the use of conference and video calls for meetings where possible and encourages the Company's third-party suppliers to assess their own carbon impact.

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 19.

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 UK's withdrawal from the European Union on 31 December 2020 has not materially affected 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 ongoing 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 23 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. 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.

## Viability Statement and Other Disclosures continued

### 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 22 April 2022 and signed on its behalf by:

**Michael Baines**

22 April 2022

# Governance

# Board of Directors

The following were Directors of the Company at the year end.

## 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.

## Guner Turkmen

Guner Turkmen has extensive experience in trading, risk and asset management and asset allocation. In 1995 he's joined ED&F Man in New York. He remained there as executive Vice President until 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 to 2011. At the end of 2007, he founded Lake Geneva Investment Partners S.A. Mr Turkmen is both a Swiss and 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 The European Smaller Companies Trust plc, BlackRock Sustainable American Income Trust plc, CQS Natural Resources Growth and Income plc and Mobius Investment Trust 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 2021. The Financial Statements have been prepared in accordance with International Accounting Standards 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 Casey and Mr Turkmen will be subject to re-election at the forthcoming AGM on 23 June 2022.

None of the Directors have 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

Following Shareholder approval at the general meeting and class meetings held on 26 May 2021, the Company converted 14,596,098 B Ordinary shares of USD 0.01 into 6,102,725 A Ordinary shares. The remaining 8,493,373 B shares were designated as Deferred Shares and subsequently cancelled. At the year-end there were 49,826,784 A Ordinary shares of USD 0.01 each in issue. 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 21 to 24 and in Note 4 on pages 63 to 66.

## 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 ongoing pandemic. Further details are shown in the Viability Statement on page 25. The Directors believe that it is appropriate to prepare the Financial Statements on a



# Report of the Directors continued

## Going Concern continued

going concern basis and that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of the approval of the Financial Statements. 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, the Trust has appointed Acheron Capital Limited as their Investment Manager under the Investment Management Agreement 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 agreement with the Trust 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 the Trust is Dr Robert Edelstein who was a Director of the Company until his retirement from the Board on 31 December 2020.

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 an actuary to provide a valuation of the policies.

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 26 of the accounts on page 78. No final dividend in respect of the year ending 31 December 2021 is proposed.

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## Substantial Shareholdings

The Directors have been informed of the following notifiable interests in the voting shares of the Company at 31 December 2021:

Notification From	Number of shares	% of voting rights
Tomson Pte Limited	4,651,152	9.33
Metage Capital Limited	4,350,756	8.73
Premier Miton Group Plc	3,769,216	7.56

On 16 February 2022, Premier Miton Group Plc notified the Company that its interest in the voting shares of the Company had changed to 1,525,000 shares being 3.06% of the Company's voting rights.

There were no other changes to the above holdings between 31 December 2021 and the date of this report.

### Annual General Meeting

The Company will be holding its AGM on Thursday, 23 June 2022. Full details of the meeting, the resolutions to be proposed and how to vote are set out in the Notice of Meeting on pages 84 to 88. 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 re-election.

#### *Reappointment of Auditors*

Resolution 7 proposes the reappointment of BDO LLP as the Company's External Auditor for the forthcoming year and the authority proposed under Resolution 8 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 9 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 the Ordinary Share Class, as of the date of this Notice (excluding treasury shares).

#### *Disapplication of Pre-emption Rights*

Resolution 10 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 the 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 11 authorises the Company to purchase up to 14.99% of the Company's shares 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 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 the resolution or, if earlier, at the conclusion of the Annual General Meeting to be held in 2023.

### Shareholder Meeting and Proxy voting

Although at the time of writing all Covid-19 regulations have been relaxed and currently there are no restrictions on public meetings such as the Company's Annual General Meeting. The Board is mindful that not all Shareholders would wish to attend and vote in person. To ensure that all votes are counted for the resolutions being put to the meeting a Poll will be called. Shareholders are encouraged to submit their proxy votes ahead of the meeting to ensure that their votes count towards deciding each resolution. Appointing the Chair of the meeting rather than a named person will ensure that the vote will count.

Notice of the Annual General Meeting is on pages 84 to 88 of this report. 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.

# Report of the Directors continued

If Shareholders have any questions that they would like to raise at the Annual General Meeting, these should be submitted in advance to the following email address: [lsa@iscaadmin.co.uk](mailto:lsa@iscaadmin.co.uk). In light of the potential for the Covid-19 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 [www.lsaplc.com/investor-relations/company-reports](http://www.lsaplc.com/investor-relations/company-reports).

## Recommendation

The Board considers 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 page 76.
- 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 7 and 8 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**

22 April 2022

# 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.

At the year end, the Board comprises three male 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.

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## Board Attendance

Attendance at the main Board and Audit Committee meetings held during the reporting period is shown below. In addition, ad hoc meetings are held where necessary. During the year, all meetings were held electronically due to Covid-19 restrictions.

	Board meetings	Audit committee meetings
Michael Baines	4/4	3/3
Christopher Casey	4/4	3/3
Guner Turkmen	4/4	n/a

# 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. 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 as 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 Manager and the Company Secretary as and when his expertise and opinion are required.

## 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 year.

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's Administrator, Cerlux, the Trustee, Professor R Edelstein, Company Secretary and Investment Manager. Discussions are held with each party to assess the overall operations of the Company to identify ongoing and new risks being, or likely to be faced by the Company. These are taken in conjunction with the Investment Manager's regular report which covers investment performance. In addition, the Company Secretary or Investment Manager report on the overall control environment at the Company's third-party service providers. Internal control statements from third party service providers are also reviewed by the Audit Committee.
- The duties relating to investment management, accounting and custody of assets are segregated and 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 Trust and Acheron Capital. Acheron is authorised and regulated by the Financial Conduct Authority.
- Administration and accounting duties are performed by Compagnie Euopéenne de Révision Sàrl.



- Company secretarial duties are performed by an external Company Secretary, ISCA Administration Services Limited.
- Authorisation and exposure limits are set by the Board.
- The Company clearly defines the duties and responsibilities of its agents through their contracts. The appointment of agents and advisers is conducted by the Board after consideration of the quality of parties involved; the Board monitors their on-going performance and contractual arrangements. The Board reviews financial information produced by the Investment Manager, Administrator 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 43. The responsibilities of the Independent Auditor are set out on pages 44 to 51. The Directors' Report states that the Company is a going concern and confirmation of the Directors consideration on viability is on page 25.

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.

# Audit Committee Report

The Audit Committee was chaired, throughout the year, by Christopher Casey.

At the year end and at the date of this report, the Committee comprised of Christopher Casey (Chairman) and Michael Baines. 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 three times 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 the 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 all 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 the Company's affairs by the Audit partners and staff and on the levels of skill and responsibility of those involved.

Following its review, the Committee considers that, individually and collectively, the Auditor is appropriately experienced to fulfil the role required, and has 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 fulfil its obligations to the Company and its Shareholders.

During the year, BDO LLP reviewed the merger calculations for the merger of class B and A shares. The Board felt BDO LLP was acting as a reporting accountant and that this formed part of the Audit process and, as such, did not constitute a non-audit service.

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

**Christopher Casey**

Audit Committee Chairman

22 April 2022

# Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the year ending 31 December 2021. 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 Company's Remuneration Policy is set out below. This Policy was approved by Shareholders at the AGM on 13 June 2019. The votes cast on the resolution approving the Remuneration Policy were as below and it is the intention that this Policy will apply for three years.

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

A separate resolution to adopt the Remuneration report was advisory only and not binding on the Company. The votes cast at the 2021 AGM on the advisory resolution were:

	Number of votes	% of votes cast
For	9,996,198	100.0
Against	–	–
At Chairman's discretion	–	–
Total votes cast	9,996,198	100.0
Number of votes withheld	–	–

## Policy Table

<i>Fixed Fee Element</i>	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.
<i>Discretionary Element</i>	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.
<i>Taxable Benefits</i>	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.
<i>Purpose and Link to Strategy</i>	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.
<i>Operation</i>	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.
<i>Maximum</i>	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 2022 AGM and Shareholders will also have the opportunity to express their views and raise any queries on the policy ahead of this meeting through [lsa@iscaadmin.co.uk](mailto:lsa@iscaadmin.co.uk).

# Directors' Remuneration Report continued

## Directors' Emoluments (Audited Information)

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

Director	Year ended 31 December 2021			Year ended 31 December 2020			% Change
	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	69	–	69	64	–	64	7.8
Christopher Casey	50	–	50	51	–	51	(2.0)
Guner Turkmen	10	–	10	10	–	10	0.0
Robert Edelstein (retired 31 December 2020)	–	–	–	10	–	10	n/a
Frank Mathé (retired 30 September 2020)	–	–	–	8	–	8	n/a
Yves Mertz (retired 31 December 2020)	–	–	–	15	–	15	n/a
<b>Total</b>	<b>129</b>	<b>–</b>	<b>129</b>	<b>158</b>	<b>–</b>	<b>158</b>	

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

In total USD nil (2020: USD 46,000) was reimbursed to Directors during the year for their expenses. There are no other Directors' expenses to report.

The annual fees for each Director for the twelve months commencing 1 January 2022 are expected to be:

- Michael Baines, Chairman – £50,000
- Christopher Casey, Audit Committee Chairman – £40,000
- Guner Turkmen – USD 10,000.

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



### Relative Importance of Spend on Remuneration

The following table shows the proportion of the Company's income spent on remuneration during the year ended 31 December 2021.

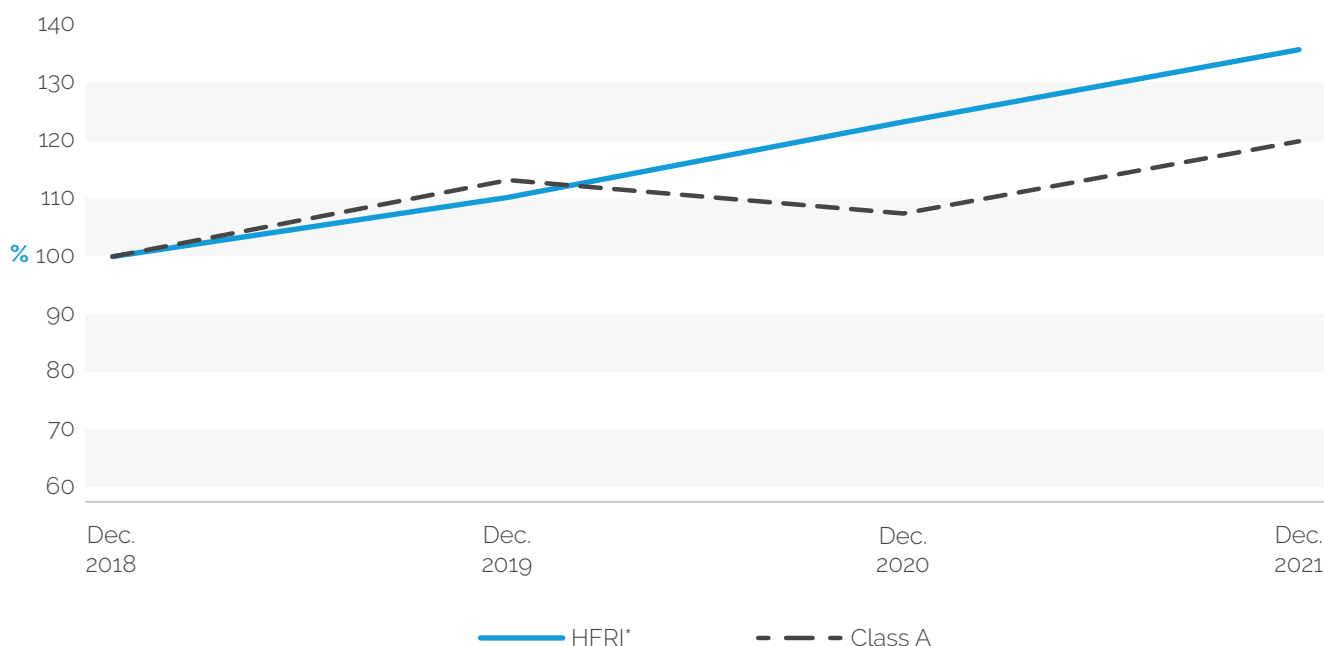
	2021 USD '000	2020 USD '000	% change
Directors' remuneration paid	129	158	(18.4)
Dividends paid (Note 26)	5,100	7,499	(32.0)

### 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 to the Company.

### Company's Performance Graph

#### Annual Performance of Ordinary Shares vs. HFRI Index



\* The HFRI Fund Weighted Composite Index is a global, equal-weighted index of single manager funds that report to HFR Database. Constituent funds report monthly net of all fees performance in US Dollars and have a minimum of USD 50 million under management or USD 10 million under management and 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' Remuneration Report continued

## Directors' Interests in Shares (Audited Information)

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 2021	31 December 2020
Michael Baines	50,000	75,000*
Christopher Casey	–	–
Guner Turkmen	–	–

\* Class B Shares. The 75,000 B Shares held were converted into 31,357 A Shares on 3 June 2021.

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 22 April 2022.

For and on behalf of the Board

**Michael Baines**  
Chairman

22 April 2022

# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with UK adopted international accounting standards and 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 UK adopted international accounting standards. 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 for 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 UK adopted international accounting standards, 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.

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 the applicable set of Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit and loss 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

22 April 2022

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

## Opinion on the Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements of Life Settlement Assets for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and the 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 UK adopted International Accounting Standards.

## 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

## Independence

Following the recommendation of the audit committee, we were re-appointed at the Annual General Meeting on 16 June 2021 to audit the Financial Statements for the year ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 3 years, covering the years ending 31 December 2019 to 31 December 2021. We remain 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. The non-audit services prohibited by that standard were not provided to the Company.

## Conclusions Relating to Going Concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- obtaining the Directors' assessment of the going concern status of the Company;
- reviewing the appropriateness of the forecasted cash flow calculated by performing a sensitivity analysis on the expected receipt of cash from maturities and future expenditure and the cash outflow arising from premium payments and dividend payments to Shareholders;
- challenging the Directors' assumptions and judgements made by assessing them for reasonableness and comparing forecasts to historical figures;
- understanding of the business model, objectives, strategies and related business risk, the measurement and review of the entity's financial performance including forecasting and budgeting processes and the Company's risk assessment process;
- calculating and reviewing financial ratios to ascertain the financial health of the Company; and
- evaluating the adequacy and appropriateness of disclosures in the Financial Statements regarding the going concern assessment, checking mathematical accuracy and any material uncertainties that may exist.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

## Overview

Key Audit Matters	2021	2020
Valuation, existence and ownership of investments	✓	✓
Revenue Recognition	✓	✓
<b>Materiality</b>	<b>Financial Statements as a Whole</b> £1.74m (2020: £1.55m) based on 2% (2020: 2%) of of total life settlement investments less maturities receivable.	

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

## An Overview of the Scope of Our Audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the Financial Statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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 Scope of our Audit Addressed the Key Audit Matter
<p><b>Valuation, Existence and Ownership of Investments (Notes 3.3, 4.3, 13 and 14 to the Financial Statements)</b></p> <p>The life settlement portfolio at the 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 USD 88.0 million (2020: USD 77.6 million).</p> <p>We considered the valuation, existence and ownership of investments to be the key area of focus as investments represent the most significant balance in the Financial Statements and underpin the principal activity of the Company. For this reason and the reasons below we considered this to be a key audit matter.</p> <p>Management's actuarial expert performs the valuation of investments which are reviewed and approved by the Board. The valuations are, however, complex and there is a high level of estimation uncertainty involved in determining the life settlement investment valuations. 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>There is also a risk that investments recorded might not exist or that fractional or whole policies are not beneficially owned or owned by the Company respectively.</p>	<p>We responded to this matter by performing the following procedures:</p> <ul style="list-style-type: none"> <li>• Confirmed the independence and credentials of the management actuarial expert.</li> <li>• Engaged our own external actuarial expert to review the assumptions and methodology undertaken by management's actuarial expert. We reviewed and challenged their findings through discussions in relation to key assumptions and confirmed possible sensitivities were within an appropriate range.</li> <li>• Reconciled the data provided by independent third party service providers with the data used by the management actuarial expert to gain comfort that the data used in the valuation is complete and accurate and reconciles to the Financial Statements.</li> <li>• Obtained a sample of policies from the servicers to test for ownership and existence, including agreeing face values and policy start dates.</li> <li>• Tested a sample of additions and matured policies of life settlement portfolios during the year by agreeing to source documentation and bank accounts respectively.</li> </ul> <p><b>Key Observations:</b></p> <p>Based on our procedures performed we did not identify any matters to suggest that the valuation, existence or ownership of investments was not appropriate.</p>



## Key Audit Matter

### **Revenue Recognition**

#### **(Notes 3.10, 6 and 7 to the Financial Statements)**

Revenue arises predominantly from death benefits received on matured life settlement policies and is a key factor in demonstrating the performance of the portfolio.

There is a risk that the policy maturities are not accurately accounted for and there is a cut-off risk that revenue is recognised in the incorrect period including the completeness of maturities.

There is also a risk that the classification between revenue and capital is not appropriate.

For these reasons, we considered this a key audit matter.

## How the Scope of our Audit Addressed the Key Audit Matter

We responded to this matter by performing the following procedures:

- Evaluated the Company's accounting policies for revenue recognition in accordance with the requirements of UK adopted International Accounting Standards and in accordance with the Statement of recommended Practice (SORP) issued by Association of Investment Companies (AIC).
- Tested the classification between revenue and capital is consistent with the nature of income recognised during the year.
- Obtained a sample of maturities of the life settlement portfolio and checked the associated revenue to third party sources, including tracing a sample of matured policies back to custodian's initial notice of death.
- Gained assurance over the completeness of maturities by checking the policies in force by third party service provider and obtaining confirmation from that provider.
- Tested a sample of policies that matured in 2021 and policies maturing in 2022 to check that revenue had been recorded in the correct period. For the policies maturing in 2021, we agreed the death benefit received to bank and checked the associated income to third party sources. For policies realised in 2022, we have agreed the death benefit to the valuation summary from management's actuarial expert, ensuring it was held as an unrealised investment as at 31 December 2021. We also agreed post year end receipt to bank.

### **Key Observations:**

Based on our procedures performed we did not identify any matters to suggest that the revenue recognition was not appropriate.

# 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. 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.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole and performance materiality as follows:

	2021	2020
<b>Materiality</b>	USD 1,740,000	USD 1,550,000
<b>Basis for Determining Materiality</b>	2% of total life settlement investments less maturities receivable	2% of total life settlement investments less maturities receivable
<b>Rationale for the Benchmark Applied</b>	Given that the Company's portfolio is comprised of unquoted investments which would typically have a wider spread of reasonable alternative possible valuations, we have applied a percentage of 2% of invested assets	Given that the Company's portfolio is comprised of unquoted investments which would typically have a wider spread of reasonable alternative possible valuations, we have applied a percentage of 2% of invested assets
<b>Performance Materiality</b>	USD 1,310,000	USD 1,160,000
<b>Basis for Determining Performance Materiality</b>	75% – The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year	75% – The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year

## Specific Materiality

We also determined that for classes of transactions and balances which impact on net realised returns, a misstatement of less than materiality for the Financial Statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items to be USD 480,000, based on 5% of gross expenditure (2020: USD 550,000, based 10% of gross expenditure), which includes Investment management fees and other expenses. We further applied a performance materiality level of 75% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

## Reporting Threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of USD 90,000 (2020: USD 30,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

## 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. 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 course of 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 this gives rise to a material misstatement in the Financial Statements themselves. 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.

## Other Companies Act 2006 Reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

<b><i>Strategic Report and Directors' Report</i></b>	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"><li>• 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</li><li>• the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.</li></ul> <p>In the light of the knowledge and understanding of the Company's and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.</p>
<b><i>Directors' Remuneration</i></b>	<p>In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
<b><i>Matters on which we are Required to Report by Exception</i></b>	<p>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:</p> <ul style="list-style-type: none"><li>• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or</li><li>• the Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or</li><li>• certain disclosures of Directors' remuneration specified by law are not made; or</li><li>• we have not received all the information and explanations we require for our audit.</li></ul>

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

## Responsibilities of Directors

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

### *Extent to which the Audit was Capable of Detecting Irregularities, including Fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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, International Accounting Standards in conformity with the requirements of the Companies Act 2006, the FCA listing and DTR rules,

industry practice represented by the AIC SORP and UK adopted International Accounting Standards. We also considered the Company's qualification as an Investment Trust under UK tax legislation.

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.

We evaluated management's incentives and opportunities for fraudulent manipulation of the Financial Statements (including the risk of override of controls) and determined that the principal risks were related to posting journal entries to increase revenue or profits, and management bias in accounting estimates including those relating to key audit matters outlined above. In order to address the risk of material misstatement associated with fraud we performed the following procedures:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management including reviewing legal correspondence;
- testing the appropriateness of journal entries in the general ledger and adjustments made in the preparation of the Financial Statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of any significant transactions that are outside the normal course of the business for the Company and those that appear to be unusual;
- reviewed correspondence with the relevant authorities;
- review of minutes of board meetings throughout the period;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations; and
- the procedures set out in the Key Audit Matters section above.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the Financial Statements, 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. There are inherent limitations in the audit procedures performed 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 are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

### 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

22 April 2022

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 2021

	Notes	Revenue USD '000	2021 Capital USD '000	Total USD '000	Revenue USD '000	2020 Capital USD '000	Total USD '000
<b>Income</b>							
Gains/(losses) from life settlement portfolios	5						
Realised gains:							
Maturities		–	38,510	38,510	–	22,735	22,735
Acquisition cost of maturities and fair value movement		–	(7,443)	(7,443)	–	(6,361)	(6,361)
Sub total		–	31,067	31,067	–	16,374	16,374
Incurred premiums paid in year on all policies		–	(15,434)	(15,434)	–	(18,421)	(18,421)
Unrealised gains:							
Fair value adjustments		–	9,199	9,199	–	1,091	1,091
Income from life settlement portfolios	6	942	–	942	809	–	809
Other income	7	107	–	107	58	–	58
Net foreign exchange loss		(9)	–	(9)	(12)	–	(12)
Total income/(expense)		1,040	24,832	25,872	855	(956)	(101)
<b>Operating expenses</b>							
Investment management fees	8	(1,547)	(2,509)	(4,056)	(1,674)	1,847	173
Other expenses	9	(6,545)	–	(6,545)	(5,873)	–	(5,873)
(Loss)/profit before finance costs and taxation		(7,052)	22,323	15,271	(6,692)	891	(5,801)
<b>Finance costs</b>							
Interest payable	10	(732)	–	(732)	(964)	–	(964)
<b>(Loss)/profit before taxation</b>		(7,784)	22,323	14,539	(7,656)	891	(6,765)
<b>Taxation</b>	11	(101)	–	(101)	16	–	16
<b>(Loss)/profit for the year</b>		(7,885)	22,323	14,438	(7,640)	891	(6,749)
<b>Basic and diluted returns per share*</b>							
Return per class A share USD	12	(0.167)	0.472	0.305	(0.162)	0.019	(0.143)

\* The returns per share for the previous year have been restated to reflect the merger of share classes A and B.

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 April 2021.

The notes on pages 58 to 78 form part of these Financial Statements.

# Statement of Financial Position

as at 31 December 2021

	Notes	2021 USD'000	2020 USD'000
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss			
– Life settlement investments	13,14	88,024	77,643
		88,024	77,643
<b>Current assets</b>			
Maturities receivable	15	6,205	9,278
Trade and other receivables		330	451
Premiums paid in advance	16	6,525	8,354
Cash and cash equivalents	17	12,026	5,825
		25,086	23,908
<b>Total assets</b>		113,110	101,551
<b>Current liabilities</b>			
Other payables	18	(948)	(1,012)
Provision for performance fees	19	(2,848)	(339)
<b>Total liabilities</b>		(3,796)	(1,351)
<b>Net assets</b>		109,314	100,200
Represented by			
<b>Capital and reserves</b>			
Share capital	20	498	583
Special reserve		94,290	99,614
Capital redemption reserve		213	128
Capital reserve		44,724	22,401
Revenue reserve		(30,411)	(22,526)
<b>Total equity attributable to ordinary Shareholders of the Company</b>	4.2	109,314	100,200
Net Asset Value per share basic and diluted			
Class A shares USD*	22	2.19	2.01

\* To aid comparison these figures have been restated to show only one class of share at 31 December 2020.

These Financial Statements were approved by the Board of Directors on 22 April 2022 and signed on its behalf by:

**Michael Baines, Chairman**

Registered in England and Wales with Company Registration number: 10918785

The notes on pages 58 to 78 form part of these Financial Statements.

# Statement of Changes in Equity

for the year ended 31 December 2021

	Share capital 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 2020	583	99,614	128	22,401	(22,526)	100,200
Comprehensive income/(loss) for the year	-	-	-	22,323	(7,885)	14,438
<b>Contributions by and distributions to owners</b>						
Merger B class	(85)	-	85	-	-	-
Costs of B class merger	-	(224)	-	-	-	(224)
Dividends paid in year	-	(5,100)	-	-	-	(5,100)
Balance as at 31 December 2021	498	94,290	213	44,724	(30,411)	109,314
Of which:						
- Realised gains				34,582		
- Unrealised gains				10,142		

	Share capital 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 2019	648	107,458	63	21,510	(14,886)	114,793
Comprehensive income/(loss) for the year	-	-	-	891	(7,640)	(6,749)
<b>Contributions by and distributions to owners</b>						
Merger D & E classes	(65)	-	65	-	-	-
Costs of D & E class merger	-	(345)	-	-	-	(345)
Dividends paid in year	-	(7,499)	-	-	-	(7,499)
Balance as at 31 December 2020	583	99,614	128	22,401	(22,526)	100,200
Of which:						
- Realised gains				20,901		
- Unrealised gains				1,500		

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 58 to 78 form part of these Financial Statements.

# Cash Flow Statement

for the year ended 31 December 2021

	Notes	2021 USD '000	2020 USD '000
<b>Cash flow generated from/(used in) operating activities</b>			
Profit/(loss) for the year		14,438	(6,749)
Non-cash adjustment			
– movement on portfolios		(1,756)	5,269
Investment in life settlement portfolios	14	(11,282)	(118)
Movements in "policy advances"	14	2,657	(4,753)
<b>Changes in operating assets and liabilities</b>			
Changes in maturities receivables		3,073	(5,411)
Changes in trade and other receivables		121	246
Changes in premiums paid in advance		1,829	877
Changes in other payables		(64)	31
Changes in performance fee provision		2,509	(4,715)
<b>Net cash inflows/(outflows) generated from/(used in) operating activities</b>		11,525	(15,323)
<b>Cash flow used in financing activities</b>			
Dividends paid	26	(5,100)	(7,499)
Costs of A & B class merger		(224)	(345)
<b>Net cash flows used in financing activities</b>		(5,324)	(7,844)
<b>Net increase/(decrease) in cash and cash equivalents</b>		6,201	(23,167)
<b>Cash balance at the beginning of the year</b>		5,825	28,992
<b>Cash balance at the end of the year</b>		12,026	5,825

Included in cash flow used in operating activities is interest paid, USD 732,000 (2020: USD 964,000); dividends and interest received, USD 947,000 (2020: USD 818,000).

The notes on pages 58 to 78 form part of these Financial Statements.

# Notes to the Financial Statements

for the year ended 31 December 2021

## 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 one class of Ordinary Shares in issue, the A Shares, which principally participates in a 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 were transferred to the Company as an in specie subscription for ordinary shares. More specifically:

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

Net assets acquired from the Predecessor Company were 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.

As stated on page 9, the D Ordinary Share Class and E Ordinary Share Class were merged into the A Ordinary Share Class on 30 April 2020 and the B Ordinary Share Class merged into the A Ordinary Share Class on 3 June 2021.

## Statement of compliance with IFRS

The Company's Financial Statements have been prepared in accordance with UK adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under these standards. They have also been prepared in accordance with the SORP for investment companies issued by the AIC in April 2021, except to the extent that it conflicts with International Accounting Standards.



## 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 UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. On 31 December 2020, IFRS as adopted by the European Union at that date was brought into the UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Company transitioned to UK-adopted international accounting standards in its Financial Statements on 1 January 2021. There was no impact or changes in accounting from the transition. 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 25. The Board have fully considered the impact of the Covid-19 pandemic in making this assessment.

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 2021. 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.

### 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.

# Notes to the Financial Statements continued

## 3. SIGNIFICANT ACCOUNTING POLICIES continued

### *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 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 Trust 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.

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. SIGNIFICANT ACCOUNTING POLICIES continued

#### 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; and
- 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.

#### 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.

# Notes to the Financial Statements continued

## 3. SIGNIFICANT ACCOUNTING POLICIES continued

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.

### 3.8. Equity and reserves

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

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.

### 3.10. 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. SIGNIFICANT ACCOUNTING POLICIES continued

#### 3.11. Significant estimates

The preparation of these Financial Statements in conformity with International Accounting Standards 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 trust in which the policies 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.

#### 3.13. Expected Credit Loss Provision

The Company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and ageing. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts. The expected loss rates are based on the Company's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the life settlement market sector. The Company has identified the gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors in the country where the Company operates.

The main factors considered by the Board in determining the lifetime expected credit losses are that the debts are 6 months or more past due and there is currently uncertainty over whether the maturity will be paid.

### 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 page 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.

# Notes to the Financial Statements continued

## 4. FINANCIAL RISK MANAGEMENT continued

### *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.

Therefore the Board believe that Expected Credit Loss calculated under IFRS 9 is nil.

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

	31 December 2021 USD '000	31 December 2020 USD '000
Life settlement portfolio	88,024	77,643
Accrued income and other debtors	6,535	9,729
Cash and cash equivalents	12,026	5,825
	<u>106,585</u>	<u>93,197</u>

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 Trust, 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 21 to 24.



# 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 2021 comprises:

	31 December 2021 USD '000	31 December 2020 USD '000
Share capital	498	583
Special reserve	94,290	99,614
Capital redemption reserve	213	128
Capital reserve	44,724	22,401
Revenue reserve	(30,411)	(22,526)
	<b>109,314</b>	<b>100,200</b>

### 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. GAINS/(LOSSES) FROM LIFE SETTLEMENT PORTFOLIOS

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 year is reflected as a deduction of income from life settlement portfolios. The amount of premiums paid in advance amounted to USD 6,525,000 (2020: USD 8,354,000) as at 31 December 2021.

## 6. INCOME FROM LIFE SETTLEMENT PORTFOLIOS

	31 December 2021 USD '000	31 December 2020 USD '000
Dividends	578	433
Interest	364	376
	<b>942</b>	<b>809</b>

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

## 7. OTHER INCOME

Other income comprises:

	31 December 2021 USD '000	31 December 2020 USD '000
Other operating income	102	49
Interest income	5	9
	<b>107</b>	<b>58</b>

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 2021 USD '000	31 December 2020 USD '000
Acheron Capital management fees	1,547	1,674
Performance fees	2,509	(1,847)
	<b>4,056</b>	<b>(173)</b>

Under an agreement dated 26 March 2018, the Investment Manager is entitled to a management fee payable by the Trust at an annual rate of no more than 1.5% of the Net Asset Value for class A and the previous class B and 1.5% and 2% for classes D and E respectively until the date of the merger on 30 April 2020. Management fees paid during the year amounted to USD 1,547,000 (2020: USD 1,674,000).

The Performance fee in respect of the Trust 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 Trust, 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 prior to 3 June 2021, and, prior to 30 April 2020, 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 2021), 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 339,000 (2020: USD 339,000) assumed from the Predecessor Company. The performance fee provision has been increased by USD 2,509,000 in relation to the performance of the portfolio for the year ended 31 December 2021.

# Notes to the Financial Statements continued

## 9. OTHER EXPENSES

	31 December 2021 USD '000	31 December 2020 USD '000
Policies servicing fees (including trustees fees)	2,948	2,877
Audit fees payable to the Company's auditor	196	176
Other non-audit services paid to the Company's previous auditor	-	-
Legal and financial advisors fees	2,662	1,771
Administration management	151	152
Accounting fees and NAV calculation	207	222
Actuarial fees	101	82
Directors' fees*	129	158
Directors liability insurance	32	50
Travelling expenses	21	46
Other expenses	98	339
	<b>6,545</b>	<b>5,873</b>

\* Details of the Directors' fees are disclosed in the Directors' Remuneration Report on pages 38 to 42. An amount of USD nil (2020: USD 29,500) remains payable at 31 December 2021.

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

## 10. INTEREST EXPENSES

Interest expenses amount to USD 732,000 (2020: USD 964,000) and includes interest on "policy advances" of USD 715,000 (2020: USD 941,000) (Notes 14 and 21).

## 11. TAXATION

	31 December 2021 USD '000	31 December 2020 USD '000
Profit/(loss) before taxation	14,539	(6,765)
Theoretical tax at UK Corporation Tax rate of 19% (2020: 19%)	2,762	(1,285)
Effects of:		
Non-taxable capital (gain)/loss	(4,718)	182
US withholding tax suffered/(recovered)	101	(16)
Excess management expenses and tax losses carried forward	1,956	1,103
Actual tax charge	<b>101</b>	<b>(16)</b>

As at 31 December 2021, the Company has tax losses and excess management expenses of USD 32,958,000 (2020: USD 22,665,000) 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. There is no expiry date to these losses.

## 11. TAXATION continued

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

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 2021 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.

2021	Class A
Earnings per share:	
Revenue return (USD '000)	(7,885)
Capital return (USD '000)	22,323
Total return (USD '000)	14,438
Weighted average number of shares during the year	47,251,936
Income return per share (USD)	(0.167)
Capital return per share (USD)	0.472
Basic and diluted total earnings per share (USD)	0.305

2020	Class A*
Earnings per share:	
Revenue return (USD '000)	(7,640)
Capital return (USD '000)	891
Total return (USD '000)	(6,749)
Weighted average number of shares during the year	47,251,936
Income return per share (USD)	(0.162)
Capital return per share (USD)	0.019
Basic and diluted total earnings per share (USD)	(0.143)

\* Restated to reflect the merger of share class B with share class A.

# Notes to the Financial Statements continued

## 13. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

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

The fair value hierarchy has the following levels:

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

The life settlement portfolios of USD 88,024,000 (2020: USD 77,643,000) 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.

	2021 (Book and fair value) USD'000	2020 (Book and fair value) USD'000
<b>Assets at fair value through profit or loss</b>		
Life settlement investments	88,024	77,643
Maturities receivable	6,205	9,278
Premiums paid in advance	6,525	8,354
<b>Loans and other receivables</b>		
Trade and other receivables	330	451
Cash at bank	12,026	5,825
<b>Liabilities at amortised cost or equivalent</b>		
Other payables	(948)	(1,012)
Provision of performance fee	(2,848)	(339)
Total for financial instruments	109,314	100,200
Non-financial instruments	–	–
<b>Total net assets</b>	<b>109,314</b>	<b>100,200</b>

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

	31 December 2021 USD '000	31 December 2020 USD '000
Movements of the year are as follows:		
Opening valuation	77,643	78,041
Acquisitions during the year	11,282	118
Proceeds from matured policies	(38,510)	(22,735)
Net realised gains on policies	31,067	16,375
Movements in cash from policy loans	(2,657)	4,753
Movements in unrealised valuation	9,199	1,091
Closing valuation	88,024	77,643
Detail at year end		
Acquisition value	95,000	90,604
Unrealised capital gains	10,142	1,500
Policy advances	(17,118)	(14,461)
Closing valuation	88,024	77,643

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

	Class A USD '000	Class B USD '000	Total USD '000
Elderly life insurance (non HIV) portfolio	57,950	n/a	57,950
HIV portfolio	30,074	n/a	30,074
<b>Balance as at 31 December 2021</b>	<b>88,024</b>	<b>n/a</b>	<b>88,024</b>

	Class A USD '000	Class B USD '000	Total USD '000
Elderly life insurance (non HIV) portfolio	18,168	9,823	27,991
HIV portfolio	49,652	–	49,652
Balance as at 31 December 2020	67,820	9,823	77,643

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

Under the terms of the A/B share class merger, as fully documented in the Circular published on 30 April 2021, and in note 20 on page 76, the B shares were redesignated as A shares on 3 June 2021.

## 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 also considers 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 Shares. A key issue with this exercise is the concentration of the shares 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 2021 is 101% (2010 to 2020: 97%) for the Life Settlement and 107% for HIV from 2012 to 2021 (2010 to 2020: 102%).

L&E report an actual to expect of 150% for Life Settlement and 94% for HIV in 2021 for the share class.

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.



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

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

When no illustration is available or is deemed unsuitable to be used, for instance because it does not project sufficiently into the future, L&E takes the last observed premium payment and applies an annual increase of 8% per year 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 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 12% (2020: 12%) 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 95%;
- 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; and
- 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.

# Notes to the Financial Statements continued

## 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)	31,900,000	30,958,000	<b>30,074,000</b>	29,245,000
% of total face amount	31.7%	30.8%	29.9%	29.1%
Discount rate – HIV portfolio	10%	11%	12%	13%
Value of portfolio (USD)	62,071,000	59,874,000	<b>57,950,000</b>	56,255,000
% of total face amount	16.1%	15.5%	15.0%	14.6%

##### a.2) Premium assumption sensitivity

Value based on 12% discount rate – non HIV portfolio	Annual premium increase at	
	8%	9%*
Value of portfolio (USD)	<b>30,074,000</b>	29,858,000
% of total face amount	29.9%	29.7%
Value based on 12% discount rate – HIV portfolio	Annual premium increase at	
	8%	9%*
Value of portfolio (USD)	<b>57,950,000</b>	56,701,000
% of total face amount	15.0%	14.7%

\* Based on Investment Manager's internal model.

##### a.3) Mortality sensitivity

Value based on 12% discount rate – non HIV portfolio	USD	% of face amount
Value of portfolio as reported	<b>30,074,000</b>	29.9%
Value at 90% of current mortality assumption*	26,716,000	26.6%
Value at 80% of current mortality assumption	23,159,000	23.0%
Value based on 12% discount rate – HIV portfolio	USD	% of face amount
Value of portfolio as reported	<b>57,950,000</b>	15.0%
Value at 90% of current mortality assumption	53,571,000	13.9%
Value at 80% of current mortality assumption	49,337,000	12.8%

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

## 15. MATURITIES RECEIVABLE

Maturities receivable of USD 6,205,000 (2020: USD 9,278,000) 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 6,525,000 (2020: USD 8,354,000) consist of premiums on life insurance policies paid as at 31 December 2021 that relate to the period following the balance sheet date.

## 17. CASH AND CASH EQUIVALENTS

As at 31 December 2021, cash and cash equivalents consist solely of cash held on deposit and on current accounts with banks.

## 18. OTHER PAYABLES

	31 December 2021 USD '000	31 December 2020 USD '000
Trade and other payables	343	368
Other creditors and accruals	605	644
	<u>948</u>	<u>1,012</u>

## 19. PROVISION FOR PERFORMANCE FEES

	31 December 2021 USD '000	31 December 2020 USD '000
Provision brought forward	339	5,054
Increase/(reduction) in provision during the year (Note 8)	2,509	(1,847)
Performance fee paid during the year	–	(2,868)
Provision at the year end	<u>2,848</u>	<u>339</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 67.

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

The merger of class D and E shares with class A shares in April 2020 was a crystallisation event as set out in the Investment Manager Agreement and, as such, the performance fees for class D and E became payable. As a result, performance fees of USD 2,868,000 (class D: USD 1,944,000 and class E: USD 924,000) were paid in the previous year.

## Notes to the Financial Statements continued

### 20. SHARE CAPITAL

At the 31 December 2021 the Company's share capital amounts to USD 498,268 (2020: USD 583,202), and is represented by 49,826,784 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	Total USD '000
Balance as at 31 December 2020	437	146	–	–	583
Share class merger	61	(146)	–	–	(85)
Balance as at 31 December 2021	498	–	–	–	498

	A Shares USD '000	B Shares USD '000	D Shares USD '000	E Shares USD '000	Total USD '000
Balance as at 31 December 2019	399	146	88	15	648
Share class merger	38	–	(88)	(15)	(65)
Balance as at 31 December 2020	437	146	–	–	583

As announced on 4 May 2020, the Company undertook a capital reorganisation whereby the shares of classes D & E were merged into Class A shares. A total of 8,792,561 D shares and 1,566,603 E shares were redesignated as 3,832,668 A shares. The remaining 6,526,496 D and E shares were designated as Deferred Shares and subsequently cancelled.

As announced on 2 June 2021 the Company undertook a capital reorganisation whereby the Class B shares were merged into Class A shares. A total of 14,596,098 B shares were redesignated as 6,102,725 A shares. The remaining 8,493,373 B shares were designated as Deferred Shares and subsequently cancelled.

As at 31 December 2021, the issued and fully paid share capital is comprised of 49,826,784 Class A shares (31 December 2020: 43,724,059 and 14,596,098 Class B shares). All shares have equal voting rights.

### 21. 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; and
- 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 Trust, 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.

## 22. 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 2021	Class A
Net assets (USD '000)	109,314
Number of shares	49,826,784
NAV per share (USD)	2.19

31 December 2020	Class A
Net assets (USD '000)	100,200
Number of shares	49,826,784
NAV per share (USD)	2.01

To aid comparison the figures to 31 December 2020 have been restated to show one share class.

## 23. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At the year end, the Company has no (2020: 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 (2020: nil) contingent liabilities.

## 24. 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, until 31 December 2020, had a member on the Board of Directors and the Trustee of the US trust who was also a member of the Board of Directors until 31 December 2020.

	Note	31 December 2021 USD '000	31 December 2020 USD '000
<b>Per income statement:</b>			
Trustee fees		147	143
Compagnie Européenne de Révision S.à r.l.		207	222
Directors' fees	9	129	158
<b>Amounts payable per balance sheet:</b>			
Compagnie Européenne de Révision S.à r.l.		1	86
Directors' fees		–	30

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

# Notes to the Financial Statements continued

## 25. POST BALANCE SHEET EVENTS

There are no post balance sheet events to report.

## 26. DIVIDENDS

The Company has paid the following dividends during the year:

	2021 USD '000
Special capital dividend of 17.813 cents per B share paid on 18 June 2021	2,600
Special capital dividend of 5.017 cents per A share paid on 22 November 2021	2,500
	<u>5,100</u>

	2020 USD '000
Special capital dividend of 6.267 cents per A share paid on 3 April 2020	2,500
Special capital dividend of 15.922 cents per D share paid on 3 April 2020	1,400
Special capital dividend of 38.299 cents per E share paid on 3 April 2020	600
Special capital dividend of 4.94932 cents per D share paid on 30 June 2020	435
Special capital dividend of 35.99451 cents per E share paid on 30 June 2020	564
Special capital dividend of 4.5741 cents per A share paid on 29 October 2020	2,000
	<u>7,499</u>

No final dividend in respect of the year ended 31 December 2021 will be paid.

## Additional Information

Additional information of exhibits I to II 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 2021

	Revenue USD '000	2021 Capital USD '000	Total USD '000	Revenue USD '000	2020 Capital USD '000	Total USD '000
<b>Income</b>						
Income from life settlement portfolios	942	–	942	750	–	750
Gains/(losses) from life settlement portfolios	–	22,272	22,272	–	(716)	(716)
Other income	107	–	107	9	–	9
Net foreign exchange loss	(9)	–	(9)	(12)	–	(12)
Total income	1,040	22,272	23,312	747	(716)	31
<b>Operating expenses</b>						
Investment management fees	(1,510)	(2,509)	(4,019)	(1,428)	1,974	546
Other expenses	(6,377)	–	(6,377)	(5,235)	–	(5,235)
(Loss)/profit before finance costs and taxation	(6,847)	19,763	12,916	(5,916)	1,258	(4,658)
<b>Finance costs</b>						
Interest payable	(732)	–	(732)	(961)	–	(961)
<b>(Loss)/profit before taxation</b>	<b>(7,579)</b>	<b>19,763</b>	<b>12,184</b>	<b>(6,877)</b>	<b>1,258</b>	<b>(5,619)</b>
<b>Taxation</b>	<b>(101)</b>	<b>–</b>	<b>(101)</b>	<b>16</b>	<b>–</b>	<b>16</b>
<b>(Loss)/profit for the year</b>	<b>(7,680)</b>	<b>19,763</b>	<b>12,083</b>	<b>(6,861)</b>	<b>1,258</b>	<b>(5,603)</b>
Transferred from Class D on merger	–	–	–	(60)	454	394
Transferred from Class E on merger	–	–	–	(39)	151	112
Transferred from Class B on merger	(205)	2,560	2,355	–	–	–
<b>(Loss)/profit for the year</b>	<b>(7,885)</b>	<b>22,323</b>	<b>14,438</b>	<b>(6,960)</b>	<b>1,863</b>	<b>(5,097)</b>



## Additional Information continued

Additional information of exhibits I to II 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 2021

	2021 USD '000	2020 USD '000
<b>Assets</b>		
<b>Non-current assets</b>		
Financial assets at fair value through profit or loss		
– Life settlement investments	88,024	67,820
	<b>88,024</b>	67,820
<b>Current assets</b>		
Maturities receivable	6,205	6,713
Trade and other receivables	330	387
Premiums paid in advance	6,525	7,338
Cash and cash equivalents	12,026	3,269
Inter class receivables	–	2,640
	<b>25,086</b>	20,347
<b>Total assets</b>	<b>113,110</b>	88,167
<b>Current liabilities</b>		
Other payables	(948)	(839)
Provision for performance fees	(2,848)	(339)
<b>Total liabilities</b>	<b>(3,796)</b>	(1,178)
<b>Net assets</b>	<b>109,314</b>	86,989
Represented by		
<b>Capital and reserves</b>		
Share capital	498	437
Special reserve	94,290	81,156
Capital redemption reserve	213	128
Capital reserve	44,724	25,925
Revenue reserve	(30,411)	(20,657)
<b>Total equity attributable to ordinary Shareholders of the Company</b>	<b>109,314</b>	86,989

Additional information of exhibits I to II do not form part of the Financial Statements.

## EXHIBIT II (UNAUDITED)

### Life Settlement Assets PLC

#### Class B

#### Statement of Comprehensive Income for the period to 31 May 2021

	Revenue USD '000	2021 Capital USD '000	Total USD '000	Revenue USD '000	2020 Capital USD '000	Total USD '000
<b>Income</b>						
Income from life settlement portfolios	-	-	-	14	-	14
Gains/(losses) from life settlement portfolios	-	2,560	2,560	-	(972)	(972)
Other income	-	-	-	49	-	49
Total income	-	2,560	2,560	63	(972)	(909)
<b>Operating expenses</b>						
Investment management fees	(37)	-	(37)	(223)	-	(223)
Other expenses	(168)	-	(168)	(518)	-	(518)
(Loss)/profit before finance costs and taxation	(205)	2,560	2,355	(678)	(972)	(1,650)
<b>Finance costs</b>						
Interest payable	-	-	-	(2)	-	(2)
<b>(Loss)/profit before taxation</b>	<b>(205)</b>	<b>2,560</b>	<b>2,355</b>	<b>(680)</b>	<b>(972)</b>	<b>(1,652)</b>
<b>Taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(Loss)/profit for the period</b>	<b>(205)</b>	<b>2,560</b>	<b>2,355</b>	<b>(680)</b>	<b>(972)</b>	<b>(1,652)</b>
Transferred to Class A Shares on merger	205	(2,560)	(2,355)	-	-	-
<b>(Loss)/profit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(680)</b>	<b>(972)</b>	<b>(1,652)</b>



# Shareholder Information

# Notice of Annual General Meeting 2022

## LIFE SETTLEMENT ASSETS PLC (THE "COMPANY")

Notice is hereby given that the 2022 Annual General Meeting (the "AGM") of the Company will be held at the offices of Acheron Capital Limited, 115 Park Street, Fourth Floor, London W1K 7AP on Thursday, 23 June 2022 at 2.30 pm for the following purposes:

1. To receive and adopt the audited Annual Report and Accounts of the Company for the year ended 31 December 2021 together with the Directors' Report and Auditor's Report thereon.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report as set out in the Annual Report.
4. To re-elect Michael Baines as a Director of the Company.
5. To re-elect Christopher Casey as a Director of the Company.
6. To re-elect Guner Turkmen as a Director of the Company.
7. To re-appoint BDO LLP as Auditors to the Company until the conclusion of the next AGM.
8. 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***

9. 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 the issued Ordinary A Shares (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 (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 2023 (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***

10. THAT, subject to the passing of Resolution 9 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 9 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 9 above;

- (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 A Shares as determined by the Board of Directors in their reasonable discretion.

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

11. 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 A Shares (excluding treasury shares) that represents 14.99% of the issued Ordinary Share capital as at the date of passing this resolution;
  - (b) the minimum price (exclusive of expenses) which may be paid for an Ordinary A Share is the nominal amount of that share;
  - (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary A 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 2023; 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

## Notes to the Notice of the AGM

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting (and the number of votes that may be cast thereat), will be determined by reference to the Register of Members of the Company at the close of business on the day which is two days before the day of the meeting or of the adjourned meeting. Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may copy the proxy form, clearly stating on each copy the shares to which the proxy relates, or to request additional copies of the proxy form contact the Company's Registrars, The City Partnership (UK) Limited, on +44 (0) 1484 240 910 (lines are open between 9.00 am and 5.30 pm Monday to Friday, calls are charged at standard geographic rates and will vary by provider). Calls outside the United Kingdom will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons The City Partnership (UK) Limited will be unable to give advice on the merits of the proposals or provide financial, legal, tax or investment advice. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
4. The statement of the rights of members in relation to the appointment of proxies in paragraphs (2) and (3) above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
5. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
6. If you have been nominated to receive general shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains as it was (so the registered shareholder, or perhaps custodian or broker, who administers the investment on your behalf). Therefore any changes or queries relating to your personal details and holding (including any administration thereof) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee dealing with matters that are directed to us in error. The only exception to this is where the Company, in exercising one of its powers under the Act, writes to you directly for a response.
7. A personal reply paid form of proxy is enclosed with this document. To be valid, the enclosed form of proxy for the meeting, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy thereof, must be deposited at the offices of the Company's Registrar, The City Partnership (UK) Limited, The Mending Rooms, Park Valley House, Meltham Road, Huddersfield HD4 7BH, so as to be received not later than 2.30 pm on Tuesday, 21 June 2022 or 48 hours (excluding non-business days) before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.



8. If you prefer, you may return the proxy form to The City Partnership (UK) Limited in an envelope addressed to The City Partnership (UK) Limited, The Mending Rooms, Park Valley House, Meltham Road, Huddersfield HD4 7BH.
9. Please note that you can vote your shares electronically at <https://proxy-lsa-agm.cpip.io/>.
10. Appointment of a proxy or CREST proxy instruction will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedure set out in these notes and the notes to the form of proxy.
11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
12. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must in order to be valid, be transmitted so as to be received by the issuer's agent (ID 8RA57) by 2.30 pm on Tuesday, 21 June 2022. 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 Application 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 proxies appointed through CREST should be communicated to the appointee through other means.
13. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. 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(s) take(s)) 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 system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
14. As at 21 April 2022 (being the last business day prior to the publication of this notice), the Company's issued share capital comprised 49,826,784 Class A shares. Therefore, the total voting rights in the Company as at 21 April 2022 was 49,826,784.
15. The Directors' appointment letters will be available for inspection at the Company's registered office during normal business hours on any weekday (excluding Saturdays, Sunday and public holidays) and shall be available for inspection at the place of the Annual General Meeting for at least fifteen minutes prior to and during the meeting.
16. If a corporate shareholder has appointed a corporate representative, the corporate representative will have the same powers as the corporation could exercise if it were an individual member of the Company. If more than one corporate representative has been appointed, on a vote on a show of hands on a resolution, each representative will have the same voting rights as the corporation would be entitled to. If more than one authorised person seeks to exercise a power in respect of the same shares, if they purport to exercise the power in the same way, the power is treated as exercised; if they do not purport to exercise the power in the same way, the power is treated as not exercised.

## Notes to the Notice of the AGM<sup>continued</sup>

17. 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 Auditor's Report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the Shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 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 no later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Act to publish on a website.
18. At the meeting Shareholders have the right to ask questions relating to the business of the meeting and the Company is obliged under section 319A of the Act to answer such questions, unless; a) to do so would interfere unduly with the conduct of the meeting or would involve the disclosure of confidential information, b) the information has been given on the Company's website, [www.lsapl.com](http://www.lsapl.com) 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.
19. Further information, including the information required by section 311A of the Act, regarding the meeting is available on the Company's website, [www.lsapl.com](http://www.lsapl.com).
20. Members satisfying the thresholds in section 338A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the Annual General Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Annual General Meeting. A matter may properly be included in the business at the Annual General Meeting unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the Annual General Meeting.
21. This notice, together with information about the total number of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting at 21 April 2022 (the business day prior to the approval of this Notice) and, if applicable, any members' statements, members' resolutions or members' matter of business received by the Company after the date of this Notice, will be available on the Company's website: [www.lsapl.com](http://www.lsapl.com).

# Company Information

## DIRECTORS

Michael Baines – [Chairman](#)  
Christopher Casey  
Guner Turkmen

## REGISTERED OFFICE

115 Park Street  
4th Floor  
London W1K 7AP

## AUDITOR

[BDO LLP](#)  
55 Baker Street  
London  
W1U 7EU

## TRUST'S 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](#)

## REGISTRARS

[The City Partnership \(UK\) Limited](#)  
The Mending Rooms  
Park Valley House  
Meltham Road  
Huddersfield  
HD4 7BH

## 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](mailto:lsa@iscaadmin.co.uk)  
Telephone: 01392 487056

31 December 2021  
April 2022  
23 June 2022  
30 June 2022  
September 2022  
[www.lsapl.com](http://www.lsapl.com)

# Glossary

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

**"A Ordinary Shares"** means the shares with a nominal value of USD 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 USD 0.01 in the capital of the Company issued and designated as B Ordinary Shares and having the rights described in the Articles. These shares merged with the A Shares on 3 June 2021.

**"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.

**"COI"** means cost of insurance.

**"Company"** means Life Settlement Assets PLC.

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

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

- a. 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 an Ordinary Share, the Net Asset Value of the Company in respect of the Share Class on the relevant date calculated in accordance with the Company's normal accounting policies divided by the total number of Ordinary Shares in issue (excluding, for the avoidance of doubt, any Ordinary Shares held in treasury).

**"Ordinary Shares"** means any class of ordinary shares issued from time to time.

**"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.



# Life Settlement Assets Plc – Annual General Meeting

You may submit your proxy electronically using the Proxy Voting Application: <https://proxy-lsa-agm.cpip.io/>.

## To be held at:

The offices of Acheron Capital Limited, 115 Park Street, Fourth Floor, London W1K 7AP on Thursday, 23 June 2022 at 2.30 pm.

## Form of Proxy Life Settlement Assets Plc – Annual General Meeting

Name of Shareholder(s):

I/We being a member of the Company hereby appoint the Chairman of the meeting or (see note 1)

Name of proxy

Number and class of shares proxy appointed over

Access Code:

CIN:

as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held at 2.30 pm on Thursday, 23 June 2022 and at any adjournment thereof. I have indicated with a 'X' how I/we wish my/our votes to be cast on the following resolutions: If you wish to appoint multiple proxies please see note 1 over. Please also tick here if you are appointing more than one proxy. ☐

RESOLUTIONS	Please mark 'X' to indicate how you wish to vote				RESOLUTIONS	Please mark 'X' to indicate how you wish to vote			
		For	Against	Vote Withheld			For	Against	Vote Withheld
1. To receive and adopt the audited Annual Report and Accounts.		X	X	X	7. To re-appoint BDO LLP as Auditor.		X	X	X
2. To approve the Directors' Remuneration Policy.		X	X	X	8. To authorise the Directors to determine BDO LLP's remuneration as Auditor.		X	X	X
3. To approve the Directors' Remuneration report.		X	X	X	9. To authorise the Directors to allot equity securities.		X	X	X
4. To re-elect Michael Baines as a Director.		X	X	X	10. To authorise the Directors to disapply pre-emption rights (Special Resolution).		X	X	X
5. To re-elect Christopher Casey as a Director.		X	X	X	11. To authorise the Company to make market purchases of the Company's own shares (Special Resolution).		X	X	X
6. To re-elect Guner Turkmen as a Director.		X	X	X					

Signature

Date

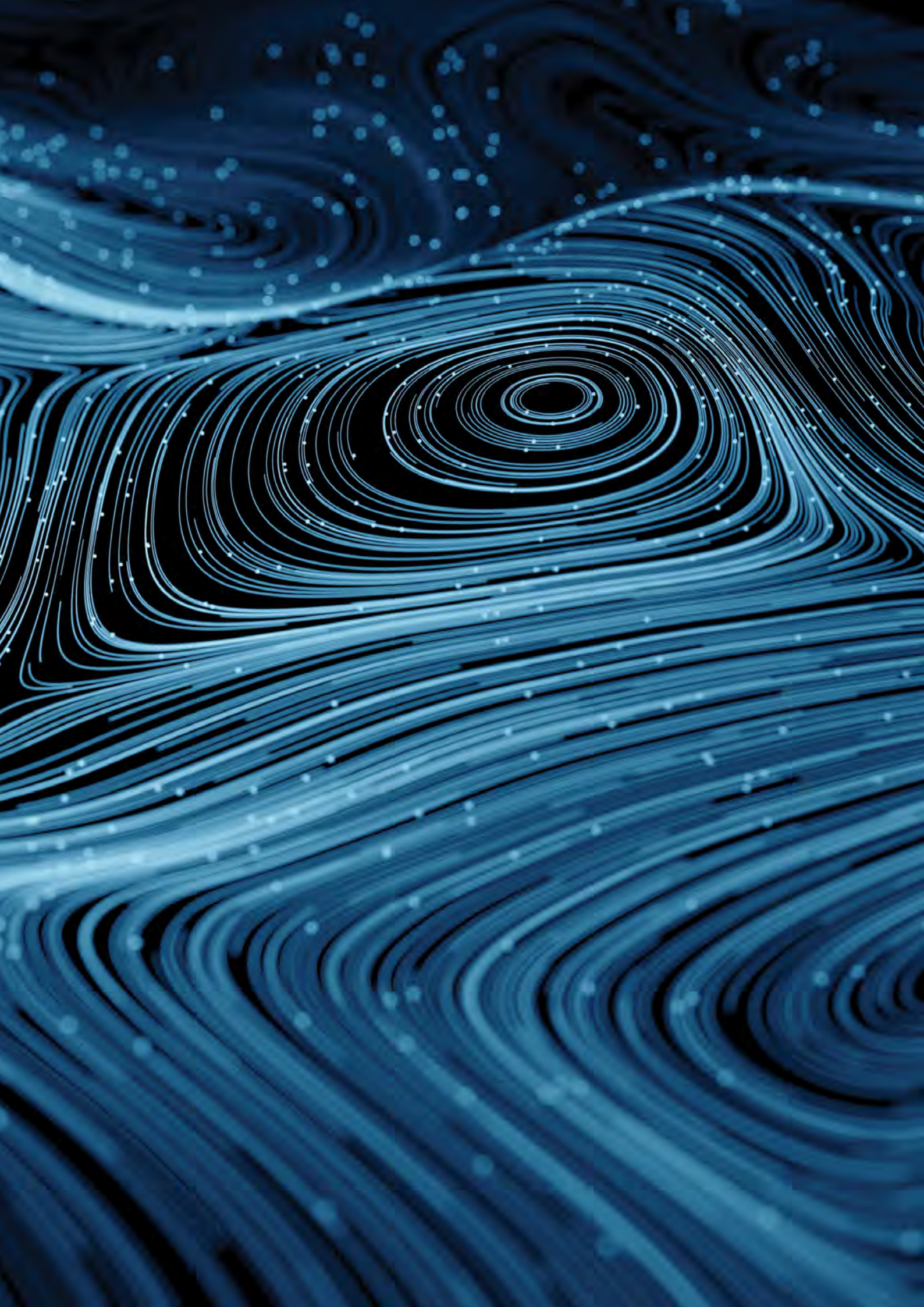


## Notes

1. Every holder has the right to appoint some other person(s) of their choice, who need not be a Shareholder as his or her proxy to exercise all or any of his or her rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided (see over). If the proxy is being appointed in relation to less than your full voting entitlement, please enter the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).
2. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
3. 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 communication from the Company in accordance with section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered Shareholder who holds 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.
4. The 'Vote Withheld' option is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution. If this form is returned without any indication as to how the person appointed proxy shall vote, he/she will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.
5. Entitlement to attend and vote at the meeting (and the number of votes that may be cast thereat), will be determined by reference to the Register of Members of the Company at the close of business on the day which is two days before the day of the meeting or of the adjourned meeting. Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
6. Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual.
7. To be effective, all forms of Proxy must be completed, signed and lodged not less 48 hours before the time of the meeting at the office of The City Partnership (UK) Limited at: The City Partnership (UK) Limited, The Mending Rooms, Park Valley House, Meltham Road, Huddersfield HD4 7BH. Alternatively, you may vote through the Proxy Voting App at <https://proxy-lsa-agm.cpip.io/>.
8. If you prefer, you may return the proxy form to The City Partnership in an envelope addressed to The City Partnership (UK) Limited, The Mending Rooms, Park Valley House, Meltham Road, Huddersfield HD4 7BH.











Company Number: 10918785  
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