

Life Settlement Assets PLC

Half-Yearly Report
for the six months ended
30 June 2022

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Corporate Update



Introduction

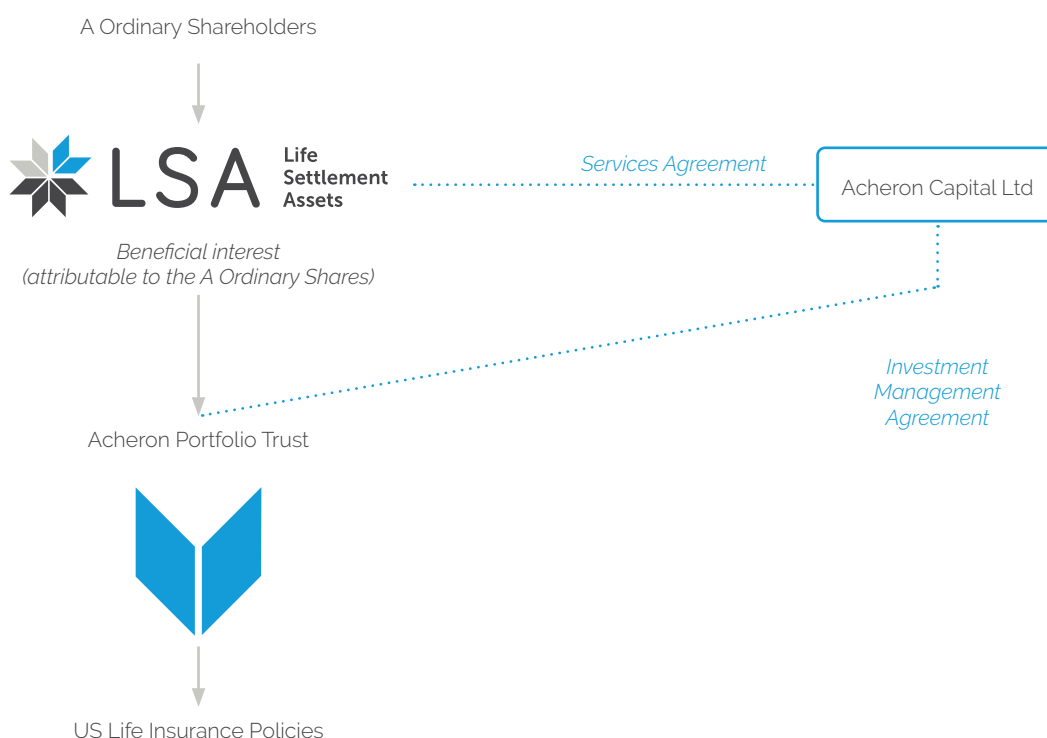
Life Settlement Assets PLC ("LSA" or the "Company") is a closed-ended investment trust company which invests in, and manages, portfolios of whole and fractional interests in life settlement policies issued by life insurance companies operating predominantly in the United States.

The 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.

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.

The Company structure as at 30 June 2022 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.

Highlights and Company Performance

HIGHLIGHTS

- Total maturities for the first six months amounted to USD 16.3 million (HY2021: USD 25.8 million), generating gains from life settlement portfolios of USD 4.6 million (HY2021: gains of USD 14.2 million)
- Total net profit of USD 0.1 million (HY2021: profit of USD 8.6 million)

COMPANY PERFORMANCE

Performance analysis is provided in the tables below.

LSAA	As at 30 June 2022	As at 31 December 2021	Percentage change (%)
Net assets attributable to Shareholders (USD '000)	109,415	109,314	0.1
Shares in issue	49,826,784	49,826,784	-
NAV per share (USD)	2.20	2.19	0.5
Closing share price (USD)	1.39	1.43	(2.8)
(Discount) to NAV (%)	(36.7)	(34.7)	(2.0)

	As at 30 June 2022	As at 30 June 2021	Percentage change (%)
Total maturities (USD '000)	16,266	25,787	(36.9)
Net income from portfolio (USD '000)	4,892	14,630	(66.6)
Profit for the period (USD '000)	101	8,553	(98.8)

Chairman's Statement

On behalf of the Board, I am pleased to present the Company's half year results for the period ended 30 June 2022. The market background in this period reflects the challenges arising from greatly increased global geopolitical tensions and resulting economic turbulence. Positively for the Company, the non-correlation of our performance with financial markets, and the strong US dollar, work in favour of our investment case and are factors which may strengthen in the face of recessionary headwinds. However, these factors are balanced by higher discount rates and inflationary pressure on costs.

Investment Overview

The financial highlights on page 4 show the results for the half year to 30 June 2022. The Company has continued its strategy of streamlining the Company's structure with an aim to reduce costs over the longer term, which has been ongoing from the start of LSA's London Listing. These steps have included consolidation of all the Company's share classes into Share Class A and, since the start of 2022, we have also reduced by agreement the future cost to the Company of the Investment Manager's activities.

For the time being, however, our overall performance is still impacted by the ongoing litigation costs in the USA in the previously announced MBC case, where legal action has been taken by the Company in order to protect or enhance the value of existing investments. Progress continues to be made, albeit at a frustratingly slow pace, regarding the Company's participation in the judicially approved sale process relating to the relevant portfolio, through which we aim to secure an important enhancement to portfolio value. Once resolved, the Company will, through the Acheron Portfolio Trust, then overwhelmingly only own 'whole' policies rather than fractional entitlements. This will improve risk management in the future.

Recent judicial decisions regarding the auction procedure made since the middle of the calendar year have been encouraging for the Company and, although progress has been slower than we had hoped, we believe the matter should be resolved in the first half of 2023. Resolution of this litigation will have important consequences for the Company. First, the litigation costs forming part of the ongoing cost base will be significantly reduced, whilst secondly, it will mark the end of the need to accumulate cash resources to purchase the relevant policy interests, so enabling the Board to resume further distributions to Shareholders.

The portfolio itself has had mixed results over the first six months reflecting the nature of the asset base. The non-HIV policy component of the portfolio has experienced higher maturities than expected, while the HIV policy component had significantly less. On an aggregated basis, this has meant higher than expected cash receipts, but with results close to net asset value, reflecting the full internal valuation of the policies that have matured in the period.

Continuing the policy described at the time of publication of the 2021 Annual Report in April 2022, the Board has so far resolved to defer any decision regarding payment of a special dividend until the final MBC auction takes place, and the result is known and fully assessed.

The Life Settlement Market

Recent market volatility, high inflation, and overall economic dynamics are increasing the risk levels for investors across all asset classes. The prospects of a recession tend to increase interest in truly decorrelated asset classes, which includes life settlement assets. As increased amounts of investment capital enter the secondary market for life insurance, institutional buyers compete for the limited supply of policies available for purchase. This trend has supported increased awareness of the concept of life settlements as an attractive alternative asset class.

Portfolio

The overall portfolio is subdivided into portfolios exposed to either HIV-positive policy holders or non-HIV positive policy holders. The following table provides information on the Company's policies, shown by exposure to HIV and non-HIV positive insureds as at 30 June 2022.

HIV and Non-HIV Exposed Policies

	HIV	Non-HIV	Total
Number of policies	4,147	151	4,298
Total gross face value (USD million)	378.4	87.2	465.6
Valuation (cash in policy included) (USD million)	42.1	23.8	65.9
Percentage of face (cash in policy included)	11.1%	27.3%	14.2%

In the first half of 2022, small portfolios of fractional policies, to which the trusts were already overwhelmingly exposed, were added. 20 policies with a coverage of USD 1.6 million were assigned to the portfolio held by Acheron Portfolio Trust.

Maturities in the period to 30 June 2022

	USD million
HIV Maturities	2.6
Non-HIV Maturities	13.7
Total Maturities	16.3

In the period under review, considering the estimated Actual to Expected maturity performance ("AE") on an aggregated basis, the portfolio outperformed expectations. In particular, the non-HIV segment of the portfolio experienced high level of maturities, with estimated AE of 168% until June 2022. However, the HIV segment of the portfolio had an estimated AE of only 54% by June 2022.

This relative underperformance for HIV and overperformance for non-HIV life settlements demonstrates how short term results may not always reflect longer term trends as has been observed in the past, and we would typically expect this to reverse over time. While recent improvements suggest this, the assumptions underlying the valuation model are kept under review, and outputs are carefully monitored to ensure that they do not reveal any new trends which could potentially affect valuations.

Chairman's Statement continued

The Actual to Expected ratio achieved in the period is set out in the table below.

AE*	
HIV	54%
Non-HIV	168%
Total	127%

* in maturity dollar amounts, estimated until June 2022.

As at 30 June 2022 the net asset value ('NAV') of the A shares was USD 2.20 per share.

The NAV performance history can be seen in the table below.

2022	Jan	Feb	Mar	April	May	Jun	YTD
Total NAV Return	(1.59)%	(1.05)%	0.16%	(0.29)%	1.00%	1.93%	0.10%

Portfolio Composition

Further information on the composition of the portfolio as at 30 June 2022 can be found on our website <https://www.lsapl.com/investor-relations>.

Distributions

No distributions were made to Shareholders in the period.

Outlook

The Board's focus is on seeking a successful conclusion to the litigation being pursued to protect and enhance the value of the Company's portfolio. This outcome is not assured but the Board is encouraged by recent progress.

Alongside this, the Board expects to make good progress in continuing to achieve cost reductions, while at the same time promoting awareness of the attraction of investment in the Company's asset base against the background of broader economic uncertainty.

Michael Baines

Chairman

27 September 2022

Key Performance Indicators (KPIs)

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

The Board has adopted the following KPIs which are summarised on page 4 and in note 6 on page 16.

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.

Profit/(loss) for the period – 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 period under review represented 8.7% (year to 31 December 2021: 7.6%) of average net assets. Excluding the servicing and legal costs the ratio would be 3.9%.

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.

Directors' Statement of Principal Risks and Uncertainties

The important events that have occurred during the period under review and the key factors influencing the financial statements are set out in the Chairman's Statement on pages 5 and 6.

In accordance with DTR 4.2.7, the Directors consider that the principal risks and uncertainties facing the Company have not materially changed since the publication of the Annual Report and Accounts for the year ended 31 December 2021.

The principal risks faced by the Company include, but are not limited to:

- Mortality risk
- Premium management risk
- Volatility risk
- Fractional premium risk
- Fractional ownership risk
- Advance age mortality risk
- Discount rate risk
- Modelling risk
- Tax
- Breach of applicable legislative obligations
- Counterparty risk

A more detailed explanation of these risks and the way in which they are managed can be found in the Strategic Report on pages 21 to 24 and in Note 4 to the Financial Statements on pages 63 to 66 of the 2021 Annual Report and Accounts – copies can be found via the Company's website, www.lsapl.com.

There have been no significant changes in the related party disclosures set out in the Annual Report.

Directors' Statement of Responsibilities in Respect of the Financial Statements

In accordance with Disclosure and Transparency Rule (DTR) 4.2.10 Michael Baines (Chairman), Christopher Casey (Audit Committee Chairman) and Guner Turkmen, the Directors, confirm that to the best of their knowledge:

- The condensed set of financial statements contained within this Half-Yearly financial report have been prepared in accordance with International Accounting Standard ("IAS") 34 as adopted in the UK and gives a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- The Half-Yearly financial report includes a fair review of the information required by the FCA's Disclosure and Transparency Rule 4.2.7R being disclosure of important events that have occurred during the first six months of the financial year, their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the year; and
- The Half Yearly financial report includes a fair review of the information required by the FCA's Disclosure and Transparency Rule 4.2.8R being disclosure of related party transactions during the first six months of the financial year, how they have materially affected the financial position of the Company during the period and any changes therein.

This Half-Yearly Report was approved by the Board of Directors on 27 September 2022 and the above responsibility statement was signed on its behalf by:

Michael Baines

Chairman

27 September 2022

Financial Statements



Condensed Statement of Comprehensive Income

for the six months ended 30 June 2022

	Notes	Six months ended 30 June 2022 (unaudited)			Six months ended 30 June 2021 (unaudited)			Year ended 31 December 2021 (audited)		
		Revenue USD '000	Capital USD '000	Total USD '000	Revenue USD '000	Capital USD '000	Total USD '000	Revenue USD '000	Capital USD '000	Total USD '000
Income										
Gains from life settlement portfolios	3									
Realised gains										
Maturities		-	16,266	16,266	-	25,787	25,787	-	38,510	38,510
Acquisition cost of maturities and fair value movement		-	(3,644)	(3,644)	-	(4,751)	(4,751)	-	(7,443)	(7,443)
Sub total		-	12,622	12,622	-	21,036	21,036	-	31,067	31,067
Incurred premiums paid in period on all policies		-	(7,944)	(7,944)	-	(7,770)	(7,770)	-	(15,434)	(15,434)
Unrealised gains										
Fair value adjustments		-	(89)	(89)	-	955	955	-	9,199	9,199
Income from life settlement portfolios		301	-	301	313	-	313	942	-	942
Other income		6	-	6	102	-	102	107	-	107
Net foreign exchange loss		(4)	-	(4)	(6)	-	(6)	(9)	-	(9)
Total income		303	4,589	4,892	409	14,221	14,630	1,040	24,832	25,872
Operating expenses										
Investment management fees	4	(820)	267	(553)	(758)	(1,250)	(2,008)	(1,547)	(2,509)	(4,056)
Other expenses		(3,832)	-	(3,832)	(3,578)	-	(3,578)	(6,545)	-	(6,545)
(Loss)/profit before finance costs and taxation		(4,349)	4,856	507	(3,927)	12,971	9,044	(7,052)	22,323	15,271
Finance costs										
Interest payable		(406)	-	(406)	(389)	-	(389)	(732)	-	(732)
(Loss)/profit before taxation		(4,755)	4,856	101	(4,316)	12,971	8,655	(7,784)	22,323	14,539
Taxation		-	-	-	(102)	-	(102)	(101)	-	(101)
(Loss)/profit for the period		(4,755)	4,856	101	(4,418)	12,971	8,553	(7,885)	22,323	14,438
Basic and diluted returns per share										
Return per class A share USD	6	(0.095)	0.097	0.002	(0.099)	0.291	0.192	(0.167)	0.472	0.305

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 period and therefore the profit for the period is also the total comprehensive income for the period.

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 14 to 19 form part of these financial statements.

Condensed Statement of Financial Position

as at 30 June 2022

	Notes	As at 30 June 2022 (unaudited) USD '000	As at 30 June 2021 (unaudited) USD '000	As at 31 December 2021 (audited) USD '000
Non-current assets				
Financial assets at fair value through profit or loss				
- Life settlement investments	8	65,902	85,095	88,024
		65,902	85,095	88,024
Current assets				
Maturities receivable		15,454	8,739	6,205
Trade and other receivables		17	348	330
Premiums paid in advance		6,277	7,301	6,525
Cash and cash equivalents		25,902	15,716	12,026
		47,650	32,104	25,086
Total assets		113,552	117,199	113,110
Current liabilities				
Other payables		(1,556)	(9,680)	(948)
Provision for performance fees		(2,581)	(1,589)	(2,848)
Total liabilities		(4,137)	(11,269)	(3,796)
Net assets		109,415	105,930	109,314
Represented by				
Capital and reserves				
Share capital	9	498	498	498
Special reserve	10	94,290	96,791	94,290
Capital redemption reserve		213	213	213
Capital reserve		49,580	35,372	44,724
Revenue reserve		(35,166)	(26,944)	(30,411)
Total equity attributable to ordinary Shareholders of the Company		109,415	105,930	109,314
Net Asset Value per share basic and diluted				
Class A shares USD	11	2.20	2.13	2.19

These financial statements were approved by the Board of Directors on 27 September 2022 and signed on its behalf by:

Michael Baines, Chairman

Registered in England and Wales with Company Registration number: 10918785

The notes on pages 14 to 19 form part of these financial statements.

Condensed Statement of Changes in Equity

for the six months ended 30 June 2022

	Share capital USD '000	Special reserve USD '000	Capital redemption reserve USD '000	Capital reserve USD '000	Revenue reserve USD '000	Total USD '000
Six months ended 30 June 2022						
Balance as at 31 December 2021	498	94,290	213	44,724	(30,411)	109,314
Comprehensive income/(loss) for the period	-	-	-	4,856	(4,755)	101
Balance as at 30 June 2022	498	94,290	213	49,580	(35,166)	109,415
Of which:						
- Realised gains				39,752		
- Unrealised gains				9,828		
Six months ended 30 June 2021						
Balance as at 31 December 2020	583	99,614	128	22,401	(22,526)	100,200
Comprehensive income/(loss) for the period	-	-	-	12,971	(4,418)	8,553
Contributions by and distributions to owners						
Merger of B share class	(85)	-	85	-	-	-
Costs of A & B share class merger	-	(223)	-	-	-	(223)
Dividends paid in the period	-	(2,600)	-	-	-	(2,600)
Balance as at 30 June 2021	498	96,791	213	35,372	(26,944)	105,930
Of which:						
- Realised gains				33,628		
- Unrealised gains				1,744		
Year ended 31 December 2021						
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
Contributions by and distributions to owners						
Merger of B share class	(85)	-	85	-	-	-
Costs of B share 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		

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 14 to 19 form part of these financial statements.

Condensed Cash Flow Statement

for the six months ended 30 June 2022

	Notes	Six months ended 30 June 2022 (unaudited) USD '000	Six months ended 30 June 2021 (unaudited) USD '000	Year ended 31 December 2021 (audited) USD '000
Cash flows generated from operating activities				
Profit for the period		101	8,553	14,438
Non-cash adjustment				
– movement on portfolios		3,958	3,796	(1,756)
Investment in life settlement portfolios	8	(53)	(11,199)	(11,282)
Movements in "policy advances"	8	18,217	(49)	2,657
Changes in operating assets and liabilities				
Changes in maturities receivables		(9,249)	539	3,073
Changes in trade and other receivables		313	103	121
Changes in premiums paid in advance		248	1,053	1,829
Changes in other payables		608	8,668	(64)
Changes in performance fee provision		(267)	1,250	2,509
Net cash inflows from operating activities		13,876	12,714	11,525
Cash flow used in financing activities				
Dividends paid		–	(2,600)	(5,100)
Costs of A & B share class merger		–	(223)	(224)
Net cash flows used in financing activities		–	(2,823)	(5,324)
Net changes in cash and cash equivalents		13,876	9,891	6,201
Cash balance at the beginning of the period		12,026	5,825	5,825
Cash balance at the end of the period		25,902	15,716	12,026

The notes on pages 14 to 19 form part of these financial statements.

Notes to the Condensed Financial Statements

for the six months ended 30 June 2022

1. GENERAL INFORMATION

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

The principal activity of Life Settlement Assets 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, namely 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.

The Ordinary B Share Class was cancelled following the merger of Ordinary Share Classes A and B on 3 June 2021.

The Ordinary Share Classes D and E were cancelled following the merger of Ordinary Share Classes A, D and E on 30 April 2020.

2. IFRS ACCOUNTING POLICIES

2.1. Basis of preparation

These condensed interim financial statements have been prepared using the same accounting policies and methods of computation as the 2021 annual financial statements.

The condensed financial statements, which comprise the unaudited results of the Company have been prepared in accordance with UK adopted International Reporting Standards ("IFRS") and with the requirements of the Companies Act 2006. 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 IFRS. The accounting policies are as set out in the Report and Accounts for the period ended 31 December 2021.

The half-year financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The financial information contained in this Half-Yearly financial report does not constitute statutory accounts as defined by the Companies Act 2006. The financial information for the six-months ended 30 June 2022 and 30 June 2021 have not been audited or reviewed by the Company's Auditor. The figures and financial information for the year ended 31 December 2021 are an extract from the latest published audited statements and do not constitute the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and include a report of the Auditor, which was unqualified and did not contain a statement under either Section 498(2) or 498(3) of the Companies Act 2006.

2.2. Changes in accounting policy and disclosures

2.2.1. 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 2022. The Directors do not expect the adoption of the following new standard to have a significant impact on the financial statements of the Company in future periods.

IFRS 17 "Insurance contracts" applies to insurance contracts, including reinsurance contracts issued by an entity; reinsurance contracts held by an entity; and investment contracts with discretionary participation features issued by an entity that issues insurance contracts. IFRS 17 will be effective for reporting periods beginning on or after 1 January 2023. As IFRS 17 is not relevant to the life settlement market, it is expected that it will have no impact on the Company's financial statements.

2.3. Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future (being a period of 12 months from the date these financial statements were approved). Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern, having taken into account the liquidity of the Company's investment portfolio and the Company's financial position in respect of its cash flows, liabilities from its assets and the ongoing charges, including annual premiums. Therefore, the financial statements have been prepared on the going concern basis and on the basis that approval as an investment trust will continue to be met.

Notes to the Condensed Financial Statements continued

3. GAINS FROM LIFE SETTLEMENT PORTFOLIOS

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

The amount of premiums incurred during the period is reflected as a deduction of income from life settlement portfolios. The amount of premiums paid in advance amounted to USD 6,277,000 (30 June 2021: USD 7,301,000, 31 December 2021: USD 6,525,000).

4. MANAGEMENT AND PERFORMANCE FEES

	30 June 2022 USD '000	30 June 2021 USD '000	31 December 2021 USD '000
Acheron Capital management fees	820	758	1,547
Performance fees	(267)	1,250	2,509
	553	2,008	4,056

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. Previously, until the merger of classes A, D and E on 30 April 2020 and A and B on 3 June 2021, an annual rate of no more than 1.5% of the Net Asset Value was payable in respect of classes A, B and D and 2% in respect of class E. Management fees paid during the period amounted to USD 820,000 (30 June 2021: USD 758,000, 31 December 2021: USD 1,547,000).

The Performance fee in respect of the Trust shall be an amount equal to 20% 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 30 June 2022), reduced by an amount equal to any distributions paid to the Predecessor Company's shareholders of the relevant share class prior to the Acquisition.

As referred to in the Company's annual results for the year ended 31 December 2021, LSA has been in discussions with Acheron Capital Limited ("ACL") regarding the re-negotiation of the performance fee payable to ACL, which is currently defined as an amount equal to 20% of the total distributions made by the Company over an agreed hurdle rate. Agreement has now been reached with ACL that once the current litigation process with one of the policy trustees has been resolved, which is expected to occur during the first half of 2023, the performance fee will be reduced from 20% as described above to 10% over the existing hurdle rate.

The resolution of the legal dispute is expected to be accompanied by a judicially approved sale of the policies in the relevant trustee portfolio. The completion of such a sale process, including LSA's participation therein whether successful or not, would mark the end of LSA's need to accumulate cash to purchase the relevant policies, so enabling LSA to resume further distributions to Shareholders. Assuming resolution of the dispute, following the first such distribution LSA has agreed to make a one-off payment to ACL of any accrued performance fee payable to ACL held by the Company in excess of USD 1 million, based on the 2022 financial results and subject to the cash requirements of the business. As at 31 December 2021 the accrued performance fee stood at USD 2.8 million. However, in acknowledgement of the significant work that ACL has had to perform with regard to engagement with the legal dispute over a long period, the Directors of LSA have agreed to make an immediate advance to ACL, subject to an agreed clawback mechanism, of USD 0.5 million which will be credited against any amount to be paid under the above one-off payment arrangement following the publication of the 2022 financial results.

Notes to the Condensed Financial Statements continued

5. TAXATION

The Company has an effective UK tax rate of 0% for the year ending 31 December 2022. The estimated effective tax rate is 0% as investment gains are exempt from tax owing to the Company's status as an investment trust and there is expected to be an excess of management expenses over taxable income.

The Company suffers US withholding tax on income received from dividends and interest. The tax charge for the period amounted to USD nil.

5.1. 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.

6. RETURN PER SHARE

As stated in Note 9, the share capital of the Company comprises 49,826,784 shares represented by 49,826,784 A Shares. Share Class B was cancelled following the merger of Share Classes A and B on 3 June 2021 and Share Classes D and E were cancelled following the merger of Share Classes A, D and E on 30 April 2020. All Shares are fully paid. Neither unpaid shares nor any kind of option are outstanding, so the basic profit/(loss) per share is also the diluted profit/(loss) per share.

Six months ended 30 June 2022	Class A
Earnings per share:	
Revenue return (USD '000)	(4,755)
Capital return (USD '000)	4,856
Total return (USD '000)	101
Weighted average number of shares in the period	49,826,784
Income return per share (USD)	(0.095)
Capital return per share (USD)	0.097
Basic and diluted total earnings per share (USD)	0.002

Six months ended 30 June 2021	Class A
Earnings per share:	
Revenue return (USD '000)	(4,418)
Capital return (USD '000)	12,971
Total return (USD '000)	8,553
Weighted average number of shares in the period	44,634,411
Income return per share (USD)	(0.099)
Capital return per share (USD)	0.291
Basic and diluted total earnings per share (USD)	0.192

Notes to the Condensed Financial Statements continued

6. RETURN PER SHARE continued

Year ended 31 December 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 in 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

7. 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 65,902,000 (30 June 2021: USD 85,095,000, 31 December 2021: USD 88,024,000) are classified as level 3.

Notes to the Condensed Financial Statements continued

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

	30 June 2022 USD '000	30 June 2021 USD '000	31 December 2021 USD '000
Movements of the period are as follows:			
Opening valuation	88,024	77,643	77,643
Acquisitions during the period	53	11,199	11,282
Proceeds from matured policies	(16,266)	(25,787)	(38,510)
Net realised gains on policies	12,622	21,036	31,067
Movements in cash from policy advances	(18,217)	49	(2,657)
Escrow rebate	(225)	-	-
Movements in unrealised valuation	(89)	955	9,199
Closing valuation	65,902	85,095	88,024
Detail at period end			
Acquisition value	91,409	97,764	95,000
Unrealised capital gains	9,828	1,744	10,142
Policy advances	(35,335)	(14,413)	(17,118)
Closing valuation	65,902	85,095	88,024

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

30 June 2022	Class A USD '000
Elderly life insurance (non HIV) portfolio	23,770
HIV portfolio	42,132
Balance as at 30 June 2022	65,902

Fair market value reflects the view of Acheron Capital Limited, the Investment Manager of the trust in which the policies of Class A are kept.

30 June 2021	Class A USD '000
Elderly life insurance (non HIV) portfolio	25,441
HIV portfolio	59,654
Balance as at 30 June 2021	85,095

31 December 2021	Class A USD '000
Elderly life insurance (non HIV) portfolio	57,950
HIV portfolio	30,074
Balance as at 31 December 2021	88,024

Notes to the Condensed Financial Statements continued

9. SHARE CAPITAL

At the 30 June 2022, the Company's share capital amounts to USD 498,268 (30 June 2021: USD 498,268, 31 December 2021: USD 498,268), and is represented by 49,826,784 Ordinary Shares of USD 0.01 each. Share Class B was cancelled following the merger of Share Classes A and B on 3 June 2021 and Share Classes D and E were cancelled following the merger of Share Classes A, D and E on 30 April 2020.

	A Shares USD '000	B 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 and 30 June 2022	498	-	498

The issued and fully paid share capital at 30 June 2022 is comprised of 49,826,784 Class A shares.

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

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 shares of Class B 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.

10. SPECIAL RESERVE

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.

11. NET ASSETS AND NET ASSET VALUE PER SHARE CLASS

The net asset value (NAV) is shown below.

30 June 2022	Class A
Net assets (USD '000)	109,415
Number of shares	49,826,784
NAV per share (USD)	2.20

30 June 2021	Class A
Net assets (USD '000)	105,930
Number of shares	49,826,784
NAV per share (USD)	2.13

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

Notes to the Condensed Financial Statements continued

12. 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 previously had a member on the Board of Directors and the Trustee of the US trust who was also previously a member of the Board of Directors.

	30 June 2022 USD '000
Per income statement:	
Trustee fees	80
Compagnie Européenne de Révision S.à r.l.	101
Directors' fees	84
Amounts payable per balance sheet:	
Compagnie Européenne de Révision S.à r.l.	169
Directors' fees	24

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

Shares held by related parties (Directors and companies under their control)

Michael Baines 50,000 A Shares.

13. POST BALANCE SHEET EVENTS

There are no post balance sheet events to disclose.

Shareholder Information



Company Information

DIRECTORS

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

REGISTERED OFFICE

115 Park Street
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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

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31 December 2022
April 2023
June 2023
30 June 2023
September 2023
www.lsaplc.com

REGISTERED IN ENGLAND AND WALES WITH COMPANY REGISTRATION NUMBER: 10918785

Glossary

The following definitions apply throughout this 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.



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