

Company Registration Number: 7557001

LIMITED LIFE ASSETS SERVICES LIMITED

**DIRECTORS' REPORT AND FINANCIAL
STATEMENTS**

**FOR THE PERIOD FROM INCORPORATION ON
8 MARCH 2011 TO 31 DECEMBER 2011**

MONDAY



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LIMITED LIFE ASSETS SERVICES LIMITED

FINANCIAL STATEMENTS

**FOR THE PERIOD FROM INCORPORATION ON 8 MARCH 2011 TO 31
DECEMBER 2011**

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LIMITED LIFE ASSETS SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

**FOR THE PERIOD FROM INCORPORATION ON 8 MARCH 2011 TO 31
DECEMBER 2011**

Directors	Mr Timothy Church Mr Alan Morgan
Company secretary	Wilmington Trust SP Services (London) Limited
Company number	7557001
Registered office	1 Jermyn Street London SW1Y 4UH United Kingdom
Auditor	Grant Thornton Limited PO Box 313 Lefebvre House Lefebvre Street St Peter Port Guernsey GY1 3TF

LIMITED LIFE ASSETS SERVICES LIMITED

DIRECTORS' REPORT

FOR THE PERIOD FROM INCORPORATION ON 8 MARCH 2011 TO 31 DECEMBER 2011

The directors present their report and the audited financial statements of Limited Life Assets Services Limited (the "Company") for the period from incorporation on 8 March 2011 to 31 December 2011

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENT

The Company was incorporated as a limited company on 8 March 2011. The principal activities of the Company are those of acquiring life insurance contracts for investment purposes (the "life settlement contracts")

In accordance with its Issuer AssetCo Loan Agreement between the Company and Limited Life Assets Issuance plc dated 31 May 2011, the Company has borrowed \$127,813,541 long term loan in order to purchase life settlement contracts. The loan is due to mature in May 2021. As per the First Supplemental Issuer AssetCo Loan Agreement dated 30 September 2011, the Company has drawdown a further loan of \$30,177,363 to purchase additional life settlement contracts.

There has been no change in the activities during the period under review and the Company intends to continue to pursue these activities for the foreseeable future.

The directors see the return on the Company's portfolio of life settlement contracts as the key performance indicator. The key non-financial indicator is continued compliance with regulatory requirements.

FINANCIAL RISK MANAGEMENT

Further details regarding financial risk factors and exposure of the Company to market and price risk, credit risk, interest rate risk, foreign currency risk and liquidity risk are provided in the notes to the accompanying financial statements.

RESULTS AND DIVIDENDS

The results for the period and the Company's financial position at the end of the period are shown in the attached financial statements. The loss on ordinary activities after taxation for the period was \$36,933,670. The loss is due to an adverse fair value movement on the life settlement contracts. The directors have not recommended a dividend.

DIRECTORS' AND SECRETARY'S INTEREST IN SHARES

The directors who held office during the period were as follows:

Mr Timothy Church
Mr Alan Morgan

(Appointed 08/03/2011)
(Appointed 27/05/2011)

The Secretary who held office during the period was

Wilmington Trust SP Services (London) Limited

(Appointed 12/04/2011)

In accordance with the Articles of Association, there is no requirement for the directors to retire by rotation.

None of the directors or the secretary held any interest in the shares of the company or any of its affiliates during the period from 8 March to 31 December 2011.

LIMITED LIFE ASSETS SERVICES LIMITED

DIRECTORS' REPORT (continued)

FOR THE PERIOD FROM INCORPORATION ON 8 MARCH 2011 TO 31 DECEMBER 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year or period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgement and accounting estimates that are reasonable and prudent,
- state whether UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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 here for taking reasonable steps for safeguarding the assets of the Company and to prevent and detect fraud and other irregularities

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

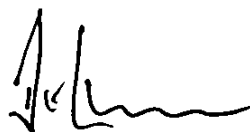
Each of the directors confirms that

- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- 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 the Company's auditors are aware of that information

AUDITOR

Grant Thornton Limited was appointed as the first auditor of the Company

By order of the Board, signed on its behalf by



Mr Timothy Church

Director

Date 8 May 2012

LIMITED LIFE ASSETS SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LIMITED LIFE ASSETS SERVICES LIMITED

We have audited the financial statements of Limited Life Assets Services Limited for the period from incorporation on 8 March 2011 to 31 December 2011 which comprises the Profit and Loss Account, Balance Sheet, Cash Flow Statement, Reconciliation of Movements in Shareholder's Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on 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 2011 and of its loss for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

LIMITED LIFE ASSETS SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LIMITED LIFE ASSETS SERVICES LIMITED

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



David Clark
Senior Statutory Auditor
For and on behalf of Grant Thornton Limited
Chartered Accountants and Registered Auditors
St Peter Port, Guernsey, Channel Islands

8 May 2012

LIMITED LIFE ASSETS SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

**FOR THE PERIOD FROM INCORPORATION ON 8 MARCH 2011 TO 31
DECEMBER 2011**

	Notes	\$
Continuing operations		
Investment loss	3	(25,700,363)
Other income		<u>48,292</u>
Net investment loss		(25,652,071)
Interest expense	10	(9,092,224)
Administrative expenses	4	<u>(2,189,213)</u>
Total expenses		(11,281,437)
Loss on ordinary activities before tax for the period		(36,933,508)
Tax	5	<u>(162)</u>
Loss on ordinary activities after tax for the period attributable to equity holders		<u>(36,933,670)</u>

The above results relate to the continuing operations of the Company
There are no recognised gains or losses for the period, other than the profit or loss

The notes on pages 10 to 16 form part of these financial statements

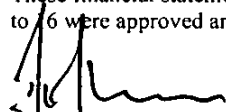
LIMITED LIFE ASSETS SERVICES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2011

	Notes	\$
Fixed assets		
Life settlement contracts	2	<u>148,847,887</u>
Total fixed assets		<u>148,847,887</u>
Current assets		
Debtors and prepayments	8	5,061,411
Cash and cash equivalents	6	<u>15,995,656</u>
Total current assets		21,057,067
Creditors amounts falling due within one year	9	<u>(9,201,929)</u>
		11,855,138
Total assets less current liabilities		<u>160,703,025</u>
Creditors amounts falling due after more than one year	10	<u>(157,639,857)</u>
Net assets		<u>3,063,168</u>
Capital and reserves		
Called up share capital	7	39,996,838
Profit and loss account		<u>(36,933,670)</u>
Shareholder's funds		<u>3,063,168</u>

These financial statements for Limited Life Asset Services Limited, Company registration 07557001, on pages 6 to 16 were approved and authorised for issue by the directors on 8 May 2012, signed on its behalf by



Timothy Church
Director

The notes on pages 10 to 16 form part of these financial statements

LIMITED LIFE ASSETS SERVICES LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

FOR THE PERIOD FROM INCORPORATION ON 8 MARCH 2011 TO 31 DECEMBER 2011

	Called up share capital \$	Profit and loss account \$	Total \$
Balance at 8 March 2011	-	-	
Issue of shares	39,996,838	-	39,996,838
Loss for the period	-	(36,933,670)	(36,933,670)
Balance attributable to equity holders as at 31 December 2011	<u>39,996,838</u>	<u>(36,933,670)</u>	<u>3,063,168</u>

The notes on pages 10 to 16 form part of these financial statements

LIMITED LIFE ASSETS SERVICES LIMITED

CASH FLOW STATEMENT

**FOR THE PERIOD FROM INCORPORATION ON 8 MARCH 2011 TO 31
DECEMBER 2011**

NOTES

\$

Cash flows from operating activities

Net loss before tax (36,933,508)

Adjustments

Fair value movement on life settlement contracts 3 7,245,310

Premium payments 3 29,688,972

Interest income (48,292)

Income from matured policies (10,865,948)

Loss on lapsed policies 4 1,116,390

Interest expense 10 9,092,224

Increase in debtors (61,411)

Increase in accruals 109,543

Net cash used in operating activities (656,720)

Cash flows from investing activities

Acquisition of investment 2 (157,803,948)

Premium payments 3 (29,688,972)

Proceeds from matured policies 6,460,309

Interest received 48,292

Net cash used in investing activities (180,984,319)

Cash flows from financing activities

Issue of shares 7 39,996,838

Loan drawdown 10 157,990,904

Loan Repayment 10 (351,047)

Net cash provided by financing activities 197,636,695

Net increase in cash and cash equivalents 15,995,656

Cash and cash equivalents at start of the period -

Cash and cash equivalents at end of the period 6 15,995,656

All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the cash management agreements and as such the cash and cash equivalents are not freely available to be used for other purposes

The notes on pages 10 to 16 form part of these financial statements

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM INCORPORATION ON 8 MARCH 2011 TO 31 DECEMBER 2011

1. PRINCIPAL ACCOUNTING POLICIES

Limited Life Assets Services Limited (the "Company") is a limited company incorporated and domiciled in the United Kingdom with registered number 07557001.

There is one class of shares in the Company Limited Life Assets Master Limited, a company incorporated in the United Kingdom, is the sole shareholder and, therefore, the parent of the Company

Basis of Preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss, in accordance with applicable United Kingdom accounting standards

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position and its principal uncertainties are set out in the Director's Report on pages 2 and 3. In addition, note 11 to the financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk

The shareholders of the Company's parent, in accordance with the Shareholders' Agreement, have agreed to provide funding to the group. The directors are of the opinion that the shareholders have the financial means to provide such funding to the group. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Fair Value Measurement

Fair value represents the amount for which an asset can be exchanged for, or a liability settled between knowledgeable, willing parties in an arm's length transaction. In accordance with FRS 29, *Financial Instruments Disclosures*, the Group uses a hierarchy that categorises the input used to measure fair value into three broad levels (Levels 1, 2 and 3). Level 1 inputs are observable inputs that reflect quoted prices for identical assets or liabilities in active markets. Level 2 inputs are observable inputs, other than quoted prices included in Level 1, for the asset or liability. Level 3 inputs are observable inputs reflecting the reporting entity's estimates of the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Such assumptions are reviewed periodically and are subject to change based on actual experience. Such changes may affect fair value.

The Company utilises Level 3 inputs to measure the fair value of its life settlement contracts (see Note 2)

Life Settlement Contracts

Life settlement contracts are financial assets within the scope of FRS 26, *Financial Instruments Recognition and Measurement*. The Company records such assets upon initial recognition at fair value. The Company believes that recording life settlement contracts at fair value through profit or loss significantly reduces the inconsistent treatment that would otherwise arise from recognising gains or losses on a different basis. Subsequently, the Company updates their fair value at each reporting date and recognises changes in fair value in earnings in the period in which the changes occur (see Notes 2 and 3)

The Company derecognises its financial assets in accordance with the provisions of FRS 26

Cash flows from the Company's life settlement activities are included in investing activities in the accompanying cash flow statement

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM INCORPORATION ON 8 MARCH 2011 TO 31 DECEMBER 2011

1 PRINCIPAL ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For the purposes of the Cash flow Statement, cash and cash equivalents comprise balances with less than 3 months to maturity. All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the securitisation agreements and as such the cash and cash equivalents are not freely available to be used for other purposes.

Accrued Expense

Accrued Expense consists principally of accrued professional fees. These fees are accrued when incurred.

Taxation

Corporation tax is provided on taxable profits at the current attributable rates. It is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the period.

Interest payable

Interest is accounted for on a time basis, by reference to the principal outstanding at the interest rate applicable, which is set by the calculating agent as per the loan agreements.

2 LIFE SETTLEMENT CONTRACTS

As discussed in Note 1, the Company utilises estimates of fair value in connection with its investment in life settlement contracts. Fair values of investment in life settlement contracts are calculated using the actuarial asset share method. Inputs and data used in the calculation, such as life expectancy estimates, are obtained from independent third party underwriters and computed based on policy provisions obtained from insurance carriers. The Company uses industry standard tables for male and female smokers and non-smokers for computing the probability of insured dying in each given year. A discount rate of 19.50% was used for discounting future projected cash flows (i.e. death benefits and premium payments). The discount rate was determined after considering various factors such as illiquidity, uncertain time to maturity and implied IRR from policy purchases, among others.

The movement of the Company's investment in life settlement contracts during the period are shown below:

	\$
Balance at 8 March 2011, at fair value	-
Life settlement contracts acquired	157,803,948
Matured life settlement contracts	(594,361)
Lapsed life settlement contracts (see Note 4)	(1,116,390)
Unrealised change in fair value of life settlement contracts	<u>(7,245,310)</u>
Balance at the end of period, at fair value	<u>148,847,887</u>

3. INVESTMENT LOSS

	\$
Income from maturity of investments	11,233,919
Premium payments	(29,688,972)
Unrealised change in fair value	<u>(7,245,310)</u>
	<u>(25,700,363)</u>

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM INCORPORATION ON 8 MARCH 2011 TO 31 DECEMBER 2011

4 ADMINISTRATIVE EXPENSES

	\$
Fees payable for the audit of the company's annual accounts	33,264
Fees payable to the company's auditor for tax services	4,620
Servicing fees	497,829
Facility fees	111,156
Corporate services, trustee and accountancy fees	53,708
Director and other fees	24,278
Legal and professional fees	347,968
Loss on lapsed policies	<u>1,116,390</u>
	<u>2,189,213</u>

The Company has no employees and except for Mr Alan Morgan who received \$17,310, none of the directors received any remuneration during the period

5. TAXATION

(a) Analysis of charge during the period:

	\$
Current tax	
Corporation tax charge for the period	<u>162</u>

(b) Reconciliation of effective tax rate

The tax assessed on the profit on ordinary activities for the period is equal to the rate of corporation tax in the UK of 21%

	\$
Loss on ordinary activities before tax	<u>(36,933,508)</u>
Loss on ordinary activities before tax multiplied by the rate of corporation tax in the UK of 21%	7,756,037
Tax on premium payments	(6,234,684)
Tax on fair value movement on life settlement contracts	<u>(1,521,515)</u>
Total corporation tax charge	<u><u>(162)</u></u>

The current corporation tax payable as of 31 December 2011 amounting to \$162 is shown as part of Creditors amounts falling due within one year in the balance sheet (see Note 9)

The directors are satisfied that this Company meets the definition of a 'securitisation company' as defined by both The Finance Act 2005 and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise. As at 31 December 2011, there are no tax-related contingent assets or contingent liabilities in accordance with FRS 12 'Provisions, Contingent Liabilities and Contingent Assets'

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM INCORPORATION ON 8 MARCH 2011 TO 31 DECEMBER 2011

6 CASH AND CASH EQUIVALENTS

All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the cash management agreements

	\$
Cash in bank	14,346,704
Security intermediary account	<u>1,648,952</u>
	<u>15,995,656</u>

7. SHARE CAPITAL

Shares allotted and issued

	No. of Shares	Class	Nominal Value	Amount
			\$	\$
Fully paid	<u>39,996,838</u>	Ordinary	1	<u>39,996,838</u>
	<u>39,996,838</u>			<u>39,996,838</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Limited life Assets Master Limited holds all the shares in the Company.

8. DEBTORS AND PREPAYMENTS

	\$
Prepayments	61,411
Receivable on matured policies	<u>5,000,000</u>
	<u>5,061,411</u>

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	\$
Accruals	109,543
Current corporation tax payable (see Note 5)	162
Other creditors (see Note 10)	<u>9,092,224</u>
	<u>9,201,929</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN MORE THAN ONE YEAR

	\$
Loan from Issuer plc	157,990,904
Repayment	<u>(351,047)</u>
	<u>157,639,857</u>

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM INCORPORATION ON 8 MARCH 2011 TO 31 DECEMBER 2011

10 CREDITORS: AMOUNTS FALLING DUE WITHIN MORE THAN ONE YEAR (continued)

Subject to the terms of the "Issuer AssetCo Loan Agreement" between the Company and Limited Life Assets Issuance plc ("Issuer plc") dated 31 May 2011, Issuer plc makes available to the Company a US Dollar long term loan facility of \$127,813,541. The Company has drawdown a further loan of \$30,177,363 as per the "First Supplemental Issuer AssetCo Loan Agreement" dated 30 September 2011. The Company will repay an amount equal to the loan to the Issuer plc on the loan interest payment date in May 2021. Any principal amounts prepaid shall reduce the amount repayable by the Company on the repayment date to the extent of such prepayment. During the period \$351,047 was repaid.

On each Loan Interest Payment Date, the Company shall prepay an amount equal to the aggregate of

- the allocated loan amount of the un-invested portion of any realised asset amounts received in the immediately preceding collection period,
- the allocated loan amount of the un-invested portion of any net disposal proceeds received following a disposal of an asset in the immediately preceding collection period, and
- the allocated loan amount of any lapsed asset value in respect of any asset in respect of which the underlying life policy has lapsed, by reason of non-payment of premium due or otherwise, in the immediately preceding collection period.

During the period, the Company recognised interest amounting to \$9,092,224, which is reported as interest expense in the profit and loss account and as other creditors, shown as part of Creditors amounts falling due within one year, in the balance sheet (see Note 9). The percentage rate of interest per annum on the loan agreements is the aggregate of the applicable margin and LIBOR ("floating rate"). The floating rate is determined by the calculation agent, which can be adjusted, in its sole discretion, in accordance with the loan agreements.

The AssetCo Deed of Charge secures all the obligations of the Company to the AssetCo secured parties. In accordance with the AssetCo Deed of Charge, the Company, by way of first fixed security for the payment and discharge of its obligations, assigned in favour of the Borrower Security Trustee, Wilmington Trust (London) Limited, for the benefit of the AssetCo secured parties all of its right, title and interest under the AssetCo charged documents which include all contracts and agreements to which the Company becomes a party and of which its rights are assignable by way of security. This includes the right to receive and collect payment of amounts payable to the Company. Notwithstanding such assignment, the Company may continue to receive all payments due to the Company.

11. FINANCIAL RISK MANAGEMENT

Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern through additional capitalization and collection of life settlement proceeds. The Company manages its capital structure in light of the business opportunities available to it. To maintain or adjust the capital structure, the Company has the ability to issue new shares which it has during the period to maintain the liquidity of the Company. The Company manages capital in the amount approximately \$40 million.

Market and price risk

Market risk is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in market prices. Fair value of life settlement contracts are subject to fluctuation.

In general, the fair value of a life settlement contract is dependent upon, among other things, the contract's net death benefit, the cost of maintaining the contract, mortality assumptions and the discount rate used. Management manages the market risk through active portfolio management, analyzing the policies to be serviced and lapsing the policies if they are not considered beneficial in the long-run. An increase of 10% in the fair value of the portfolio (as a result of the variables discussed above) with all other variables held constant, would have increased total shareholders' funds by approximately \$15 million. A decrease of 10% would have an equal and opposite effect.

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM INCORPORATION ON 8 MARCH 2011 TO 31 DECEMBER 2011

11. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that counter party will not meet its obligation under a financial instrument or contract, leading to a financial loss. The company's credit risk is principally attributable to its life settlement contracts, receivable on matured policies and its cash and cash equivalents. The Company's credit risk is also dependent on the financial stability of the underlying insurance companies and their ability to pay the benefits. The management actively analyzes the health of the insurance companies. The maximum exposure to credit risk is the carrying amount of the Company's financial assets amounting to \$169,843,543. There are no financial assets that are past due or impaired as of 31 December 2011.

Interest rate risk

The floating interest rate for the Company's loan from Issuer plc is determined by the calculation agent in accordance with the Loan Agreements. The carrying amount of financial liabilities at floating interest rates amounted to \$157,639,857.

Foreign currency risk

All of the Company's assets and liabilities are denominated in U.S. dollars; therefore, there is no foreign currency risk.

Fair value of financial instruments

The fair values together with the carrying amounts shown in the balance sheet of the financial assets and financial liabilities are as follows:

	Note	Carrying amount 2011 \$	Fair value 2011 \$
Financial assets			
Life settlement contracts	2	148,847,887	148,847,887
Receivable on matured policies	8	5,000,000	5,000,000
Cash and cash equivalents	6	<u>15,995,656</u>	<u>15,995,656</u>
		<u>169,843,543</u>	<u>169,843,543</u>
Financial liabilities			
Loan from Issuer plc	10	157,639,857	157,639,857
Other creditors	9	9,092,224	9,092,224
Accruals	9	<u>109,543</u>	<u>109,543</u>
		<u>166,841,624</u>	<u>166,841,624</u>

Fair values of the Company's financial assets and liabilities approximate their carrying amounts at period end.

Liquidity risk

The Company's policy is to manage liquidity risk through its use of cash balances. As per the "Shareholders' Agreement", the Company will maintain cash reserves equal to at least five weeks worth of projected premium payments on the policies and will maintain sufficient operating cash to meet expected operating expenses including any fees payable to the servicer for a period of not less than one calendar month as determined by the calculation agent, unless otherwise determined by the Board.

The Shareholders' Agreement is designed to match the availability of funds; there are deemed to be limited liquidity risks facing the Company. Payments made by the Company are made in accordance with the priority of payments as set out in the cash management agreements. Under these terms, payments are made on a monthly basis. The prepayment on the loan notes are determined by the calculation agent in accordance with the loan agreements (see Note 10).

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM INCORPORATION ON 8 MARCH 2011 TO 31 DECEMBER 2011

11. FINANCIAL RISK MANAGEMENT (continued)

The table below shows the maturity profile of the carrying amount of the Company's financial liabilities

	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
	\$	\$	\$	\$	\$
Financial liabilities					
Loan from Issuer plc	157,639,857	-	-	-	157,639,857
Other creditors	9,092,224	9,092,224	-	-	-
Accruals	109,543	109,543	-	-	-
	<u>166,841,624</u>	<u>9,201,767</u>	<u>-</u>	<u>-</u>	<u>157,639,857</u>

12. RELATED PARTY TRANSACTIONS

The Company has identified the following transactions which are required to be disclosed under the terms of FRS 8 Related Party Disclosures

Mr Alan Morgan, who is a director of the Company, received \$17,310 as director's fee included as part of administrative expenses (see Note 4)

During the period, the Company purchased beneficial interests on an insurance portfolio from SSALT Fund Limited (SSALT), Compass Special Situations Fund LLC and Compass COSS Master Limited, who are shareholders of the Company's parent, Limited Life Assets Master Limited, for \$30,177,363. The purchased beneficial interests formed part of the Company's investment in life settlement contracts.

13. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	\$
Increase in cash in the period	15,995,656
Cash inflow from loans	(157,990,904)
Cash outflow from repayment of loans	351,047
Movement in net debt in the period	(141,644,201)
Net debt at 8 March 2011	-
Net debt at 31 December 2011	<u>(141,644,201)</u>

14. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

Limited Life Assets Master Limited holds 100% of the shares in the Company. More than 50% shares in Limited Life Assets Master Limited are held by Barfield Nominees Limited as nominee for SSALT. The Company's ultimate controlling party is considered to be SSALT.

15. POST BALANCE SHEET EVENTS

Subsequent events have been evaluated through 8 May 2012, which is the date of the financial statements were available to be issued. Subsequent to 31 December 2011 and through 8 May 2012, the Company issued additional shares amounting to \$14,800,000 at \$1 per share.