

Company Registration Number: 7557001

LIMITED LIFE ASSETS SERVICES LIMITED

**DIRECTORS' REPORT AND FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2012



LIMITED LIFE ASSETS SERVICES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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LIMITED LIFE ASSETS SERVICES LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
FOR THE YEAR ENDED 31 DECEMBER 2012

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 YEAR ENDED 31 DECEMBER 2012

The directors present their report and the audited financial statements of Limited Life Assets Services Limited (the 'Company') for the year ended 31 December 2012

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 drew 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 year and the Company's financial position at the end of the year are shown in the attached financial statements. The loss on ordinary activities after taxation for the year was \$24,186,676 (2011: \$27,841,285). The loss is due to the cost of maintaining investments, in the form of premiums, which exceeded the returns on investments in life settlement contracts. Some of the life settlement contracts acquired by the Company are newly issued policies. Returns on investments are therefore not expected to be received in the near future. The directors have not recommended a dividend.

DIRECTORS' AND SECRETARY'S INTEREST IN SHARES

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

Mr Timothy Church
Mr Alan Morgan

The Secretary who held office during the year was
Wilmington Trust SP Services (London) Limited

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 year ended 31 December 2012.

LIMITED LIFE ASSETS SERVICES LIMITED

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

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 responsible for safeguarding the assets of the Company and hence for taking responsible steps for the prevention and detection of 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 reappointed as the auditor of the Company

By order of the Board, signed on its behalf by



Mr Timothy Church

Director

Date 8 May 2013

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 year ended 31 December 2012 which comprises the Profit and Loss Account, Balance Sheet Reconciliation of Movements in Shareholder s Funds, Cash Flow Statement 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 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 2012 and of its loss for the year 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 year for which the financial statements are prepared is consistent with the financial statements.

LIMITED LIFE ASSETS SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LIMITED LIFE ASSETS SERVICES LIMITED

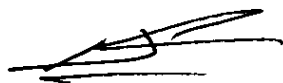
Emphasis of Matter – Restatement of Corresponding Figures

As disclosed in Note 2 to the financial statements, corresponding figures were restated due to an error in the interpretation of the loan agreements with regard to the computation of interest. As a result, the interest expense and related payable have been adjusted accordingly. The corresponding figures for 31 December 2012 have been restated as a result of the prior period adjustments.

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, Statutory Auditor

Chartered Accountants and Registered Auditors

St Peter Port, Guernsey, Channel Islands

8 May 2013

LIMITED LIFE ASSETS SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2012

		1 January to 31 December 2012 \$	Restated 8 March to 31 December 2011 \$
	Notes		
Continuing operations			
Investment loss	4	(10,116,845)	(25,700,363)
Other income		<u>188,290</u>	<u>48,291</u>
Net investment loss		(9,928,555)	(25,652,072)
Impairment provision	9	(2,500,000)	-
Loss on lapsed policies	3	(10,006,838)	(1,116,390)
Administrative expenses	5	<u>(1,751,283)</u>	<u>(1,072,823)</u>
Total Expenses		(14,258,121)	(2,189,213)
Loss on ordinary activities before tax for the period		(24,186,676)	(27,841,285)
Tax	6	<u>-</u>	<u>-</u>
Loss on ordinary activities after tax for the period attributable to equity holders		<u>(24,186,676)</u>	<u>(27,841,285)</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

Cumulative prior period adjustment amounted to \$9 092,386 Please refer to Note 2

The notes on pages 10 to 17 form an integral part of these financial statements

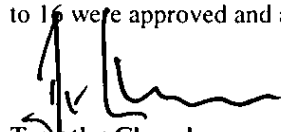
LIMITED LIFE ASSETS SERVICES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2012

	Notes	2012 \$	Restated 2011 \$
Fixed assets			
Life settlement contracts	3	<u>152,408,777</u>	<u>148,847,887</u>
Total fixed assets		<u>152,408,777</u>	<u>148,847,887</u>
Current assets			
Debtors and prepayments	9	14,418,551	5,061,411
Cash and cash equivalents	7	<u>8,359,784</u>	<u>15,995,656</u>
Total current assets		22,778,335	21,057,067
Creditors amounts falling due within one year	10	<u>(41,805)</u>	<u>(109,544)</u>
		22,736,530	20,947,523
Total assets less current liabilities		<u>175,145,307</u>	<u>169,795,410</u>
Creditors amounts falling due after more than one year	11	<u>(155,576,430)</u>	<u>(157,639,857)</u>
Net assets		<u>19,568,877</u>	<u>12,155,553</u>
Capital and reserves			
Called up share capital	8	71,596,838	39,996,838
Profit and loss account		<u>(52,027,961)</u>	<u>(27,841,285)</u>
Shareholder's funds		<u>19,568,877</u>	<u>12,155,553</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 2013, signed on its behalf by


Timothy Church
Director

The notes on pages 10 to 17 form an integral part of these financial statements

LIMITED LIFE ASSETS SERVICES LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	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		<u>-</u>	<u>(36,933,671)</u>	<u>(36,933,671)</u>
Balance attributable to equity holders as at 31 December 2011 (as previously reported)		39,996 838	(36,933,671)	3,063,167
Prior period adjustment	2	<u>-</u>	<u>9,092,386</u>	<u>9,092,386</u>
Balance attributable to equity holders as at 31 December 2011 (as restated)		39,996,838	(27,841,285)	12,155,553
Issue of shares	8	31,600,000	-	31,600,000
Loss for the year ended 31 December 2012		<u>-</u>	<u>(24,186,676)</u>	<u>(24,186,676)</u>
Balance attributable to equity holders as at 31 December 2012		<u>71,596,838</u>	<u>(52,027,961)</u>	<u>19,568,877</u>

The notes on pages 10 to 17 form an integral part of these financial statements

LIMITED LIFE ASSETS SERVICES LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	1 January to 31 December 2012 \$	Restated 8 March to 31 December 2011 \$
Cash flows from operating activities			
Loss on ordinary activities before tax		(24,186,676)	(27 841 285)
Adjustments			
Fair value movement on life settlement contracts	4	(20,636,508)	7,245,310
Premium payments	4	62,515,611	29,688,972
Interest income		(188,290)	(48,292)
Income from matured policies		(31,762,257)	(10,865,948)
Impairment provision		2,500,000	-
Loss on lapsed policies	3	10,006,838	1,116,390
Increase in debtors		(26,103)	(61,411)
(Decrease)/increase in accruals		<u>(67,739)</u>	<u>109,544</u>
Net cash used in operating activities		<u>(1,777,385)</u>	<u>(766,264)</u>
Cash flows from investing activities			
Acquisition of investment	3	-	(157,803,948)
Premium payments	4	(62,515,611)	(29,688,972)
Proceeds from matured policies		27,000,000	6,460,309
Interest received		<u>188,290</u>	<u>48,292</u>
Net cash used in investing activities		<u>(35,515,611)</u>	<u>(181,032,611)</u>
Cash flows from financing activities			
Issue of shares	8	31,600,000	39 996,838
Loan drawdown	11	-	157,990,904
Loan Repayment	11	<u>(2,063,427)</u>	<u>(351,047)</u>
Net cash provided by financing activities		<u>31,600,000</u>	<u>197,987,742</u>
Net (decrease)/increase in cash and cash equivalents		(1,942,876)	(193 211)
Cash and cash equivalents at start of the period		<u>0</u>	<u>-</u>
Cash and cash equivalents at end of the period	7	<u>(1,942,876)</u>	<u>(193 211)</u>

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 17 form an integral part of these financial statements

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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 Directors' Report on pages 2 and 3 In addition, Note 12 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 Company The directors are of the opinion that the shareholders have the financial means to provide such funding to the Company 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 3)

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 3 and 4)

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

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

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1 PRINCIPAL ACCOUNTING POLICIES (continued)

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.

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.

Income and turnover

Income such as interest income and income from maturity of investments is recognised on an accruals basis.

Income is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount can be measured reliably.

Impairment

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

2 PRIOR PERIOD ADJUSTMENT

There has been an error in the interpretation of loan agreements with regard to computing the interest expense. This resulted in the overstatement of interest expense in the profit and loss for the period ended 31 December 2011. The error has been amended in the current year. The effect on the opening profit and loss account in the current year financial statements is as follows:

	\$
Profit and loss account, 31 December 2011 (as previously reported)	36,933,671
Overstatement in interest expense	(9,092,224)
Overstatement in corporation tax	(162)
Profit and loss account 31 December 2011 (as restated)	<u>27,841,285</u>

3. 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 Company engaged Lyric Services, LLC to prepare the monthly valuation of the Company's investment in life settlement contracts.

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

	2012 \$	2011 \$
Balance at the beginning of period, at fair value	148,847,887	-
Life settlement contracts acquired	-	157,803,948
Matured life settlement contracts	(7,068,780)	(594,361)
Lapsed life settlement contracts	(10,006,838)	(1,116,390)
Unrealised change in fair value of life settlement contracts (see Note 4)	<u>20,636,508</u>	<u>(7,245,310)</u>
Balance at the end of period, at fair value	<u>152,408,777</u>	<u>148,847,887</u>

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

3 LIFE SETTLEMENT CONTRACTS (continued)

The reconciliation of the Company's investment in life settlement contracts at cost during the period are shown below

	2012	2011
	\$	\$
Balance at the beginning of period, at cost	156,093,197	-
Life settlement contracts acquired	-	157,803,948
Matured life settlement contracts	(7,068,780)	(594,361)
Lapsed life settlement contracts	<u>(10,006,838)</u>	<u>(1,116,390)</u>
Balance at the end of period, at cost	<u>139,017,579</u>	<u>156,093,197</u>

4 INVESTMENT LOSS

	1 January to 31 December 2012	8 March to 31 December 2011
	\$	\$
Income from maturity of investments	31,762,257	11,233,919
Premium payments	(62,515,611)	(29,688,972)
Unrealised change in fair value	<u>20,636,509</u>	<u>(7,245,310)</u>
	<u>(10,116,845)</u>	<u>(25,700,363)</u>

5 ADMINISTRATIVE EXPENSES

	1 January to 31 December 2012	8 March to 31 December 2011
	\$	\$
Fees payable for the audit of the company's annual accounts	23,591	33,264
Fees payable to the company's auditor for tax services	3,925	4,620
Servicing fees	751,184	497,829
Facility fees	79,137	111,156
Corporate services, trustee and accountancy fees	86,853	53,708
Director and other fees	52,278	24,278
Legal and professional fees	<u>754,315</u>	<u>347,968</u>
	<u>1,751,283</u>	<u>1,072,823</u>

The Company has no employees and except for Mr Alan Morgan who received \$34,620 (2011: \$17,310), none of the directors received any remuneration during the period

6 TAXATION

(a) Analysis of charge during the period

	1 January to 31 December 2012	Restated 8 March to 31 December 2011
	\$	\$
Current tax		
Corporation tax charge for the period	<u>-</u>	<u>-</u>

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

6 TAXATION (continued)

(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 20% (2011 20%)

	1 January to 31 December 2012 \$	Restated 8 March to 31 December 2011 \$
Loss on ordinary activities before tax	<u>(24,186,676)</u>	<u>(27,841,285)</u>
Loss on ordinary activities before tax multiplied by the rate of corporation tax in the UK of 20% (2011 20%)	(4,837,335)	(5,568,257)
Tax on fair value movement on life settlement contracts	(4,127,302)	1,449,062
Permanent differences relating to application of Taxation of Securitisation Companies Regulations 2006	<u>8,964,637</u>	<u>4,119,195</u>
Total corporation tax charge	<u>-</u>	<u>-</u>

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 2012, there are no tax-related contingent assets or contingent liabilities in accordance with FRS 12 'Provisions, Contingent Liabilities and Contingent Assets'

7 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

	2012 \$	2011 \$
Cash in bank	454,832	14,346,704
Security intermediary account	<u>7,904,952</u>	<u>1,648,952</u>
	<u>8,359,784</u>	<u>15,995,656</u>

8. SHARE CAPITAL

Shares allotted and issued

	No. of Shares	Class	Nominal Value \$	Amount \$
Balance as at 1 January 2012	39,996,838	Ordinary	1	39,996,838
Fully paid	<u>31,600,000</u>	Ordinary	1	<u>31,600,000</u>
Balance as at 31 December 2012	<u>71,596,838</u>			<u>71,596,838</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.

9 DEBTORS AND PREPAYMENTS

	2012 \$	2011 \$
Prepayments	87,514	61,411
Receivable on matured policies	16,831,037	5,000,000
Provision for Impairment	<u>(2,500,000)</u>	-
	<u>14,418,551</u>	<u>5,061,411</u>

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

10 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012	Restated 2011
	\$	\$
Accruals	<u>41,805</u>	<u>109,544</u>

11 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012	2011
	\$	\$
Balance at the beginning of period	157,639,857	-
Loan from Issuer plc	-	157,990,904
Repayment	<u>(2,063,427)</u>	<u>(351,047)</u>
Balance at the end of period	<u>155,576,430</u>	<u>157,639,857</u>

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 \$2,063,427 (2011: \$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.

The timing of the receipt of proceeds or the lapsing of the asset values necessary to arrive at the prepayment amount are not readily determinable. Therefore, the whole balance of the loan has been classified under amounts falling due after more than one year.

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.

12. 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 \$72 million.

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

12 FINANCIAL RISK MANAGEMENT (continued)

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.

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 and receivable on matured policies. The Company's credit risk is also dependent on the financial stability of the underlying insurance companies and their ability to pay the benefits. 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 \$175,099,598 (2011: \$169,843,543). Based on evaluation of the insurance companies, management considers the credit quality of receivable on matured policies that are not past due or impaired to be good. At the end of the year, \$5,000,000 of the receivables on matured policies has been determined to be impaired. In determining whether such was impaired, the Company considered factors such as normal processing time for collection of claim and status of the claim. An amount of \$2,500,000 has been provided as allowance for this receivable. The cash balances are held with reputable banks with high external credit ratings. To this extent, the Company's credit risk is considered low.

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 \$155,576,430 (2011: \$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:

	Notes	Carrying amount 2012 \$	Fair value 2012 \$	Restated Carrying amount 2011 \$	Restated Fair value 2011 \$
Financial assets					
Life settlement contracts	3	152,408,777	152,408,777	148,847,887	148,847,887
Receivable on matured policies	9	14,331,037	14,331,037	5,000,000	5,000,000
Cash and cash equivalents	7	8,359,784	8,359,784	15,995,656	15,995,656
		<u>175,099,598</u>	<u>175,099,598</u>	<u>169,843,543</u>	<u>169,843,543</u>
Financial liabilities					
Loan from Issuer plc	11	155,576,430	155,576,430	157,639,857	157,639,857
Accruals	10	41,805	41,805	109,544	109,544
		<u>155,618,235</u>	<u>155,618,235</u>	<u>157,749,401</u>	<u>157,749,401</u>

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

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

12 FINANCIAL RISK MANAGEMENT (continued)

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 11).

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

2012	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
	\$	\$	\$	\$	\$
Financial liabilities					
Loan from Issuer plc	155,576,430	-	-	-	155,576,430
Accruals	41,805	41,805	-	-	-
	<u>155,618,235</u>	<u>41,805</u>	<u>-</u>	<u>-3</u>	<u>155,576,430</u>
Restated 2011	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
Accruals	109,544	109,544	-	-	-
	<u>157,749,401</u>	<u>109,544</u>	<u>-</u>	<u>-6</u>	<u>157,639,857</u>

13 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.

Limited Life Assets Master Limited, the Company's parent, subscribed for additional shares in the current year of 31,600,000 shares at \$1 per share (2011: 39,996,838 shares at \$1 per share).

Mr Alan Morgan, who is a director of the Company, received \$34,620 (2011: \$17,310) as director's fee included as part of administrative expenses (see Note 5).

14 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1 January to 31 December 2012	8 March to 31 December 2011
	\$	\$
(Decrease)/increase in cash in the period	(7,635,872)	15,995,656
Cash inflow from loans	-	(157,990,904)
Cash outflow from repayment of loans	2,063,427	351,047
Movement in net debt in the period	(5,572,445)	(141,644,201)
Net debt at the beginning of period	(141,644,201)	-
Net debt at the end of period	<u>(147,216,646)</u>	<u>(141,644,201)</u>

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

15. 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 Fund Ltd. SSALT Fund Limited, which is a company incorporated in Guernsey, is considered to be the Company's ultimate controlling party.

16. POST BALANCE SHEET EVENTS

Subsequent events have been evaluated through 8 May 2013, which is the date of the financial statements were available to be issued. Subsequent to 31 December 2012 and through the date of the audit report, the Company issued additional shares amounting to \$14,500,000 at \$1 per share.