

Company Registration Number: 7557001

LIMITED LIFE ASSETS SERVICES LIMITED

**DIRECTORS' REPORT AND FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2014



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LIMITED LIFE ASSETS SERVICES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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LIMITED LIFE ASSETS SERVICES LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014

The directors present their report and the audited financial statements of Limited Life Assets Services Limited (the 'Company') for the year ended 31 December 2014

DIVIDENDS

The directors have not recommended a dividend during the year (2013 Nil)

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 2014

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

LIMITED LIFE ASSETS SERVICES LIMITED

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

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

A resolution to re-appoint Grant Thornton Limited as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 2006

The Directors' report was approved by the Board and signed on its behalf by



Mr Timothy Church

Director

Date 8th May 2015

LIMITED LIFE ASSETS SERVICES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their strategic report of Limited Life Assets Services Limited (the "Company") for the year ended 31 December 2014

GENERAL

PRINCIPAL ACTIVITIES

The Company was incorporated as a limited company on 8 March 2011. The principal activity of the Company is that 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 borrowed \$128,990,613 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.

REVIEW OF THE BUSINESS

RESULTS

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 \$30,980,280 (2013 profit \$2,132,883). The loss is due to an unfavourable movement of fair value of the life settlement contracts.

FUTURE DEVELOPMENTS

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.

KEY PERFORMANCE INDICATORS

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.

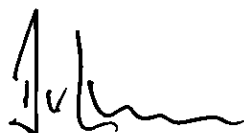
FINANCIAL RISK MANAGEMENT

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.

GOING CONCERN

As explained in more detail in note 1 to the financial statements, the directors have undertaken a detailed assessment of the Company's ongoing business model and have made extensive enquiries of management. Given the details set out in note 1, the directors believe it is appropriate to prepare these financial statements on the assumption that the Company will be able to continue as a going concern for the foreseeable future.

On behalf of the Board



Mr Timothy Church
Director
8th May 2015

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 2014 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 explained more fully in the Statement of Directors' Responsibilities on page 2, the directors are responsible for the preparation of the financial statements which 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 and the Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- comply with the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Under the Companies Act 2006 we are required 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

8th May 2015

LIMITED LIFE ASSETS SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	1 January to 31 December 2014 \$	1 January to 31 December 2013 \$
Continuing operations			
Investment (loss)/income	3	(26,977,757)	8,761,799
Other income		<u>28,277</u>	<u>141,227</u>
Net investment (loss)/income		(26,949,480)	8,903,026
Impairment provision	8	-	(2,000,000)
Loss on lapsed policies	2	(1,234,883)	(479 015)
Amortised issue cost		(124,100)	(304,077)
Administrative expenses	4	<u>(2,671,817)</u>	<u>(3,987,051)</u>
Total Expenses		(4,030,800)	(6,770,143)
(Loss)/Profit on ordinary activities before tax for the year		(30,980,280)	2,132,883
Tax	5	<u>-</u>	<u>-</u>
(Loss)/Profit on ordinary activities after tax for the year attributable to equity holders		<u>(30,980,280)</u>	<u>2,132,883</u>

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

The notes on pages 11 to 17 form an integral part of these financial statements

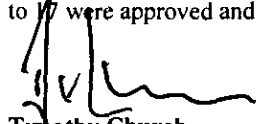
LIMITED LIFE ASSETS SERVICES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2014

	Notes	2014 \$	2013 \$
Fixed assets			
Life settlement contracts	2	<u>186,593,061</u>	<u>197,906,771</u>
Total fixed assets		<u>186,593,061</u>	<u>197,906,771</u>
Current assets			
Debtors and prepayments	8	44,289,331	4,442,917
Cash and cash equivalents	6	<u>15,439,948</u>	<u>25,204,127</u>
Total current assets		<u>59,729,279</u>	<u>29,647,044</u>
Creditors amounts falling due within one year	9	<u>(273,171)</u>	<u>(3,016,591)</u>
		59,456,108	26,630,453
Total assets less current liabilities		<u>246,049,169</u>	<u>224,537,224</u>
Creditors amounts falling due after more than one year	10	<u>(144,907,689)</u>	<u>(152,915,464)</u>
Net assets		<u>101,141,480</u>	<u>71,621,760</u>
Capital and reserves			
Called up share capital	7	182,016,838	121,516,838
Profit and loss account		<u>(80,875,358)</u>	<u>(49,895,078)</u>
Shareholder's funds		<u>101,141,480</u>	<u>71,621,760</u>

These financial statements for Limited Life Asset Services Limited, Company registration 07557001, on pages 7 to 17 were approved and authorised for issue by the Directors on 8th May 2015, signed on its behalf by


Timothy Church
Director

The notes on pages 11 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 2014

	Note	Called up share capital \$	Profit and loss account \$	Total \$
Balance at 1 January 2013		71,596,838	(52,027,961)	19,568,877
Issue of shares		49,920,000	-	49,920,000
Profit for the year		<u>-</u>	<u>2,132,883</u>	<u>2,132,883</u>
Balance attributable to equity holders as at				
31 December 2013		121,516,838	(49,895,078)	71,621,760
Issue of shares	7	60,500,000	-	60,500,000
Loss for the year		<u>-</u>	<u>(30,980,280)</u>	<u>(30,980,280)</u>
Balance attributable to equity holders as at				
31 December 2014		<u>182,016,838</u>	<u>(80,875,358)</u>	<u>101,141,480</u>

The notes on pages 11 to 17 form an integral part of these financial statements

LIMITED LIFE ASSETS SERVICES LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	1 January to 31 December 2014 \$	1 January to 31 December 2013 \$
Cash flows from operating activities			
(Loss)/profit on ordinary activities before tax		(30,980,280)	2,132,883
Adjustments			
Fair value movement on life settlement contracts	3	2,143,812	(40,394,239)
Premium payments	3	74,398,653	67,765,211
Interest income		(28,277)	(141,227)
Income from matured and sold policies	3	(49,564,708)	(36,132,771)
Impairment provision		-	2,000,000
Loss on lapsed policies	2	1,234,883	479,015
Interest amortisation		124,100	304,077
(Increase)/decrease in debtors and prepayments		(58,006)	64,598
Increase in accruals		<u>221,623</u>	<u>9,743</u>
Net cash used in operating activities		<u>(2,508,200)</u>	<u>(3,912,710)</u>
Cash flows from investing activities			
Acquisition of policies	2	-	(9,850,000)
Premium payments	3	(74,398,653)	(67,765,211)
Proceeds from matured and sold policies		17,811,059	49,231,037
Interest received		<u>28,277</u>	<u>141,227</u>
Net cash used in investing activities		<u>(56,559,317)</u>	<u>(28,242,947)</u>
Cash flows from financing activities			
Issue of shares	7	60,400,256	49,000,000
Loan Repayment	10	<u>(11,096,918)</u>	<u>-</u>
Net cash provided by financing activities		<u>49,303,338</u>	<u>49,000,000</u>
Net (decrease)/increase in cash and cash equivalents		(9,764,179)	16,844,343
Cash and cash equivalents at the start of the year		<u>25,204,127</u>	<u>8,359,784</u>
Cash and cash equivalents at the end of the year	6	<u>15,439,948</u>	<u>25,204,127</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 11 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 2014

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 are set out in the Strategic Report on page 4. 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 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 2 and 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 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

Cash and Cash Equivalents

For the purposes of the Cash flow Statement, cash and cash equivalents comprise balances with less than three 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

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

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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.

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

Income and turnover

Income such as interest income and income from maturity and sale 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. 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. Discount rates ranging from 18% - 21% were used for discounting future projected cash flows (i.e. death benefits and premium payments). The discount rates were 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.

For the year 2014 the Directors of the Company decided to update its valuation policy with two changes, one was to "stop restarting the select period" following life expectancy/mortality rate ("LE/MR") updates, received from the LE/MR rate provider and second, to switch LE/MR provider from AVS to Fasano on the basis that AVS was in bankruptcy and Fasano curves appeared to be better predictors of mortalities in the life settlement portfolio. A higher blended discount rate (27% - 30%) was used for policies held by PHL Variable Insurance Company due to it being in financial crisis and carrying a lowered rating. The total impact of this change was a decrease in the fair value of its investment in life settlement contracts by \$43,053,194.

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

	2014	2013
	\$	\$
Balance at the beginning of the year, at fair value	197,906,771	152,408,777
Life settlement contracts acquired	-	9,850,000
Matured and sold life settlement contracts	(7,935,015)	(4,267,229)
Lapsed life settlement contracts	(1,234,883)	(479,015)
Unrealised change in fair value of life settlement contracts (see Note 3)	(2,143,812)	40,394,238
Balance at the end of the year, at fair value	<u>186,593,061</u>	<u>197,906,771</u>

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

	2014	2013
	\$	\$
Balance at the beginning of the year, at cost	144,121,334	139,017,578
Life settlement contracts acquired	-	9,850,000
Matured and sold life settlement contracts	(7,935,015)	(4,267,229)
Lapsed life settlement contracts	(1,234,883)	(479,015)
Balance at the end of the year, at cost	<u>134,951,436</u>	<u>144,121,334</u>

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3 INVESTMENT PROFIT AND LOSS

	1 January to 31 December 2014	1 January to 31 December 2013
	\$	\$
Income from maturity and sale of investments	49,564,708	36,132,771
Premium payments	(74,398,653)	(67,765,211)
Unrealised change in fair value	<u>(2,143,812)</u>	<u>40,394,239</u>
	<u>(26,977,757)</u>	<u>8,761,799</u>

4. ADMINISTRATIVE EXPENSES

	1 January to 31 December 2014	1 January to 31 December 2013
	\$	\$
Fees payable for the audit of the company's annual accounts	32,157	33,260
Fees payable to the company's auditor for tax services	2,658	18
Servicing fees	803,892	760,440
Facility fees	80,319	79,249
Corporate services, trustee and accountancy fees	52,833	82,833
Director and other fees	52,744	49,221
Legal and professional fees	<u>1,647,214</u>	<u>2,982,030</u>
	<u>2,671,817</u>	<u>3,987,051</u>

The Company has no employees and except for Mr Alan Morgan who received \$34 620 (2013 \$34,620), none of the directors received any remuneration during the year

5 TAXATION

(a) Analysis of charge during the year

	1 January to 31 December 2014	1 January to 31 December 2013
	\$	\$
Current tax		
Corporation tax charge for the year	<u>-</u>	<u>-</u>

(b) Reconciliation of effective tax rate

The tax assessed on the profit on ordinary activities for the year is equal to the rate of corporation tax in the UK of 20% (2013 20%)

	1 January to 31 December 2014	1 January to 31 December 2013
	\$	\$
(Loss)/Profit on ordinary activities before tax	<u>(30,980,280)</u>	<u>2,132,883</u>
Loss on ordinary activities before tax multiplied by the rate of corporation tax in the UK of 20% (2013 20%)	(6,196,056)	426 577
Tax on fair value movement on life settlement contracts	428,762	(8,078,848)
Permanent differences relating to application of Taxation of Securitisation Companies Regulations 2006	<u>5,767,294</u>	<u>7,652,271</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 2014, 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 YEAR ENDED 31 DECEMBER 2014

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

	2014	2013
	\$	\$
Cash in bank	11,848,515	18,905,283
Security intermediary account	<u>3,591,433</u>	<u>6,298,844</u>
	<u>15,439,948</u>	<u>25,204,127</u>

7 SHARE CAPITAL

Shares allotted and issued

	No. of Shares	Class	Nominal Value	Amount
			\$	\$
Balance as at 1 January 2014	121,516,838	Ordinary	1	121,516,838
Fully paid	59,480,256	Ordinary	1	59,480,256
Unpaid	<u>1,019,744</u>	Ordinary	1	<u>1,019,744</u>
Balance as at 31 December 2014	<u>182,016,838</u>			<u>182,016,838</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. Unpaid subscription is reported as part of debtors (see note 8)

8 DEBTORS AND PREPAYMENTS

	2014	2013
	\$	\$
Prepayments	80,923	22,917
Share subscription receivable	1,019,744	920,000
Receivable on matured and sold policies	47,688,664	8,000,000
Provision for Impairment	<u>(4,500,000)</u>	<u>(4,500,000)</u>
	<u>44,289,331</u>	<u>4,442,917</u>

An impairment on receivable from matured policies was recognised at nil (2013 \$2,000,000) and is shown as impairment provision in the profit and loss account

9 CREDITORS' AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013
	\$	\$
Loan repayable to Issuance plc	-	2,965,043
Payable to Holdco	213,617	-
Accruals	<u>59,554</u>	<u>51,548</u>
	<u>273,171</u>	<u>3,016,591</u>

10. CREDITORS' AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2014	2013
	\$	\$
Balance at the beginning of the year	152,915,464	155,576,430
Interest amortisation	124,100	304,077
Moved to within one year/repayment	<u>(8,131,875)</u>	<u>(2,965,043)</u>
Balance at the end of the year	<u>144,907,689</u>	<u>152,915,464</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 \$128,990,613. 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 year, \$11,096,918 was repaid (2013 nil)

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

10. CREDITORS' AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

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, and
- 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,

The mandatory prepayment for the current year which was determined based on receipt of investment proceeds that is unpaid as of yearend has been reported under creditors' amounts falling due within one year (see note 9)

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 year to maintain the liquidity of the Company. The Company manages capital in the amount of approximately \$182 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 \$19 million. A decrease of 10% would have an equal and opposite effect.

Credit risk

Credit risk is the risk that a 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 \$246,241,417 (2013: \$232,030,898). Based on evaluation of the insurance companies, management considers the credit quality of receivables 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 \$4,500,000 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.

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

11. FINANCIAL RISK MANAGEMENT (continued)

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 \$144,907,689 (2013: \$155,880,507).

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:

		Carrying amount 2014	Fair value 2014	Carrying amount 2013	Fair value 2013
	Notes	\$	\$	\$	\$
Financial assets.					
Life settlement contracts	2	186,593,061	186,593,061	197,906,771	197,906,771
Receivable on matured & sold policies	8	43,188,664	43,188,664	8,000,000	8,000,000
Share subscription receivable	8	1,019,744	1,019,744	920,000	920,000
Cash and cash equivalents	6	15,439,948	15,439,948	25,204,127	25,204,127
		<u>246,241,417</u>	<u>246,241,417</u>	<u>232,030,898</u>	<u>232,030,898</u>
Financial liabilities.					
Loan from Issuer plc	10	144,907,689	144,907,689	155,880,507	155,880,507
Payable to Holdco	9	213,617	213,617	-	-
Accruals	9	59,554	59,554	51,548	51,548
		<u>145,180,860</u>	<u>145,180,860</u>	<u>155,932,055</u>	<u>155,932,055</u>

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

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

2014	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
	\$	\$	\$	\$	\$
Financial liabilities					
Loan from Issuer plc	144,907,689	-	-	-	144,907,689
Payable to Holdco	213,617	213,617	-	-	-
Accruals	59,554	59,554	-	-	-
	<u>145,180,860</u>	<u>273,171</u>	<u>-</u>	<u>-</u>	<u>144,907,689</u>
2013					
	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
	\$	\$	\$	\$	\$
Financial liabilities					
Loan from Issuer plc	155,880,507	2,965,043	-	-	152,915,464
Accruals	51,548	51,548	-	-	-
	<u>155,932,055</u>	<u>3,016,591</u>	<u>-</u>	<u>-</u>	<u>152,915,464</u>

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

Limited Life Assets Master Limited, the Company's parent, subscribed for additional shares in the current year of 60,500,000 shares at \$1 per share (2013 49,920,000 shares at \$1 per share) Unpaid subscription as of yearend is reported as subscription receivable (see note 8) The Company owes \$213,617 to the parent for expenses paid on behalf of the Company by the parent (see note 9)

Mr Alan Morgan, who is a director of the Company, received \$34,620 (2013 \$34,620) as director's fee included as part of administrative expenses (see Note 4)

13 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1 January to 31 December 2014	1 January to 31 December 2013
	\$	\$
(Decrease)/increase in cash	(9,764,179)	16,844,343
Cash outflow from repayment of loans	<u>11,096,918</u>	-
Change in net debt resulting from cash flows	<u>1,332,739</u>	16,844,343
Interest amortisation	<u>(124,100)</u>	<u>(304,077)</u>
Movement in net debt	<u>1,208,639</u>	16,540,266
Net debt at the beginning of the year	<u>(130,676,380)</u>	<u>(147,216,646)</u>
Net debt at the end of the year	<u>(129,467,741)</u>	<u>(130,676,380)</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 Fund Ltd SSALT Fund Limited, which is a company incorporated in Guernsey, is considered to be the Company's ultimate controlling party

15. POST BALANCE SHEET EVENTS

There have been no significant post balance sheet events