

Company Registration Number: 7557001

LIMITED LIFE ASSETS SERVICES LIMITED

**DIRECTORS' REPORT AND FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018



LIMITED LIFE ASSETS SERVICES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

CONTENTS	PAGE
Officers and professional advisers	1
Directors' report	2 – 3
Strategic report	4
Independent auditor's report to the shareholder	5 - 7
Statement of comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Statement of cash flows	11
Notes to the financial statements	12 - 19

LIMITED LIFE ASSETS SERVICES LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018

The directors present their report and the audited financial statements of Limited Life Assets Services Limited (the "Company") for the year ended 31 December 2018.

DIVIDENDS

The directors have not recommended a dividend during the year (2017: 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 2018.

FUTURE DEVELOPMENTS

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

POST BALANCE SHEET EVENTS

During 2019 to date, the Company have additional capital injection in the amount of \$32,500,000.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' report, Strategic report and the financial statements in accordance with applicable law and regulations.

Companies Act 2006 (the "Company law") requires the directors to prepare financial statements for each financial year or period. Under the Company law directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland ("FRS102") 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 year. 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 including FRS102 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 Company law. 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 2018

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Each of the directors confirms that:

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

RE-APPOINTMENT OF AUDITORS

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 485 of the Companies Act 2006.

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



Mr Timothy Church

Director

Date: 2 July 2019

LIMITED LIFE ASSETS SERVICES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their strategic report of Limited Life Assets Services Limited (the “Company”) for the year ended 31 December 2018.

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 has taken 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 total comprehensive loss for the year was \$458,753 (2017: loss \$5,050,830). The loss is due to a lesser increase in fair value of life policies compared to premiums paid.

KEY PERFORMANCE INDICATORS

The directors see the return on the Company's portfolio of life settlement contracts as the key performance indicator. During the year the Company received \$37,256,968 (2017: \$48,100,000) from matured life settlement contracts and paid \$74,186,130 (2017: \$69,055,684) in premium payments for life settlement contracts. The Company has an unrealised gain in fair value during the year of \$49,966,817 (2017: \$32,536,752). The results are due to a lesser increase in fair value of life policies compared to premiums paid during the year.

The key non-financial indicator is continued compliance with regulatory requirements.

FINANCIAL RISK MANAGEMENT

The Company has established a Risk and Financial Framework where its primary role is to protect the Company from events that hinder the achievements of company performance.

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
2 July 2019

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF LIMITED LIFE ASSETS SERVICES LIMITED

Opinion

We have audited the financial statements of Limited Life Assets Services Limited (the "Company") for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 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 Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the Company's shareholder 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 shareholder those matters we are required to state to the shareholder 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 shareholder for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT (continued)

TO THE MEMBERS OF LIMITED LIFE ASSETS SERVICES LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 2 to 4, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Directors' Report and the Strategic Report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report and the Strategic Report.

Matters on which we are required to report by exception

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

- proper accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements which give a true and fair view in accordance with UK GAAP, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT (continued)

TO THE MEMBERS OF LIMITED LIFE ASSETS SERVICES LIMITED

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Geta Morgan

Senior Statutory Auditor

For and on behalf of Grant Thornton Limited, Statutory Auditor

Chartered Accountants and Registered Auditors

St Peter Port, Guernsey, Channel Islands

2 July 2019

LIMITED LIFE ASSETS SERVICES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 \$	2017 \$
Continuing operations			
Investment income/(loss)	2	621,646	(4,263,325)
Interest income	2	<u>145,981</u>	<u>307,275</u>
Net investment income/(loss)		767,627	(3,956,050)
Amortised issue cost		(124,100)	(124,100)
Administrative expenses	3	<u>(1,102,280)</u>	<u>(970,680)</u>
Total expenses		(1,226,380)	(1,094,780)
Loss on ordinary activities before tax for the year		(458,753)	(5,050,830)
Taxation	4	<u>-</u>	<u>-</u>
Loss on ordinary activities after tax for the year attributable to equity holders		<u>(458,753)</u>	<u>(5,050,830)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u>(458,753)</u>	<u>(5,050,830)</u>
Total comprehensive loss for the year attributable to:			
Non-controlling interests		-	-
Owner of the parent company		<u>(458,753)</u>	<u>(5,050,830)</u>

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

The notes on pages 12 to 19 form an integral part of these financial statements.

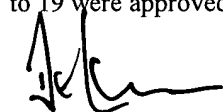
LIMITED LIFE ASSETS SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	2018 \$	2017 \$
Fixed assets			
Life settlement contracts	5	<u>285,371,047</u>	<u>236,313,271</u>
Total fixed assets		<u>285,371,047</u>	<u>236,313,271</u>
Current assets			
Debtors and prepayments	6	454,055	11,983,954
Cash and cash equivalents	7	<u>8,206,263</u>	<u>10,553,619</u>
Total current assets		8,660,318	22,537,573
Creditors: amounts falling due within one year	8	<u>(72,359)</u>	<u>(57,185)</u>
		8,587,959	22,480,388
Total assets less current liabilities		<u>293,959,006</u>	<u>258,793,659</u>
Loans: amounts falling due after more than one year	9	<u>(116,001,350)</u>	<u>(115,877,250)</u>
Net assets		<u>177,957,656</u>	<u>142,916,409</u>
Equity			
Called up share capital	10	252,366,838	216,866,838
Accumulated deficit		<u>(74,409,182)</u>	<u>(73,950,429)</u>
Shareholder's funds		<u>177,957,656</u>	<u>142,916,409</u>

These financial statements for Limited Life Asset Services Limited, Company registration 7557001, on pages 8 to 19 were approved and authorised for issue by the Directors on 2 July 2019, signed on its behalf by:



Timothy Church
Director

The notes on pages 12 to 19 form an integral part of these financial statements.

LIMITED LIFE ASSETS SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Called up share capital \$	Accumulated deficit \$	Total \$
Balance as at 1 January 2017		191,516,838	(68,899,599)	122,617,239
Issue of shares	10	25,350,000	-	25,350,000
Loss for the year		-	(5,050,830)	(5,050,830)
Other comprehensive income		-	-	-
Total comprehensive loss		-	(5,050,830)	(5,050,830)
Balance as at 31 December 2017		<u>216,866,838</u>	<u>(73,950,429)</u>	<u>142,916,409</u>
Balance as at 1 January 2018		216,866,838	(73,950,429)	142,916,409
Issue of shares	10	35,500,000	-	35,500,000
Loss for the year		-	(458,753)	(458,753)
Other comprehensive income		-	-	-
Total comprehensive loss		-	(458,753)	(458,753)
Balance as at 31 December 2018		<u>252,366,838</u>	<u>(74,409,182)</u>	<u>177,957,656</u>

The notes on pages 12 to 19 form an integral part of these financial statements.

LIMITED LIFE ASSETS SERVICES LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Loss on ordinary activities before tax		(458,753)	(5,050,830)
Adjustments			
Tax paid		-	(375)
Unrealised gain of fair value on life settlement contracts	2	(49,966,817)	(32,536,752)
Premium payments	2	74,186,130	69,055,684
Interest income	2	(145,981)	(307,275)
Income from matured and sold policies	2	(24,840,959)	(32,255,607)
Interest amortisation	9	124,100	124,100
Decrease in debtors and prepayments	6	22,931	33,733
Increase in creditors and accruals	8	<u>15,174</u>	<u>5,568</u>
Net cash used in operating activities		<u>(1,064,175)</u>	<u>(931,754)</u>
Investing activities			
Premium payments	2	(74,186,130)	(69,055,684)
Proceeds from matured and sold policies		37,256,968	48,100,000
Interest received	2	<u>145,981</u>	<u>307,275</u>
Net cash used in investing activities		<u>(36,783,181)</u>	<u>(20,648,409)</u>
Financing activities			
Issue of shares	10	35,500,000	25,350,000
Loan repayment	9	<u>-</u>	<u>(3,584,987)</u>
Net cash generated by financing activities		<u>35,500,000</u>	<u>21,765,013</u>
Net (decrease)/increase in cash and cash equivalents		(2,347,356)	184,850
Cash and cash equivalents at 1 January		<u>10,553,619</u>	<u>10,368,769</u>
Cash and cash equivalents at 31 December	7	<u>8,206,263</u>	<u>10,553,619</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 12 to 19 form an integral part of these financial statements.

LIMITED LIFE ASSETS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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 7557001 and registered office at 1 Jermyn Street, London, SW1Y 4UH, United Kingdom.

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.

Statement of Compliance

The Company’s financial statements have been prepared in compliance with United Kingdom Generally Accepted Accounting Principles (“UK GAAP”) including the Financial Reporting Standard 102 ‘The Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland (“FRS 102”)’ as it applies to the financial statements of the Company for the year ended 31 December 2018.

Basis of Preparation

The financial statements have been prepared under the historical cost convention, except for the modification, in accordance with applicable accounting standards, including FRS 102 and with the Companies Act 2006. The financial statements are prepared in US dollars (“\$”) which is the functional and presentational currency of the Company.

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, interest rate risk, foreign currency 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 for the foreseeable future. The directors are of the opinion that the shareholders have the financial means to provide such funding to the Company for the foreseeable future. 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 these financial statements.

Fair Value Measurement

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three classifications of fair value hierarchy in accordance with FRS 102, Section 11.27. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

Classification A – quoted prices in active markets for identical assets or liabilities that are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The quoted price is usually the current bid price.

Classification B – inputs other than quoted prices included within Classification A that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) that provides evidence of fair value as long as there has not been the significant change in economic circumstances or significant lapse of time since the last transaction took place. If the entity could demonstrate that the last transaction price is not good estimate of fair value, that price is adjusted.

Classification C – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The financial assets through profit or loss, life settlement contracts are considered to be Classification C.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in banks 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.

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Life Settlement Contracts

Life settlement contracts are financial assets within the scope of FRS 102, section 11. 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 5).

The Company derecognises its financial assets in accordance with the provisions of FRS 102, Section 11.

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

Accrued Expenses

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

Interest payable

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

Taxation

Corporation tax is provided on taxable profits at the current attributable rates. It is recognised in the statement of comprehensive income, 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 year end date whether there is any objective evidence that a financial asset, other than those subsequently measured at fair value 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 generated by an asset.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including the loans received, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Segmental Reporting

An operating segment is a component of a Company that engages in business activities from which it may earn revenues and incur expenses. The principal assets of the Company are a portfolio of investments in life-settlement contracts which generate the Company's revenue and are managed by a Board in the United Kingdom. The Board has assessed that the Company has only one operating segment and operates in only one geographical area being the United Kingdom.

Accounting judgements and estimates

In preparing its financial statements in conformity with FRS 102, the Company makes estimates concerning a variety of matters. The Company has made estimates and judgements in relation to valuation of life settlement contracts. The estimates and associated assumptions are based on various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

LIMITED LIFE ASSETS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Accounting judgements and estimates (continued)

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate was revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Company utilises estimates of fair value in connection with its investment in life settlement contracts. Fair value 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 15% - 20% 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.

2. INVESTMENT INCOME/(LOSS)

	2018	2017
	\$	\$
Income from matured investments	24,840,959	32,255,607
Premium payments	(74,186,130)	(69,055,684)
Unrealised change in fair value	<u>49,966,817</u>	<u>32,536,752</u>
	<u>621,646</u>	<u>(4,263,325)</u>

Interest income includes interest received from money held at bank and on the proceeds of matured policies held by the insurance companies.

	2018	2017
	\$	\$
Interest earned on proceeds from maturity	115,705	301,521
Dividend and bank interest	<u>30,276</u>	<u>5,754</u>
	<u>145,981</u>	<u>307,275</u>

3. ADMINISTRATIVE EXPENSES

	2018	2017
	\$	\$
Fees payable for the audit of the company's annual accounts	23,358	25,092
Fees payable relating to tax services	7,831	2,153
Servicing fees	570,567	581,798
Facility fees	5,190	74,425
Corporate services, trustee and accountancy fees	216,698	77,581
Director and other fees	8,655	60,585
Legal and professional fees	269,926	149,046
Bank charges	<u>55</u>	<u>-</u>
	<u>1,102,280</u>	<u>970,680</u>

The Company has no employees and except for Mr Alan Morgan who received \$8,655 (2017: \$60,585), none of the directors received any remuneration during the year (2017: None).

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

4. TAXATION

(a) Analysis of charge during the year:

	2018	2017
	\$	\$
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 19% (2017: 20%).

	2018	2017
	\$	\$
Loss on ordinary activities before tax	<u>(458,753)</u>	<u>(5,050,830)</u>
Loss on ordinary activities before tax multiplied by the rate of corporation tax in the UK of 19% (2017: 20%)	(87,163)	(1,010,166)
Tax on fair value movement on life settlement contracts	124,329	(852,665)
Permanent differences relating to application of Taxation of Securitisation Companies Regulations 2006	<u>(37,166)</u>	<u>1,862,831</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 2018, there are no tax-related contingent assets or contingent liabilities in accordance with the requirements of FRS 102, Section 21.

5. LIFE SETTLEMENT CONTRACTS

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

	2018	2017
	\$	\$
Balance at 1 January, at fair value	236,313,271	206,720,912
Matured and sold life settlement contracts	(909,041)	(2,944,393)
Unrealised change in fair value of life settlement contracts (see Note 2)	<u>49,966,817</u>	<u>32,536,752</u>
Balance at 31 December, at fair value	<u>285,371,047</u>	<u>236,313,271</u>

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

	2018	2017
	\$	\$
Balance at 1 January, at cost	99,975,015	102,919,408
Matured and sold life settlement contracts	<u>(909,041)</u>	<u>(2,944,393)</u>
Balance at 31 December, at cost	<u>99,065,974</u>	<u>99,975,015</u>

No new life settlement contracts acquired in 2018 (2017: none).

No life settlement contracts lapsed in 2018 (2017: none)

6. DEBTORS AND PREPAYMENTS

	2018	2017
	\$	\$
Prepayments	47,375	70,306
Receivable from Holdco	713,648	713,648
Receivable on matured and sold policies	<u>(306,968)</u>	<u>11,200,000</u>
	<u>454,055</u>	<u>11,983,954</u>

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

7. CASH AND CASH EQUIVALENTS

	2018	2017
	\$	\$
Cash in bank	5,417,560	6,236,110
Security intermediary account	<u>2,788,703</u>	<u>4,317,509</u>
	<u>8,206,263</u>	<u>10,553,619</u>

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

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	\$	\$
Accruals	<u>72,359</u>	<u>57,185</u>
	<u>72,359</u>	<u>57,185</u>

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018	2017
	\$	\$
At 1 January	115,877,250	119,338,137
Interest amortisation	124,100	124,100
Loan repayment	-	(3,584,987)
At 31 December	<u>116,001,350</u>	<u>115,877,250</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, there were no repayments made. (2017: \$3,584,987).

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 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. Interest paid on loan from Limited Life Assets issuance PLC is disclosed in note 13.

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

10. SHARE CAPITAL

Shares allotted, issued and fully paid:

	No. of Shares	Class	Nominal Value	Amount
			\$	\$
Balance as at 1 January 2017	191,516,838	Ordinary	1	191,516,838
Shares issued	<u>25,350,000</u>	Ordinary	1	<u>25,350,000</u>
Balance as at 1 January 2018	216,866,838	Ordinary	1	216,866,838
Shares issued during the year	<u>35,500,000</u>	Ordinary	1	<u>35,500,000</u>
Balance as at 31 December 2018	<u>252,366,838</u>			<u>252,366,838</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. The directors have not recommended a dividend during the year (2017: Nil).

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 capitalisation 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 \$252 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, analysing 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 shareholder's funds by approximately \$28.5 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 analyses the health of the insurance companies.

The maximum exposure to credit risk is the carrying amount of the Company's financial assets amounting to \$294,290,958 (2017: \$258,780,538). 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. 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 \$116,001,350 (2017: \$115,877,250).

Foreign currency risk

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

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

11. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial instruments

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

		Carrying amount 2018	Fair value 2018	Carrying amount 2017	Fair value 2017
	Notes	\$	\$	\$	\$
Financial assets:					
Life settlement contracts	5	285,371,047	285,371,047	236,313,271	236,313,271
Receivable from HoldCo	6	713,648	713,648	713,648	713,648
Receivable on matured policies	6	-	-	11,200,000	11,200,000
Cash and cash equivalents	7	8,206,263	8,206,263	10,553,619	10,553,619
		<u>294,290,958</u>	<u>294,290,958</u>	<u>258,780,538</u>	<u>258,780,538</u>
Financial liabilities:					
Loan from Issuer PLC	9	116,001,350	116,001,350	115,877,250	115,877,250
Payables on matured policies	6	306,968	306,968	-	-
Accruals	8	72,359	72,359	57,185	57,185
		<u>116,380,677</u>	<u>116,380,677</u>	<u>115,934,435</u>	<u>115,934,435</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 9).

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

		Less than 1			More than 5
	Total	year	1-2 years	2-5 years	years
	\$	\$	\$	\$	\$
Financial liabilities					
Loan from Issuer PLC	116,001,350	-	-	-	116,001,350
Accruals	72,359	72,359	-	-	-
	<u>116,073,709</u>	<u>72,359</u>	<u>-</u>	<u>-</u>	<u>116,001,350</u>
2017					
	Total	Less than 1	1-2 years	2-5 years	More than 5
	\$	year	\$	\$	years
		\$	\$	\$	\$
Financial liabilities					
Loan from Issuer PLC	115,877,250	-	-	-	115,877,250
Accruals	57,185	57,185	-	-	-
	<u>115,934,435</u>	<u>57,185</u>	<u>-</u>	<u>-</u>	<u>115,877,250</u>

LIMITED LIFE ASSETS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

12. RELATED PARTY TRANSACTIONS

The Company has identified the following transactions which are required to be disclosed under the terms of FRS 102, section 33 Related Party Disclosures.

Limited Life Assets Master Limited, the Company's parent, subscribed for additional shares in the current year of 35,500,000 shares at \$1 per share (2017: 25,350,000 shares at \$1 per share).

Mr. Alan Morgan, who is a director of the Company, received \$8,655 (2017: \$60,585) as director's fee included as part of administrative expenses (see note 3).

13. LOAN INTEREST PAID

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. Interest paid on loan from Limited Life Assets Issuance PLC as calculated but the calculating agent is Nil (2017: Nil).

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

	1 January to 31 December 2018	1 January to 31 December 2017
	\$	\$
(Decrease)/increase in cash	(2,347,356)	184,850
Cash inflow from repayment of loans	-	3,584,987
Change in net debt resulting from cash flows	(2,347,356)	3,769,837
Interest amortisation	(124,100)	(124,100)
Movement in net debt	(2,471,456)	3,645,737
Net debt at 1 January	(105,323,631)	(108,969,368)
Net debt at 31 December	(107,795,087)	(105,323,631)

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. CONTINGENCIES AND COMMITMENT

As at 31 December 2018, the Company had no significant contractual obligations (2017: Nil).

17. POST BALANCE SHEET EVENTS

During 2019 to date of approval of the financial statements, the Company have additional capital injection in the amount of \$32,500,000.