

**EEA Life Settlements Fund PCC Limited**

**Annual Report and Audited Consolidated Financial Statements  
for the year ended 31 December 2020**

## **EEA Life Settlements Fund PCC Limited**

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## **EEA Life Settlements Fund PCC Limited**

### **Directory**

#### **Directors**

M A Colton (Chairman)  
S Burnett (resigned 3 June 2021)  
C Daly  
D Jeffreys  
S A Shaw

#### **Investment Adviser**

ViaSource Funding Group LLC  
106 Allen Road  
Bernards Township  
New Jersey  
07920 USA

The address for each of the Directors is that of the registered office.

#### **Registered Office**

PO Box 141  
La Tonnelle House  
Les Banques  
St Sampson  
Guernsey  
GY1 3HS

#### **Legal Advisers to the Fund (as to Guernsey law)**

Ogier (Guernsey) LLP  
Redwood House  
St Julian's Avenue  
St Peter Port  
Guernsey  
GY1 1WA

#### **Manager**

EEA Fund Management (Guernsey) Limited  
PO Box 141  
La Tonnelle House  
Les Banques  
St Sampson  
Guernsey  
GY1 3HS

#### **Custodian**

BNP Paribas Securities Services SCA,  
Guernsey Branch  
BNP Paribas House  
St Julian's Avenue  
St Peter Port  
Guernsey  
GY1 1WA

#### **Administrator, Secretary and Registrar**

Saffery Champness Fund Services Limited  
PO Box 141  
La Tonnelle House  
Les Banques  
St Sampson  
Guernsey  
GY1 3HS

#### **Sub Custodian**

Citizens Bank NA  
One Citizens Plaza  
JCB 125  
Providence  
RI 02903 USA

#### **Independent Valuation Agent**

Maple Life Analytics, LLC  
4350 East-West Highway  
Bethesda  
Maryland 20814  
USA

#### **Auditors**

Grant Thornton Limited  
Lefebvre House  
Lefebvre Street  
St Peter Port  
Guernsey  
GY1 3TF

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**Investment adviser's report**

ViaSource Funding Group, LLC ("ViaSource") is the investment adviser to EEA Life Settlements Fund PCC Limited (the "Fund"), selecting and managing a pool of policies that meet the purchasing criteria outlined in the prospectus. The purchasing criteria were designed to provide a pool of policies that are diversified among insurers, insureds and illnesses, from creditworthy insurance companies and are accurately underwritten for life expectancy. Prior to purchase all policies are certified by Mills, Potoczak and Company, who act as servicing agent, as to meeting the purchasing criteria. The cash reserves and policies purchased are held in the Trust Department of RBS Citizens N.A. and therefore are not part of the assets of the bank. In addition, ViaSource's team of medical professionals tracks the progress of the insureds.

The Fund has purchased a total of 926 policies from 108 different insurers and 729 separate insureds with a total net death benefit of \$1.87 billion. No policies were acquired in 2020 (2019: nil). The weighted average current insureds were 93 years old at the end of December 2020.

656 of the policies with a combined Death Benefit of US\$1,187.7 million have matured since inception. The policies that matured did so at 82% (1) of their projected life expectancy and represented 83% of the total Net Death Benefit of policies purchased and 71% of the number of policies purchased. The 82% figure excludes the effects of policies that have not yet matured and includes the latest independent life expectancy estimates (which may serve to increase the original estimates). Increased longevity of insureds is apparent in both of these factors, and is the reason for the maturity experience of the Fund.

Since inception a total of 196 files have been sold including 187 policies on September 4, 2015 with a combined net death benefit of US\$437.5 million and revised life expectancies over 48 months were sold. The policies were sold to an independent third party for a premium to their NAV as determined by the independent valuation agent.

15 policies with a combined net death benefit of US\$22.8 million have been allowed to lapse due to the policies reaching their expiration date. One of the remaining policies will reach its expiration date before its expected maturity date as determined by the independent valuation agent.

The 59 policies outstanding as of 31 December 2020 had a total net death benefit of US\$215.8 million and an average Face Value of US\$3.66 million. The majority 79% (39% of policy count) of the active fund is comprised of policies with death benefits of \$5.0 million or greater. These policies had an average life expectancy of 186.7 months (with revised LE) from purchase. The weighted average remaining months to LE is 26.5 months. Policies are issued by 26 insurance companies with a weighted average rating of A+.

**Valuation Method**

As of December 31, 2014 the Fund appointed an independent third party, Maple Life Analytics LLC, to determine the value of the policies outstanding. The third party utilizes an actuarial present value model which adjusts the life expectancies obtained from the independent life expectancy providers and applies a discount rates based upon their experience with the independent life expectancy provider. Their adjusted weighted average remaining Life Expectancy is 34.2 months.

**Current Market Overview**

Currently, financial institutions including security firms, banks and hedge funds are purchasing policies in the market with life expectancies greater than 4 years and varying other criteria including minimum age of insureds. Most firms utilise actuarial models where policies purchased are evaluated on a pool basis with actuarial and probability assumptions allied to the policies to determine the projected return and cash flows from the pools.

ViaSource Funding Group LLC  
December 2020

(1) The percentage of life expectancy represents prior to July 2013 refers to the expected maturity date based on the life expectancy estimates obtained from independent life expectancy providers at the time of purchase. From July 2013 onwards, the expected maturity date is based on the life expectancy estimates obtained from a life expectancy provider in 2013.

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**Directors' Report**

The Directors present their annual report and the audited consolidated financial statements of EEA Life Settlements Fund PCC Limited ("Company" or "Fund") and its subsidiaries (collectively the "Group") for the year ended 31 December 2020.

**Business activities**

The Company was registered in Guernsey on 20 June 2005 under The Companies (Guernsey) Law, 2008. The Company's investment objective is to trade the property interest in outstanding life insurance policies issued primarily in the United States and, in respect of the Continuing Cells, to invest in other instruments which provide exposure to life insurance policies with similar characteristics to those currently held by the Company.

**Authorisation**

The Company has been authorised by the Guernsey Financial Services Commission under The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, as a Class B Scheme subject to The Authorised Collective Investment Schemes (Class B) Rules 2013, which came into operation on 2 January 2014.

At 31 December 2020, there were twenty eight Cells (the "Cells") in operation:

- USD Fund Class X Cell (the "Dollar X Cont Cell"),
- USD Fund Class X Run-Off Cell (the "Dollar X Run-Off Cell"),
- USD Fund Dist Cell (the "Dollar Dist Cont Cell"),
- USD Fund Dist Run-Off Cell (the "Dollar Dist Run-Off Cell"),
- USD Fund Acc Cell (the "Dollar Acc Cont Cell"),
- USD Fund Acc Run-Off Cell (the "Dollar Acc Run-Off Cell"),
- USD Fund Class I Run-Off Cell (the "Dollar I Run-Off Cell"),
- Euro Fund Class X Cell (the "Euro X Cont Cell"),
- Euro Fund Class X Run-Off Cell (the "Euro X Run-Off Cell"),
- Euro Fund Dist Cell (the "Euro Dist Cont Cell"),
- Euro Fund Dist Run-Off Cell (the "Euro Dist Run-Off Cell"),
- Euro Fund Acc Cell (the "Euro Acc Cont Cell"),
- Euro Fund Acc Run-Off Cell (the "Euro Acc Run-Off Cell"),
- Euro Fund Class Y Run-Off Cell (the "Euro Y Run-Off Cell")
- Swedish Krona Fund Class X Cell (the "SEK X Cont Cell")
- Swedish Krona Fund Class X Run-Off Cell (the "SEK X Run-Off Cell")
- Sterling Fund Class X Cell (the "Sterling X Cont Cell"),
- Sterling Fund Class X Run-Off Cell (the "Sterling X Run-Off Cell"),
- Sterling Fund Dist Cell (the "Sterling Dist Cont Cell"),
- Sterling Fund Dist Run-Off Cell (the "Sterling Dist Run-Off Cell"),
- Sterling Fund Acc Cell (the "Sterling Acc Cont Cell"),
- Sterling Fund Acc Run-Off Cell (the "Sterling Acc Run-Off Cell"),
- Meteor Senior Life Settlements Sterling Fund (the "Meteor Cont Cell"),
- Meteor Senior Life Settlements Sterling Fund Run-Off (the "Meteor Run-Off Cell"),
- Meteor Senior Life Settlements Sterling Fund II (the "Meteor II Cont Cell"),
- Meteor Senior Life Settlements Sterling Fund II Run-Off (the "Meteor II Run-Off Cell"),
- WAY Life Settlements Fund Cell (the "WAY Cont Cell"), and
- WAY Life Settlements Fund Run-Off Cell (the "WAY Run-Off Cell").

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**Directors' Report (continued)**

**Group structure**

The Group's investments in life policies are held by EEA Life Settlements Inc, a corporation registered in Delaware, USA, which is a wholly owned subsidiary of EEA Life Settlements Master Fund II Limited ("Master Fund II"), a company registered in Guernsey. EEA Life Settlements Master Fund Limited ("Master Fund") and Master Fund II are wholly owned subsidiaries of EEA Life Settlement Holdings Limited, a company registered in Guernsey. The Cells invest in EEA Life Settlement Holdings Limited.

**Results and dividends**

The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 10.

There were no dividends declared and paid by the Company during the year (2019: Nil).

**Directors**

The Directors of the Company who served during the year and to date are as stated on page 1. Mr S Burnett resigned as a Director and as a member of the Audit Committee on 3 June 2021.

**Directors' interests**

The Directors have no disclosable interests in the shares of the Company.

Simon and Razena Shaw are the principal shareholders of Melquart Limited (formerly EEA Holdings Limited), the ultimate parent company of EEA Fund Management (Guernsey) Limited ("the Manager") and EEA Fund Management Limited (the "Marketing Agent"). Simon Shaw is also the Chairman of the Marketing Agent.

Chris Daly is Managing Director of ViaSource Funding Group LLC, the Investment Adviser.

**Going concern**

The Directors, having considered the Group's objectives and available resources along with its projected cash flows, are satisfied that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. The Group has sufficient available cash to meet premium and other obligations for the foreseeable future, and the redemption gate provisions (in relation to the Continuing Cells) and the fact that shares in the Run-Off Cells are not redeemable at the election of Run-Off Shareholders are considered sufficient to ensure the Group's continued ability to do so. The Group therefore continues to adopt the going concern basis in preparing the consolidated financial statements.

The Directors have been monitoring and will continue to monitor the latest developments relating to COVID-19 and the possible future impact on the Group. The investment portfolio of the Group is continuing to be managed as before and at present there is no reason to alter the methodology or assumptions in valuing the investments.

**Format of report and audited consolidated financial statements**

These consolidated financial statements show the results and state of affairs of the Group as a whole which includes the Cells, Master Fund, Master Fund II, EEA Life Settlement Holdings Limited and EEA Life Settlements Inc as at 31 December 2020. The financial statements of the individual Cells are available on request from the Administrator or on the Manager's website.

**Directors' responsibilities**

The Directors are responsible for preparing consolidated financial statements for each accounting period which show a true and fair view of the state of affairs of the Group and its results for the year.

**EEA Life Settlements Fund PCC Limited  
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**Directors' Report (continued)**

In preparing these consolidated financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures as disclosed in the consolidated financial statements; and
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the consolidated financial statements comply with The Companies (Guernsey) Law, 2008 and The Authorised Collective Investment Schemes (Class B) Rules 2013. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law or regulation.

So far as each of the Directors is aware, there is no relevant audit information of which the Group's auditor is unaware, and each has taken all the steps he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

**Audit Committee**

An Audit Committee is in place and comprises the three non-executive Directors who are independent of the Manager and Investment Adviser, namely David Jeffreys, Steve Burnett and Mark Colton. The Audit Committee meets at least twice a year according to an annual plan and terms of reference (that are regularly reviewed). The main duties of the Committee include monitoring the integrity of the annual audited financial statements of the Company, reviewing significant financial reporting issues and the judgements which they contain. The Committee also reviews whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor, and reviews the clarity of disclosures in the Company's financial reports and the context in which statements are made. The Committee considers the auditor's independence, including the extent of any provision of non-audit services, and their remuneration. The Committee also reviews the performance of the Manager, the Administrator, and the Company's other service providers to review the effectiveness of their internal controls and risk management systems. Such reviews include discussions with the external auditor without the Manager or service providers present.

**Auditors**

Grant Thornton Limited has expressed its willingness to remain in office as auditors of the Group.



**Mark Colton**  
Director

**Date:** 16 JUN 2021

**EEA Life Settlements Fund PCC Limited  
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**Independent Auditor's Report**

**To the Members of EEA Life Settlements Fund PCC Limited**

**Opinion**

We have audited the consolidated financial statements of EEA Life Settlements Fund PCC Limited (the "Fund") and its subsidiaries (collectively the "Group") for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the consolidated financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board ('IASB').

In our opinion, the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2020 and of its loss for the year then ended;
- are in accordance with IFRSs as issued by the IASB; and
- comply with The Companies (Guernsey) Law, 2008.

**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 consolidated financial statements' section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Guernsey, 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.

**Emphasis of matter - Investment Valuation**

In forming our opinion, we have considered the adequacy of the disclosures made in Note 1 to the consolidated financial statements concerning the uncertainty relating to the carrying value of the investments in life insurance policies included in the Consolidated Statement of Financial Position. As explained in Note 1, the investments are carried at fair value, determined using methodologies which involve judgements and estimates by the Directors. These investments are not quoted in an active market and the value at which they will be realised is uncertain. Any adjustment to the carrying value of the investments in the Consolidated Statement of Financial Position would have a corresponding impact on the Consolidated Statement of Comprehensive Income. Our opinion is not qualified in this respect.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated 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.

**EEA Life Settlements Fund PCC Limited  
Annual Report and Audited Consolidated Financial Statements  
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**Independent Auditor's Report (continued)**

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 consolidated 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.

**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 (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Group; or
- the consolidated 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 consolidated financial statements**

As explained more fully in the Directors' Responsibilities Statement set out on pages 4 to 5, the Directors are responsible for the preparation of the consolidated financial statements which give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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**Independent Auditor's Report (continued)**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Use of our report**

This report is made solely to the Group's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Group'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 Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Grant Thornton Limited*

**Grant Thornton Limited**

Chartered Accountants  
Lefebvre House  
Lefebvre Street  
St Peter Port  
Guernsey  
GY1 3TF

Date: 18/06/2021

**EEA Life Settlements Fund PCC Limited  
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**Report of the Custodian**

**To the Members of EEA Life Settlements Fund PCC Limited**

We state in our opinion, EEA Fund Management (Guernsey) Limited (the "Manager"), has managed EEA Life Settlements Fund PCC Limited (the "Company"):

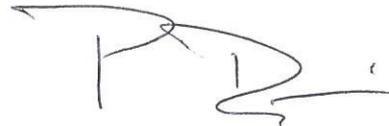
a) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the principal documents, by the scheme particulars and by the Protection of Investors (Bailiwick of Guernsey) Law, 1987; and

b) in accordance with the provisions of the principal documents and The Authorised Collective Investment Schemes (Class B) Rules 2013.

During 2013, we tendered our resignation as Custodian of the Company and this was communicated to shareholders in the Company's Restructuring Proposal. Pursuant to section 4.06 (1) of The Authorised Collective Investment Schemes (Class B) Rules 2013, we are obliged to continue in our role as Custodian of the Company until the Manager appoints a suitable replacement.

BNP Paribas Securities Services SCA, Guernsey Branch

Date: 21/06/2021



**EEA Life Settlements Fund PCC Limited**  
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**Consolidated Statement of Comprehensive Income**  
**for the year ended 31 December 2020**

	Note	2020 US\$000	2019 US\$000
Bank interest income		98	536
Net losses on investments	3	<u>(2,605)</u>	<u>(261)</u>
Total (loss)/gain		(2,507)	275
Net foreign currency gains		162	-
Expenses	4	<u>(5,390)</u>	<u>(5,457)</u>
Net loss before tax		(7,735)	(5,182)
Taxation	6	<u>-</u>	<u>-</u>
Loss from operating activities and change in net assets attributable to holders of participating shares		(7,735)	(5,182)
Other comprehensive gain - movement in currency translation reserve		<u>1,684</u>	<u>822</u>
Total comprehensive loss		<u><u>(6,051)</u></u>	<u><u>(4,360)</u></u>

The above results relate to the continuing operations of the Group.

**Consolidated Statements of Changes in Net Assets Attributable to Holders of Participating Shares**  
**for the year ended 31 December 2020**

	Note	2020 US\$000	2019 US\$000
Net assets attributable to holders of participating shares at beginning of the year		175,394	208,514
Amounts payable on redemptions	11	(23,736)	(28,760)
Loss from operating activities and change in net assets attributable to holders of participating shares		(7,735)	(5,182)
Other comprehensive gain - movement in currency translation reserve		<u>1,684</u>	<u>822</u>
Net assets attributable to holders of participating shares at end of the year	11	<u><u>145,607</u></u>	<u><u>175,394</u></u>

The notes on pages 13 to 42 form an integral part of these consolidated financial statements.

**EEA Life Settlements Fund PCC Limited**  
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**Consolidated Statement of Financial Position**  
**as at 31 December 2020**

	Note	2020 US\$000	2019 US\$000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments at fair value through profit or loss	7	101,339	117,880
<b>Current assets</b>			
Tax recoverable	6	-	-
Debtors	8	17,391	24,188
Cash and cash equivalents		27,705	33,929
		<u>45,096</u>	<u>58,117</u>
<b>Total assets</b>		146,435	175,997
<b>Liabilities</b>			
<b>Current liabilities</b>			
Creditors	9	<u>(828)</u>	<u>(603)</u>
<b>Net assets attributable to holders of management and participating shares</b>		<u>145,607</u>	<u>175,394</u>
Attributable to holders of:			
Management shares	10	-	-
Participating shares	11	145,607	175,394

The consolidated financial statements on pages 10 to 42 were approved by the Board of Directors on 16 June 2021 and signed on its behalf by:

Mark Colton  
 Director

For and on behalf of EEA Life Settlements Fund PCC Limited

The notes on pages 13 to 42 form an integral part of these consolidated financial statements.

**EEA Life Settlements Fund PCC Limited  
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**Consolidated Statement of Cash Flows  
for the year ended 31 December 2020**

	Note	2020 US\$000	2019 US\$000
<b>Operating activities</b>			
Income received		(1,506)	608
Expenses paid		(5,165)	(5,516)
Withholding tax paid		-	-
Net foreign currency gains		162	-
<b>Net cash outflow from operating activities</b>	13	<u>(6,509)</u>	<u>(4,908)</u>
<b>Investing activities</b>			
Payment of premiums		(27,295)	(28,710)
Proceeds from maturity of investments		49,632	47,103
<b>Net cash inflow from investing activities</b>		<u>22,337</u>	<u>18,393</u>
<b>Financing activities</b>			
Redemption of participating shares		(23,736)	(28,760)
<b>Net cash outflow from financing activities</b>		<u>(23,736)</u>	<u>(28,760)</u>
<b>Decrease in cash and cash equivalents</b>		<u>(7,908)</u>	<u>(15,275)</u>
<b>Reconciliation of net cash flow to movement in cash and cash equivalents</b>			
Cash and cash equivalents at start of year		33,929	48,382
Decrease in cash and cash equivalents		(7,908)	(15,275)
Foreign exchange gain on cash and cash equivalents		1,684	822
Cash and cash equivalents at end of year		<u>27,705</u>	<u>33,929</u>

The notes on pages 13 to 42 form an integral part of these consolidated financial statements.

**EEA Life Settlements Fund PCC Limited  
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**Notes to the consolidated financial statements for the year ended 31 December 2020**

**1 Organisation and Principal Accounting Policies**

***Introduction***

EEA Life Settlements Fund PCC Limited (“Company” or “Fund”) was incorporated on 20 June 2005 in Guernsey and is authorised under The Authorised Collective Investment Schemes (Class B) Rules 2013. The Company issued its first shares on 10 November 2005 and commenced active operations on that day. The investment objective of the Company is described in Note 14. The Company has no employees.

On 1 January 2014, a Run-Off Cell was created for each active cell and the Euro Y and the Dollar I Cells were closed.

The Company is divided into twenty eight active Cells (collectively the “Cells”):

Dollar X Cont Cell	Euro Dist Run-Off Cell	Sterling Acc Cont Cell
Dollar X Run-Off Cell	Euro Acc Cont Cell	Sterling Acc Run-Off Cell
Dollar Dist Cont Cell	Euro Acc Run-Off Cell	Meteor Cont Cell
Dollar Dist Run-Off Cell	Euro Y Run-Off Cell	Meteor Run-Off Cell
Dollar I Run-Off Cell	SEK X Cont Cell	Meteor II Cont Cell
Dollar Acc Cont Cell	SEK X Run-Off Cell	Meteor II Run-Off Cell
Dollar Acc Run-Off Cell	Sterling X Cont Cell	WAY Cont Cell
Euro X Cont Cell	Sterling X Run-Off Cell	WAY Run-Off Cell
Euro X Run-Off Cell	Sterling Dist Cont Cell	
Euro Dist Cont Cell	Sterling Dist Run-Off Cell	

***Group structure***

The Group’s investments in life policies are held by EEA Life Settlements Inc, a corporation registered in Delaware, USA, which is a wholly owned subsidiary of EEA Life Settlements Master Fund II Limited (“Master Fund II”), a company registered in Guernsey. EEA Life Settlements Master Fund Limited (“Master Fund”) and Master Fund II are wholly owned subsidiaries of EEA Life Settlement Holdings Limited, a company registered in Guernsey. The Cells invest in EEA Life Settlement Holdings Limited.

***Going concern***

The Directors, having considered the Group’s objectives and available resources along with its projected cash flows, are satisfied that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. The Group has sufficient available cash to meet premium and other obligations for the foreseeable future, and the redemption date provisions (in relation to the Continuing Cells) and the fact that shares in the Run-Off Cells are not redeemable at the election of Run-Off Shareholders are considered sufficient to ensure the Group’s continued ability to do so. The Group therefore continues to adopt the going concern basis in preparing the consolidated financial statements.

The Directors have been monitoring and will continue to monitor the latest developments relating to COVID-19 and the possible future impact on the Group. The investment portfolio of the Group continues to be managed as before and at present there is no reason to alter the methodology or assumptions used in valuing the investments.

***Basis of accounting***

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB). IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets that are not apparent from other sources. Actual results may differ from these estimates.

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**Notes to the consolidated financial statements for the year ended 31 December 2020**

**1 Organisation and Principal Accounting Policies (continued)**

***Basis of accounting (continued)***

The consolidated financial statements are presented in United States Dollars (US\$) and are rounded to the nearest US\$000 unless otherwise indicated.

***Basis of preparation***

The consolidated financial statements have been prepared under the historical cost convention except for the measurement of investments which are designated at fair value through profit or loss. The consolidated financial statements are presented in US Dollars (presentational currency of the Group) and not Pound Sterling, the local currency of Guernsey, since the majority of the Group's assets are denominated in US Dollars.

**Standards, amendments and interpretations effective on 1 January 2020, which have been adopted by the Group**

There are new standards and amendments to existing standards that are effective for the period beginning on 1 January 2020 and have therefore been adopted. None of these standards or amendments have a significant impact on the Group's financial results or position; hence they have not been disclosed.

**New standards, amendments and interpretations issued but not yet effective and not early adopted by the Group**

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's consolidated financial statements.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries, the Master Fund, Master Fund II, EEA Life Settlements Holdings Limited and EEA Life Settlements Inc. The parent company controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over its subsidiary. All subsidiaries have a reporting date of 31 December. The financial statements of the Group represent the aggregation of the results and financial position of each of the individual Cells and subsidiaries adjusted for the elimination of intra-group transactions and balances. The aggregated financial position of the Company also includes the non-cellular assets and share capital of €100.

**Foreign currency translation**

Foreign currency assets and liabilities for each cell are translated into the functional currency, which may differ from cell to cell, being the currency in which the shares in each cell are issued, at the rate of exchange ruling at the reporting date. Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Gains and losses arising on revaluation of foreign currency assets and liabilities are recorded in the Consolidated Statement of Comprehensive Income.

For the purpose of the Group financial statements, cellular assets and liabilities are translated into the presentation currency (US Dollars) at the rate of exchange ruling at the reporting date. Exchange differences arising on preparation of the Group's financial statements from the financial statements of Cells maintained in currencies other than US Dollars are recognised in other comprehensive income and are taken to the currency translation reserve. These exchange differences do not affect the value of each Cell.

Notes to the consolidated financial statements for the year ended 31 December 2020

**1 Organisation and Principal Accounting Policies (continued)**

**Income recognition**

Bank interest and other income is accounted for on an accruals basis.

**Expenditure**

Expenses are accounted for on an accruals basis.

**Financial instruments**

**a. Recognition and initial measurement**

**Financial assets**

The Group classifies its financial assets based on both its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

**(i) Financial assets measured at fair value through profit or loss**

A financial asset is measured at fair value through profit or loss if:

- its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding; or
- it is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- at initial recognition, it is irrevocably designated at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Group includes in this category its investments in life policies.

**(ii) Financial assets measured at amortised cost**

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group includes in this category its receivables and cash and cash equivalents.

These financial assets are initially measured at the transaction price.

**Financial liabilities**

**(i) Financial liabilities measured at amortised cost**

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Group includes in this category its trade and other payables and participating shares of the continuing cells.

**b. Subsequent measurement**

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'Net gains/losses on investments' in the period in which they arise.

**c. Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership.

The Group derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

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**1 Organisation and Principal Accounting Policies (continued)**

**d. Fair value estimation**

The Group measures its investments in life policies at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed by the Directors to be appropriate in the circumstances. The Group uses a variety of methods and assumptions that are based on the market conditions existing at the reporting date. Valuation techniques used include the use of comparable recent arm's length market transactions and earnings multiples methods. However, the variety of the valuation bases adopted and the quality of management information provided by the investee company means that there are inherent difficulties in determining the value of the investment. Amounts realised on the sale of the investment may differ from the values reflected in the consolidated financial statements, and the difference may be significant.

***Investments in life policies***

Investments in life policies are classified as "fair value through profit or loss". These financial assets are designated as such on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis. Investments are initially recognised at the fair value of the consideration given excluding transaction costs.

The Directors consider that there is sufficient market data available to use market based discount rates in the valuation process. The Board has appointed Maple Life Analytics LLC, as an Independent Valuation Agent, to the Fund to value the Group's investments in life policies on this basis.

Life insurance policies are valued on the basis of their estimated present value, taking into account anticipated future death benefits less anticipated future premiums. Each set of cash flows is discounted using the latest life expectancy estimates and a market discount rate which in part reflects the annual return the market expects when buying policies and also the confidence the market has in the accuracy of the life expectancy estimates provided by the life expectancy provider. As a result, the market discount rate may vary depending on the life expectancy provider. The average discount rate used in respect of the 31 December 2020 valuation is approximately 14.7% (2019: 13.3%).

The estimated remaining life of each life policy is currently calculated by the Independent Valuation Agent by:

1. calculating a degree of mortality impairment needed to match the life expectancy estimate at the date provided, then
2. reducing the degree of impairment for especially high multipliers for conservatism, and then
3. applying this level of mortality impairment to the insured's current age.

This process is intended to recognise ageing of the insured, while assuming that the insured's relative degree of impairment is unchanged. This aims to simulate the most likely effects of continuous re-underwriting of the entire portfolio every month.

Realised gains and losses on the disposal or maturity of investments are calculated by reference to the net proceeds received on disposal or maturity and the actual cost, which comprises initial consideration and premiums, attributable to those investments. Profits and losses on investments are included in the Consolidated Statement of Comprehensive Income.

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**1 Organisation and Principal Accounting Policies (continued)**

**e. Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

**Income Taxes**

Tax income/expense recognised in the Statement of Comprehensive Income comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in net assets attributable to holders of management and participating shares.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is charged or credited in the Consolidated Statement of Comprehensive Income.

**Participating shares**

A financial instrument that provides for redemption on a specific date or at the option of the holder meets the definition of a financial liability if the issuer has an obligation to transfer financial assets to the holder of the share. Accordingly the participating shares of the continuing Cells have been classified as financial liabilities in accordance with IAS 32. The participating shares of the run-off Cells may only be redeemed at the absolute discretion of the Directors and are accordingly classified as equity.

**Cash and cash equivalents**

Cash and cash equivalents are defined as cash in hand, demand deposits and highly liquid investments readily convertible within three months from the date of acquisition or less to known amounts of cash and subject to insignificant risk of changes in value.

**Use of judgements and estimates**

In the process of applying the Group's accounting policies, the Directors are required to make certain judgements and estimates to arrive at fair value for its assets and liabilities. Significant areas requiring the Directors' judgement include taxation and the fair value of investments. The extent to which deferred tax assets can be recognised is based on an assessment of the probability that the future taxable income will be available against which the deductible temporary differences and tax loss carry forwards can be utilised (see Note 6). In calculating the fair value of investments, key estimates include the life expectancy of insureds and the discount rate applied to future cash flows. In light of the judgements applied, disclosures are provided in Note 14 which shows the impact on the value of investments using different assumptions for life expectancy and discount rates.

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**1 Organisation and Principal Accounting Policies (continued)**

**Contingent liabilities**

Provisions for legal disputes or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain. No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

**2 Material Agreements**

**a) Management fee**

The Manager is entitled to receive a fee from the Cells at the rate of 1.5% per annum (other than for the Way Cells - 1.95% and Dollar I Cell - 1%) of the Net Asset Value of the Cells, calculated in line with the method set out in the Scheme Particulars. The fee is calculated at the end of each month and is payable monthly in arrears.

**b) Performance fee**

With effect from 1 May 2015, the Manager and the Investment Adviser both agreed to waive their entitlement to any future performance fees.

**c) Custodian fee**

The Custodian is entitled to receive a fee at the rate of £14,000 per annum per Cell subject to a minimum of £70,000 per annum for the Company as a whole, payable quarterly in arrears. The aggregate fee payable to the Custodian is charged to the Cells on a pro-rata basis relative to each Cell's Net Asset Value. In addition, the Custodian is entitled to be reimbursed for any out of pocket expenses together with any sub-custodian fees.

**d) Administration fee**

For acting as administrator of the Fund, Saffery Champness Fund Services Limited receives a fee from the Manager consisting of an ad valorem fee at the rate of 0.1% per annum of net assets up to and including US\$250 million; plus 0.075% per annum of net assets in excess of US\$250 million, subject to a minimum fee of £10,000 per annum per cell and an overall minimum fee of £35,000 per annum; plus a corporate secretarial fee of £10,000 per annum for up to four board meetings per year; plus an administration fee of £4,000 per annum per company in respect of any Affiliate of the Fund to which SCFSL provides administration services. Such fee shall be capped at a maximum of US\$470,000 per annum.

All routine administration fees are borne by the Manager. During the year the Fund paid the Administrator fees of USD 29,380 (2019: USD nil) in respect of additional time spent as a result of the Coventry legal proceedings (see note 17).

**e) Registration fee**

For acting as registrar, Saffery Champness Fund Services Limited receives a fee from the Group of US\$100,000 per annum and the reimbursement of all out-of-pocket expenses.

With effect from 1 January 2019, the registrar is entitled to charge the Fund fees for processing stock transfer forms of US\$920 per transfer of high risk stock, US\$615 per transfer of complex stock and US\$125 per transfer of simple stock. Such fees shall be capped at a maximum of US\$75,000 per annum.

**f) Sub-Custodian fee**

The Sub-Custodian is entitled to charge EEA Life Settlements Inc a fixed annual fee of US\$75,000 payable monthly in arrears, and to the reimbursement of all out-of-pocket expenses.

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**2 Material Agreements (continued)**

**g) Servicing Agent fee**

The Servicing Agent is entitled to charge a one time review fee of US\$570 (2019: US\$570) per policy. In addition, there is an annual standing charge of US\$5,000, payable quarterly in advance, subject to a minimum of US\$2,000 per month.

**h) Investment Advisory fee**

The Investment Advisor is entitled to a fixed fee of \$50,000 per month.

**3 Net loss on investments**

	<b>2020</b>	<b>2019</b>
	<b>US\$000</b>	<b>US\$000</b>
Proceeds from maturity of investments	41,231	62,264
Costs of investments matured	<u>(39,670)</u>	<u>(70,678)</u>
Realised gain from maturity of investments	1,561	(8,414)
Movement in unrealised (losses)/gains on revaluation of investments	<u>(4,166)</u>	<u>8,153</u>
Net losses on investments during the year	<u><u>(2,605)</u></u>	<u><u>(261)</u></u>

Realised gains and losses on maturities and sales of investments are calculated by reference to the historic cost of those investments.

Accumulated unrealised gains or losses on maturities and sales are reversed through "movement in unrealised (losses)/gains on revaluation of investments".

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**4 Expenses**

	<b>2020</b>	<b>2019</b>
	<b>US\$000</b>	<b>US\$000</b>
Management fee (note 2a)	2,250	2,671
Administration fee (note 2d)	29	-
Registration fee (note 2e)	146	150
Investment advisory fee (note 2h)	600	600
Independent valuation agent fee	180	180
General expenses	117	122
Sub-custodian fee (note 2f)	75	75
Audit fee	148	149
Premium payment agent fee	67	67
Custodian fee (note 2c)	504	501
Legal fees	1,043	692
Professional fees	22	43
Directors' remuneration	185	183
Servicing agent fee (note 2g)	24	24
	<u>5,390</u>	<u>5,457</u>

"General expenses" includes bank interest, bank charges, D&O insurance premiums, printing costs, the cost of obtaining updated LEs, and other sundry expenses.

**5 Dividends**

No dividends were declared and paid during the year ended 31 December 2020 or 2019.

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**6 Taxation**

The Company has obtained exemption from Guernsey Income Tax under The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 and accordingly is subject to an annual fee of £1,200.

EEA Life Settlements Inc. is subject to US taxation at 21% on the profits arising in that company.

	<b>2020</b>	<b>2019</b>
	<b>US\$000</b>	<b>US\$000</b>
Net loss before taxation	(7,735)	(5,182)
Loss/(income) exempt from tax	3,712	3,496
Net loss subject to tax	(4,023)	(1,686)
Tax rate (exempt in Guernsey)	-	-
Adjust for tax rate difference in US of 21% (2019: 21%)	(845)	(354)
Tax effect of:		
Non-taxable unrealised gain	(888)	(2,123)
Deductible interest	-	(3,821)
Taxable operating losses to carry forward	1,733	6,298
<b>Tax expense</b>	<b>-</b>	<b>-</b>
Tax expense comprises:		
- Current tax expense	-	-
- Deferred tax expense	-	-
<b>Tax expense</b>	<b>-</b>	<b>-</b>

EEA Life Settlements Inc.'s net operating losses (NOL's) generated through 31 December 2017 are subject to 20 year carry forward and 2 years carry back period. Any NOLs generated post 31 December 2017 are subject to indefinite carry forward period but with 80% annual limitation.

Deferred taxes arise from unrealised gains and losses on life policies, unrelieved allowable expenses and net operating loss carryforward. As at 31 December 2020, the Group calculated a deferred tax asset of US\$79,256,000 (2019: US\$79,780,000) which has not been recognised as it is not probable that future taxable profits will be available against which the deferred tax asset can be utilised to their full extent.

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<b>7 Investments at fair value through profit or loss</b>	<b>2020</b>	<b>2019</b>
	<b>US\$000</b>	<b>US\$000</b>
Fair value at beginning of year	117,880	151,695
Additions (premiums)	27,295	28,710
Proceeds from maturity of investments	(41,231)	(62,264)
Realised gain/(loss) from maturity of investments	1,561	(8,414)
Movement in unrealised (loss)/profit on revaluation of investments	(4,166)	8,153
	<u>101,339</u>	<u>117,880</u>
Fair value at end of year	<u>101,339</u>	<u>117,880</u>

Fair value measurements for the Group are based on Level 3 inputs of the three-level hierarchy system which indicates significant inputs for the asset or liability that are not based on observable market data (unobservable inputs). The valuation basis for the investments in life insurance policies is explained in Notes 1 and 14. There were no transfers into or out of level 3 classification during the year or prior year.

The valuation is carried out by the Independent Valuation Agent with detailed consultation with and review by the Directors.

<b>8 Debtors</b>	<b>2020</b>	<b>2019</b>
	<b>US\$000</b>	<b>US\$000</b>
Investment maturity proceeds receivable	15,760	24,161
Prepayments	1,631	18
Bank interest receivable	-	9
	<u>17,391</u>	<u>24,188</u>
	<u>17,391</u>	<u>24,188</u>

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<b>9 Creditors</b>	<b>2020</b>	<b>2019</b>
	<b>US\$000</b>	<b>US\$000</b>
Management fee	178	223
Audit fee	156	151
Registration fees	9	23
Other expenses	46	23
Investment advisory fee	303	50
Custodian fee	135	132
Directors' remuneration	1	1
	<u>828</u>	<u>603</u>

**10 Management Shares, Participating Shares and Share Premium**

The authorised shares of the Company are as follows:

	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
<b>Authorised</b>		
100 Management Shares of €1.00 each	122	122
Unlimited number of participating shares of no par value	-	-
	<u>122</u>	<u>122</u>

When the Company was established, the Management Shares were created in order to comply with the then applicable Guernsey Law under which the Participating Shares in issue must be issued with preference over an alternative class of capital. The Management Shares in issue must be issued to the Manager and its representatives.

The Management Shares are not redeemable and do not carry any right to vote (except in relation to a resolution to voluntarily wind up the Company or unless there are no Participating Shares in issue in which case each Management Share carries one vote) or to dividends. Assets not attributable to any particular Cell will constitute the non-cellular assets of the Company for the purposes of the Law. In a winding-up the surplus of any such assets shall be distributed among the holders of Management Shares pro rata to their respective holdings up to the nominal value paid up in the Management Shares.

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**10 Management shares, Participating Shares and Share Premium (continued)**

Participating Shares may normally be issued and redeemed at prices based on the value of the Company's net assets in accordance with the Company's Articles of Incorporation and Scheme Particulars. Participating Shares carry the right to vote at general meetings of the Company and to receive dividends. Holders of Participating Shares are entitled to their pro rata share of the Company's surplus assets after the return of paid up capital on the Management Shares.

On 1 January 2014, a restructuring of the Fund was implemented whereby Continuing Cells and Run-Off Cells were created. For the avoidance of doubt, the whole of the share capital and share premium account is distributable subject to meeting the solvency test criteria and any restrictions in the Company's Articles of Incorporation.

The Continuing Cells are closed to subscriptions. Participating Shares are redeemable at the option of the holder and in accordance with the Fund's Information Memorandum, the relevant supplement(s) and the Fund's Articles of Incorporation on a quarterly basis.

The Run-Off Cells are closed to subscriptions. Participating Shares in the Run-Off Cells may not be redeemed at the option of the shareholder.

**Issued share capital**

**Management shares**

**No of shares**

Balance at 31 December 2020 and 2019

100

The issues and redemptions for the year ended 31 December 2020 and 2019 are set out in the following pages.

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Notes to the consolidated financial statements for the year ended 31 December 2020

10 Management shares, Participating Shares and Share Premium (continued)

Issued share capital  
Participating Shares

	Number of Shares			
	Dollar X Cont Cell	Dollar X Run-Off Cell	Dollar Dist Cont Cell	Dollar Dist Run-Off Cell
Balance as at 31 December 2018	83,871	92,864	10,465	13,762
Redeemed during the year	(13,800)	(11,388)	(1,712)	(1,681)
Balance as at 31 December 2019	70,071	81,476	8,753	12,081
Balance as at 31 December 2019	70,071	81,476	8,753	12,081
Redeemed during the year	(9,364)	(10,555)	(1,157)	(1,555)
Balance as at 31 December 2020	60,707	70,921	7,596	10,526
		Dollar I Run-Off Cell	Dollar Acc Cont Cell	Dollar Acc Run-Off Cell
Balance as at 31 December 2018		44,969	9,646	6,035
Redeemed during the year		(5,643)	(1,579)	(734)
Balance as at 31 December 2019		39,326	8,067	5,301
Balance as at 31 December 2019		39,326	8,067	5,301
Redeemed during the year		(5,291)	(1,067)	(677)
Balance as at 31 December 2020		34,035	7,000	4,624

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10 Management shares, Participating Shares and Share Premium (continued)

	Euro X Cont Cell	Euro X Run-Off Cell	Euro Dist Cont Cell	Euro Dist Run-Off Cell
Balance as at 31 December 2018	64,179	41,680	4,270	8,028
Redeemed during the year	(10,590)	(5,018)	(697)	(962)
Balance as at 31 December 2019	53,589	36,662	3,573	7,066
Balance as at 31 December 2019	53,589	36,662	3,573	7,066
Redeemed during the year	(7,186)	(4,700)	(468)	(898)
Balance as at 31 December 2020	46,403	31,962	3,105	6,168
	Euro Acc Cont Cell	Euro Acc Run-Off Cell	Euro Y Run-Off Cell	
Balance as at 31 December 2018		5,287	1,343	5,068
Redeemed during the year		(865)	(156)	(604)
Balance as at 31 December 2019		4,422	1,187	4,464
Balance as at 31 December 2019		4,422	1,187	4,464
Redeemed during the year		(583)	(144)	(564)
Balance as at 31 December 2020		3,839	1,043	3,900
	SEK X Cont Cell	SEK X Run-Off Cell	Sterling X Cont Cell	Sterling X Run-Off Cell
Balance as at 31 December 2018	84,808	76,910	175,531	169,813
Redeemed during the year	(9,505)	(9,078)	(22,894)	(21,068)
Balance as at 31 December 2019	75,303	67,832	152,637	148,745
Balance as at 31 December 2019	75,303	67,832	152,637	148,745
Redeemed during the year	(2,824)	(8,535)	(20,279)	(19,092)
Balance as at 31 December 2020	72,479	59,297	132,358	129,653

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**Notes to the consolidated financial statements for the year ended 31 December 2020**

**10 Management shares, Participating Shares and Share Premium (continued)**

	<b>Sterling Dist Cont Cell</b>	<b>Sterling Dist Run-Off Cell</b>	<b>Sterling Acc Cont Cell</b>	<b>Sterling Acc Run-Off Cell</b>
Balance as at 31 December 2018	43,899	74,359	188,629	345,630
Redeemed during the year	(7,238)	(9,223)	(31,117)	(42,885)
Balance as at 31 December 2019	<u>36,661</u>	<u>65,136</u>	<u>157,512</u>	<u>302,745</u>
Balance as at 31 December 2019	36,661	65,136	157,512	302,745
Redeemed during the year	(4,860)	(8,357)	(20,913)	(38,862)
Balance as at 31 December 2020	<u>31,801</u>	<u>56,779</u>	<u>136,599</u>	<u>263,883</u>
	<b>Meteor Cont Cell</b>	<b>Meteor Run-Off Cell</b>	<b>Meteor II Cont Cell</b>	<b>Meteor II Run-Off Cell</b>
Balance as at 31 December 2018	26,947	52,828	24,897	28,724
Redeemed during the year	(4,442)	(6,553)	(4,104)	(3,561)
Balance as at 31 December 2019	<u>22,505</u>	<u>46,275</u>	<u>20,793</u>	<u>25,163</u>
Balance as at 31 December 2019	22,505	46,275	20,793	25,163
Redeemed during the year	(2,983)	(5,937)	(2,754)	(3,226)
Balance as at 31 December 2020	<u>19,522</u>	<u>40,338</u>	<u>18,039</u>	<u>21,937</u>
	<b>WAY Cont Cell</b>	<b>WAY Run-Off Cell</b>		
Balance as at 31 December 2018	3,936	13,160		
Redeemed during the year	-	(1,595)		
Balance as at 31 December 2019	<u>3,936</u>	<u>11,565</u>		
Balance as at 31 December 2019	3,936	11,565		
Redeemed during the year	(206)	(1,427)		
Balance as at 31 December 2020	<u>3,730</u>	<u>10,138</u>		

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**11 Net assets attributable to holders of participating shares**

	Share premium and capital US\$000	Net losses from operating activities US\$000	Currency translation reserve US\$000
Balance at 31 December 2019	385,989	(199,630)	(10,965)
Redemptions of participating shares	(23,736)	-	-
Net losses from operating activities	-	(7,735)	-
Movement in currency translation reserve	-	-	1,684
	<hr/>	<hr/>	<hr/>
Net assets attributable to holders of participating shares at 31 December 2020	<u>362,253</u>	<u>(207,365)</u>	<u>(9,281)</u>
		<b>2020</b>	<b>2019</b>
		<b>US\$000</b>	<b>US\$000</b>
Share premium and capital		362,253	385,989
Net losses from operating activities		(207,365)	(199,630)
Currency translation reserve		(9,281)	(10,965)
		<hr/>	<hr/>
Net assets attributable to holders of participating shares		<u>145,607</u>	<u>175,394</u>

**12 Loss per share**

Basic and diluted loss per share have been calculated by dividing the net loss for the year attributable to participating shareholders by the weighted average number of participating shares in issue during the year.

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**12 Loss per share (continued)**

	Dollar X			
	Cont Cell		Run-Off Cell	
	2020 US\$000	2019 US\$000	2020 US\$000	2019 US\$000
Net loss attributable to shareholders	(337)	(220)	(373)	(245)
Weighted average number of shares in issue	64,703	72,852	73,755	84,534
Basic and diluted loss per participating share	\$(5.21)	\$(3.02)	\$(5.06)	\$(2.89)

	Dollar Dist			
	Cont Cell		Run-Off Cell	
	2020 US\$000	2019 US\$000	2020 US\$000	2019 US\$000
Net loss attributable to shareholders	(27)	(19)	(36)	(23)
Weighted average number of shares in issue	8,091	9,098	10,944	12,528
Basic and diluted loss per participating share	\$(3.34)	\$(2.00)	\$(3.29)	\$(1.89)

	Dollar I	
	Run-Off Cell	
	2020 US\$000	2019 US\$000
Net loss attributable to shareholders	(135)	(80)
Weighted average number of shares in issue	35,456	40,826
Basic and diluted loss per participating share	\$(3.81)	\$(1.96)

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**12 Loss per share (continued)**

	Dollar Acc			
	Cont Cell		Run-Off Cell	
	2020 US\$000	2019 US\$000	2020 US\$000	2019 US\$000
Net loss attributable to shareholders	(30)	(20)	(20)	(13)
Weighted average number of shares in issue	7,456	8,385	5,032	5,496
Basic and diluted loss per participating share	\$(4.02)	\$(2.37)	\$(3.97)	\$(2.32)
	Euro X			
	Cont Cell		Run-Off Cell	
	2020 €000	2019 €000	2020 €000	2019 €000
Net loss attributable to shareholders	(662)	(25)	(429)	(20)
Weighted average number of shares in issue	49,490	55,739	33,224	37,995
Basic and diluted loss per participating share	€(13.38)	€(0.44)	€(12.91)	€(0.53)
	Euro Dist			
	Cont Cell		Run-Off Cell	
	2020 €000	2019 €000	2020 €000	2019 €000
Net loss attributable to shareholders	(31)	(2)	(57)	(3)
Weighted average number of shares in issue	3,306	3,664	6,409	7,322
Basic and diluted loss per participating share	€(9.38)	€(0.51)	€(8.89)	€(0.45)

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12 Loss per share (continued)

	Euro Acc			
	Cont Cell		Run-Off Cell	
	2020 €000	2019 €000	2020 €000	2019 €000
Net (loss)/profit attributable to shareholders	(39)	(3)	(10)	-
Weighted average number of shares in issue	4,090	4,597	1,082	1,228
Basic and diluted loss per participating share	€(9.54)	€(0.48)	€(9.24)	€(0.95)

	Euro Y Run-Off Cell	
	2020 €000	2019 €000
	Net loss attributable to shareholders	(36)
Weighted average number of shares in issue	4,051	4,624
Basic and diluted loss per participating share	€(8.89)	€(0.49)

	SEK X			
	Cont Cell		Run-Off Cell	
	2020 SEK000	2019 SEK000	2020 SEK000	2019 SEK000
Net (loss)/profit attributable to shareholders	(1,058)	189	(836)	186
Weighted average number of shares in issue	73,183	75,329	61,588	70,244
Basic and diluted (loss)/earnings per participating share	SEK(14.46)	SEK 2.52	SEK(13.57)	SEK 2.65

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**12 Loss per share (continued)**

	Sterling X			
	Cont Cell		Run-Off Cell	
	2020 £000	2019 £000	2020 £000	2019 £000
Net loss attributable to shareholders	(1,011)	(1,106)	(941)	(1,046)
Weighted average number of shares in issue	140,990	156,322	134,779	154,344
Basic and diluted loss per participating share	£(7.17)	£(7.08)	£(6.98)	£(6.78)
	Sterling Dist			
	Cont Cell		Run-Off Cell	
	2020 £000	2019 £000	2020 £000	2019 £000
Net loss attributable to shareholders	(182)	(202)	(309)	(344)
Weighted average number of shares in issue	33,870	38,121	59,023	67,587
Basic and diluted loss per participating share	£(5.37)	£(5.30)	£(5.24)	£(5.09)
	Sterling Acc			
	Cont Cell		Run-Off Cell	
	2020 £000	2019 £000	2020 £000	2019 £000
Net loss attributable to shareholders	(1,173)	(1,299)	(2,159)	(2,398)
Weighted average number of shares in issue	145,504	163,790	274,317	314,142
Basic and diluted loss per participating share	£(8.06)	£(7.93)	£(7.87)	£(7.63)

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**12 Loss per share (continued)**

	<b>Meteor</b>			
	<b>Cont Cell</b>		<b>Run-Off Cell</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Net loss attributable to shareholders	(155)	(171)	(305)	(337)
Weighted average number of shares in issue	20,792	23,401	41,932	48,016
Basic and diluted loss per participating share	£(7.45)	£(7.31)	£(7.27)	£(7.04)

	<b>Meteor II</b>			
	<b>Cont Cell</b>		<b>Run-Off Cell</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Net loss attributable to shareholders	(128)	(141)	(149)	(165)
Weighted average number of shares in issue	19,212	21,621	22,803	26,109
Basic and diluted loss per participating share	£(6.66)	£(6.54)	£(6.53)	£(6.32)

	<b>WAY</b>			
	<b>Cont Cell</b>		<b>Run-Off Cell</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Net loss attributable to shareholders	(26)	(24)	(71)	(79)
Weighted average number of shares in issue	3,777	3,936	10,521	11,989
Basic and diluted loss per participating share	£(6.88)	£(6.22)	£(6.75)	£(6.50)

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<b>13 Net cash outflow from operating activities</b>	<b>2020</b>	<b>2019</b>
	<b>US\$000</b>	<b>US\$000</b>
Reconciliation of net loss before investment result to net cash outflow from operating activities		
Income	98	536
Expenses	(5,390)	(5,457)
Net foreign currency gains	162	-
	<hr/>	<hr/>
Net loss before investment result	(5,130)	(4,921)
Adjustment for non cash items:		
(Increase)/decrease in debtors	(1,604)	72
Increase/(decrease) in creditors	225	(59)
	<hr/>	<hr/>
Net cash outflow from operating activities	<u>(6,509)</u>	<u>(4,908)</u>

**14 Risk Profile**

The Company's investment objective is to invest in outstanding life insurance policies issued primarily in the United States and, in respect of the Continuing Cells, to invest in other instruments which provide exposure to life insurance policies with similar characteristics to those currently held by the Group. The Company seeks to achieve medium to long term capital growth.

The Group's material financial instruments comprise:

- life insurance policies held in accordance with the Group's investment objectives as set out above, and
- cash, debtors and creditors that arise directly from the Group's operations, and
- participating shares.

The investment policy is to invest in a diversified portfolio of insurance policies. When choosing and pricing policies the Investment Adviser takes into account the life expectancy, the health and the age of the insured, the amount of the premiums needed to keep the policy in force, the rating of the issuing insurance Group and the amount of the death benefit. The Manager has appointed the Investment Adviser to source and procure the life policies and provide tracking services. Tracking involves appointing medical professionals to contact the care providers of the insureds to determine their current health status and reporting to the Investment Adviser on a quarterly basis.

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**14 Risk Profile (continued)**

The main investment restrictions are:

- not to purchase a policy which is issued by an insurance company rated less than 'B' by one of the major rating agencies
- not to purchase a policy which has not yet passed the suicide and contestability period
- not to purchase policies held by insureds diagnosed with the same illness the aggregate face value of which is more than 20 per cent of the total face value of policies held
- not to purchase policies from a single insurance company to an aggregate face value of more than 20 per cent of the total face value of all policies held
- not to purchase policies from an insured whose life expectancy is more than 96 months from the date of purchase
- not to purchase a policy the face value of which represents more than 3.5% of the total value of all policies held
- not to purchase policies from a non United States resident
- not to purchase any policies where the insured has been diagnosed as having AIDS or being HIV positive
- not to purchase a term life policy, the remaining term at the time of the purchase of which is less than 10 years if the life expectancy of the insured is 4 years, or 9 years if the life expectancy of the insured is 3 years or less
- invest in foreign exchange forward contracts, futures contracts and options for the purpose of hedging of the investments only
- not to borrow more than 10% of its net assets for any purpose
- not to invest more than 10% of its net asset value in other collective investment schemes, save in respect of Other Instruments as defined in the Information Memorandum.

**Financial risk management and policies**

The Scheme Particulars set out a comprehensive set of risk factors associated with the Group's investments, but the main risks arising from the Group's investment in a diversified portfolio of life insurance policies are longevity risk (i.e. the risk that insured lives live longer than expected), market risk, credit risk and liquidity risk. The Board regularly reviews and agrees policies for managing these risks and these are summarised below.

***Longevity risk***

Longevity risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because estimates of the remaining life of the insured lives are incorrect. This risk can be separated into systematic lives risk and specific lives risk as follows:

1. Systematic lives risk - the population as a whole starts to live longer (or the population of lives whose life insurance policies have been traded in the market start to live longer).
2. Specific lives risk - the specific lives purchased by the Group live longer than expected. This may be due to particularly poor experience for the types of lives purchased by the Group or that certain types of lives respond particularly well to treatment.

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**14 Risk Profile (continued)**

Assumptions are made about the remaining life expectancy of each life based on the methodology described in Note 1. There is a risk that the actual experience may unfold in a different way from the assumptions or that new evidence emerges requiring a significant change to the assumptions. There is a rolling programme of life expectancy reviews conducted by third party providers. The results of these reviews are communicated to the Board by the Investment Adviser and where appropriate reflected in the valuations. If the assumptions were changed the valuation of these investments could significantly differ from that shown in the financial statements. As at 31 December 2020, all life expectancy estimates have been made within two years. In previous years, a sizeable minority of policies had life expectancy estimates, for valuation purposes, which were more than two years old. These have since been updated.

As at 31 December 2020, EEA Life Settlements Inc held 59 life settlement assets valued at US\$101 million (2019: 70 policies valued at US\$118 million).

Within the consolidated financial statements, the longevity risk is captured within a relatively high discount rate compared to vanilla financial instruments, the level of which varies by underwriter.

are shown:

- a) The valuation included in the consolidated financial statements calculated on the assumptions for risk discount rate and average LEs.
- b) How the valuation varies should the risk discount rates be increased or reduced by 100 bps with the average LEs unchanged
- c) How this value varies should the average LEs increase by 1 year or 2 years with the risk discount rate unchanged.

	<b>2020</b>	<b>2019</b>
	<b>US\$000</b>	<b>US\$000</b>
a) Valuation included in financial statements*	101,339	117,880
b) Valuation if adjust discount rate + 100 bps	103,300	115,476
Valuation if adjust discount rate - 100 bps	99,400	120,387
c) Valuation + 1 year to valuation (a) LE	68,723	81,256
Valuation + 2 years to valuation (a) LE	43,056	51,239

\*Calculated using discount rates on average of 14.7% in 2020 and 13.3% in 2019.

Notes to the consolidated financial statements for the year ended 31 December 2020

14 Risk Profile (continued)

**Systematic lives risk**

There are two parts to this risk.

- (i) Underwriters' estimations of life expectancy are incorrect
- (ii) Systematic improvements in mortality due to medical advancements

All life settlements are underwritten individually, and different life expectancies and uplift factors (the relative increase in mortality required for the life) are determined for each life. The underwriter produces an underwriting report including the life expectancy (LE). The LE can broadly be considered to be the age on which around 50% of lives are expected to die, or the average date that a life might die.

If the underlying insured lives longer than the underwriter expected, the valuation will decrease. This is because profits arising from death benefit are being realised later and total future premiums are underestimated. The reverse is true if the underlying insured dies before the underwriter expected. As seen from the table above, the valuation is highly sensitive to mortality changes.

The second risk is that medical advancements will improve mortality significantly, resulting in profit being delayed and reduced.

**Specific lives risk**

There is a risk that the underlying lives with acute diseases respond well to treatment which gives rise to the impairment going into remission. If this happens on a large number of lives, the overall LE of the portfolio could be extended and the value of the policies will reduce.

Similarly, there is a risk that the policies purchased by the Group happen to experience particularly poor experience for other reasons (e.g. poor underwriting).

**Risk discount rate**

The risk discount rate is chosen by the independent valuation agent based on its experience of the Life Settlements Market.

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14 Risk Profile (continued)

**Market risk**

Market risk comprises foreign currency risk and interest rate risk.

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It is the intention of the Group to hold its investments until maturity, although the Group has the discretion to sell policies if it believes it is in the Group's best interests. In the event that the Group wishes to sell an investment, there is a limited secondary market for such investments. Although the carrying value of investments as at period end is the best estimate of their fair value, it is possible, particularly as a consequence of the impact of past regulatory intervention, that the Group may, on sale, not be able to achieve the fair value used for the purpose of valuing investments in these financial statements particularly in view of the number of policies to be sold as compared with current market volumes.

**Foreign currency risk**

Each of the Cells invests entirely in the shares of EEA Life Settlements Holdings Limited with the effect that each cell, other than the dollar Cells, is exposed to the currency risks of the underlying investments which are denominated in US Dollars.

The non-US Dollar Cells did not enter into any hedging arrangements in 2020 or 2019 and therefore are exposed to currency risks arising from fluctuations in the US Dollar.

At 31 December 2020, the Group's net currency exposure in investments and net current assets can be analysed as follows:

	Investments US\$000	Net current assets US\$000	Total US\$000
US Dollar	101,339	38,468	139,807
Sterling	-	5,351	5,351
Euro	-	402	402
SEK	-	47	47
	<u>101,339</u>	<u>44,268</u>	<u>145,607</u>

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**14 Risk Profile (continued)**

At 31 December 2019, the Group's net currency exposure in investments and net current assets can be analysed as follows:

	Investments US\$000	Net current assets US\$000	Total US\$000
US Dollar	117,880	51,351	169,231
Sterling	-	5,721	5,721
Euro	-	398	398
SEK	-	44	44
	<u>117,880</u>	<u>57,514</u>	<u>175,394</u>

***Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's cash. All cash bears interest at floating rates. The following table sets out the Group's exposure to interest rate risk as at 31 December:

	2020 US\$000	2019 US\$000
Non- interest bearing	117,902	141,465
Interest bearing - floating rate	<u>27,705</u>	<u>33,929</u>
	<u>145,607</u>	<u>175,394</u>

The interest bearing floating rate assets are denominated in US Dollars. If the US Dollar interest rate increased/decreased by 50 basis points the net income and net assets would increase/decrease by US\$138,525 (2019: US\$ 169,645)

The calculations are based on the cash balance at the reporting date and are not representative of the period as a whole. The 50 basis points represents the Directors' assessment of the possible change in interest rates.

***Credit risk***

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. To mitigate this risk the Group aims to build a diversified portfolio of policies and adopts restrictions on the security rating of the insurance companies issuing the policies and the exposure of the Group to any one insurance company. At 31 December 2020, 95% (2019: 92%) of policies were with insurance companies with a rating of 'A' or above, with 0% (2019: 7%) being rated 'A-' and 5% (2019: 1%) being 'B++', 'B+' or 'B-'. Substantially all cash balances are held with Citizens Bank NA, the sub-custodian, which has a good credit rating (A1) and with BNP Paribas Securities Services (the Custodian, which has an Aa3 credit rating) and, in the opinion of the Directors, whilst it is a risk, does not currently represent a significant credit risk. The carrying amounts of financial assets best represent the maximum credit risk exposure at the end of the reporting period.

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**14 Risk Profile (continued)**

***Liquidity risk***

Liquidity risk is the risk that the Group will encounter in realising assets or otherwise raising funds to meet its financial commitments. The Investment Adviser has sought to select life insurance policies which are expected to mature within a reasonable time frame. There is minimal or no return on such policies until maturity. There is a secondary market for the life policies but it is not highly regulated or developed and there is no certainty the market will be active. Therefore, there can be no assurance that the liquidity of the investments will always be sufficient to meet redemption requests as and when made.

Participating Shares in the Continuing Cells are redeemable at the option of the Shareholder on a quarterly basis and in accordance with the Fund's Information Memorandum, relevant Supplement(s) and the Fund's Articles of Incorporation. However, in the event that redemption requests for shares in a Cell exceed the available cash held by a Cell or 10% of the Net Asset Value of the Cell, the Directors shall be entitled at their absolute discretion to refuse to redeem such shares.

The Run-Off Cells are closed to subscriptions and Participating Shares in a Run-Off Cell may not be redeemed at the option of the Shareholder.

The Fund also needs to maintain sufficient resources to fund the ongoing premiums of the policies in order to keep the policies in force. With effect from March 2017, a buffer of 12 months' premium (previously 24 months) has been targeted to ensure that the Fund has sufficient resources to meet the premium obligations. The expected premiums for 2021 are US\$22,473,883 as compared with expected receipts from maturities of US\$55,740,116. Maturities in subsequent years are expected to more than cover the contemporaneous premium cost.

The estimated maturity profile of the fair value of the insurance policies as at 31 December held is set out below:

	<b>2020</b>	<b>2019</b>
	<b>US\$000</b>	<b>US\$000</b>
0 to 3 months	4,137	-
3 to 12 months	32,020	7,774
1 to 2 years	26,422	60,367
2 to 5 years	29,465	39,714
More than 5 years	9,295	10,025
	<hr/>	<hr/>
	<b>101,339</b>	<b>117,880</b>
	<hr/> <hr/>	<hr/> <hr/>

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**14 Risk Profile (continued)**

All liabilities other than those relating to Participating Shares of the Continuing Cells are due on demand.

***Management of capital***

The Manager manages the capital of each Cell in accordance with its investment objectives and policies. The capital of each Cell consists of proceeds from the issue of Participating Shares and the reserve accounts. There are redemption gate provisions in place to ensure that the Company can retain sufficient available cash to meet premium and other obligations for the foreseeable future. The Fund does not have any externally imposed capital requirements.

***Fair value measurement***

The financial assets measured at fair value are disclosed using a fair value hierarchy that is based on the observability of significant inputs used in making the fair value measurements, as follows:-

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Those involving inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 - Those inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All the Group's investments are carried at fair value at the end of the reporting period. The fair value of the financial instruments can be readily determined within a reasonable range of estimates. For certain financial instruments including debtors and creditors the carrying value approximates to fair value due to the immediate or short term nature of those financial instruments.

The fair value used in these financial statements for the value of life policies may not be the value which would be achieved on sale of those policies. The fair value of life insurance policies held is estimated using a valuation technique sensitive to valuation assumptions that are not supported by observable market prices such as the life expectancy of the assured. The valuation is carried out by the Independent Valuation Agent with detailed consultation with and review by the Directors.

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**15 Related party transactions**

Transactions with related parties are based on terms equivalent to those that prevail in an arm's length transaction.

Management fees are payable to the Manager. During the year, these amounted to \$2,250,206 (2019: \$2,670,901). As at the year end, \$174,799 (2019: \$222,969) was outstanding and due to the Manager.

All routine administration fees are borne by the Manager. During the year these amounted to \$389,301 (2019: \$431,892). During the year the Fund paid the Administrator fees \$29,380 (2019: \$nil) in respect of additional time spent as a result of the Coventry proceedings (see note 17).

The Directors have no disclosable interests in the shares of the Company. During the year, the Directors received remuneration totalling \$184,795 (2019: \$182,935).

Chris Daly is Managing Director of ViaSource Funding Group LLC, which is the Investment Adviser.

Simon and Razena Shaw are the principal shareholders of Melquart Limited (formerly EEA Holdings Limited), the ultimate parent company of the Manager and the Marketing Agent. Simon Shaw is also the Chairman of the Marketing Agent.

There is no ultimate or immediate controlling or holding party.

**16 Commitments**

In order to maintain cover the Company is committed to pay premiums of the life insurance policies acquired which are expected to amount to US\$78 million (2019: US\$113 million) based on estimated life expectancies of the insured calculated consistent with the valuation methodology.

**17 Contingent liability**

During 2017, Coventry Capital US LLC issued proceedings in the US against EEA Life Settlements Inc., together with individuals representing the Manager, alleging a pattern of fraudulent, bad faith conduct in the negotiation of an agreement to sell the Group's portfolio of life insurance policies. The defendants categorically reject the allegations and have filed defences to that effect. The proceedings are ongoing and remain outstanding as at the date of approval of these financial statements. The outcome of the proceedings and amount of any contingent liabilities cannot be predicted or estimated at this stage.

**18 Post balance sheet events**

Mr S Burnett resigned as a Director on 3 June 2021. There are no other subsequent events that require disclosure of or adjustment for in the consolidated financial statements for the year ended 31 December 2020.

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**Schedule of Investments as at 31 December 2020**

<b>File number</b>	<b>Insurance company</b>	<b>Net death benefit US\$000</b>	<b>Fair value US\$000</b>	<b>% of net assets %</b>
19822	State Farm Life	100	(7)	(0.00)
13892B	Primerica	100	40	0.03
9950A	MetLife	100	(2)	(0.00)
9950B	State Farm Life	192	(6)	(0.00)
11996	US Financial Life	200	3	0.00
7891B	William Penn	244	56	0.04
16216A	Aviva Life Insurance Co	250	91	0.06
16216B	American General Life	250	132	0.09
23760B	Lincoln National	250	113	0.08
10065	Lincoln Benefit	294	(35)	(0.02)
19800	MetLife	400	(34)	(0.02)
20857	Transamerica	400	106	0.07
23195	Western Reserve Life	400	56	0.04
10864	RiverSource Life Insurance	500	277	0.19
20448	American General Life	500	209	0.14
24859	West Coast Life	500	197	0.14
23760A	Lincoln National	500	226	0.16
13892A	American General Life	550	160	0.11
19239	Federated Life	733	120	0.08
19182	West Coast Life	750	104	0.07
10985	TransAmerica Occ.	800	348	0.24
18570C	United of Omaha	1,000	531	0.36
18570D	United of Omaha	1,000	531	0.36
18570E	United of Omaha	1,000	531	0.36
20781A	John Hancock	1,000	855	0.59
7891A	New England Financial	1,473	276	0.19
14234A	American General Life	2,000	781	0.54
18264B	Lincoln National	2,500	223	0.15
18264C	Lincoln National	2,500	191	0.13
20781C	John Hancock	2,500	2,202	1.51
14234B	American General Life	3,000	1,110	0.76
18295A	Mass Mutual	3,000	2,189	1.50
17980B	Lincoln Benefit	3,125	1,879	1.29
19317	TransAmerica	4,000	1,281	0.88
22412	Transamerica	4,100	1,412	0.97
1393B-1394B	West Coast Life	4,600	1,558	1.07
20170	John Hancock	5,000	3,808	2.62
13173B	John Hancock	5,000	3,577	2.46
18295G	John Hancock	5,000	3,695	2.54
18984B	American General Life	5,000	1,207	0.83
18984C	Lincoln Benefit	5,000	1,358	0.93
18984D	TransAmerica	5,000	1,701	1.17
18984E	Prudential	5,000	1,129	0.78
19677D	AXA	5,000	514	0.35

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Schedule of Investments as at 31 December 2020

File number	Insurance company	Net death benefit US\$000	Fair value US\$000	% of net assets %
20255D	AXA	5,000	2,552	1.75
19677	Pacific Life	6,000	639	0.44
19136	John Hancock	7,000	3,873	2.66
18570B	Sun Life Assurance	6,000	3,544	2.43
18295D	AXA	8,000	4,624	3.18
19887A	American National	9,000	4,695	3.22
18505	Lincoln National	10,000	6,932	4.76
18965	Lincoln National	10,000	5,543	3.81
17923B	Lincoln Financial	10,000	6,371	4.38
18295E	AXA	10,000	7,137	4.90
18505C	American National	10,000	5,666	3.89
18518B	AXA	10,000	5,584	3.83
19677C	Lincoln Benefit	10,000	2,422	1.66
19887B	Lincoln National	10,000	2,766	1.90
22990B	Phoenix	10,000	4,298	2.95
<b>Total investments</b>		<b>215,811</b>	<b>101,339</b>	<b>69.60</b>
Other net assets			44,268	30.40
<b>Total net assets</b>			<b>145,607</b>	<b>100.00</b>

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Schedule of Investment Maturities for the year ended 31 December 2020

File number	Insurance company	Proceeds received US\$000
10570B	John Hancock	5,028
10570C	John Hancock	4,022
15403	Lincoln National	4,114
18564	American General Life	2,501
19828	Transamerica	-
2951E	John Hancock	9,394
21455	Aviva Life Insurance Co	155
23345	American General Life	-
17745A	American General Life	625
2174C	American General Life	5,031
17197C	American General Life	10,104
<b>Total proceeds received</b>		<b>40,974</b>
<b>Additional proceeds received from prior year maturities</b>		<b>257</b>
<b>Total investment maturities</b>		<b>41,231</b>