

ALTERNATIVE ASSET OPPORTUNITIES PCC LIMITED

HALF YEARLY REPORT
and UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the period from 1 September 2009 to 28 February 2010

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INVESTOR INFORMATION

For the period from 1 September 2009 to 28 February 2010

General information

Alternative Asset Opportunities PCC Limited (the "Company") was registered on 27 February 2004 in Guernsey, as a closed-ended protected cell company in accordance with the provisions of The Protected Cell Companies Ordinance, 1997 and The Companies (Guernsey) Law, 2008. It was established with one Cell known as the US Traded Life Interests Fund (the "Fund") which had a planned life of approximately 8 years from the date of launch. Following a Special Resolution passed at an Extraordinary General Meeting on 28 August 2009, the Articles of Incorporation were amended to move from having a fixed life in respect of the Company's Cell, US Traded Life Interests Fund (terminating on 31 March 2012) to offering shareholders annual continuation votes from the Company's 2012 Annual General Meeting onward.

With effect from 1 September 2009, the Company has been managed with a view to being approved as an Investment Trust within the meaning of the Taxes Act, and has been resident in the UK for tax purposes from that date.

The Company's redeemable participating preference shares (the "Shares") were admitted to the Official List of the UK Listing Authority and commenced trading on the London Stock Exchange on 25 March 2004.

This Half Yearly Report and Unaudited Condensed Financial Statements cover the period from 1 September 2009 to 28 February 2010. The financial information for the period 1 July 2008 to 31 August 2009 is derived from the financial statements delivered to the UK Listing Authority. The Auditors reported on these accounts, their report was unqualified although it included an emphasis of matter paragraph in connection the valuation of traded life interests but did not contain a statement under section 263 (2) of The Companies (Guernsey) Law, 2008.

Investment objective

The Company's objective in respect of the Fund is to provide investors with an attractive capital return through investment predominantly in a diversified portfolio of U.S. Traded Life Interests ("TLIs").

INVESTOR INFORMATION (Continued)

For the period from 1 September 2009 to 28 February 2010

Directors

CPG Tracy (Chairman)
DIW Reynolds (Chairman of the Audit Committee)
JPMS Scott (appointed 22 October 2009)
SM Zein (appointed 1 September 2009)

Registered Office

Dorey Court, Admiral Park
St Peter Port
Guernsey, GY1 3BG

Manager

RCM (UK) Limited
155 Bishopsgate
London, EC2M 3AD

Secretary

RCM (UK) Limited
155 Bishopsgate
London EC2M 3AD
Represented by PWI Ingram FCIS

Administrator

Kleinwort Benson (Channel Islands)
Fund Services Limited
Dorey Court, Admiral Park
St Peter Port
Guernsey, GY1 3BG

Legal Advisers (UK)

Herbert Smith LLP
Exchange House
Primrose Street
London, EC2A 2HS

Financial Adviser and Corporate Broker

RBS Hoare Govett Limited
250 Bishopsgate
London, EC2M 4AA

Registrar

Capita Registrars (Guernsey) Limited
Longue Hougue House
St Sampson
Guernsey, GY1 3US

Investment Manager

SL Investment Management Limited
8/11 Grosvenor Court
Foregate Street
Chester, CH1 1HG

Banker and Custodian

Kleinwort Benson (Guernsey) Limited
Dorey Court, Admiral Park
St Peter Port
Guernsey, GY1 3BG

Sub Custodian

Wells Fargo Bank Northwest N.A.
299 South Main Street
12th Floor
Salt Lake City
UT 84111-2263

Legal Advisers (Guernsey)

Carey Olsen
7 New Street
St Peter Port
Guernsey, GY1 4BZ

Auditors

Deloitte LLP
Regency Court
Gategny Esplanade
St Peter Port
Guernsey, GY1 3HW

INVESTOR INFORMATION (Continued)

For the period from 1 September 2009 to 28 February 2010

Directors

The Directors have been chosen for their investment and commercial experience and are listed below:

Charles Tracy, Chairman, (aged 64) has over 30 years' experience as a merchant banker, covering both the investment management and banking fields. On joining N.M. Rothschild & Sons in 1975 he was made responsible for Asian and commodity-related investments, working in Malaysia and Hong Kong before taking up the post of Managing Director of N.M. Rothschild & Sons (C.I.) Ltd. in 1981, and remaining in that position until 1998. During that period he was Chairman of the Association of Guernsey Banks and of the Guernsey International Business Association. He is currently non-executive Chairman of Louvre Fund Management Limited and the President of the Guernsey Tax Tribunal. He is a resident of Guernsey.

John Scott (aged 57) was appointed a Director on 22 October 2009. He is currently a director of several UK investment trusts and is Chairman of Scottish Mortgage and of Dunedin Income Growth. Mr Scott held a number of senior appointments at Lazard Brothers & Co., Limited between 1981 and 2001. Prior to that, he worked at Jardine Matheson & Co., Limited. He is a Fellow of the Chartered Insurance Institute and of the Chartered Institute for Securities and Investment. He is UK resident.

Ian Reynolds (aged 66) is a former Chief Executive of Commercial Union Life Assurance Company. He is a director of Liverpool Victoria Friendly Society and a former consultant actuary at Towers Perrin. Mr Reynolds is a Fellow of the Institute of Actuaries and a Chartered Director. He is UK resident.

Saad Zein (aged 43) was appointed a Director on 1 September 2009. Mr Zein is a Senior Managing Director of Aladdin Capital Management UK LLP. Prior to this, his career has been spent as an investment banker with particular focus on credit markets and structured products, including US traded life interests. He was employed by Dresdner Kleinwort Wasserstein between 1999 and 2009, where he held a number of senior positions. He is UK resident.

INVESTOR INFORMATION (Continued)

For the period from 1 September 2009 to 28 February 2010

The Investment Manager

The Investment Manager, SL Investment Management Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, was formed in 1990 and is an investment manager for a range of specialist investment products.

The Investment Manager is responsible for managing the TLI portfolio.

The Manager

RCM (UK) Limited is part of RCM, a global asset management company operating from six international offices – San Francisco, London, Frankfurt, Hong Kong, Tokyo and Sydney. Through its predecessors RCM (UK) Limited has a heritage of investment trust management expertise in the UK reaching back to the nineteenth century and at 31 March 2010 it had £1.06 billion of assets under management in a range of investment trusts. RCM (UK) Limited is authorised and regulated by the Financial Services Authority.

RCM is a company of Allianz Global Investors which, with £1,046 billion of assets under management at 31 December 2009, is one of the largest global asset management groups.

The Manager is responsible for managing the cash and fixed interest holdings of the Fund during its life, and foreign currency hedging.

RESPONSIBILITY STATEMENT

For the period from 1 September 2009 to 28 February 2010

We confirm to the best of our knowledge

- a. the half yearly report and unaudited condensed financial statements have been prepared in accordance with IAS 34;
- b. the interim management report (contained in the Chairman's Statement, Investment Manager's Report and Manager's Report) includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- c. the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

DIW Reynolds

Director

JPHS Scott

Director

20 April 2010

FINANCIAL HIGHLIGHTS

For the period from 1 September 2009 to 28 February 2010

| | 01.09.09 to 28.02.10 (6 months) | 01.07.08 to 31.12.08 (6 months) | 01.07.08 to 31.08.09 (14 months) |
|--|--|--|---|
| Shares in issue | 40,000,000 | 40,000,000 | 40,000,000 |
| Net Assets at period end | 33,399,239 | 37,518,243 | 37,064,596 |
| Net asset value per Share at period end (see note below) | 83.5p | 93.8p | 92.7p |
| Total deficit on ordinary activities for the financial period per Share | (9.17p) | (2.14p) | (3.28p) |
| Revenue deficit per Share | (1.39p) | (1.65p) | (3.81p) |

The half-yearly financial report has neither been audited nor reviewed by the Company's auditors. The financial information for the period ended 31 August 2009 has been extracted from the audited financial statements for that period.

Dividends

The Directors do not propose a dividend for the period from 1 September 2009 to 28 February 2010.

CHAIRMAN'S STATEMENT

For the period from 1 September 2009 to 28 February 2010

Introduction

This statement covers the six months from 1 September 2009. In contrast to the activity reported in my last statement, this has been a relatively quiet period.

Portfolio developments

A summary of portfolio maturities since inception is given in the following table:

| Period | 40 months | 12 months | 14 months | 6 months |
|--|--------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Dates | Inception - 30/6/07 | 1/7/07 - 30/6/08 | 1/7/08 - 31/8/09 | 1/9/09 - 28/2/10 |
| Number of policies matured | 7 | 6 | 7 | 3 |
| Value of policies matured (\$ million) | \$9.3m | \$3.9m | \$14.8m | \$7.6m |
| Total premiums paid (\$ million) | \$18.8m | \$9.0m | \$10.5m | \$4.4m |

During the six month period to 28 February 2010, 3 policy maturities were identified, with a total face value of US\$ 7.6 million. This compares with 7 policies with a face value of US\$ 14.8 million in the 14 month period to 31 August 2009, and 13 policies with a total face value of US\$ 13.2 million, in the period from the Company's launch to 30 June 2008.

Although it is encouraging that profits of approximately £1.9 million were recognised on policies that matured in the period, the impact of policy revaluations (partly due to updated LEs, as referred to below) was to reduce the valuation of the portfolio of policies by some £4.6 million. For this reason the benefit of the foreign exchange gains during the period from the policy portfolio of circa £3.5 million was largely negated. The combined effect of these movements is recognised in the net gains on investments of £657,903, as shown in the Condensed Income Statement on page 15.

A further maturity has been confirmed since 28 February 2010, with a total face value of US\$ 3.1 million.

As at 28 February 2010 there were a total of 136 policies in the portfolio, with a face value of US\$ 220.8 million and a valuation of US\$ 86.9 million. There have been no policy acquisitions since completion of the original policy purchase programme, but premiums continued to be payable on existing holdings, totalling US\$ 4.3 million during the half year.

The principal issues facing the Company, that is to say valuation, credit risk, gearing and hedging are discussed below.

CHAIRMAN'S STATEMENT (Continued)

For the period from 1 September 2009 to 28 February 2010

Valuation

The valuation remains the best estimate of the Board and the Investment Manager of the current value of the portfolio based on expected future cash flows. The three major components of the valuation are life expectancy (LE) assessments, the tables of predicted mortalities based on these life assessments and the discount rate (internal rate of return, or IRR) used to arrive at a present value of the resulting cash flow projections.

Past reports have alluded to changing views on life expectancy from the main US life assessors. The Company has continued its stated practice of obtaining new LE assessments on a portion of policies in the portfolio. To date a total of 31 policies have been re-assessed and the results have been incorporated into valuations. This practice will be continued. Although LEs have on average been increased for these policies, there remains no consistent trend in the LE outcomes.

In common with many participants in this sector, rates of mortality continue to be significantly below those predicted. This may be due to underestimation of LEs, but it may also be due to the particular characteristics of the portfolio. Experience in the development of mortality in portfolios of TLLs is not yet sufficiently extensive to explain what seems to be an industry-wide pattern in this respect.

The Company's current valuation policy uses a combination of swap yields, to represent market interest rates, with a risk premium, derived from actual trades, to arrive at an overall IRR. Swap yields have stabilised, but there has been insufficient trading volume to give a reliable indicator of risk premiums. One particular problem is that there are distressed sellers in the market who are prepared to make sales at discounted prices to maintain portfolio liquidity. There is little reliable evidence of prices for acquisitions on a non-distressed basis. Under these circumstances the Board has continued to use the same IRRs as at the beginning of the period for the portfolio, reflecting low swap yields and a high risk premium. The risk premium currently stands at 9.5% (weighted by value) which, given the generally high standing of the underlying insurers combined with the uncertainties about LEs, seems reasonable for this type of investment. The Board will keep this matter under regular review.

CHAIRMAN'S STATEMENT (Continued)

For the period from 1 September 2009 to 28 February 2010

Valuation (continued)

The table of predicted yields set out below gives shareholders the opportunity to see the effect on portfolio returns of a wide range of mortality assumptions. The Board will continue actively to monitor market information and to keep the valuation assumptions under review.

| Variation in mortality ¹ | LE change (years) ² | 31 December 2012 | | | | 31 December 2016 | | | |
|-------------------------------------|--------------------------------|---------------------------------|--|-------------------|-------------------|---------------------------------|--|-------------------|-------------------|
| | | Policies surviving ³ | Remaining Shares in issue ⁴ | IRRs ⁵ | IRRs ⁵ | Policies surviving ³ | Remaining Shares in issue ⁴ | IRRs ⁵ | IRRs ⁵ |
| | | | | 100% ⁶ | 70% ⁷ | | | 100% ⁶ | 70% ⁷ |
| 100% | 0.00 | 64.4% | 96.4% | 11.73% | -1.48% | 29.5% | 33.2% | 9.55% | 3.98% |
| 80% | 1.20 | 70.0% | 100.0% | 7.02% | -5.64% | 36.6% | 55.7% | 4.94% | -0.40% |
| 50% | 4.12 | 79.7% | 100.0% | -1.68% | -13.31% | 51.7% | 100.0% | -3.84% | -8.73% |
| 30% | 8.00 | 87.1% | 100.0% | -9.22% | -19.96% | 66.1% | 100.0% | -19.15% | -23.26% |

Notes:

- The central case (100%) assumes that claims experience matches the valuation basis in force at 28 February 2010. The other scenarios assume the mortality experience is higher (e.g. 110% means that if one expects 10 deaths, one instead experiences 11) or lower (e.g. 80% means that if one expects 10 deaths, one instead experiences 8).
- This shows the effect of the mortality experience on the life expectation (in years) for an otherwise normal 80-year-old non-smoker.
- The proportion of policies surviving to the specified date based on the portfolio as at 28 February 2010. No allowance has been made for the policies that have matured after this date.
- The model assumes that shares are repurchased whenever excess cash beyond that required for premium reserves is available. This column represents the number of shares still in issue and not repurchased at the relevant date.
- This shows how the return varies for a shareholder holding the shares between 28 February 2010 and the relevant date (31 December 2012 or 31 December 2016) based on the growth in the NAV per share. The NAV at that date was 84.3 pence per share.
- Return based on growth in NAV per share assuming valuation at the relevant date using the valuation basis in force at 28 February 2010.
- Return based on winding up at the relevant date assuming that the net realised proceeds of assets is 70% of the valuation calculated in accordance with the valuation basis in force at 28 February 2010.

In addition, the Board is providing similar information on two further bases (see the notes above for explanation of table headings):

- Assume all lives are "normal" from the point of view of mortality expectations and ignore the implied relative health from medical underwriting. In common with the above figures, results are projected from the NAV per share as at 28 February 2010. Note: the figures on this basis provided in the annual report were projected from the NAV per share calculated using the revised assumptions and are thus not strictly comparable.

CHAIRMAN'S STATEMENT (Continued)

For the period from 1 September 2009 to 28 February 2010

Valuation (continued)

B. Calculate results on the 100% mortality assumption, but projected from the share price at 28 February 2010 of 67.0p per share.

| Base | 31 December 2012 | | | | 31 December 2016 | | | |
|------|---------------------------------|--|-------------------|-------------------|---------------------------------|--|-------------------|-------------------|
| | Policies surviving ³ | Remaining Shares in issue ⁴ | IRRs ⁵ | IRRs ⁵ | Policies surviving ³ | Remaining Shares in issue ⁴ | IRRs ⁵ | IRRs ⁵ |
| | | | 100% | 70% | | | 100% | 70% |
| A. | 79.1% | 100.0% | 0.31% | -11.55% | 43.0% | 84.0% | 2.28% | -2.92% |
| B. | 64.4% | 96.4% | 21.16% | 6.83% | 29.5% | 33.2% | 13.30% | 7.53% |

Credit Risk

There have been no major changes in the financial standing of the insurers who have issued the policies in the portfolio. As at the period end more than 99% of the Company's policies by value were issued by companies with an A.M. Best rating of 'A' or better. This figure has not changed significantly for some time.

Gearing

The Company's borrowing agreement with Allied Irish Banks plc has been renewed, and this provides the Company with the ability to borrow up to US\$33,156,000 until 31 January 2011. The Board's intention is to pay down borrowings whenever possible, and during the six month period the Company's total borrowings fell from US\$33,447,000 to US\$25,156,000.

Hedging

As at 28 February 2010 the Company had sold forward net US\$71,000,000 to March 2012, representing no change over the period. Although a little in excess of the Company's current net dollar position, this is consistent with projected dollar cash flows.

Outlook

The present state of the TLI market reinforces the Board's belief that the best approach is to hold policies in its high quality portfolio to maturity rather than seek early liquidation.

CPG Tracy

Chairman

20 April 2010

INVESTMENT MANAGER'S REVIEW

For the period from 1 September 2009 to 28 February 2010

Market Review

Trading volumes remain at very low levels in the Life Settlements ("LS") market. The few active investors are smaller opportunistic buyers seeking out the highest quality investments from the abundant supply of policies. Supply volumes are supported by both distressed sellers and those looking to increase liquidity by boosting premium reserves, which have in many cases been diminishing as a result of lower than expected maturities.

The policies most in demand correspond closely to those held within the Company's portfolio, and are those deemed to be "plain vanilla" and typically possessing the following characteristics:

- Death benefits less than \$5m
- Life Companies with a minimum AM Best rating of A
- Lives aged between 75 and 85
- Life expectancies between 5 and 10 years
- Low disparity between medical underwriters' life expectancy estimates

The prices achieved for policies of this type in the current depressed market correspond to IRRs of between 14% and 16%; there is virtually no appetite for premium financed policies or those involving beneficial interest programmes.

None of the constituents of the Company's portfolio is premium financed nor is any involved in a beneficial interest programme. 99.8% of the portfolio is split across Life Companies currently possessing an AM Best rating of A or higher. The investments in the Company's portfolio were carefully selected in accordance with the Company's Investment Objective and Policy ensuring a high quality portfolio composition.

Investment Portfolio Review

During the six-month period from 1 September 2009 to 28 February 2010 three policy maturities (one woman and two men) were confirmed, releasing \$7.6m in death benefits. These maturities were announced in the previous report and there have since been no further incidences. As at 28 February 2010, 136 policies were in the Fund's portfolio secured on 115 individual lives. A further maturity has been confirmed since 28 February 2010, with a total face value of US\$3.1 million. Proceeds from this maturity will be received in due course.

From inception to 28 February 2010, there have been 23 policy maturities in respect of 19 lives. Proceeds from these maturities total \$36m, realising a \$20m gain on cost (including premiums paid).

The expected cost of premiums for the remaining four months of the period ending 30 June 2010 is \$2.9m and in the following accounting period ending 30 June 2011 \$9.8m, assuming no maturities during this time.

INVESTMENT MANAGER'S REVIEW

For the period from 1 September 2009 to 28 February 2010

Portfolio Summary

| | |
|----------------------------------|---------|
| Death Benefits | \$221m |
| Investment Value | \$87m |
| Male/Female Ratio | 64%/36% |
| Number of Holding Life Companies | 31 |

Averages weighted by Death Benefits

| | |
|-------------------------------------|------------|
| Age at purchase | 82.2 years |
| Age at valuation | 86.7 years |
| Pricing Life Expectancy at purchase | 7.6 years |
| Current Life Expectancy | 5.2 years |

Life Group (Parent Company) Distribution (Top 5)

| Ranking by Valuation | Parent Company | % Total Death Benefits | % Investment Value |
|-------------------------|----------------------------|---------------------------|-----------------------|
| 1 | Lincoln Financial Group | 19.4% | 16.1% |
| 2 | AIG Life Group | 16.3% | 16.0% |
| 3 | AEGON USA Group | 12.3% | 13.3% |
| 4 | Manulife Financial Group | 8.6% | 9.1% |
| 5 | MassMutual Financial Group | 9.1% | 9.0% |

Credit Quality Distribution by Holding Life Company

| AM Best Rating | % Total Death Benefits | % Investment Value |
|----------------|------------------------|--------------------|
| A++ | 12.6% | 12.5% |
| A+ | 46.6% | 43.5% |
| A | 40.6% | 43.8% |
| A- | 0.1% | 0.1% |
| B++ | 0.0% | 0.0% |
| B+ | 0.1% | 0.1% |

Minimum rating in portfolio: B+

Conclusion

The Company's portfolio of TLIs is valued at Directors' discretion using swap yields plus a margin. Although interest rates have fallen, the rate being applied to policies has not changed during the period, meaning the margin has effectively been increased.

A further batch of policies has been selected for the rolling programme of updating life expectancies and the effect of updated assessments will be incorporated into the values in due course.

SL Investment Management Limited

20 April 2010

MANAGER'S REVIEW

For the period from 1 September 2009 to 28 February 2010

Borrowings and Investments

In February the Company renewed the borrowing arrangement with Allied Irish Banks plc. As before, there are two elements, both now expiring on 31 January 2011. The first part is an amortising term loan facility of US\$ 23,156,000 and the second part is a revolving credit facility ("RCF") of US\$ 10 million. This arrangement should cover the Company's funding requirement until early 2011. As at 28 February 2010 the amortising term loan facility was fully utilised and US\$ 2 million had been drawn down under the RCF.

The primary covenant requires the Company to maintain cover (i.e. asset value, subject to certain adjustments, divided by borrowing) above 2.5 times. As at 28 February 2010 cover was 3.2 times.

In September 2009, the Company bought a £100,000 holding of the UK Treasury 4% 2016 gilt in order to generate UK securities income.

Currency Hedging

The Company hedges its US dollar exposure by means of forward sales of US dollars. As at 28 February 2010 there were twelve outstanding forward foreign exchange contracts for the sale of US\$78.5 million against sterling contracts maturing 30 March 2012 and one contract for the purchase of US\$7.5 million against a sterling contract maturing 30 March 2012. This was consistent with the expected cash flows up to that date.

The net unrealised loss on these positions amounted to £8,720,808, and once the unrealised FX profit on the underlying policies, denominated in US dollars, is taken into account, there was a total unrealised net loss on the Company's FX positions equivalent to 2.7 pence per share.

RCM (UK) Limited

20 April 2010

CONDENSED INCOME STATEMENT

For the period from 1 September 2009 to 28 February 2010

| Notes | 01.09.09 to 28.02.10 | | | 01.07.08 to 31.12.08 | | | 01.07.08 to 31.08.09 | | |
|---|----------------------|--------------|-------------|----------------------|--------------|--------------|----------------------|--------------|--------------|
| | Revenue £ | Capital £ | Total £ | Revenue £ | Capital £ | Total £ | Revenue £ | Capital £ | Total £ |
| Operating income | | | | | | | | | |
| Net gains on investments | - | 657,903 | 657,903 | - | 17,084,221 | 17,084,221 | - | 10,484,688 | 10,484,688 |
| Other foreign exchange losses | - | (3,767,766) | (3,767,766) | - | (17,280,572) | (17,280,572) | - | (10,270,908) | (10,270,908) |
| Interest and similar income | 1,978 | - | 1,978 | 21,094 | - | 21,094 | 6,543 | - | 6,543 |
| Operating expenses | | | | | | | | | |
| Management fee | (73,199) | - | (73,199) | (114,443) | - | (114,443) | (197,745) | - | (197,745) |
| Investment manager's fee | (86,565) | - | (86,565) | (120,808) | - | (120,808) | (217,755) | - | (217,755) |
| Custodian fee | (8,656) | - | (8,656) | (9,580) | - | (9,580) | (21,708) | - | (21,708) |
| Other expenses | (175,211) | - | (175,211) | (138,022) | - | (138,022) | (535,069) | - | (535,069) |
| Total operating expenses before finance costs | (343,631) | - | (343,631) | (382,853) | - | (382,853) | (972,277) | - | (972,277) |
| Operating (loss)/profit before finance costs | (341,653) | (3,109,863) | (3,451,516) | (361,759) | (196,351) | (558,110) | (965,734) | 213,780 | (751,954) |
| Finance costs | | | | | | | | | |
| Loan interest payable | (213,841) | - | (213,841) | (299,352) | - | (299,352) | (559,155) | - | (559,155) |
| Net (deficit)/return | (555,494) | (3,109,863) | (3,665,357) | (661,111) | (196,351) | (857,462) | (1,524,889) | 213,780 | (1,311,109) |
| (Deficit)/return per share | (1.39p) | (7.78p) | (9.17p) | (1.65p) | (0.49p) | (2.14p) | (3.81p) | 0.53p | (3.28p) |

The revenue column of this statement is the revenue account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

The notes on pages 20 to 27 are an integral part of these condensed financial statements.

CONDENSED BALANCE SHEET

As at 28 February 2010

| | Notes | 28.02.10 £ | 31.12.08 £ | 31.08.09 £ |
|--|-------|---------------|---------------|---------------|
| Non-current assets | | | | |
| Financial assets at fair value through profit or loss | 9 | 57,139,943 | 66,051,919 | 58,253,174 |
| | | 57,139,943 | 66,051,919 | 58,253,174 |
| Current assets | | | | |
| Cash and cash equivalents | | 1,646,457 | 397,196 | 903,849 |
| Other receivables | 10 | 17,541 | 4,104,515 | 4,621,059 |
| | | 1,663,998 | 4,501,711 | 5,524,908 |
| Total assets | | 58,803,941 | 70,553,630 | 63,778,082 |
| Current liabilities | | | | |
| Loan account | 12 | 16,509,166 | 21,874,359 | 20,557,471 |
| Fair value of forward foreign exchange contracts | 15 | 8,720,808 | 10,953,819 | 5,720,617 |
| Other payables | 11 | 174,728 | 207,209 | 435,398 |
| Total liabilities | | 25,404,702 | 33,035,387 | 26,713,486 |
| Net assets attributable to shareholders | | 33,399,239 | 37,518,243 | 37,064,596 |
| Shareholders' funds | | | | |
| Share premium account | | 39,168,236 | 39,168,236 | 39,168,236 |
| Reserves | 13 | (5,768,997) | (1,649,993) | (2,103,640) |
| Total equity | | 33,399,239 | 37,518,243 | 37,064,596 |
| Net asset value per share | 8 | 83.5p | 93.8p | 92.7p |

These financial statements were approved by the Board of Directors on 20 April 2010.
Signed on behalf of the Board.

DIW Reynolds
Director

JPHS Scott
Director

20 April 2010

The notes on pages 20 to 27 are an integral part of these condensed financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS

For the period from 1 September 2009 to 28 February 2010

| | Share Premium £ | Capital Reserve £ | Revenue Reserve £ | Total £ |
|---------------------------------|--------------------------------|----------------------------------|----------------------------------|--------------------|
| At 1 July 2008 | 39,168,236 | 2,175,113 | (2,967,644) | 38,375,705 |
| Deficit for the period | - | (196,351) | (661,111) | (857,462) |
| At 31 December 2008 | 39,168,236 | 1,978,762 | (3,628,755) | 37,518,243 |
| Return/(Deficit) for the period | - | 410,131 | (863,778) | (453,647) |
| At 31 August 2009 | 39,168,236 | 2,388,893 | (4,492,533) | 37,064,596 |
| Deficit for the period | - | (3,109,863) | (555,494) | (3,665,357) |
| At 28 February 2010 | 39,168,236 | (720,970) | (5,048,027) | 33,399,239 |

The notes on pages 20 to 27 are an integral part of these condensed financial statements.

CONDENSED CASH FLOW STATEMENT

For the period from 1 September 2009 to 28 February 2010

| | 01.09.09 to 28.02.10 | 01.07.08 to 31.12.08 | 01.07.08 to 31.08.09 |
|--|---------------------------------|---------------------------------|---------------------------------|
| | £ | £ | £ |
| Cash flows from operating activities | | | |
| Revenue account operating loss before finance costs for the period | (341,653) | (361,759) | (965,734) |
| Decrease/(Increase) in other receivables | 4,603,518 | (3,861,014) | (4,377,558) |
| (Decrease)/Increase in other payables | (260,670) | (152,564) | 75,625 |
| Premiums paid | (2,644,328) | (2,683,369) | (6,459,242) |
| Purchase of investments | (105,430) | - | - |
| Proceeds from maturity of investments | 4,520,892 | 4,610,915 | 9,586,000 |
| Currency losses | (767,575) | (132,787) | (3,245,159) |
| Net cash inflow/(outflow) from operating activities | 5,004,754 | (2,580,578) | (5,386,068) |
| Financing activities | | | |
| (Decrease)/Increase in loan account | (4,048,305) | 2,081,030 | 5,652,976 |
| Interest paid | (213,841) | (299,352) | (559,155) |
| Net cash (outflow)/inflow from financing activities | (4,262,146) | 1,781,678 | 5,093,821 |
| Reconciliation of cash flow to movement in net cash | | | |
| Increase/(Decrease) in cash and cash equivalents in the period | 742,608 | (798,900) | (292,247) |
| Cash and cash equivalents at the beginning of the period | 903,849 | 1,196,096 | 1,196,096 |
| Cash and cash equivalents at the end of the period | 1,646,457 | 397,196 | 903,849 |

The notes on pages 20 to 27 are an integral part of these condensed financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the period from 1 September 2009 to 28 February 2010

1 Principal activity

The Company is a Guernsey registered closed-ended protected cell company established with one Cell known as the US Traded Life Interests Fund (the "Fund" or "Cell"). The redeemable participating preference shares (the "Shares") in the Company are listed on the London Stock Exchange. The Company's objective in respect of the Fund is to provide investors with an attractive capital return through investment predominantly in a diversified portfolio of U.S. Traded Life Interests ("TLIs").

2 Principal Accounting Policies

(a) Basis of Preparation

The condensed financial information for the six months ended 28 February 2010 has been prepared in accordance with IAS 34 'Interim Financial Reporting'. The condensed interim financial information should be read in conjunction with the annual financial statements for the period ended 31 August 2009, which have been prepared in accordance with International Financial Reporting Standards.

The accounting policies applied in the condensed financial statements are consistent with those of the annual financial statements for the period ended 31 August 2009, as described in those financial statements.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with 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 historical 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 and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Where such judgements are made they are discussed below.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the period from 1 September 2009 to 28 February 2010

2 Principal Accounting Policies (continued)

(b) Valuation of investments

The Company invests in US Traded Life Interests ("TLIs") which it intends to hold to maturity or until the end of the life of the Fund. All investments are classified as fair value through profit or loss.

Recognition and basis of measurement

Purchases of investments are recognised on a trade date basis and are initially measured at cost, being the consideration given.

Valuation

The methodology adopted by the Directors is designed to reflect the fair value of the policies. This methodology uses a discounted cash flow method.

The value of a TLI policy is the present value of its expected net future cash flows. The calculation uses the following data and mortality rate assumptions provided by the Investment Manager:

- Death benefit payable under the policy;
- Premiums due under the policy;
- Mortality using the 2008 Valuation Basic Table (Ultimate) as adjusted by third party life expectancy assessments and using a 24-month "select period" adjustment; and
- A discount rate derived by the Investment Manager based on the US\$ swap curve plus an appropriate risk premium for each period.

There is inherent uncertainty within this basis of valuation that this valuation will differ from the realisable value of these investments were the TLIs to be sold at the balance sheet date.

De-recognition

The Company de-recognises a financial asset when the contractual rights to cash flows from the financial asset expire. A financial liability is de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

(c) Going concern

The condensed financial statements have been prepared on the going concern basis. The Directors believe that this basis is appropriate as the Company has net assets significantly in excess of its liabilities. The bank loan (see note 12) was extended to 31 January 2011 on 24 February 2010. If the bank loan were to be recalled the Directors believe that the Company could realise sufficient assets over time in order to repay the loan, albeit at prices that would differ from their current balance sheet value.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the period from 1 September 2009 to 28 February 2010

2 Principal Accounting Policies (continued)

(c) Going concern (continued)

The Directors have reviewed the cash flow and projected income and expenses over the next twelve months and deemed that the Company has adequate financial resources to meet its obligations.

| 3 Interest and similar income | 01.09.09 | 01.07.08 | 01.07.08 |
|--------------------------------------|--------------------|--------------------|--------------------|
| | to 28.02.10 | to 31.12.08 | to 31.08.09 |
| | £ | £ | £ |
| Bank deposit interest | 199 | 21,094 | 6,543 |
| Bond interest | 1,779 | - | - |
| Total income | 1,978 | 21,094 | 6,543 |

4 Investment management and management fees

SL Investment Management Limited, the Investment Manager, was appointed under an agreement with the Company and other parties dated 16 March 2004, as amended and restated on 20 July 2004. The agreement may be terminated by either party giving not less than 12 months notice or shorter notice as the parties may agree to accept.

With effect from 1 September 2009 the fee payable to the Investment Manager is 0.475% per annum of the Company's Net Asset Value. With effect from 1 April 2012 the fee will be reduced to 0.4% per annum of the Company's Net Asset Value.

RCM (UK) Limited, the Manager, was appointed under an agreement with the Company dated 16 March 2004 to manage the fixed interest and near cash assets of the Company in accordance with the investment policy and to implement the currency hedging facility from time to time approved by the Directors. Either party giving not less than 12 months notice may terminate the agreement.

With effect from 1 September 2009 the fee payable to the Manager is 0.425% per annum of the Company's Net Asset Value. With effect from 1 April 2012 the fee will be reduced to 0.4% per annum of the Company's Net Asset Value. With effect from 1 September 2009 a separate Agreement was signed between the Company and the Manager for the provision of Administration and Secretarial Services at a fixed fee of £20,000 per annum.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the period from 1 September 2009 to 28 February 2010

| 5 Other expenses | 01.09.09 | 01.07.08 | 01.07.08 |
|-------------------------------------|-------------|-------------|-------------|
| | to 28.02.10 | to 31.12.08 | to 31.08.09 |
| | £ | £ | £ |
| Administration and accountancy fees | 22,560 | 17,585 | 45,594 |
| Broker fees | 21,327 | 3,289 | 29,344 |
| Directors' fees and expenses | 32,261 | 21,906 | 50,993 |
| D&O Insurance | 4,354 | 11,262 | 12,408 |
| Auditors' remuneration | 25,861 | 18,272 | 31,249 |
| Legal fees | 22,276 | 15,529 | 203,370 |
| Printing | 273 | 5,521 | 5,089 |
| Safe custody fees | 4,402 | 4,234 | 15,277 |
| Bank fees and charges | 11,808 | 4,748 | 58,484 |
| Sundry expenses * | 30,089 | 35,676 | 83,261 |
| | 175,211 | 138,022 | 535,069 |

* Sundry expenses include mailing services, tax exempt fees, registrar fees, stock exchange fees and other sundry costs.

6 Taxation

The Company is exempt from Guernsey Income Tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and 1992 and is charged an annual exemption fee of £600 included in sundry expenses.

The Company, as a collective investment scheme, will be able to continue to apply for exempt tax status under the revised company income tax regime that came into effect on 1 January 2008.

Following an Extraordinary General Meeting on 28 August 2009, it was resolved that the Company would adopt UK tax residency from 1 September 2009 onwards. Since that date the Company has been managed in such a way as to meet the conditions for approval in due course as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 in respect of the accounting period commencing on 1 September 2009.

7 (Deficit)/Return per share

Revenue deficit per Share is based on the net deficit attributable to the Shares of £555,494 (December 2008: deficit £661,111, August 2009: deficit £1,524,889) and on the average number of Shares in issue of 40,000,000. Capital deficit per Share is based on the net capital deficit attributable to the Shares of £3,109,863 (December 2008: deficit £196,351, August 2009: return £213,780) and on the average number of Shares in issue of 40,000,000.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the period from 1 September 2009 to 28 February 2010

8 Net Asset Value per Share

The diluted and undiluted net asset value per Share is based on net assets attributable to the Shares of £33,399,239 (December 2008: £37,518,243, August 2009: £37,064,596) and on the 40,000,000 Shares in issue at the period end.

9 Investments

| (a) Investments at fair value through profit or loss | 01.09.09 to 28.02.10 £ | 01.07.08 to 31.12.08 £ | 01.07.08 to 31.08.09 £ |
|---|---------------------------------------|---------------------------------------|---------------------------------------|
| Opening valuation | 58,253,174 | 50,895,244 | 50,895,244 |
| Premiums paid | 2,644,328 | 2,683,639 | 6,459,242 |
| Purchase of investments | 105,430 | - | - |
| Proceeds from the maturities of investments | (4,520,892) | (4,610,915) | (9,586,000) |
| Realised gains on maturities | 2,723,148 | 2,670,192 | 4,664,216 |
| Unrealised movement in (depreciation)/ appreciation on revaluation of investments | (2,065,245) | 14,414,029 | 5,820,472 |
| Closing valuation | 57,139,943 | 66,051,919 | 58,253,174 |
| Comprising:- | | | |
| Closing book cost | 57,666,591 | 55,919,765 | 56,714,577 |
| Closing unrealised (depreciation)/appreciation | (526,648) | 10,132,154 | 1,538,597 |
| Closing valuation | 57,139,943 | 66,051,919 | 58,253,174 |
| (b) Net gain/(loss) on investments held at fair value through profit or loss | 01.09.09 to 28.02.10 £ | 01.07.08 to 31.12.08 £ | 01.07.08 to 31.08.09 £ |
| Realised gain on maturities | 2,723,148 | 2,670,192 | 4,664,216 |
| Unrealised movement in (depreciation)/ appreciation on revaluation of investments | (2,065,245) | 14,414,029 | 5,820,472 |
| | 657,903 | 17,084,221 | 10,484,688 |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the period from 1 September 2009 to 28 February 2010

| 10 Other receivables | 28.02.10 | 31.12.08 | 31.08.09 |
|------------------------------|-----------------|-----------------|-----------------|
| | £ | £ | £ |
| Sundry debtors | 15,640 | 2,879 | 11,348 |
| Maturity proceeds receivable | - | 4,101,442 | 4,609,711 |
| Accrued income | 1,901 | 194 | - |
| | <hr/> | <hr/> | <hr/> |
| | 17,541 | 4,104,515 | 4,621,059 |
| | <hr/> | <hr/> | <hr/> |
| 11 Other payables | 28.02.10 | 31.12.08 | 31.08.09 |
| | £ | £ | £ |
| Accrued expenses | 174,728 | 207,209 | 435,398 |
| | <hr/> | <hr/> | <hr/> |
| | 174,728 | 207,209 | 435,398 |
| | <hr/> | <hr/> | <hr/> |

12 Loan facility

The Company has in place a loan agreement, dated 16 March 2009, with Allied Irish Banks plc. Under this agreement the Company initially borrowed US\$ 28 million as an amortising term loan and could borrow up to US\$ 10 million under a revolving credit facility. As at 31 August 2009, the balances outstanding were US\$ 28 million and US\$ 5,447,000 respectively. (As at 31 December 2008 total borrowings had amounted to US\$ 32 million under a previous agreement with Allied Irish Banks plc).

Since this loan agreement was due to expire on 16 March 2010, on 24 February 2010 it was extended to 31 January 2011 and the US\$ 10 million revolving credit facility renewed. By 28 February 2010, the balance on the amortising term loan had fallen to US\$ 23,156,000 and US\$ 2 million had been drawn down under the revolving credit facility.

The extension and renewal of the agreement did not involve any significant changes to its terms and conditions. Interest is payable on outstanding balances at LIBOR plus 2% in relation to the amortising term loan and at LIBOR plus 2.5% in relation to the revolving credit facility.

It is the Company's intention to repay all loans with proceeds receivable from the maturity of TLIs, but were it necessary, the Company could sell TLIs in order to repay these loans. It is noted that the valuation methodology does not assume sales of TLIs, rather that they would be held to maturity. In the event of a sale, the proceeds received would in all likelihood be lower than the valuation.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the period from 1 September 2009 to 28 February 2010

| 13 Reserves | Capital Reserve | | Revenue | Total |
|---------------------------------|-----------------|--------------|-------------|-------------|
| | Realised | Unrealised | Reserves | |
| | 28.02.10 | 28.02.10 | 28.02.10 | |
| | £ | £ | £ | £ |
| Opening balance | 8,329,265 | (5,940,372) | (4,492,533) | (2,103,640) |
| Realised gain on maturities | 2,723,148 | - | - | 2,723,148 |
| Movement in unrealised | | | | |
| depreciation on investments | - | (2,065,245) | - | (2,065,245) |
| Movement in unrealised currency | | | | |
| loss on forward foreign | | | | |
| currency contracts | - | (3,000,191) | - | (3,000,191) |
| Movement in unrealised | | | | |
| currency losses | - | (767,575) | - | (767,575) |
| Revenue deficit for the period | - | - | (555,494) | (555,494) |
| Closing balance | 11,052,413 | (11,773,383) | (5,048,027) | (5,768,997) |

| | Capital Reserve | | Revenue | Total |
|---------------------------------|-----------------|--------------|-------------|--------------|
| | Realised | Unrealised | Reserves | |
| | 31.12.08 | 31.12.08 | 31.12.08 | |
| | £ | £ | £ | £ |
| Opening balance | 3,665,049 | (1,489,936) | (2,967,644) | (792,531) |
| Realised gain on maturities | 2,670,192 | - | - | 2,670,192 |
| Movement in unrealised | | | | |
| appreciation on investments | - | 14,414,029 | - | 14,414,029 |
| Movement in unrealised currency | | | | |
| loss on forward foreign | | | | |
| currency contracts | - | (12,258,951) | - | (12,258,951) |
| Movement in unrealised | | | | |
| currency losses | - | (5,021,621) | - | (5,021,621) |
| Revenue deficit for the period | - | - | (661,111) | (661,111) |
| Closing balance | 6,335,241 | (4,346,479) | (3,628,755) | (1,649,993) |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the period from 1 September 2009 to 28 February 2010

| 13 Reserves (continued) | Capital Reserve | | Revenue | Total |
|---------------------------------|-----------------|-------------|-------------|-------------|
| | Realised | Unrealised | Reserves | |
| | 31.08.09 | 31.08.09 | 31.08.09 | |
| | £ | £ | £ | £ |
| Opening balance | 3,665,049 | (1,489,936) | (2,967,644) | (792,531) |
| Realised gain on maturities | 4,664,216 | - | - | 4,664,216 |
| Movement in unrealised | | | | |
| appreciation on investments | - | 5,820,472 | - | 5,820,472 |
| Movement in unrealised currency | | | | |
| loss on forward foreign | | | | |
| currency contracts | - | (7,025,749) | - | (7,025,749) |
| Movement in unrealised | | | | |
| currency losses | - | (3,245,159) | - | (3,245,159) |
| Revenue deficit for the period | - | - | (1,524,889) | (1,524,889) |
| Closing balance | 8,329,265 | (5,940,372) | (4,492,533) | (2,103,640) |

14 Related party transactions

Fees earned by the Directors of the Company during the period were £31,397 of which £10,538 was outstanding at the period end (December 2008: £21,530 of which £nil was outstanding at the period end, August 2009 (14 months): £49,584 of which £7,083 was outstanding at the period end).

15 Forward currency contracts

The forward foreign exchange contracts in place have resulted in a balance of unrealised foreign exchange loss of £8,720,808 at the period end (December 2008: £10,953,819 loss, August 2009: £5,720,617 loss). As a result the movement in unrealised foreign exchange loss on forward contracts during the period was a loss of £3,000,191 (December 2008: £12,258,951 loss, August 2009: £7,025,749 loss), which is included under 'Other foreign exchange losses' on the face of the Condensed Income Statement.

The Company also incurred currency foreign exchange losses during the period of £767,575 (December 2008: £5,021,621 loss, August 2009 £3,245,159 loss). These losses arose predominantly on the revaluation of the Company's US\$ denominated borrowings (see Note 12) and are also included under 'Other foreign exchange losses' on the face of the Condensed Income Statement.

In total, the Company incurred foreign exchange losses of £3,767,766 (December 2008: £17,280,572 loss, August 2009: £10,270,908 loss). These losses are offset by the foreign exchange gain made on the underlying portfolio of TLI policies.

