ALTERNATIVE ASSET OPPORTUNITIES PCC LIMITED

HALF YEARLY REPORT
and UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the period from 1 July 2011 to 31 December 2011

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INVESTOR INFORMATION

For the period from 1 July 2011 to 31 December 2011

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 Companies (Guernsey) Law, 1994. 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. The Company is regulated by the Guernsey Financial Services Commission as an authorised fund under the Protection of Investors (Bailiwick of Guernsey) Law, 2008, as amended.

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 Corporation Tax Act 2010, 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.

The interim financial information for the period from 1 July 2011 to 31 December 2011 has not been audited or reviewed in accordance with International Standard on Review Engagement 2410 issued by the Auditing Practices Board. The financial information for the year ended 30 June 2011 is derived from the financial statements delivered to the UK Listing Authority and do not constitute statutory accounts within the meaning of section 243 of The Companies (Guernsey) Law, 2008. The Auditors reported on these accounts, their report was unqualified, although it included an emphasis of matter paragraph in connection with 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 US Traded Life Interests ("TLIs").

INVESTOR INFORMATION (Continued)

For the period from 1 July 2011 to 31 December 2011

Directors
CPG Tracy (Chairman)
DIW Reynolds (Chairman of the Audit Committee)
JPHS Scott
SM Zein

Registered Office
Dorey Court, Admiral Park
St Peter Port, Guernsey, GY1 2HT

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 2HT

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

Recognised Auditor
Deloitte LLP
Regency Court, Glategny Esplanade
St Peter Port, Guernsey, GY1 3HW

Registrar
Capita Registrars (Guernsey) Limited
Mont Crevelt House
Bulwer Avenue
St Sampson
Guernsey, GY2 4LH

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

Banker (UK)
Allied Irish Banks PLC
St Helen's, 1 Undershaft
London EC3A 8AB

Banker (Guernsey)
Kleinwort Benson
(Channel Islands) Limited
Dorey Court, Admiral Park
St Peter Port, Guernsey, GY1 2HT

Custodian
Kleinwort Benson (Guernsey) Limited
Dorey Court, Admiral Park
St Peter Port, Guernsey, GY1 2HT

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
PO Box 98, Carey House
Les Banques, St Peter Port
Guernsey, GY1 4BZ

INVESTOR INFORMATION (Continued)

For the period from 1 July 2011 to 31 December 2011

Directors

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

Charles Tracy, Chairman, (aged 66) 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, President of the Guernsey Tax Tribunal and the Chairman of the Board of the Guernsey Banking Deposit Compensation Scheme. He is a resident of Guernsey.

Ian Reynolds (aged 68) is a former Chief Executive of Commercial Union Life Assurance Company. He is a director of Liverpool Victoria Friendly Society and of The Equitable Life Assurance 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.

John Scott (aged 59) is currently a director of several UK investment trusts and is Chairman of Scottish Mortgage Investment Trust PLC and of Dunedin Income Growth Investment Trust PLC. 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.

Saad Zein (aged 44) is currently Managing Director, Head of Institutional and Corporate Solutions, Americas, of Standard Bank in New York. Mr Zein was formerly a Senior Managing Director of Aladdin Capital Management UK LLP. Prior to this, his career was 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 US resident.

INVESTOR INFORMATION (Continued)

For the period from 1 July 2011 to 31 December 2011

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 Manager

RCM (UK) Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is manager of a number of closed-ended investment companies with approximately £981 million of such assets under management in a range of investment companies and investment trusts as at 31 December 2011. The Manager is responsible for managing the cash and fixed interest holdings of the Fund, and foreign currency hedging.

RESPONSIBILITY STATEMENT

For the period from 1 July 2011 to 31 December 2011

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 Disclosure and Transparency Rule 4.2.7R (indication of important events during the first six months, and their impact on the financial statements, and a 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 Disclosure and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

DIW Reynolds
Director

JPHS Scott
Director

22 February 2012

FINANCIAL HIGHLIGHTS

For the period from 1 July 2011 to 31 December 2011

	01.07.11 to 31.12.11 (6 months)	**01.07.10 to 31.12.10 (6 months)**	**01.07.10 to 30.06.11 (12 months)**
Shares in issue	40,000,000	40,000,000	40,000,000
Net Assets at period end	£30,230,491	£32,593,476	£30,870,466
Net asset value per Share at period end (see note below)	75.6p	81.5p	77.2p
Total deficit on ordinary activities for the financial period per Share	(1.60p)	(1.14p)	(5.45p)
Revenue deficit per Share	(1.28p)	(1.39p)	(2.77p)

The half-yearly financial report has neither been audited nor reviewed by the Company's auditors. The financial information for the period ended 30 June 2011 has been extracted from the audited financial statements for that period.

Dividends

The Directors do not propose a dividend for the period from 1 July 2011 to 31 December 2011.

CHAIRMAN'S STATEMENT

For the period from 1 July 2011 to 31 December 2011

Introduction

This statement covers the six months from 1 July 2011. It has been a period of little progress as regards maturities, but much work has been done on other aspects which the Board feels has significantly improved the Company's longer term outlook.

Portfolio developments

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

Period	40 months	12 months	14 months	10 months	12 months	6 months
Dates	Inception - 30/6/07	1/7/07 - 30/6/08	1/7/08 - 31/8/09	01/9/09 - 30/06/10	1/7/10 - 30/06/11	1/7/10 - 31/12/11
Number of policies matured	7	6	7	4	6	2
Value of policies matured (US$ million)	$9.3m	$3.9m	$14.8m	$10.7m	$12.9m	$1.9m
Premiums paid (US$ million)	$18.8m	$9.0m	$10.5m	$7.3m	$8.4m	$4.2m

During the six month period to 31 December 2011, two policy maturities were identified, with a total face value of US$1.9 million. This compares with 6 policies with a face value of US$12.9 million in the 12 month period to 30 June 2011, and 24 policies with a total face value of US$38.7 million in the period from the Company's launch to 30 June 2010. In contrast to the last full year, when maturity proceeds exceeded premium outflow, the opposite has been the case in this period. The Board's actions with regard to funding are discussed below.

The gains recognised on maturing policies amounted to approximately US$1.1 million in the period, or 1.7p per share. The Net Asset Value per Share as at 31 December 2011 was 75.6p, compared to 77.2p as at 30 June 2011.

As at 31 December 2011 there were a total of 127 policies in the portfolio, with a face value of US$202.8 million and a valuation of US$81.9 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$4.2 million during the half year.

CHAIRMAN'S STATEMENT (Continued)

For the period from 1 July 2011 to 31 December 2011

The Company's forward currency contracts are due to mature on 30 March 2012. These contracts were set up to hedge the net US$ value of the portfolio against sterling. During the period it was agreed by shareholders that the Company would no longer hedge its portfolio and these contracts were subsequently closed out at a loss, resulting in a net funding requirement as of 30 March 2012 of US$11.8 million. (There are corresponding, but unrealised, gains in the sterling value of the US$-based portfolio). Given that the immediate effect of this will be an increase in borrowings to a level which your board feels would be too high, we initiated a programme of policy sales, which is reported on below, with the intention of realising around US$10 million to contain the overall level of indebtedness.

The following paragraphs cover the sales programme and other principal issues facing the Company, that is to say valuation, credit risk, gearing and foreign exchange.

Sales Programme

As at the date of this report, the sale of 12 policies has been agreed, for a total sum of US$10.7 million and proceeds of US$5.9 million had been received, with the balance due in the next few weeks. This sales programme has several important implications.

The Board acknowledges that policy sales potentially reduce returns to investors, since the return on cash in hand is less than the predicted return implicit in the policies' current value; sales also reduce the portfolio spread. The benefits of sales are, however, considerable. In the first place, they greatly improve cash flow, reduce borrowings and considerably assist our negotiations on the Company's borrowing facility. They reduce the size of the facility required, improve the ratio of portfolio value to borrowings, and demonstrate that there is liquidity in the marketplace.

Sales also serve to support the Company's portfolio valuation. I am pleased to report that expected sales proceeds will closely match the Company's carrying valuation on each policy, with total proceeds exceeding 95% of the latest valuation figures. Given current conditions in the TLI market, this is a very satisfactory outcome which has been achieved through a fully competitive bidding process involving several potential counterparties.

A further side benefit of this process has been the obtaining of up to date life expectancy (LE) assessments on the policies offered for sale. As at the date of this report, a total of 72 new assessments have been incorporated into the valuation, representing 73% of the face value of policies. I am pleased to report that the average LE on the policies assessed in 2011 was slightly shorter than our previous assessment. This both improves valuations, since the new LEs will now be used for this purpose, and gives greater overall confidence in the accuracy of LEs in the rest of the portfolio.

Given the recent slow rate of maturities, this new information is important in that it points strongly to slow maturities being the result of random mortality variations in a fairly small portfolio of lives rather than any underlying error in LE assumptions.

CHAIRMAN'S STATEMENT (Continued)

For the period from 1 July 2011 to 31 December 2011

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 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.

I have commented on the outcome of recent LE assessments. A total of 65 policies within the portfolio have now been re-assessed within the last 12 months, with the results incorporated into recent valuations. Given the significant number of re-assessments, the Board will keep under review its policy in relation to further re-assessments. The table overleaf allows investors to consider the effects of differing LE assumptions, although the number of recent re-assessments and the generally positive outcome provide significant confidence to the LEs currently used for valuation.

There has been no material change in the mortality tables since my last report.

The valuation model currently uses an IRR of 12%, intended to reflect market pricing in an admittedly thin market. Given that interest rates are now low, and are likely to remain stable, this implies a significant risk premium above current interest rates. There is some evidence that distressed sellers are no longer the main factor in the market, and that there is, as recent sales have demonstrated, some new money being invested in TLIs. Recent sales have also given some support to the use of a 12% IRR, but it must be cautioned that information on market trades is closely guarded and the volume of trades carried out by the Investment Manager is insufficient to give a representative sample of trades on a non-distressed basis. The Board thus continues to believe that the 12% IRR assumption remains appropriate, but, as before, is providing information on the effect of differing IRRs in the table below.

The table is expressed in terms of NAV per share (based on IRR to an assumed maturity date):

- The first line of NAVs in the new table uses the 'Latest LE' assumption, that is to say either an LE based on a recently updated assessment or, for the remaining 27% of the portfolio by face value the 'non-updated policies'), based on the original LE assessed at the time of purchase. The average LE (weighted by policy value) is given for reference (4.7 years). NAV is then shown at four different discount rates, ranging from 10% to 20%. This shows the effect of IRR on current value, but it also allows investors to assess the effects of forced sales if, for example, the portfolio was to be liquidated before 31 December 2016.

- The second line uses the assumption that updated LEs obtained for the non-updated policies would result in an LE increase of 20% on the non-updated policies. In practice, the LE changes exhibited by recent assessments on average show a decrease in LE, but outcomes vary widely and the Board does not feel it is necessarily correct to extrapolate the recent changes for the non-updated policies. The overall effect of this assumption is to increase average LE by 0.2 years.

CHAIRMAN'S STATEMENT (Continued)

For the period from 1 July 2011 to 31 December 2011

Valuation (continued)

- The third line assumes an increase in LE of 40% on the non-updated policies. The effect on NAV is roughly proportionate to that shown in the second line, but the increase in LE is only 0.1 years because of the fact that policies are weighted by value – such an extension to LE of course has significant impact on the values of some of these policies.

- Finally, the fourth line shows the outcome of assuming LEs are simply based on the current table of life expectancies for the general population, the 2008 Valuation Basic Table (Ultimate), i.e. ignoring LE assessments. The Board does not suggest that this is a realistic assumption, but it gives a measure of the degree to which the portfolio is dependent on assessed LEs being shorter than for the population as a whole.

Sensitivity Matrix

Net Asset Value in pence per share on various assumptions as at 31 December 2011

Mortality Assumptions	Weighted Average LE*	Discount Rates applied to cash flows			
		10%	Current (12%)	16%	20%
Latest LE	4.67	82.4	74.6	62.0	51.9
+20% for LE dates before 01/11/2008	4.85	75.0	67.4	55.2	45.4
+40% for LE dates before 01/11/2008	4.94	68.5	61.2	49.4	40.1
No underwriting	5.58	62.3	54.5	42.2	32.5

* The weighted average LE (in years) is calculated by reference to the policy values obtained.

Note that all scenarios exclude the 12 policies the Board has agreed to be sold. For the purposes of the scenarios, the value of the policies is included as cash at the agreed sale price of US$10.7m.

Gearing

During the six month period to 31 December 2011 the Company's total borrowings rose from US$21,093,000 to US$25,193,000. The Company's borrowing agreement with Allied Irish Banks plc ("AIB") has been extended until 30 March 2012, and is currently under review. AIB's renewal process has become a longer and more complex procedure, and discussions with AIB commenced at the end of 2011. Renewal will need to take account of the change in borrowings required as a result of the maturity of the forward currency contracts on 30 March 2012, net of the proceeds of sales, as discussed above. The Board will keep shareholders informed of the outcome, but a low level of maturities may require some further policy sales to keep borrowings within agreed limits.

CHAIRMAN'S STATEMENT (Continued)

For the period from 1 July 2011 to 31 December 2011

Hedging

As stated above, the Company has changed its investment policy and no longer hedges its US dollar exposure. Accordingly, a net US$54.2 million was bought forward for 30 March 2012 during the period, compared with an initial short position of US$66 million. This leaves a balance of US$11.8 million for settlement on that date, which will cover the realised loss on all the Company's outstanding forward currency positions.

At 31 December 2011, the Company's net US dollar exposure amounted to US$46.8 million, being the carrying value of policies, US$81.9 million, plus cash of US$1.9 million, less the loan outstanding of US$25.2 million and less the above US$11.8 million.

Related Party Transactions

There have been no changes to the related party arrangements or transactions as reported in the statutory Annual Financial Report for the year ended 30 June 2011.

Statement of Principal Risks and Uncertainties

The Company's assets consist mainly of US Traded Life Interests and its principal risks are market and longevity risk, currency risk, interest rate risk and credit risk. These risks, and the way they are managed, are described in more detail within the Directors' Report in the Company's Annual Financial Report for the year ended 30 June 2011. The Company's principal risks and uncertainties have not changed since the date of that report. The credit rating of the underlying insurance companies issuing the TLI policies in the portfolio remains good with 99.5% rated A or better by AM Best.

FSA Consultation on TLIs

On 28 November 2011 the FSA issued a Guidance Consultation on Traded Life Policy Investments (which this Company refers to as TLIs) recommending that TLIs should not reach retail investors in the UK. While the Company does not actively market itself to retail investors, it responded to the FSA on 23 January 2012 since in the Board's view some of the FSA's comments were inaccurate. As at the date of this report, no formal guidance on TLIs has been issued by the FSA and recent policy sales, which took place immediately after the Consultation paper was issued, have not been affected.

Outlook

The past six months has been a period of considerable activity, as the Board has on the one hand taken steps to analyse why the level of maturities has been at an abnormally low level, and on the other hand it has been looking at all options for safeguarding the solvency of the Company in the event that maturities do not in the short term return to somewhere near the levels predicted by the actuarial assessment. Meanwhile the emergence of a more liquid market is both useful and encouraging. The Board does not rule out further policy sales, but it remains of the view that, other things being equal, the best approach for the conservation of shareholder value is to hold policies to maturity rather than seek early liquidation.

CPG Tracy

Chairman

22 February 2012

INVESTMENT MANAGER'S REVIEW

For the period from 1 July 2011 to 31 December 2011

Market Review

The ongoing global financial turbulence continued to feed nervousness, resulting in investors tending to favour better-understood traditional investment classes. The supply of bank credit also remained tight as Banks looked to strengthen their capital positions. This has resulted in a difficult environment in which to raise new investment capital into the life settlement market.

A large proportion of transactions during 2011 were therefore trades in the tertiary market, as existing holders of Life Settlement policies looked to raise liquidity to fund future premium commitments. The relatively low level of demand has enabled buyers to be more selective with their purchasing criteria. There remains almost no market for premium finance or beneficial interest policies at present.

However, there are signs that conditions are improving, with a number of new players emerging in the second half of the year. The Company has taken advantage of this by agreeing some policy sales at prices very close to the prevailing valuation level.

The credit ratings of US life companies remain stable, with only one Life Company rating change affecting AAO during the period. Reassure American Life Insurance Company was upgraded from A to A+ in December 2011, affecting one policy in the portfolio. 99.5% of the portfolio is split across life companies currently possessing an AM Best rating of A or higher. The investments in the AAO 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 July 2011 to 31 December 2011 two policy maturities (one female life) were confirmed, releasing US$1.9m in death benefits. As at 31 December 2011, 127 policies were in the Fund's portfolio secured on 107 individual lives.

From inception to 31 December 2011, there have been 32 policy maturities across 27 lives. Proceeds from these maturities total US$53.8m, realising a US$25.9m gain.

The expected cost of premiums for the remaining six months of the year ending 30 June 2012 is US$4.5m. In the following 12-month accounting period ending 30 June 2013, scheduled premium commitments are US$9.6m, assuming no maturities during this time. SL Investment Management continues the ongoing review of all policy statements to identify any scope for further optimisation of the premium payment schedules.

The Company continues to update Life Expectancies (LEs) for policies in the portfolio. During the 6 month period, updated LEs were received for lives affecting 54 policies in the portfolio. As at 31 December 2011, policies equating to 72.9% of the total net death benefit are valued using LEs dated after the LE re-basis in 2008. The LE update programme will continue during 2012.

INVESTMENT MANAGER'S REVIEW (Continued)

For the period from 1 July 2011 to 31 December 2011

Portfolio Summary

Death Benefits	US$203m
Investment Value	US$82m
Male/Female Ratio	63%/37%
Number of Holding Life Companies	30

Averages weighted by Death Benefits

Age at purchase	82.2 years
Age at valuation (31/12/11)	88.5 years
Pricing Life Expectancy at purchase	7.7 years
Current Life Expectancy (31/12/11)	4.9 years

Life Group (Parent Company) Distribution (Top 5)

Ranking by Valuation	Parent Company	% Total Death Benefits	% Investment Value
1	Lincoln Financial Group	18.3%	17.8%
2	AIG Life Group	17.8%	17.8%
3	AEGON USA Group	13.4%	14.0%
4	MassMutual Financial Group	9.5%	10.0%
5	Manulife Financial Group	8.3%	7.9%

Credit Quality Distribution by Holding Life Company

AM Best Rating	% Total Death Benefits	% Investment Value
A++	13.2%	13.9%
A+	57.7%	54.0%
A	28.5%	31.6%
A-	0.5%	0.4%
B++	0.0%	0.0%
B+	0.1%	0.1%

Minimum rating in portfolio: B+

INVESTMENT MANAGER'S REVIEW (Continued)

For the period from 1 July 2011 to 31 December 2011

Outlook

For the early months of 2012, the life settlement market is likely to mirror the activity level witnessed in late 2011. Active buyers tend to target policies available from the tertiary market ahead of sourcing policies on the secondary market. The attraction of buying policies in bulk and the often shorter closing process for tertiary deals are an added incentive. However, there is only a limited supply of quality tertiary policies and if demand increases, the competition for policies should drive prices up and also force investors to widen their buying parameters. Activity is therefore expected to increase as we move through the year.

SL Investment Management is aware of a number of life settlement-dedicated Funds that have recently launched or are expecting to launch soon. These types of investors will have a mandate to deploy their capital in a more consistent manner than the opportunistic private equity and hedge funds prevalent in early 2011. It is likely that during 2012, these Funds will replace the opportunistic buyers.

Holding a well diversified seasoned portfolio with an average life insured age of 88.5 years, the Company holds assets most likely to appeal to new buyers in the market. AAO is therefore well placed to benefit from an upturn in activity in 2012.

SL Investment Management Limited

22 February 2012

MANAGER'S REVIEW

For the period from 1 July 2011 to 31 December 2011

Borrowings and Investments

In September 2011, the Company renewed its loan agreement with Allied Irish Banks, covering the period to 30 March 2012. This agreement consists of an amortising loan of US$23.1 million and a revolving credit facility (RCF) initially of US$5.9 million. By 31 December 2011, the amortising loan still stood at US$23.1 million, while the balance on the RCF was US$2.1 million.

Since the period-end, the Company has repaid US$6.3 million from the sale of policies. As a result, the total loan balance now stands at US$18.9 million, and once the final US$1.9 million available under the RCF is drawn down the Company will hold enough cash to fund its premium payments and expenses until 30 March 2012.

Under the agreement, the primary covenant obliges the Company to maintain cover (i.e. asset value, subject to certain adjustments, divided by borrowing) above 2.5 times. As at 31 December 2011 cover was 2.8 times.

The Company is negotiating a renewal of the loan agreement with Allied Irish Banks to cover its financing needs beyond 30 March 2012.

The Company has retained its £100,000 holding of UK Treasury 4% 2016.

Currency Hedging

At an Extraordinary General Meeting in September 2011, it was resolved no longer to hedge the Company's US dollar exposure. Accordingly, the Company closed out its forward currency contracts, crystallising a loss of £7.4 million for settlement on 30 March 2012.

Since this loss will be funded by US dollar borrowing, the Company has now covered this by means of a forward purchase of £7.5 million from US dollars, also for 30 March 2012. As a result, the Company is due to deliver US$11.8 million to Allied Irish Banks on that date, and the loan negotiation, referred to above, recognises this funding requirement.

RCM (UK) Limited

22 February 2012

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 July 2011 to 31 December 2011

	Notes	01.07.11 to 31.12.11 Revenue £	01.07.11 to 31.12.11 Capital £	01.07.11 to 31.12.11 Total £	01.07.10 to 31.12.10 Revenue £	01.07.10 to 31.12.10 Capital £	01.07.10 to 31.12.10 Total £	*01.07.10 to 30.06.11 Revenue £*	*01.07.10 to 30.06.11 Capital £*	*01.07.10 to 30.06.11 Total £*
Operating income										
Net gains/(losses) on investments	9	-	1,354,486	1,354,486	-	(2,264,736)	(2,264,736)	*-*	*(4,999,872)*	*(4,999,872)*
Other foreign exchange (losses)/gains	13	-	(1,480,540)	(1,480,540)	-	2,363,616	2,363,616	*-*	*3,928,695*	*3,928,695*
Interest and similar income	3	2,088	-	2,088	2,143	-	2,143	*4,300*	*-*	*4,300*
		2,088	(126,054)	(123,966)	2,143	98,880	101,023	*4,300*	*(1,071,177)*	*(1,066,877)*
Operating expenses										
Management fee	4	(64,743)	-	(64,743)	(71,307)	-	(71,307)	*(136,400)*	*-*	*(136,400)*
Investment manager's fee	4	(61,520)	-	(61,520)	(80,504)	-	(80,504)	*(155,097)*	*-*	*(155,097)*
Custodian fee		(7,573)	-	(7,573)	(9,384)	-	(9,384)	*(22,178)*	*-*	*(22,178)*
Other expenses	5	(212,023)	-	(212,023)	(186,283)	-	(186,283)	*(405,284)*	*-*	*(405,284)*
Total operating expenses before finance costs		(345,859)	-	(345,859)	(347,478)	-	(347,478)	*(718,959)*	*-*	*(718,959)*
Operating (loss)/profit before finance costs		(343,771)	(126,054)	(469,825)	(345,335)	98,880	(246,455)	*(714,659)*	*(1,071,177)*	*(1,785,836)*
Finance costs										
Loan interest payable	12	(170,150)	-	(170,150)	(209,439)	-	(209,439)	*(393,068)*	*-*	*(393,068)*
Net (deficit)/return		(513,921)	(126,054)	(639,975)	(554,774)	98,880	(455,894)	*(1,107,727)*	*(1,071,177)*	*(2,178,904)*
(Deficit)/Return per share	7	(1.28p)	(0.32p)	(1.60p)	(1.39p)	0.25p	(1.14p)	*(2.77p)*	*(2.68p)*	*(5.45p)*

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 22 to 31 are an integral part of these condensed financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	31.12.11 £	31.12.10 £	*30.06.11 £*
Non-current assets				
Financial assets at fair value through profit or loss	9	52,821,633	52,501,609	*50,027,517*
Current assets				
Cash and cash equivalents		1,272,139	2,432,538	*692,721*
Other receivables	10	9,547	2,891,130	*21,844*
		1,281,686	5,323,668	*714,565*
Total assets		54,103,319	57,825,277	*50,742,082*
Current liabilities				
Bank loan	12	16,208,366	17,324,918	*13,139,390*
Other payables	11	159,591	164,310	*228,630*
Fair value of forward currency contracts	9	7,504,871	-	*6,503,596*
		23,872,828	17,489,228	*19,871,616*
Non-current liabilities				
Fair value of forward currency contracts	9	-	7,742,573	*-*
Total liabilities		23,872,828	25,231,801	*19,871,616*
Net assets attributable to shareholders	13	30,230,491	32,593,476	*30,870,466*
Total equity and liabilities (including amounts due to shareholders)		54,103,319	57,825,277	*50,742,082*
Net asset value per share	8	75.6p	81.5p	*77.2p*

These condensed financial statements were approved by the Board of Directors on 22 February 2012.

Signed on behalf of the Board.

DIW Reynolds
Director

JPHS Scott
Director

22 February 2012

The notes on pages 22 to 31 are an integral part of these condensed financial statements.

CONDENSED STATEMENT OF CHANGES IN REDEEMABLE PARTICIPATING PREFERENCE SHAREHOLDERS' FUNDS

For the period from 1 July 2011 to 31 December 2011

	Share Premium £	Capital Reserve £	Revenue Reserve £	Total £
At 1 July 2010	39,168,236	(713,361)	(5,405,505)	33,049,370
Deficit for the period	-	98,880	(554,774)	(455,894)
At 31 December 2010	39,168,236	(614,481)	(5,960,279)	32,593,476
Deficit for the period	-	(1,170,057)	(552,953)	(1,723,010)
At 30 June 2011	39,168,236	(1,784,538)	(6,513,232)	30,870,466
Deficit for the period	-	(126,054)	(513,921)	(639,975)
At 31 December 2011	39,168,236	(1,910,592)	(7,027,153)	30,230,491

The notes on pages 22 to 31 are an integral part of these condensed financial statements.

CONDENSED STATEMENT OF CASH FLOWS

For the period from 1 July 2011 to 31 December 2011

	01.07.11 to 31.12.11 £	01.07.10 to 31.12.10 £	*01.07.10 to 30.06.11 £*
Cash flows from operating activities			
Revenue account operating loss before finance costs for the period	(343,771)	(345,335)	*(714,659)*
(Increase) /Decrease in other receivables	12,297	(2,872,668)	*(3,382)*
Decrease in other payables	(69,039)	(85)	*64,235*
Premiums paid	(2,659,842)	(2,959,535)	*(5,213,997)*
Proceeds from maturity of investments	1,220,212	6,320,648	*8,314,046*
Net cash (outflow)/inflow from operating activities	(1,840,143)	143,025	*2,446,263*
Financing activities			
Increase/(Decrease) in bank loan	3,068,976	1,234,144	*(2,951,384)*
Interest paid	(170,150)	(209,439)	*(393,068)*
Net cash inflow/(outflow) from financing activities	2,898,826	1,024,705	*(3,344,452)*
Reconciliation of cash flow to movement in net cash			
Increase/(Decrease) in cash and cash equivalents in the period	1,058,683	1,167,730	*(898,189)*
Cash and cash equivalents at the beginning of the period	692,721	669,700	*669,700*
Effects of foreign exchange	(479,265)	595,108	*921,210*
Cash and cash equivalents at the end of the period	1,272,139	2,432,538	*692,721*

The notes on pages 22 to 31 are an integral part of these condensed financial statements.

PORTFOLIO OF INVESTMENTS

As at 31 December 2011

Traded Life Interests (TLIs)

Issuer	Number of Policies	Valuation £	Portion of Portfolio %	AM Best Rating
American General Life Insurance Company	13	9,358,119	17.7	A
Lincoln National Life Insurance Company	16	8,416,048	15.9	A+
Transamerica Occidental Life Insurance Company	21	7,375,381	14.0	A+
Massachusetts Mutual Life Insurance Company	9	5,276,222	10.0	A++
John Hancock Life Insurance Company	11	4,178,681	7.9	A+
Aviva Life and Annuity Company	5	2,385,241	4.5	A
MetLife Insurance Company of Connecticut	8	2,330,476	4.4	A+
New York Life Insurance and Annuity Corp	6	2,035,727	3.9	A++
Security Life of Denver Insurance Company	1	1,806,358	3.4	A
National Western Life Insurance Company	1	1,328,042	2.5	A
Pacific Life Insurance Company	4	995,188	1.9	A+
Lincoln Life & Annuity Company of NY	2	968,888	1.8	A+
AXA Equitable Life Insurance Company	4	931,592	1.8	A+
Genworth Life Insurance Company	1	853,955	1.6	A
MONY Life Insurance Company of America	2	805,223	1.5	A+
Columbus Life Insurance Company	2	563,801	1.1	A+
Lincoln Benefit Life Company	1	439,068	0.8	A+
North American Company for L & H Insurance	2	425,682	0.8	A+
Sun Life Assurance Company of CA	2	346,095	0.7	A+
Aviva Life and Annuity Company of NY	2	342,592	0.7	A
United of Omaha Life Insurance Company	2	302,459	0.6	A+
Banner Life Insurance Company	2	247,229	0.5	A+
ING Life Insurance and Annuity Company	2	219,668	0.4	A
ReliaStar Life Insurance Company	2	219,244	0.4	A
Security Mutual Life Insurance Company of NY	1	160,014	0.3	A-
Standard Insurance Company	1	148,608	0.3	A
Reassure America Life Insurance Company	1	76,192	0.1	A+
General American Life Insurance Company	1	69,735	0.1	A+
Phoenix Life Insurance Company	1	61,118	0.1	B+
Beneficial Life Insurance Company	1	40,697	0.1	A-
		52,707,343	99.8	

	Nominal	Valuation £	Portion of Portfolio %
UK Treasury 4% 7 September 2016	100,000	114,290	0.2%
		114,290	0.2%
Portfolio Total		**52,821,633**	**100.00%**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the period from 1 July 2011 to 31 December 2011

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 US Traded Life Interests ("TLIs").

2 Principal Accounting Policies

(a) Basis of Preparation

Statement of compliance

The condensed financial information for the six months ended 31 December 2011 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 year ended 30 June 2011, 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 year ended 30 June 2011, as described in those financial statements.

Basis of measurement

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investments and derivatives, as detailed above

The financial statements have been prepared on a total company basis and not on a cell- by-cell basis as there is currently only one cell. The only non-cellular assets and liabilities are in respect of the two management shares of no par value issued at £1 each fully paid represented by cash at bank. As they are immaterial they have been excluded from the financial statements.

Functional and Presentational Currency

The financial information shown in the financial statements is shown in sterling, being the Company's functional and presentational currency. The exchange rate used for these financial statements was 1.5543 (2010:1.5612).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the period from 1 July 2011 to 31 December 2011

2 Principal Accounting Policies (continued)

(a) Basis of Preparation (continued)

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.

(b) Valuation of investments

US Traded Life Interest Investments

The Company primarily invests in US Traded Life Interests ("TLIs") which it intends to hold to maturity or until the end of the life of the Fund, unless sales are required to meet cash flow demands. The Company has only invested in Whole of Life and Universal Life policies. All TLI investments are classified as fair value through profit and 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

As the market for TLIs is thin, and there is little published information on these investments, there are no reliable market prices. The TLIs are valued monthly at the Directors' discretion. The methodology adopted by the Directors intends 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 net expected future cash flows. The calculation uses the following data and 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 using a 24-month 'select period' adjustment and the most recent life expectancy for each policy; and
- An estimate of a market based discount rate derived by the Investment Manager.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the period from 1 July 2011 to 31 December 2011

2 Principal Accounting Policies (continued)

(b) Valuation of investments (continued)

Valuation (continued)

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 reporting date.

United Kingdom Gilts

The Company has also invested in a United Kingdom Gilt ("UK Gilt") which it intends to hold to maturity or until the end of the life of the Fund. The UK Gilt is classified as fair value through profit and loss.

Recognition and basis of measurement

Purchases of UK Gilts are recognised on a trade date basis and are initially held at cost, being the consideration given.

Valuation

The UK Gilt is valued monthly at the clean bid market price available for the stock at each valuation date. Accrued interest is included within sundry debtors.

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 30 March 2012 on 28 September 2011. The Directors have submitted a request to AIB to extend the agreement for a further twelve months.

The Board considered carefully the issue of 'going concern', specifically in relation to the availability of funding. Total borrowings under the agreement with AIB increased to circa US$25.2 million as at 31 December 2011 from circa US$21.1 million as at 30 June 2011. At this level the margin of cover required under the agreement was comfortably met.

As described in note 9 (c), the unrealised loss on the Company's forward currency contracts, which stood at £7.5m as at 31 December 2011, will need to be funded on 30 March 2012 as the contracts mature on this date. As detailed in note 15, at the date of this report, the sale of 12 policies had been agreed, for a total sum of US$10.7 million.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the period from 1 July 2011 to 31 December 2011

2 Principal Accounting Policies (continued)

(c) Going concern (continued)

The Board has considered the position should AIB not renew the agreement. Acknowledging that this might involve the sale of further policies in an illiquid market, the Board is nevertheless confident that the sales required to cover outstanding borrowings could be completed. To the extent that the prices achieved did not match those in the valuation, the net asset value of the Company would be affected, but the Company would remain a going concern.

A continuation vote will be put to the Shareholders at the next Annual General Meeting in late 2012. While the Directors cannot be certain what the results of this vote will be, the financial statements are prepared on a going concern basis supported by the Directors' current assessment of the Company's ability to continue in existence for the foreseeable future and ongoing shareholder interest in the continuation of the Company. Based on the above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and they continue to adopt the going concern basis.

3 Interest and similar income

	01.07.11 to 31.12.11 £	**01.07.10 to 31.12.10 £**	***01.07.10 to 30.06.11 £***
Bank deposit interest	74	122	*300*
Bond interest	2,014	2,021	*4,000*
Total income	2,088	2,143	*4,300*

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.

Since 1 September 2009 the fee payable to the Investment Manager has been 0.475% per annum of the Company's net assets attributable to the Fund. With effect from 1 April 2012 the fee will be reduced to 0.4% per annum of the Company's net assets attributable to the Fund.

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. This agreement may be terminated by either party giving not less than 12 months notice.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the period from 1 July 2011 to 31 December 2011

4 Investment management and management fees (continued)

With effect from 1 September 2009 the fee payable to the Manager has been 0.425% per annum of the Company's net assets attributable to the Fund. With effect from 1 April 2012 the fee will be reduced to 0.4% per annum of the Company's net assets attributable to the Fund. 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.

With effect from 1 September 2009 the Administration Agreement between the Company and Kleinwort Benson (Channel Islands) Fund Services Limited (formerly Kleinwort Benson (Guernsey) Fund Services Limited) dated 16 March 2004 was amended to a fixed fee of £50,000 per annum.

5 Other expenses

	01.07.11 to 31.12.11 £	**01.07.10 to 31.12.10 £**	***01.07.10 to 30.06.11 £***
Administration and accountancy fees	25,208	22,767	*52,151*
Secretarial fees	10,081	10,082	*28,164*
Broker fees	21,000	31,653	*48,050*
Directors' fees and expenses	39,396	38,486	*75,945*
D&O Insurance	4,194	5,236	*10,794*
Auditors' remuneration	17,334	17,430	*32,716*
Legal and professional fees	9,088	-	*10,200*
Printing	1,273	1,383	*1,869*
Safe custody fees	9,026	14,023	*23,170*
Loan facility fees	27,904	7,477	*42,783*
Registrar fees	4,771	6,524	*11,862*
Sundry expenses *	42,748	31,222	*67,580*
	212,023	186,283	*405,284*

* 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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the period from 1 July 2011 to 31 December 2011

6 Taxation (continued)

The Company adopted 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 as an investment trust under Section 1158 of the Corporation Tax Act 2010. Accordingly, no UK tax has been provided for. The Company was approved by HM Revenue & Customs as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 for the period from 1 September 2009 to 30 June 2010. The Company will continue to seek approval under Section 1158 of the Corporation Tax Act 2010 each year.

7 Return per share

Revenue deficit per Share is based on the net deficit attributable to the Shares of £513,921 (December 2010: deficit £554,774, June 2011: deficit £1,107,727) and on the average number of Shares in issue of 40,000,000. Capital return per Share is based on the net capital deficit attributable to the Shares of £126,054 (December 2010: return £98,880, June 2011: deficit £1,071,177) and on the average number of Shares in issue of 40,000,000.

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 £30,230,491 (December 2010: £32,593,476, June 2011: £30,870,466) and on the 40,000,000 Shares in issue at the period end.

9 Investments

(a) Investments at fair value through profit or loss

	01.07.11 to 31.12.11 £	**01.07.10 to 31.12.10 £**	***01.07.10 to 30.06.11 £***
Opening valuation	50,027,517	58,127,458	*58,127,458*
Premiums paid	2,659,842	2,959,535	*5,213,977*
Proceeds from the maturities of investments	(1,220,212)	(6,320,648)	*(8,314,046)*
Realised gains on maturities	676,182	1,443,212	*2,381,422*
Unrealised movement in depreciation on revaluation of investments	678,304	(3,707,948)	*(7,381,294)*
Closing valuation	52,821,633	52,501,609	*50,027,517*
Comprising:-			
Closing book cost	59,942,550	56,627,484	*57,826,738*
Closing unrealised depreciation	(7,120,917)	(4,125,875)	*(7,799,221)*
Closing valuation	52,821,633	52,501,609	*50,027,517*

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the period from 1 July 2011 to 31 December 2011

9 Investments (continued)

(b) Net gain/(loss) on investments held at fair value through profit or loss

	01.07.11 to 31.12.11 £	01.07.10 to 31.12.10 £	*01.07.10 to 30.06.11 £*
Realised gain on maturities	676,182	1,443,212	*2,381,422*
Unrealised movement in depreciation on revaluation of investments	678,304	(3,707,948)	*(7,381,294)*
	1,354,486	(2,264,736)	*(4,999,872)*

(c) Derivative financial instruments

Forward currency contracts

As at 31 December 2011

Outstanding contracts	Average exchange rate	Contract amount USD	Contract amount GBP	Fair Value GBP
Buy GBP	1.7865	90,329,000	50,563,246	(7,597,407)
Sell GBP	1.5559	(78,500,000)	(50,451,538)	92,536
		11,829,000	111,708	(7,504,871)

As at 31 December 2010

Outstanding contracts	Average exchange rate	Contract amount USD	Contract amount GBP	Fair Value GBP
Buy GBP	1.8229	78,500,000	43,063,246	(7,453,746)
Sell GBP	1.4644	(7,500,000)	(5,121,551)	(288,827)
		71,000,000	37,941,695	(7,742,573)

As at 30 June 2011

Outstanding contracts	Average exchange rate	Contract amount USD	Contract amount GBP	Fair Value GBP
Buy GBP	1.8229	78,500,000	43,063,246	(5,964,638)
Sell GBP	1.4967	(12,500,000)	(8,351,526)	(538,958)
		66,000,000	34,711,720	(6,503,596)

Since its formation the Company has entered into a number of forward sales and purchases of US dollars in sterling. At the period end there were thirteen outstanding forward currency contracts for the sale of US$90.329 million against sterling maturing 30 March 2012 and five contracts for the purchase of US$78.5 million against sterling maturing 30 March 2012.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the period from 1 July 2011 to 31 December 2011

10 Other receivables

	31.12.11	31.12.10	*30.06.11*
	£	£	*£*
Sundry debtors	8,279	7,461	*21,844*
Maturity proceeds receivable	-	2,882,398	-
Accrued income	1,268	1,271	-
	9,547	2,891,130	*21,844*

11 Other payables

	31.12.11	31.12.10	*30.06.11*
	£	£	*£*
Accrued expenses	159,591	164,310	*228,630*
	159,591	164,310	*228,630*

12 Loan facility

As at 31 December 2011, under its loan agreement with Allied Irish Banks, the Company had an amortising term loan of US$23,093,000 (31 December 2010: US$23,156,000, 30 June 2011:US$20,292,000) and a revolving credit balance of US$2,100,000 (31 December 2010: US$3,900,000, 30 June 2011: US$800,000) at 31 December 2011 making a total loan balance of US$25,193,000 (£16,208,366) (31 December 2010: US$27,048,000, 30 June 2011: US$21,092,000). Under the revolving credit facility a further US$1,900,000 remained available (31 December 2010: US$ nil, 30 June 2011: US$2,000,000).

The loan agreement with AIB is due to expire on 30 March 2012. The Company has submitted a request to AIB to extend the agreement.

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 the sale of TLIs, rather that they would be held to maturity. In the event of a sale in current market conditions, the proceeds are likely to be lower than the valuation.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the period from 1 July 2011 to 31 December 2011

13 Net assets attributable to shareholders

	Share Premium 2011 £	Capital Reserve Realised 2011 £	Capital Reserve Unrealised 2011 £	Revenue Reserves 2011 £	Total 2011 £
Balance at 1 July 2011	39,168,236	14,311,919	(16,096,457)	(6,513,232)	30,870,466
Realised gain on maturities	-	676,182	-	-	676,182
Movement in unrealised depreciation on investments	-	-	678,304	-	678,304
Movement in unrealised currency loss on forward foreign currency contracts	-	-	(1,001,275)	-	(1,001,275)
Movement in unrealised currency losses	-	-	(479,265)	-	(479,265)
Revenue loss for the period	-	-	-	(513,921)	(513,921)
Balance at 31 December 2011	39,168,236	14,988,101	(16,898,693)	(7,027,153)	30,230,491

	Share Premium 2010 £	Capital Reserve Realised 2010 £	Capital Reserve Unrealised 2010 £	Revenue Reserves 2010 £	Total 2010 £
Balance at 1 July 2010	39,168,236	11,930,497	(12,643,858)	(5,405,505)	33,049,370
Realised gain on maturities	-	1,443,212	-	-	1,443,212
Movement in unrealised depreciation on investments	-	-	(3,707,948)	-	(3,707,948)
Movement in unrealised currency loss on forward foreign currency contracts	-	-	1,768,508	-	1,768,508
Movement in unrealised currency losses	-	-	595,108	-	595,108
Revenue loss for the period	-	-	-	(554,774)	(554,774)
Balance at 31 December 2010	39,168,236	13,373,709	(13,988,190)	(5,960,279)	32,593,476

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the period from 1 July 2011 to 31 December 2011

13 Net assets attributable to shareholders

		Capital Reserve			
	Share Premium 2011 £	**Realised 2011 £**	**Unrealised 2011 £**	**Revenue Reserves 2011 £**	**Total 2011 £**
Balance at 1 July 2010	39,168,236	11,930,497	(12,643,858)	(5,405,505)	33,049,370
Realised gain on maturities	-	2,381,422	-	-	2,381,422
Movement in unrealised depreciation on investments	-	-	(7,381,294)	-	(7,381,294)
Movement in unrealised currency loss on forward foreign currency contracts	-	-	3,007,485	-	3,007,485
Movement in unrealised currency losses	-	-	921,210	-	921,210
Revenue loss for the year	-	-	-	(1,107,727)	(1,107,727)
Balance at 30 June 2011	39,168,236	14,311,919	(16,096,457)	(6,513,232)	30,870,466

14 Related party transactions

Fees earned by the Directors of the Company during the period were £36,155 of which £8,604 was outstanding at the period end (December 2010: £38,486 of which £18,395 was outstanding at the period end; June 2011 £73,757 of which £6,441 was outstanding at the year end). Allowable expenses claimed by the Directors in the course of their duties amounted to £3,241 for the period ended 31 December 2011. Fees earned by the Investment Manager, Manager and Administrator are discussed in note 4.

15 Events after the reporting date

As at the date of this report, the sale of 12 policies has been agreed, for a total sum of US$10.7 million, and proceeds of US$5.9 million had been received, with the balance due in the next few weeks.