

ANALYSIS OF EEA FINANCIAL SUMMARY 2006 - 2016**Table 1a****1. Shareholder Funds**

There has been \$1,515m of inward investment and \$994m of redemptions over the 10 ½ year period, leaving a net investment of \$521m. All the redemptions have effectively been capital (only) with no net return of growth. In addition there have been \$22.6m of dividend distributions in the relevant cells.

There were \$110m of redemptions in 2008-09 and \$538m in 2010 and 2011, all with negligible returns, except for distribution receipts. These redemptions and distributions virtually depleted the cash reserves (see 5 below) and should probably have been restricted under the various redemption rules. It could also be argued that more policies should have been purchased in 2010 and 2011 to fund more maturities in later years, rather than meeting the redemption requests in full, without postponement or anti-dilution levy.

In spite of these redemptions, the total number of shares continued to increase firmly to 4.9m, as did share capital (growing to \$804m). 2.3m shares (\$273m of share capital) was redeemed to Run-off shareholders during 2014 – 2016 leaving \$531m of remaining share capital at December 2016. Estimated future cash returns are currently between \$200 and \$300m as at 31st May 2017.

The final calculation is the estimated amount due to the remaining (suspended) shareholders on the basis of an 8% pa “promised” return - \$647m to Dec 2016 and a further \$636m if extended to Dec 2020. None of these amounts will ever be paid.

2. Life Policies

This is a summary of the number of policies / lives purchased and matured. Note that the purchase costs include the purchase of other investments as well. EEA doesn't publish the purchase prices of the policies separately. The number of policies purchased in 2011 was surprisingly low. The last one was purchased in September 2011 – two months before the FSA announcement and suspension. As mentioned above, this was likely due to cash restraints caused by the high level of redemptions during 2010 and 2011, the drop in new subscriptions during 2011 and the large payments of performance fees (\$33m) and other charges (\$22m). The cash balance fell by \$152m between December 2010 and December 2011 to a (low) \$56m.

Table 1b**3. Maturities and Policy Sales or Lapses**

EEA prominently publishes the gross NDB value of the remaining policies but without showing the net value after deduction of purchase, premiums and other accrued costs (which ranges between 27% and 45% of the gross amounts (average = 22%) over the 10½ years). Total Gross NDB from Maturities over the years was \$952m (586 policies, 474 lives) to December 2016 with \$462m remaining (139 policies, 107 lives) at 31st December 2016. Fair value remaining is \$239m at Dec 2016.

187 policies (on 146 lives) were sold in September 2015 to raise \$130m for share redemption payments in December 2015, after the 23-month Continuing share lock-up period. This was at a 12% premium to the then Fair Value of \$116m, but incurred an \$81m loss after deducting the accrued purchase and premium costs.

One more policy was sold in October 2016 for \$300k against a Fair Value of negative \$161k and a \$1,675k loss when taking the accrued costs into account.

4. Expenses

Total expenses over the 10 ½ years amounted to \$228m (equivalent to 96% of net maturities value), of which \$102m were valuation based Management and Administration charges and \$71m were valuation based Performance Fees to EEA and ViaSource. "Other Expenses" (non-valuation based) amounted to \$55m over the period, running at between \$1.1m and \$11.8m per year. \$29m of this \$55m was paid through the Directors or their associated companies.

5. Assets

At December 2016 the Net assets attributable to shareholders is estimated to be \$317m, of which \$91m is cash, \$21m is other net receivables, \$205m is the Fair Value of the remaining 139 policies..

In theory, \$461m is the total available to repay shareholders during the runoff, but EEA will also have to deduct 5years (or more) of expenses and charges (say \$35m) and write-off a residual amount of "tail" policies which it is not worth keeping the Fund open for (say \$68m of Face Value). This reduces the amount available to shareholders to almost. \$280m.

As noted above, the outstanding share capital at Dec 2016 is \$531m.

Tables compiled by David Trinkwon and Robert Adams from EEA published Annual Reports and Financial Statements for each year.

Table 1A : EEA Financial Summaries 2006 - 2016													
	2006-07	2007-08	2008-09	2H2009	2010	2011	2012	2013	2014	2015	2016	Total	
Shareholder Funds	Issues (\$m)	22.8	129	440	258	433	229	0.3	0	0.19	2.00	0.00	1,515
	Redemptions (\$m)	(3.2)	(4.9)	(110.2)	(63.6)	(225.4)	(312.5)	(0.0)	0	(13.79)	(104.12)	(156.10)	(994)
	% of Average NAV	-	5%	32%	10%	27%	33%	-	-	-	-	-	-
	Capital (\$m)	3.17	6.86	109	63	226	312	0.34	0.0	12.98	193.2	69.1	995
	Growth (\$m)	0.0	(1.9)	1.7	0.8	(1.0)	0.6	(0.3)	0	1	(89.1)	87.0	(1.6)
	Net Investment (\$m)	19.7	124	330	194	208	(83)	0.3	0.0	(13.6)	(102.1)	(156.1)	521
	Cum Net Investment (\$m)	19.7	144	474	668	876	793	793	793	780	677	521	-
	y/e Shares (k)	205	921	2,720	3,714	4,819	4,920	4,921	4,921	4,839	3,254	2,648	-
	Change in Shares (k)	205	715	1,799	994	1,105	102	0.090	0	(82)	(1,584)	(606)	-
	Distributions (\$m)	0	0.7	3.4	2.5	9.7	6.3	0	0	0	0	0	22.6
	% of Average NAV	-	0.8%	1.0%	0.4%	1.2%	0.7%	-	-	-	-	-	-
	Share Premium & Capital (\$m)	30.5	153	484	679	886	804	804	804	791	600	531	-
	Change in SP&C (\$m)	30.5	122	331	195	207	(83)	0	0	(12.8)	(191.2)	(69.1)	-
	8.0% pa Growth to Dec 2016 (\$m)	35.4	122	282	152	134	(43.5)	0	0	(2.7)	(1.6)	(31.2)	647
	(\$m)											To Dec 2020 =	636
Policies	Cum Policies Purchased	220		498	656	837	926	920	920	920	920	-	
	Policies Purchased	220		278	158	181	89	0	0	0	0	926	
	Policies Sold or Lapsed	0		0	0	0	(2)	(3)	0	(4)	(187)	(4)	(200)
	Purch. of Investments (\$m)	24.5	85.2	186.0	138.8	172.7	93.6	0.0	0.0	0.0	(0.2)	0.0	701
	Average Purchase per Policy (\$m)	0.499		0.669	0.879	0.954	1.051	n/a	n/a	n/a	n/a	n/a	0.757
	Premium Payments (\$m)	0.5	2.5	10	27	50	69	76	73	70	58	41	477
	Average Premium Rate (NDB)	2.0%	1.9%	2.3%	3.0%	3.8%	4.6%	5.2%	5.5%	5.8%	6.8%	7.8%	-
	Total Investment (\$m)	25.0	88	196	166	222	162	76	73	70	58	41	1,177
	Future Premium Commitments (\$m)	7.5	31	115	183 [238]	222	208	352	240	282	133	141	
	Net Difference year-on-year (\$m)	7.5	23	85	68	39	(14)	144	(112)	42	(149)	8	
	Gross Difference year-on-year (\$m)	8	26	95	94	89	55	220	(39)	112	(91)	49	
	Percentage of y/e NDB	15%	14%	17%	17%	15%	14%	25%	19%	25%	23%	30%	
	y/e Average Remaining LE (mths)	n/a	n/a	n/a	n/a	20.50	20.30	38.20	42.68	48.60	25.18	33.30	
	y/e Average Remaining Age (yrs)	n/a	n/a	n/a	n/a	84.10	83.50	84.65	85.56	86.33	89.81	91.00	
	Est. Future Premium Rate (NDB) pa	n/a	n/a	n/a	n/a	4.4%	4.0%	4.0%	2.7%	3.1%	5.4%	5.5%	
Matured Policies	9	14	44	22	69	92	83	75	97	45	36	586	
Matured Lives	9	14	37	20	58	82	66	62	64	37	25	474	
y/e Remaining Policies		196	431	566	679	674	588	517 *	416 * ^	184 ^	139	-	
y/e Remaining Lives		175	286	447	537	517	450	391 *	323 * ^	99 ^	106	-	
y/e Policies per Life		1.120	1.507	1.266	1.264	1.304	1.307	1.322	1.288	1.859	1.311	-	

Table 1B : EEA Financial Summaries 2006 - 2016													
	2006-07	2007-08	2008-09	2H2009	2010	2011	2012	2013	2014	2015	2016	Total	
Maturities	Maturity Schedule NDB (\$m)	6.4	12	66	34	83	140	123	129	138	98	122	952
	Policy List - Face Value (\$m)	-	-	-	-	-	-	-	128	133	98	122	-
	Policy List - Fair Value (\$m)	-	-	-	-	-	-	-	74	95	47	64	-
	Inc. from Mat / Invest.(\$m)	6.3	13	67	33	77	156	124	129	143	231	124	1,103
	Accrued Costs (\$m)	(4.6)	(9)	(41)	(20)	(42)	(89)	(85)	(83)	(109)	(286)	(96)	(865)
	Net Taxation	0.0	0.0	(10.8)	(1.9)	(8.4)	(12.9)	(10.6)	(6.2)	1.4	6.8	(6.1)	(49)
	Tax/Net Income	0%	0%	(42%)	(15%)	(24%)	(19%)	(27%)	(13%)	4%	(12%)	(22%)	(20%)
	Net Maturities (\$m)	1.7	3.4	14.7	10.3	26.0	54.0	28.4	40.5	35.0	(48.4)	21.7	189
	Net Mat / Income	27%	27%	22%	31%	34%	35%	23%	31%	24%	(21%)	18%	17%
	Net per Policy (\$m)	0.190	0.242	0.335	0.470	0.377	0.587	0.342	0.540	0.361	(1.076)	0.604	0.322
	Net per Life (\$m)	0.190	0.242	0.398	0.517	0.449	0.659	0.430	0.653	0.547	(1.308)	0.869	0.399
Cum Net Maturities (\$m)	1.7	5.1	19.8	30.2	56.2	110.2	138.6	179.1	214.1	165.7	187.4	-	
Expenses	Mgmt. Charges (\$m) **	0.3	1.2	4.7	4.7	12.7	14.6	14.8	13.7	12.4	8.9	5.6	94
	Admin Charges (\$m) **	0.1	0.1	0.5	0.5	1.4	1.6	1.2	1.1	1.3	0.7	0.2	9
	Performance Fees (\$m) **	0.5	2.6	13.0	7.1	13.0	33.3	1.8	(0.1)	0.0	0.0	0.0	71
	Other Expenses (\$m) - Connected	0.2	1.3	6.1	4.1	8.2	3.9	0.9	1.0	1.7	1.3	0.7	29
	Other Expenses (\$m) - General	0.9	2.6	3.6	3.4	3.6	2.1	3.0	0.7	2.1	1.8	1.3	25
	Total Expenses (\$m)	2.1	7.9	27.9	20.0	38.9	55.4	21.7	16.5	17.5	12.7	7.7	228
	Average Expense Rate (NAV)	-	8.7%	8.2%	3.2%	4.6%	5.8%	2.5%	2.0%	2.4%	2.5%	2.1%	
Assets	y/e remaining Gr. NDB (Face \$m)	50	220	686	1,105	1,486	1,520	1,399	1,272	1,125	589	464	
	Change in rem. Gross NDB (Face \$m)	50	170	466	419	381	34	(121)	(128)	(147)	(536)	(125)	
	y/e Invest. Fair Value (\$m)	30	120	335	502	752	871	693	685	471	290	205	
	Fair / Face	60%	54%	49%	45%	51%	57%	50%	54%	42%	49%	44%	
	Chge in Inv Fair Value (\$m)	30	90	215	167	250	120	(178)	(8)	(214)	(181)	(85)	
	y/e Cash c/f (\$m)	3	44	188	239	208	56	66	92	122	289	91	
	Change in Cash (\$m)	3	41	144	51	(30)	(152)	9	26	30	167	(197)	
	Premium Reserve				118	145	150	143	140	140	94	84	
	Other	(2)	(9)	(44)	(61)	(41)	(23)	5	14	24	(172)	112	
	y/e Assets Value (\$m)	31	155	479	679	920	905	764	790	617	407	317	
	Change in Assets Value (\$m)	31	124	324	201	240	(15)	(141)	27	(173)	(211)	(90)	
	Dealing NAV	0.00	180	500	733	954	946	798	841	617	407	317	
	Dealing Nav / Assets Value	0.00	116%	104%	108%	104%	104%	104%	106%	100%	100%	100%	

All data extracted from EEA Annual Reports and Financial Statements, Maturity Schedules, Policy List, monthly Fact Sheets or quarterly Portfolio Statistics.

* excludes (Mat) / includes (Rem) 3 policies / 2 lives posted in 2014

** Valuation Based

Estimated

^ excludes (Mat) / includes (Rem) 4 policies / 2 lives posted in 2015