

NORDICA LIFE (BERMUDA) LTD.

FINANCIAL STATEMENTS

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

FOR THE YEAR ENDED DECEMBER 31, 2009

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Bermuda

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INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Nordica Life (Bermuda) Ltd. (the "Company"), which comprise the balance sheet as at December 31, 2009, and the related statement of operations, statement of changes in equity, and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Nordica Life (Bermuda) Ltd., as of December 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Moose Stephens & Butterfield


Chartered Accountants
Hamilton, Bermuda
April 30, 2010

NORDICA LIFE (BERMUDA) LTD.
BALANCE SHEET
AT DECEMBER 31, 2009
(Expressed in United States dollars)


	Note	December 31 2009 \$	December 31 2008 \$
ASSETS:			
Cash and cash equivalents		1,814,482	1,077,858
Bonds and other fixed-income securities	3	-	818,115
Fees receivable		408,281	380,381
Other accounts receivable		6,323	17,108
Funds received on policies not yet accepted		62,500	-
Wealth management client assets held in trust (non-separated accounts)	4	3,614,727	2,633,082
Wealth management client assets held in separated accounts	4	180,548,550	146,003,258
		186,454,863	150,929,802
LIABILITIES:			
Accounts payable and accrued liabilities	6	212,116	230,894
Commissions payable		93,020	153,646
Provision for future policy benefits		300,226	276,662
Funds received on policies not yet accepted		62,500	-
Liabilities related to non-separated accounts	4	3,614,727	2,633,082
Liabilities related to separated accounts	4	180,548,550	146,003,258
		184,831,139	149,297,542
EQUITY			
Contributed equity	5	650,000	650,000
Retained earnings		973,724	1,008,145
Unrealised loss on bonds and other fixed-income securities	3	-	(25,885)
		1,623,724	1,632,260
		186,454,863	150,929,802

The accompanying notes should be read in conjunction with these financial statements.

Approved by the Board of Directors:



Director



Director

NORDICA LIFE (BERMUDA) LTD.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Expressed in United States dollars)

	December 31 2009	December 31 2008
Note	\$	\$
Revenues:		
Fee income	1,564,418	1,643,672
Life insurance premiums	66,338	60,001
Profit bonds	2,736	7,550
Interest	46,191	68,093
Foreign exchange gain	12,813	28,238
	1,692,496	1,807,554
Expenses:		
Acquisition costs	298,613	375,617
Change in provision for future policy benefits	55,750	83,532
General and administrative expenses	6 617,554	590,922
	971,917	1,050,071
Net income (\$1.11 per share (2008 – \$1.17 per share))	720,579	757,483

The accompanying notes should be read in conjunction with these financial statements.

NORDICA LIFE (BERMUDA) LTD.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009
(Expressed in United States dollars)

	December 31 2009	December 31 2008
Note	\$	\$
Contributed equity		
Common stock - \$1 par value		
Authorised - 650,000 shares		
Issued - 650,000 shares	650,000	650,000
	<hr/>	
Retained earnings		
Balance, beginning of year	1,008,145	1,125,662
Net income	720,579	757,483
Dividends paid (\$1.16 per share (2008 – \$1.35 per share))	(755,000)	(875,000)
	<hr/>	
Balance, end of year	973,724	1,008,145
	<hr/>	
Unrealised loss on bonds and other fixed-income securities		
Balance, beginning of year	(25,885)	(15,530)
Change in unrealised gain (loss) on bonds and other fixed-income securities	25,885	(10,355)
	<hr/>	
	-	(25,885)
	<hr/>	
	1,623,724	1,632,260
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The accompanying notes should be read in conjunction with these financial statements.

NORDICA LIFE (BERMUDA) LTD.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Expressed in United States dollars)

	December 31 2009 \$	December 31 2008 \$
OPERATING ACTIVITIES:		
Net income from operations	671,652	681,840
Interest and dividends received	48,927	75,643
Operating income before working capital changes	720,579	757,483
Adjustments for non-cash items and working capital changes:		
Decrease (increase) in fees receivable	(27,900)	118,117
Decrease in other accounts receivable	10,785	21,890
Increase (decrease) in accounts payable and accrued liabilities	(18,778)	38,805
Increase (decrease) in commissions payable	(60,626)	77,199
Increase in provision for future policy benefits	23,564	83,532
Net cash from operating activities	647,624	1,097,026
INVESTING ACTIVITIES:		
Redemption of bonds and other fixed-income securities	844,000	854,021
Purchase of bonds and other fixed-income securities	-	(844,000)
Net cash from investing activities	844,000	10,021
FINANCING ACTIVITIES:		
Dividends paid	(755,000)	(875,000)
Net cash used in financing activities	(755,000)	(875,000)
Net increase in cash and cash equivalents	736,624	232,047
Cash and cash equivalents, beginning of year	1,077,858	845,811
Cash and cash equivalents, end of year	1,814,482	1,077,858

The accompanying notes should be read in conjunction with these financial statements.

1. **General**

Nordica Life (Bermuda) Ltd. (the "Company") was incorporated under the laws of Bermuda on October 14, 1996. The Company holds a long-term license under the 1978 Insurance Act of Bermuda to write life insurance and is governed by the Nordica Life (Bermuda) Ltd. Act, 1997. This Private Act of Parliament enables a wealth management client to request the establishment of a separate wealth management fund/policy account (termed "separated account" under the Act). The effect of creating these separate accounts is to ensure that the assets linked to each wealth management client's funds/policies are available only to the wealth management policyholder or beneficiary on this specific policy, and not to other creditors of the Company, general or otherwise.

In addition to wealth management, the Company writes unit-linked life insurance products that provide for a death benefit consisting of a fixed amount or a percentage of the policy value. At December 31, 2009, the Company's average exposure per policy is \$18,898.

In addition to premiums written for its own account, the Company receives a fee based on a percentage of invested assets or a flat fee, earned for structuring, facilitating and providing on-going management of the wealth management programs introduced by external brokers. In addition to brokers fees settled, the Company has, in turn, appointed a related company as Administrator to whom certain agreed fees are paid.

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton, Bermuda. The Company is listed on the Bermuda Stock Exchange Mezzanine Market and its majority shareholder is First Universe Finance Ltd..

2. **Significant accounting policies**

The Company's significant accounting policies which have been applied consistently throughout the year are summarized as follows:

Basis of presentation

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and are denominated in US Dollars. The financial statements are prepared under the historical cost convention as modified by the fair valuation of securities and financial assets. Those standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue earned and expenses incurred during the reporting period. Actual results could differ from those estimates.

2. **Significant accounting policies** *(continued)*

Separated accounts assets and liabilities and non-separated accounts assets and liabilities held in Trust

Separated accounts assets and non-separated accounts assets held in Trust are in respect of wealth management clients. Separated accounts assets are legally insulated from the Company's general funds and other policy holder funds held in trust by the Company.

A wealth management clients' account would normally include initial funds (termed "premiums") paid into an investment program, investment gains (losses) attributable to the underlying assets, less a risk assessed premium due to the Company, less certain calculated and agreed net assets based fees for structuring, facilitating and provision of on-going management of the wealth management programs provided by the Company (a portion of which is paid to the Company's brokers, administrator and advisors) less withdrawals (termed "surrenders") paid to either the wealth management client or designee.

The Company has adopted the method of "deposit accounting" relating to its wealth management transactions where the assets and liabilities of these wealth management transactions move in tandem.

Premiums and surrenders

Risk -based premiums due to the Company's account are recorded by the Company on the accruals basis.

Under deposit accounting, wealth management client funds (premiums) are recorded when received and surrenders are recorded when paid. Where such premiums are received in respect of proposals, which were not accepted (by agreement or policy terms) at the balance sheet date, these funds are reflected as "Funds received on policies not yet accepted" with the matching offsetting liability similarly described.

Provision for future policy benefits

The provision for future policy benefits represents management's best estimate of the Company's liability for death claims on underlying policies in force at the balance sheet date, which are subject to review annually by an independent actuary. These estimates are continually reviewed and are necessarily subject to the impact of future changes in such factors as claims severity and frequency. While management believes that the amount is adequate, the ultimate liability may be in excess of, or less than, the amounts provided and any adjustments will be reflected in the periods in which they become known.

Investment valuation policies

In accordance with IAS 39, the Company categorises its general investments (at the time of purchase) into one of three categories: 'held-to-maturity', 'trading' and 'available-for-sale' and re-evaluates such designation on a regular basis. Investments, where the Company has the intent and ability to hold the investment to maturity, are classified as held-to-maturity. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale. All other investments (if any) are otherwise categorised as trading.

2. Significant accounting policies *(continued)*

The Company's general investments comprise of bonds and other fixed income instruments as at December 31, 2008. These investments were recognized as available-for-sale. Accordingly, these investments are re-measured at fair value using the last reported "bid price" at the balance sheet date. In 2009, the investments were sold due to good market conditions.

With respect to separated accounts assets and non-separated accounts assets held in trust, the wealth management client bears all investment risk thus the Company is not exposed to any market, credit, currency, or interest rate risk on these investments. The Company therefore uses all reasonable means to record the underlying wealth management clients assets at fair value with the exception of promissory note interest which may or may not be reflected, unquoted investments which are primarily valued at cost (which may or may not be representative of fair value) and certain other private investments which are also recorded at management's best estimate of fair value. Valuation of quoted investments comprises values as derived from reports from the appointed custodian banks and fund administrators which may or may not be reflective of fair value since specific valuation methods (bid pricing, last reported pricing or mean pricing evaluations) will vary depending on the wealth management product chosen and/or because of custodian bank pricing models adopted. Investments in collective investment schemes are primarily based on reports from the fund administrators, which are subject to price timing differences.

Determination of income

Investment income derived from general cash and cash equivalents is recognised as earned and interest income on the Company's general interest-bearing instruments is recorded on the accrual basis using the effective yield method.

Unrealised gains and losses arising from changes in the fair value of the Company's general investments is recognised in a separate component of equity until sold unless the recoverable amount of the investment is considered permanently impaired whereupon an impairment loss is recognised in the statement of operations.

Realised gains (losses) arising from disposal of the Company's general investments are calculated using the specific identification method and recorded in profit or loss as they arise.

All purchases and sales of investments are recorded on the trade date basis.

The Company uses deposit accounting with respect to all investment income arising on investments included in separated accounts assets and non-separated account assets held in trust.

Fee income and life insurance premiums

Fee income includes investment management, set up and on-going fees recognised on the accrual basis as earned and recovered from wealth management clients separated account funds and non-separated accounts funds held in trust on a policy-by-policy basis based upon on the investment valuation policies adopted.

2. **Significant accounting policies** *(continued)*

Life insurance premiums are recorded at the inception of the policy period and recovered from wealth management clients separated account funds and non-separated accounts funds held in trust on a policy-by-policy basis.

Acquisition and administrative expenses

Acquisition expenses comprise commissions paid to the Company's brokers under various arrangements, which are recognised when incurred, with any prepaid portion deferred in the balance sheet. Administrative expenses charged by a company under common control are recorded as incurred on the accruals basis under the agreement.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies have been converted into US dollars at rates prevailing at the balance sheet date. Income and expenses are translated at rates of exchange approximating the transaction date rates. Foreign exchange gains and losses are recognised in the separated accounts assets and non-separated accounts assets held in trust or statement of operations as appropriate.

Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Cash equivalents are investments with original maturity of three months or less from the date of acquisition. The carrying value of these investments approximates their fair value because of their short maturity.

Fair values

The fair values of cash and cash equivalents, fees receivable, other accounts receivable, funds received on policies not yet accepted, commissions payable, accounts payable and accrued expenses approximate their carrying values due to their relative short term nature.

Management considers that it is not practicable to estimate the fair value of all investments in separated accounts and non-separated accounts held in trust.

The estimates of fair values presented herein are subjective in nature and are not necessarily indicative of the amounts that the Company would actually realize in a current market exchange or indicative of the fair value of the wealth management account net assets. Any differences may or may not be material. Certain instruments such as the provision for future policy benefits are excluded from the fair value disclosure. Thus, the total fair value amounts cannot be aggregated to determine underlying economic value of the Company.

Payables and provisions

Payables are stated at their nominal value.

The Company recognizes a provision if a present obligation has arisen as a result of a past event, payment is probable and the amount can be measured reliably. The amount recognized is the best estimate of the expenditure required to settle the present obligation at balance sheet date, that is, the amount the Company would rationally pay to settle the obligation to a third party.

2. **Significant accounting policies** *(continued)*

Related parties

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party transactions pertain to expenses paid or are owed to a company related through common control and are entered into on an arm's length basis.

Risks

Legal/regulatory risk is the risk that the legal or regulatory environment in which an insurer operates will change or that the tax rulings relevant to the Company's business model may change and create additional loss costs or expenses not anticipated by the insurer in pricing its products. That is, regulatory initiatives designed to reduce insurer profits or new legal theories may create costs for the insurer beyond those recorded in the financial statements or the Company may not continue in its current form due amended tax legislation. The Company mitigates this risk through its review of underwriting and loss adjusting practices and regularly reviews tax legislation, which identifies and minimizes the adverse impact of these risks.

Credit risk is the risk that issuers of securities owned by the Company will default, or other parties that owe the Company money, will not pay. The Company minimizes this risk by adhering to a conservative investment strategy, by maintaining sound credit and collection policies, and by providing for any amounts deemed uncollectible.

Taxation

As an entity organized under the laws of Bermuda, the Company is not currently subject to taxation in Bermuda, as Bermuda does not impose any form of direct taxation on receipts, dividends, capital gains, gifts or net income. In the event that such direct forms of taxation eventuate, the Company has received a tax exemption certificate, valid through March 2016.

Subsequent events

Any post year-end event that provides additional information about the Company's position at the balance sheet date (adjusting event), is reflected in the financial statements. Any post year-end that is not adjusting event is disclosed when material to the financial statements.

**NORDICA LIFE (BERMUDA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

3. Bonds and other fixed-income securities

The cost or amortized cost, gross unrealized gains and losses and estimated fair market values of the Company's bonds and other fixed income securities as of December 31, 2009 and 2008 are as follows:

December 31, 2009:	Cost or Amortized Cost \$	Gross Unrealized Gains \$	Gross Unrealized Losses \$	Fair Market Value \$
Bonds and fixed income securities:				
Corporate bond – denominated in US\$	0	-	-	0
Total bonds and other fixed income securities	<u>0</u>	<u>-</u>	<u>-</u>	<u>0</u>

December 31, 2008:	Cost or Amortized Cost \$	Gross Unrealized Gains \$	Gross Unrealized Losses \$	Fair Market Value \$
Bonds and fixed income securities:				
Corporate bond – denominated in US\$	844,000	-	(25,885)	818,115
Total bonds and other fixed income securities	<u>844,000</u>	<u>-</u>	<u>(25,885)</u>	<u>818,115</u>

At December 31 2008, certain of the Company's bonds and other fixed income securities include embedded derivatives, which affect returns and interest receivable, but have no effect on the nominal value receivable at the date of maturity.

The amortized cost and estimated fair market value of the Company's bonds and other fixed income securities as of December 31, 2009 and 2008, by contractual maturity, are as shown below. (Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties).

	December 31, 2009		December 31, 2008	
	Amortized Cost \$	Fair Market Value \$	Amortized Cost \$	Fair Market Value \$
Due after one year, through five years	0	0	844,000	818,115
	<u>0</u>	<u>0</u>	<u>844,000</u>	<u>818,115</u>

**NORDICA LIFE (BERMUDA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

4. Separated accounts assets and non-separated accounts assets held in trust

Separated accounts assets and non-separated accounts assets held in trust are maintained on a policy-by-policy basis. As at December 31, 2009 and 2008, the summary totals of these wealth management assets, broken down by valuation method are as follows:

	2009	2008
	\$	\$
Wealth management non-separated accounts:		
Investments held at reported market value	1,866,377	1,471,779
Investments held at estimated cost	1,748,350	1,161,303
	<u>3,614,727</u>	<u>2,633,082</u>
Wealth management separated accounts:		
Investments held at reported market value	139,907,411	103,452,183
Investments held at estimated cost	40,641,139	42,551,075
	<u>180,548,550</u>	<u>146,003,258</u>

Certain separated wealth management accounts utilize margin trading.

**NORDICA LIFE (BERMUDA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

4. Separated accounts assets and non-separated accounts assets held in trust *(continued)*

The annual summary transactions in separated accounts assets and non-separated accounts assets held in trust for the years ended December 31, 2009 and 2008 comprise the following:

	2009	2008
	\$	\$
Additions to wealth management accounts:		
Funds (premiums) contributed	22,738,143	19,427,355
Investment income and revaluation gains	24,066,116	-
Foreign exchange translation adjustments	11,636,026	-
	<u>58,440,285</u>	<u>19,427,355</u>
Deductions from wealth management accounts:		
Funds (surrenders) withdrawn	21,282,592	16,869,313
Investment loss	-	12,383,626
Foreign exchange translation adjustments	-	31,677,722
Company fees recovered and/or due for settlement	1,564,418	1,643,672
Life insurance premiums for the Company's account	66,338	60,001
	<u>22,913,348</u>	<u>62,634,334</u>
Increase (decrease) in wealth management accounts in the year	<u>35,526,937</u>	<u>(43,206,979)</u>
Non-separated accounts, beginning of year	2,633,082	3,634,035
Separated accounts, beginning of year	146,003,258	188,209,284
	<u>148,636,340</u>	<u>191,843,319</u>
Non-separated accounts, end of year	3,614,727	2,633,082
Separated accounts, end of year	<u>180,548,550</u>	<u>146,003,258</u>
	<u>184,163,277</u>	<u>148,636,340</u>

The foreign exchange translation adjustments comprise adjustment of those foreign currency monetary assets and liabilities at year-end, which were carried forward from prior year, into US Dollars at rates prevailing at the balance sheet date.

5. Contributed equity

The Company's contributed equity consists of 650,000 (2008 - 650,000) authorized common shares with a par value of \$1 each. At the balance sheet date, there are 650,000 (2008 - 650,000) issued and fully paid common shares outstanding.

6. Related party transactions

Included within the Company's general and administrative expenses are administration fees of \$512,778 (2008 - \$497,972) paid to a company related through common control, of which \$222 (2008 - \$28,648) is included in accounts payable and accrued liabilities as at December 31, 2009. The Company's management considers such general and administrative expenses to be on an arms-length basis.

7. Statutory requirements

The Company is required by its Insurance license to maintain capital and surplus greater than \$250,000. Actual statutory capital and surplus is \$1,617,401 (2008 - \$1,615,152) of which \$650,000 (2008 - \$650,000) relates to issued capital stock, and accordingly, there is no restriction on the amount of retained earnings available for the payment of dividends to shareholders.

8. Financial risk management

(a) Market risk

(i) *Currency risk*

The Company does not hold any investments which are denominated in a foreign currency, therefore currency risk is nil.

(ii) *Equity price risk*

The Company did not hold any equity investments as at December 31, 2009.

(iii) *Interest rate risk*

The Company did not hold any interest bearing investments as at December 31, 2009.

The impact of interest rate movements on wealth management clients' assets has not been considered as the Company's equity and profit are not impacted by changes in the values of these assets.

**NORDICA LIFE (BERMUDA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

(b) Credit risk

Counterparty	Rating	2009	2008
		\$ Balance	\$ Balance
Calyon Finance (Guernsey) Limited	Aa3	0	818,115
		0	818,115

All ratings are provided by Moody's at December 31, 2008.

(c) Liquidity risk

As at December 31, 2009	Less Than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Investments	-	-	-	-
	-	-	-	-
	-	-	-	-
As at December 31, 2008	Less Than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Investments	818,115	-	-	-
	818,115	-	-	-
	818,115	-	-	-

(d) Capital management

The Company has not invested its own capital but is holding it in cash placed on bank accounts in the different Custodian Banks.

9. Comparatives

Certain accounts in the 2008 statements were reclassified to conform to the current year's financial statement presentation.