

**NORDICA LIFE (BERMUDA) LTD.**

**FINANCIAL STATEMENTS**

**(WITH INDEPENDENT AUDITORS' REPORT THEREON)**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

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**INDEPENDENT AUDITORS' REPORT TO THE  
SHAREHOLDERS OF NORDICA LIFE (BERMUDA) LTD.**

We have audited the accompanying financial statements of Nordica Life (Bermuda) Ltd. (the "Company"), which comprise the balance sheet as at December 31, 2010 and the 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 information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**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 about 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 present fairly, in all material respects, the financial position of the Company as of December 31, 2010, and 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 26, 2011


**NORDICA LIFE (BERMUDA) LTD.**  
**BALANCE SHEET**  
**AT DECEMBER 31, 2010**  
(Expressed in United States dollars)

	December 31 2010	December 31 2009
Note	\$	\$
<b>ASSETS</b>		
Cash and cash equivalents	2,115,551	1,814,482
Fees receivable	829,844	408,281
Other accounts receivable	4,692	6,323
Funds received on policies not yet accepted	-	62,500
Wealth management client assets held in trust (non-separated accounts)	3 5,128,261	3,614,727
Wealth management client assets held in separated accounts	3 239,429,453	180,548,550
	247,507,801	186,454,863
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	5 501,468	212,116
Commissions payable	223,381	93,020
Provision for future policy benefits	372,850	300,226
Funds received on policies not yet accepted	-	62,500
Liabilities related to non-separated accounts	3 5,128,261	3,614,727
Liabilities related to separated accounts	3 239,429,453	180,548,550
	245,655,413	184,831,139
<b>EQUITY</b>		
Contributed equity	4 650,000	650,000
Retained earnings	1,202,388	973,724
	1,852,388	1,623,724
	247,507,801	186,454,863

*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, 2010**  
(Expressed in United States dollars)

	December 31 2010	December 31 2009
Note	\$	\$
<b>Revenues</b>		
Fee income	2,393,319	1,564,418
Life insurance premiums	90,072	66,338
Foreign exchange gain (loss)	(5,517)	12,813
Profit Bonds	-	2,736
Interest	-	46,191
	2,477,874	1,692,496
<b>Expenses</b>		
Acquisition costs	570,982	298,613
Interest	4,322	-
Change in provision for future policy benefits	72,624	55,750
Insurance claims	36,078	-
General and administrative expenses	5 845,204	617,554
	1,529,210	971,917
<b>Net income</b> (\$1.46 per share (2009 – \$1.11 per share))	948,664	720,579

*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, 2010**  
(Expressed in United States dollars)

	December 31 2010	December 31 2009
Note	\$	\$
<b>Contributed equity</b>		
Common stock - \$1 par value		
Authorised - 650,000 shares		
Issued - 650,000 shares		
4	650,000	650,000
<b>Retained earnings</b>		
	973,724	1,008,145
	948,664	720,579
	(720,000)	(755,000)
	<u>1,202,388</u>	<u>973,724</u>
<b>Unrealised loss on bonds and other fixed-income securities</b>		
	-	(25,885)
	-	25,885
	<u>-</u>	<u>-</u>
	<u>1,852,388</u>	<u>1,623,724</u>

*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, 2010**  
(Expressed in United States dollars)

	December 31 2010 \$	December 31 2009 \$
<b>OPERATING ACTIVITIES:</b>		
Net income from operations	952,986	671,652
Interest and dividends received (paid)	(4,322)	48,927
Operating income before working capital changes	948,664	720,579
Increase in fees receivable	(421,563)	(27,900)
Decrease in other accounts receivable	1,631	10,785
Increase (decrease) in accounts payable and accrued liabilities	289,352	(18,778)
Increase (decrease) in commissions payable	130,361	(60,626)
Increase in provision for future policy benefits	72,624	23,564
<b>Net cash from operating activities</b>	<b>1,021,069</b>	<b>647,624</b>
<b>INVESTING ACTIVITIES:</b>		
Redemption of bonds and other fixed-income securities	-	844,000
<b>Net cash from investing activities</b>	<b>-</b>	<b>844,000</b>
<b>FINANCING ACTIVITIES:</b>		
Dividends paid	(720,000)	(755,000)
<b>Net cash used in financing activities</b>	<b>(720,000)</b>	<b>(755,000)</b>
Net increase in cash and cash equivalents	301,069	736,624
<b>Cash and cash equivalents, beginning of year</b>	<b>1,814,482</b>	<b>1,077,858</b>
<b>Cash and cash equivalents, end of year</b>	<b>2,115,551</b>	<b>1,814,482</b>

*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, 2010, the Company's average exposure per policy is \$20,671.

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.

Certain comparative balances have been reclassified in these financial statements to conform with the presentation adopted in the current year.

**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)*

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 managements 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 on disposal of the Company's general investments are calculated using the specific identification method and recorded in income 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 agreement.

***Foreign currencies***

Monetary assets and liabilities denominated in foreign currencies have been converted into US dollars at rates ruling 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 income statement as appropriate.

***Cash and cash equivalents***

For the purposes of the statement of cash flows, the Company considers short-term deposits with an original maturity of 90 days or less to be equivalent to cash.

***Fair values***

The fair value of cash and cash equivalents, fees receivable, other accounts receivable, funds received on policies not yet accepted, commissions payable, accounts payable and accrued expenses approximates their carrying value 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 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, 2010

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3. **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, 2010 and 2009, the summary totals of these wealth management assets, broken down by valuation method are as follows:

	2010	2009
	\$	\$
<b>Wealth management non-separated accounts:</b>		
Investments held at reported market value	2,132,029	1,866,377
Investments held at estimated cost	2,996,232	1,748,350
	<u>5,128,261</u>	<u>3,614,727</u>
<b>Wealth management separated accounts:</b>		
Investments held at reported market value	197,669,989	139,907,411
Investments held at estimated cost	41,759,464	40,641,139
	<u>239,429,453</u>	<u>180,548,550</u>

Certain separated wealth management accounts utilize margin trading.

**NORDICA LIFE (BERMUDA) LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**3. 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, 2010 and 2009 comprise the following:

	2010	2009
	\$	\$
<b>Additions to wealth management accounts:</b>		
Funds (premiums) contributed	53,131,466	22,738,143
Investment income and revaluation gains	29,974,022	24,066,116
Foreign exchange translation adjustments	9,369,750	11,636,026
	<u>92,475,238</u>	<u>58,440,285</u>
<b>Deductions from wealth management accounts:</b>		
Funds (surrenders) withdrawn	29,597,410	21,282,592
Company fees recovered and/or due for settlement	2,393,319	1,564,418
Life insurance premiums for the Company's account	90,072	66,338
	<u>32,080,801</u>	<u>22,913,348</u>
Increase in wealth management accounts in the year	<u>60,394,437</u>	<u>35,526,937</u>
Non-separated accounts, beginning of year	3,614,727	2,633,082
Separated accounts, beginning of year	180,548,550	146,003,258
	<u>184,163,277</u>	<u>148,636,340</u>
<b>Non-separated accounts, end of year</b>	5,128,261	3,614,727
<b>Separated accounts, end of year</b>	<u>239,429,453</u>	<u>180,548,550</u>
	<u>244,557,714</u>	<u>184,163,277</u>

**4. Contributed equity**

The Company's contributed equity consists of 650,000 (2009 - 650,000) authorized common shares with a par value of \$1 each. At the balance sheet date, there are 650,000 (2009 - 650,000) issued and fully paid common shares outstanding.

**5. Related party transactions**

Included within the Company's general and administrative expenses are administration fees of \$743,929 (2009 - \$512,778) paid to a company related through common control, of which \$276,328 (2009 - \$222) is included in accounts payable and accrued liabilities as at December 31, 2010. The Company's management considers such general and administrative expenses to be on an arms-length basis.

**6. 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 \$1,847,696 (2009 - \$1,617,401) of which \$650,000 (2009 - \$650,000) relates to issued share capital, and accordingly there is no restriction on the amount of retained earnings available for the payment of dividends to shareholders.

**7. Financial risk management**

(a) Market Risk

(i) *Currency Risk*

The Company does not hold any investments which are denominated in a foreign currency; therefore it is not exposed to any foreign currency risk.

(ii) *Equity Price Risk*

The Company did not hold any equity investments at December 31, 2010, therefore it is not exposed to any equity price risk.

(iii) *Interest Rate Risk*

The Company did not hold any interest bearing investments at December 31, 2010.

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.

(b) Credit Risk

Credit risk arises mainly from investments held by the Company. The carrying amount of these financial assets represents the maximum credit exposure.

(c) Liquidity Risk

The Company maintains sufficient cash balances to meet its working capital requirements as monitored by the Board of Directors. However, due to the nature of the Company's liabilities, it is not possible to realistically estimate the due dates of the insurance liabilities.

It should be noted that liquid assets as reported on the balance sheet far exceed the Company's liabilities when the liabilities relating to wealth management client accounts are ignored.

(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. The money held in these accounts is managed to obtain the highest possible interest income. The Company has no debts besides the liabilities to the policyholders, as most fixed expenses are prepaid, and commissions and administrative expenses are paid when earned.

**8. Contingencies and commitments**

The Company was engaged in a dispute with a broker concerning the payment of commissions by the Company. This dispute was settled in the first quarter of 2011 and did not have any material impact on the financial position of the Company.

**9. Subsequent events**

Loan agreement

On February 4, 2011, the Board approved, ratified and confirmed the Company's entry into the Skandinaviska Enskilda Banken S.A. ("SEB") Loan Documents. The terms of the loan agreement are as follows:

- a. A combined loan and overdraft facility agreement pursuant to which the Company would borrow from SEB an amount of SEK2,220,000 together with a pledge agreement pursuant to which the Company would pledge, as collateral for the loan, all of the assets in account 3055647;
- b. A combined loan and overdraft facility agreement pursuant to which the Company would borrow from SEB an amount of SEK1,690,000 together with a pledge agreement pursuant to which the Company would pledge, as collateral for the loan, all of the assets in account 3055648.