

NORDICA LIFE (BERMUDA) LTD.

FINANCIAL STATEMENTS

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

FOR THE YEAR ENDED DECEMBER 31, 2011

2 Reid Street
Hamilton HM 11
Bermuda

Mailing address:
P.O. Box HM 2278
Hamilton HM JX
Bermuda

Tel: (441) 295 4800
Fax: (441) 296 6717
Email: msb@msb.bm
www.moorestephens.com

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, 2011 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, 2011, 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 27, 2012

NORDICA LIFE (BERMUDA) LTD.
BALANCE SHEET
AT DECEMBER 31, 2011
(Expressed in United States dollars)


	Note	December 31 2011 \$	December 31 2010 \$
ASSETS			
Cash and cash equivalents		4,225,412	2,115,551
Fees receivable		502,753	829,844
Other accounts receivable		14,889	4,692
Wealth management client assets held in trust (non-separated accounts)	3	7,162,748	5,128,261
Wealth management client assets held in separated accounts	3	218,976,853	239,429,453
		230,882,655	247,507,801
LIABILITIES			
Accounts payable and accrued liabilities	5	2,295,416	501,468
Commissions payable		144,431	223,381
Provision for future policy benefits		443,741	372,850
Liabilities related to non-separated accounts	3	7,162,748	5,128,261
Liabilities related to separated accounts	3	218,976,853	239,429,453
		229,023,189	245,655,413
EQUITY			
Contributed equity	4	650,000	650,000
Retained earnings		1,209,466	1,202,388
		1,859,466	1,852,388
		230,882,655	247,507,801

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, 2011
(Expressed in United States dollars)

	December 31 2011	December 31 2010
Note	\$	\$
Revenues		
Fee income	2,213,352	2,393,319
Life insurance premiums	84,310	90,072
Foreign exchange gain (loss)	69,906	(5,517)
Interest	8,304	-
	2,375,872	2,477,874
Expenses		
Acquisition costs	578,145	570,982
Interest	-	4,322
Change in provision for future policy benefits	70,892	72,624
Insurance claims	-	36,078
General and administrative expenses	5 779,757	845,204
	1,428,794	1,529,210
Net income (\$1.46 per share (2010 – \$1.46 per share))	947,078	948,664

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, 2011
(Expressed in United States dollars)

	December 31 2011	December 31 2010
Note	\$	\$
Contributed equity		
Common stock - \$1 par value Authorised - 650,000 shares Issued - 650,000 shares	4	650,000
	<u>650,000</u>	<u>650,000</u>
Retained earnings		
Balance, beginning of year	1,202,388	973,724
Net income	947,078	948,664
Dividends paid (\$1.45 per share (2010 – \$1.11 per share))	<u>(940,000)</u>	<u>(720,000)</u>
Balance, end of year	<u>1,209,466</u>	<u>1,202,388</u>
	<u>1,859,466</u>	<u>1,852,388</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, 2011
(Expressed in United States dollars)

	December 31 2011 \$	December 31 2010 \$
OPERATING ACTIVITIES:		
Net income from operations	938,774	952,986
Interest and dividends received (paid)	8,304	(4,322)
Operating income before working capital changes	947,078	948,664
Adjustments for non-cash items and working capital changes:		
Decrease (increase) in fees receivable	327,091	(421,563)
Decrease (increase) in other accounts receivable	(10,197)	1,631
Increase in accounts payable and accrued liabilities	1,793,948	289,352
Increase (decrease) in commissions payable	(78,950)	130,361
Increase in provision for future policy benefits	70,891	72,624
Net cash from operating activities	3,049,861	1,021,069
FINANCING ACTIVITIES:		
Dividends paid	(940,000)	(720,000)
Net cash used in financing activities	(940,000)	(720,000)
Net increase in cash and cash equivalents	2,109,861	301,069
Cash and cash equivalents, beginning of year	2,115,551	1,814,482
Cash and cash equivalents, end of year	4,225,412	2,115,551

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

**NORDICA LIFE (BERMUDA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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, 2011, the Company's average exposure per policy is \$20,125.

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.

**NORDICA LIFE (BERMUDA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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 2035.

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.

Future accounting pronouncements

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements are provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

**NORDICA LIFE (BERMUDA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

2. Significant accounting policies *(continued)*

IFRS 9 Financial Instruments (effective from 1 January 2013)

The standard aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management is yet to assess the impact that this amendment is likely to have on the financial statements of the Company. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

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, 2011 and 2010, the summary totals of these wealth management assets, broken down by valuation method are as follows:

	2011	2010
	\$	\$
Wealth management non-separated accounts:		
Investments held at reported market value	2,145,752	2,132,029
Investments held at estimated cost	5,016,996	2,996,232
	<u>7,162,748</u>	<u>5,128,261</u>
Wealth management separated accounts:		
Investments held at reported market value	169,510,735	197,669,989
Investments held at estimated cost	49,466,118	41,759,464
	<u>218,976,853</u>	<u>239,429,453</u>

Certain separated wealth management accounts utilize margin trading.

From time to time, the assets maintained on the separated accounts may be pledged as collateral to secure loans acquired for that specific account. This is a normal practice in the Company's course of business and does not restrict the general assets of the Company.

**NORDICA LIFE (BERMUDA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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, 2011 and 2010 comprise the following:

	2011	2010
	\$	\$
Additions to wealth management accounts:		
Funds (premiums) contributed	21,950,322	53,131,466
Investment income and revaluation gains	6,903,385	29,974,022
Foreign exchange translation adjustments	-	9,369,750
	<u>28,853,707</u>	<u>92,475,238</u>
Deductions from wealth management accounts:		
Funds (surrenders) withdrawn	41,526,076	29,597,410
Company fees recovered and/or due for settlement	2,213,352	2,393,319
Foreign exchange translation adjustments	3,448,082	-
Life insurance premiums for the Company's account	84,310	90,072
	<u>47,271,820</u>	<u>32,080,801</u>
Increase (decrease) in wealth management accounts in the year	<u>(18,418,113)</u>	<u>60,394,437</u>
Non-separated accounts, beginning of year	5,128,261	3,614,727
Separated accounts, beginning of year	239,429,453	180,548,550
	<u>244,557,714</u>	<u>184,163,277</u>
Non-separated accounts, end of year	7,162,748	5,128,261
Separated accounts, end of year	<u>218,976,853</u>	<u>239,429,453</u>
	<u>226,139,601</u>	<u>244,557,714</u>

4. Contributed equity

The Company's contributed equity consists of 650,000 (2010 - 650,000) authorized common shares with a par value of \$1 each. At the balance sheet date, there are 650,000 (2010 - 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 \$672,918 (2010 - \$743,929) paid to a company related through common control, of which \$178,385 (2010 - \$276,328) is included in accounts payable and accrued liabilities as at December 31, 2011. 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 \$1,844,577 (2010 - \$1,847,696) of which \$650,000 (2010 - \$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, 2011, 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, 2011.

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.

**NORDICA LIFE (BERMUDA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

8. Subsequent events

The Company evaluated events and transactions occurring after December 31, 2011 through April 27, 2012 for potential recognition or disclosure in the notes to financial statements. Management believes that there are no post-year-end events that need to be reflected in the financial statements or disclosed in the notes to financial statements.