

Nordica Life (Bermuda) Ltd.
(Incorporated in Bermuda)

Financial Statements
December 31, 2015
(expressed in United States dollars)

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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, 2015, 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, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 1 to the financial statements which describes the specific provisions of the Merger Agreement and its impact on the financial statements of the Company. Our opinion is not qualified in respect of these matters.

Moose Stephens & Butterfield


Chartered Professional Accountants
Hamilton, Bermuda
May 10, 2016

NORDICA LIFE (BERMUDA) LTD.
BALANCE SHEET
DECEMBER 31, 2015
(Expressed in United States dollars)


		December 31 2015	December 31 2014
	Note	\$	\$
ASSETS			
Cash and cash equivalents		2,478,829	2,072,201
Fees receivable		426,735	416,892
Other accounts receivable		23,028	43,810
Funds received on policies not yet accepted		56,660	-
Wealth management client assets held in trust (non-separated accounts)	3	-	7,775,006
Wealth management client assets held in separated accounts	3	236,033,370	212,260,093
		239,018,622	222,568,002
LIABILITIES			
Accounts payable and accrued liabilities	5	805,615	482,965
Commissions payable		175,233	110,318
Provision for future policy benefits		670,647	603,427
Funds received on policies not yet accepted		56,660	-
Liabilities related to non-separated accounts	3	-	7,775,006
Liabilities related to separated accounts	3	236,033,370	212,260,093
		237,741,525	221,231,809
EQUITY			
Contributed equity	4	650,000	650,000
Retained earnings		627,097	686,193
		1,277,097	1,336,193
		239,018,622	222,568,002

See accompanying notes to the financial statements.

Approved by the Board of Directors:



Director



Director

NORDICA LIFE (BERMUDA) LTD.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Expressed in United States dollars)

	Note	December 31 2015 \$	December 31 2014 \$
Revenues			
Fee income	3	1,661,044	1,604,126
Life insurance premiums	3	63,362	66,857
Foreign exchange gain		-	2,636
		1,724,406	1,673,619
Expenses			
Acquisition costs		387,262	349,453
Foreign exchange loss		26,248	-
Change in provision for future policy benefits		54,722	60,364
General and administrative expenses	5	672,164	612,196
Interest		3,106	3,234
		1,143,502	1,025,247
Net income (\$0.89 per share (2014 – \$1.00 per share))		580,904	648,372

See accompanying notes to the financial statements.

NORDICA LIFE (BERMUDA) LTD.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015
(Expressed in United States dollars)

	December 31 2015	December 31 2014
Note	\$	\$
Contributed equity		
Common stock - \$1 par value		
Authorised - 650,000 shares		
Issued - 650,000 shares	4	650,000
Retained earnings		
Balance, beginning of year	686,193	1,167,821
Net income	580,904	648,372
Dividends paid (\$0.98 per share (2014 – \$1.73 per share))	(640,000)	(1,130,000)
Balance, end of year	627,097	686,193
	<u>1,277,097</u>	<u>1,336,193</u>

See accompanying notes to the financial statements.

NORDICA LIFE (BERMUDA) LTD.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Expressed in United States dollars)

	December 31 2015 \$	December 31 2014 \$
OPERATING ACTIVITIES:		
Net income	580,904	648,372
Adjustments for non-cash items and working capital changes:		
Decrease (increase) in fees receivable	(9,843)	70,279
Decrease (increase) in other accounts receivable	20,782	(6,404)
Increase (decrease) in accounts payable and accrued liabilities	322,650	(16,811)
Increase (decrease) in commissions payable	64,915	(12,416)
Increase in provision for future policy benefits	67,220	60,364
Net cash from operating activities	1,046,628	743,384
FINANCING ACTIVITIES:		
Dividends paid	(640,000)	(1,130,000)
Net cash used in financing activities	(640,000)	(1,130,000)
Net increase (decrease) in cash and cash equivalents	406,628	(386,616)
Cash and cash equivalents, beginning of year	2,072,201	2,458,817
Cash and cash equivalents, end of year	2,478,829	2,072,201

See accompanying notes to the 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, 2015, the Company's average exposure per policy is \$16,721 (2014 - \$17,117).

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.

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

Effective December 31, 2015, the Company obtained approval/"no objection" from the Bermuda Monetary Authority to complete a merger with QLI Limited under the provisions of the Companies Act 1981 and in accordance with the terms of the Merger Agreement (the "Merger Agreement"). The Company was issued with a Certificate of Merger by the Registrar of Companies effective December 31, 2015 naming Nordica Life (Bermuda) Ltd. as the "Surviving Company".

The Merger Agreement held that the Company and QLI Limited (together, the "Parties") agreed to merge (the "Merger") pursuant to the provisions of The Companies Act 1981 and that the Merger Agreement and the combined undertaking, property and liabilities of both companies shall vest in the Company as the Surviving Company of the Merger. The Company shall continue as an exempted company incorporated in Bermuda and registered as a Class C insurer under the Insurance Act 1978. QLI Limited shall thereafter be struck off the register of companies maintained by the Registrar of Companies.

Also effective on the date of Merger per the Merger Agreement:

- The authorized share capital of the Surviving Company was agreed to be US\$650,000 divided into 650,000 shares of par value US\$1.00 each.
- All of the 650,000 shares of the Company, par value US\$1.00 each, were converted into 650,000 common shares, par value US\$1.00 each, in the Surviving Company and all the issued and outstanding shares of QLI Limited were cancelled without the repayment of capital in respect of such shares.

On December 31, 2015, a liability to the shareholders of QLI Limited is recognized amounting to \$708,815 which is QLI Limited's net equity of \$633,615 and provision for future policy benefits of \$75,200 at the date of the Merger. This liability is lodged to accounts payable and accrued liabilities in the balance sheet. The Company settled this liability on April 29, 2016 (See Notes 5 and 8).

1. General (continued)

The registered office of the Company is located at Swan Building, 26 Victoria Street, Hamilton, HM 12, 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

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. These financial statements are prepared under historical cost convention as modified by the fair valuation of securities and financial assets. The Company's functional and presentation currency is US Dollars. The preparation of financial statements in compliance with IFRS requires 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 revenues earned and expenses incurred during the reporting period. Actual results could differ from those estimates.

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.

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

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.

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.

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

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.

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 and 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 value of cash and cash equivalents, fees receivable, other accounts receivable, funds received on policies not yet accepted, accounts payable and accrued expenses and commissions payable, 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.

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

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.

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 to 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.

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

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.

Recent accounting pronouncements

Financial instruments

The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”) in its entirety with IFRS 9 – Financial Instruments (“IFRS 9”) in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39, and is effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as FVTPL, financial guarantees and certain other exceptions. The IASB has issued exposure drafts addressing impairment of financial instruments, hedge accounting and the offsetting of financial assets and liabilities. The Company will evaluate the impact the final standard will have on its financial statements when issued.

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, 2015, and 2014, the summary totals of these wealth management assets, broken down by valuation method are as follows:

	2015	2014
	\$	\$
Wealth management non-separated accounts:		
Investments held at reported market value	-	4,226,967
Investments held at estimated cost	-	3,548,039
	-	7,775,006
Wealth management separated accounts:		
Investments held at reported market value	197,907,337	179,432,685
Investments held at estimated cost	38,126,033	32,827,408
	236,033,370	212,260,093

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, 2015**

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, 2015, and 2014 comprise the following:

	2015	2014
	\$	\$
Additions to wealth management accounts:		
Funds (premiums) contributed	27,515,868	25,318,303
Investment income and revaluation gains	18,456,785	25,464,729
Separated accounts from QLI Limited due to merger	35,906,746	-
	<u>81,879,399</u>	<u>50,783,032</u>
Deductions from wealth management accounts:		
Funds (surrenders) withdrawn	47,737,710	36,671,827
Company fees recovered and/or due for settlement	1,661,044	1,604,126
Foreign exchange translation adjustments	16,419,012	40,739,987
Life insurance premiums for the Company's account	63,362	66,857
	<u>65,881,128</u>	<u>79,082,797</u>
Decrease in wealth management accounts in the year	<u>15,998,271</u>	<u>(28,299,765)</u>
Non-separated accounts, beginning of year	7,775,006	7,035,368
Separated accounts, beginning of year	212,260,093	241,299,496
	<u>220,035,099</u>	<u>248,334,864</u>
Non-separated accounts, end of year	-	7,775,006
Separated accounts, end of year	<u>236,033,370</u>	<u>212,260,093</u>
	<u>236,033,370</u>	<u>220,035,099</u>

4. Contributed equity

The Company's contributed equity consists of 650,000 (2014 - 650,000) authorized common shares with a par value of \$1 each. At the balance sheet date, there are 650,000 (2014 - 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 \$482,717 (2014 - \$478,552) paid to a company related through common control, of which \$107,155 (2014 - \$127,649) is included in accounts payable and accrued liabilities as at December 31, 2015. The Company's management considers such general and administrative expenses to be on an arms-length basis. A liability to the shareholders of QLI Limited is also included in accounts payable and accrued liabilities amounting to \$708,815 which is QLI Limited's net equity of \$633,615 and provision for future policy benefits of \$75,200 at the date of the Merger. The Company settled this liability on April 29, 2016 (See Notes 1 and 8).

6. Statutory requirements

The Company is required by its Insurance license to maintain capital and surplus greater than \$500,000. Actual statutory capital and surplus is \$1,254,069 (2014 - \$1,292,383) of which \$650,000 (2014 - \$650,000) relates to issued and outstanding 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.

The majority of the Company's cash balances are held in non-USD accounts. The largest balances are held in accounts denominated in SEK, with smaller amounts in EUR, GBP, and DKK denominated accounts. A 1% strengthening of the USD against these currencies would have resulted in an estimated decrease in the Company's equity and profit of \$1,299. Likewise, a 1% weakening would have resulted in an estimated increase in the Company's equity and profit of \$1,299.

(ii) *Equity price risk*

The Company did not hold any equity investments at December 31, 2015, 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, 2015.

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.

7. Financial risk management *(continued)*

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. Subsequent events

The Company evaluated events and transactions occurring after December 31, 2015, through to May 10, 2016, for potential recognition or disclosure in the notes to financial statements.

On December 31, 2015, a liability to the shareholders of QLI Limited is recognized amounting to \$708,815 which is QLI Limited's net equity of \$633,615 and provision for future policy benefits of \$75,200 at the date of the Merger. This liability is lodged to accounts payable and accrued liabilities in the balance sheet. The Company settled this liability on April 29, 2016 (See Notes 1 and 5).

Management believes that there are no other post-year-end events that need to be reflected in the financial statements or disclosed in the notes to financial statements.