

# **Ress Life Investments A/S**

## **Annual Report**

**For the period 1 October 2015 - 30 September 2016**

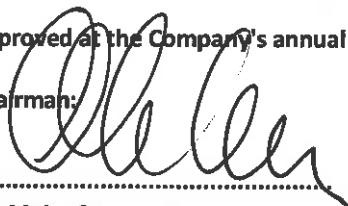
**Holbergsgade 14, 2. tv., DK-1057 Copenhagen K**

**Corporate Announcement no. 38/2016, 7 December 2016**

**CVR NO. 33 59 31 63**

**Approved at the Company's annual general meeting on 10 January 2017**

**Chairman:**



**Ole Meier Sørensen**

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## Company details

|                         |  |
|-------------------------|--|
| Name                    | Ress Life Investments A/S  |
| Address, zip code, city | Holbergsgade 14, 2. tv., DK-1057 Copenhagen K  |
| CVR no.                 | 33 59 31 63  |
| Established             | 1 April 2011   |
| Registered office       | Copenhagen   |
| Financial year          | 1 October – 30 September   |
| Website                 | <a href="http://www.resslifeinvestments.com">www.resslifeinvestments.com</a>                     |
| E-mail                  | <a href="mailto:info@resslifeinvestments.com">info@resslifeinvestments.com</a>                   |
| Board of Directors      | Helle Marianne Breinholt, Chairman<br>Jack Austern<br>Jeppe Buskov                               |
| Executive Board         | Ole Meier Sørensen   |
| AIF manager             | Resscapital AB, Box 55916, SE-102 16 Stockholm, Sweden   |
| Depository              | Nykredit Bank, Kalvebod Brygge 47, 1560 Copenhagen V   |
| Auditors                | Deloitte Statsautoriseret Revisionspartnerselskab<br>Weidekampsgade 6, DK-0900 Copenhagen        |
| Annual General Meeting  | The Annual General Meeting is to be held on 10 January 2017 at the Company's registered address. |

## Share information

|  |                   |
|--|-------------------|
| Exchange                                 | Nasdaq Copenhagen |
| Nominal value per share                  | EUR 500           |
| Shares outstanding at balance sheet date | 52,136            |
| Share classes                            | One               |
| Voting rights per share                  | One               |
| Ticker                                   | RLIINV            |
| ISIN                                     | DK0060315604      |

## Financial calendar

|                 |   |
|-----------------|---|
| 7 December 2016 | Board approval of the Annual report 2015/2016   |
| 10 January 2017 | Annual General Meeting                          |
| 24 May 2017     | Half-Year interim financial statement 2016/2017 |

## **Statement by the Board of Directors and Management**

The Board of Directors and the Management have today discussed and approved the Annual Report of Ress Life Investments A/S for the period 1 October 2015 – 30 September 2016.

The Annual Report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in accordance with the Danish Financial Statements Act.

In our opinion the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 September 2016 and of the results of the Company's operations and cash flows for the period 1 October 2015 – 30 September 2016.

Further, in our opinion the Director's report includes a fair review of the development in the Company's activities and financial conditions, of the result for the period, cash flows and financial position as well as describes the significant risks and uncertainties affecting the Company.

We recommend that the Annual General Meeting approve the Annual Report.

Copenhagen, 7 December 2016

Management:

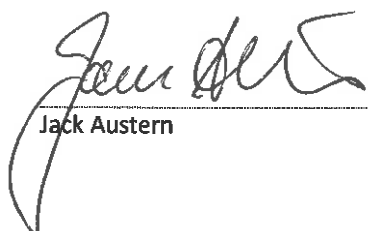


Ole Meier Sørensen

Board of Directors:



Helle Marianne Breinholt  
Chairman of the Board



Jack Austern



Jeppe Baskov

## **Independent auditors' report**

**To the shareholders of Ress Life Investments A/S**

### **Independent auditors' report on the financial statements**

We have audited the financial statements of Ress Life Investments A/S for the financial year 1 October 2015 – 30 September 2016, which comprise income statement and statement of comprehensive income, statement of financial position, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

### ***Management's responsibility for the financial statements***

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for such internal control that 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 the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 auditors' judgement, 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 auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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 Company'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 opinion.

Our audit has not resulted in any qualification.

### ***Opinion***

In our opinion, the financial statements give a true and fair view of the Company's financial position at 30 September 2016 and of the results of the Company's operations and cash flows for the financial year 1 October 2015 – 30 September 2016 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

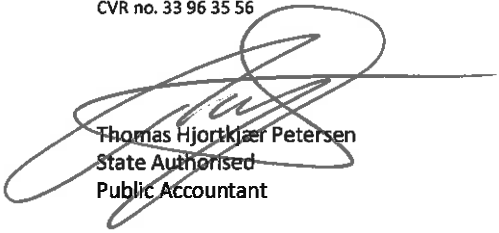
**Statement on the Director's report**

Pursuant to the Danish Financial Statements Act, we have read the Director's report. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Director's report is consistent with the financial statements.

Copenhagen, 7 December 2016

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR no. 33 96 35 56



Thomas Hjortkjaer Petersen  
State Authorised  
Public Accountant

## Directors' report

### Financial highlights

| USD '000 | 2015/16 | 2014/15 | 2013/14 | 2012/13 | 2011/12 |
|----------|---------|---------|---------|---------|---------|
|----------|---------|---------|---------|---------|---------|

#### Key figures

|                                    |       |       |      |      |      |
|------------------------------------|-------|-------|------|------|------|
| Operating profit/loss              | -287  | -229  | -210 | -116 | -184 |
| Financial income and expenses, net | 2,124 | 3,689 | 739  | 457  | 1    |
| Profit/loss for the year           | 1,837 | 3,460 | 530  | 314  | -183 |

|                  |        |        |        |        |        |
|------------------|--------|--------|--------|--------|--------|
| Financial assets | 77,696 | 56,978 | 37,831 | 22,093 | 10,354 |
| Total assets     | 80,316 | 58,158 | 38,103 | 22,204 | 10,393 |
| Equity           | 80,184 | 58,043 | 37,964 | 21,774 | 10,334 |

|                 |       |       |       |       |       |
|-----------------|-------|-------|-------|-------|-------|
| Net asset value | 1,538 | 1,496 | 1,379 | 1,348 | 1,328 |
|-----------------|-------|-------|-------|-------|-------|

#### Financial ratios

|  |      |      |      |      |      |
|--|------|------|------|------|------|
| Financial assets<br><i>in percentage of total assets</i> | 96.7 | 98.0 | 99.3 | 99.5 | 99.6 |
| Solvency ratio   | 99.8 | 99.8 | 99.6 | 98.1 | 99.4 |
| Return on equity   | 2.7  | 7.2  | 1.8  | 2.0  | 0.0  |

Solvency ratio:  $\frac{\text{Equity} \times 100}{\text{Total assets}}$

Return on equity:  $\frac{\text{Profit/Loss for the year}}{\text{Average equity}}$

### Principal activities

The main activity of the Company is to invest in securities ensuring exposure to the secondary market for US life insurance policies, also known as life settlements. The investment strategy is primarily pursued through investing in fund units issued by Ress Uncorrelated Assets Fund – Ress Life Sub-Fund (the Master Fund) which exclusively invests in life settlements.

The Company is an Alternative Investment Fund ("AIF") as defined in the Alternative Investment Fund Managers Directive 2011/61/EU ("AIFMD") and the Danish Act on Managers of Alternative Investment Funds.

The Company is marketed towards professional investors as defined in the European Union's MIFID Directive (Markets in Financial Instruments Directive), semi-professional investors where permitted, as well as retail investors in Denmark.

The Company's Alternative Investment Fund Manager (AIFM) is Resscapital AB, a limited liability company incorporated in Sweden (company no 556698-1253). The Fund Manager's focus is insurance-linked securities with an emphasis on the secondary market for US life insurance policies. The Fund Manager is authorised and supervised as an alternative investment fund manager (AIFM) by Finansinspektionen, the Swedish Financial Supervisory Authority.

All company announcements are published through Nasdaq GlobeNewswire and can also be found on the Company's website [www.reslifeinvestments.com](http://www.reslifeinvestments.com) under the heading 'Corporate Governance'

## **Directors' report**

### **Development in activities and finances**

During the Company's financial year, the net asset value of the Company has increased from EUR 1,335.42 (USD 1,496.08) per share of nominal value of EUR 500 to EUR 1,377.99 (USD 1,537.99) at 30 September 2016. The annual report shows a profit of USD 1,837 thousand. Management considers the result for the year acceptable and in accordance with expectations.

During the year there have been 8 capital raises with a total of 13,339 shares with a nominal value of EUR 500 per share.

As there are no regulatory requirements nor any requirement within the Company's articles of association that requires share premiums to be tied up in a capital reserve, the share premiums arising from transactions with shareholders have been transferred to retained earnings and will be so going forward.

### **Development in the master fund**

As of 30 September 2016, the Master Fund owned 205 policies issued by 49 different US life insurance companies. The total face value of the policies exceeds USD 405 million.

During the fiscal year 4 policies with a combined face value of USD 2.35 million matured. The actual number of maturities is in line with expected maturities, but the average size of maturing policies has been below average policy size.

The Fund Manager believes this is due to the fact that the Master Fund only began buying larger policies in 2013 and that the pool of larger face policies is still not large enough to minimize volatility in maturities. The portfolio is still growing and therefore the volatility in actual-to-expected ratios is expected to gradually decrease as the number of policies in the portfolio increases.

Last year the Fund Manager had communicated that some insurance carriers announced increased cost of insurance on specific sub-sets of their insurance products. Those increases are being challenged through several class-action lawsuits by policy owners and consumer organisations. During this fiscal year a couple of additional increases have been announced. To date this has had a minor negative impact on the Master Fund's performance.

The Fund Manager has communicated that an efficient policy selection process combined with conservative medical underwriting, results in the Master Fund purchasing a very small sub-set of reviewed policies. As a result, in the Fund Manager's view the Master Fund has assembled a robust portfolio with limited tail risks.

### **Outlook**

The assets of the Company have grown considerably during the fiscal year. The outlook for further growth is positive and the Fund Manager has communicated to the Company that it expects to continue increasing the assets. The value per share in the Company is also expected to gradually increase as more insurance policies are acquired, insured individuals are getting older and policy pay-outs increase.

Due to the nature of the Company and its investments it is not possible to estimate the level of expected future profits.

### **Exceptional matters**

No exceptional matters have incurred in the financial year that have had or should have had a material effect on the financial statements.



## Directors' report

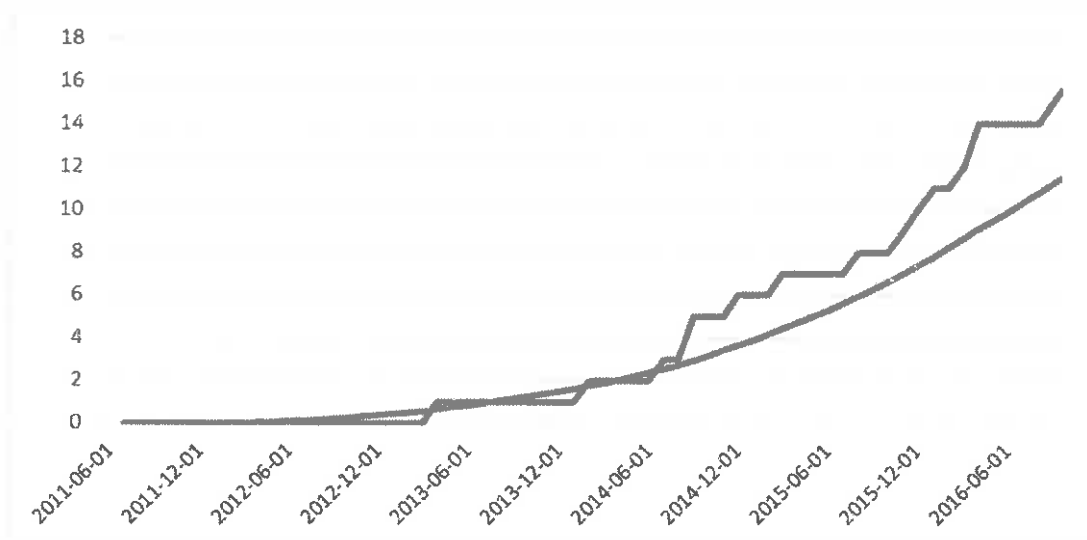
### Performance attribution

The table below shows the estimated calendar year performance attribution since 2013.

|   | 2013          | 2014          | 2015         | 2016 Ytd     |
|---|---------------|---------------|--------------|--------------|
| Realised (Maturities & sold policies)     | 2.11%         | 4.02%         | 5.06%        | 2.54%        |
| Aging effect                              | 8.02%         | 5.46%         | 5.35%        | 3.14%        |
| Mtm-adjustment (Change in discount rates) | 4.90%         | 4.18%         | 7.89%        | -0.07%       |
| Valuation policy change                   | 0.00%         | 0.00%         | -7.87%       | 0.00%        |
| Life Expectancy Updates                   | -4.30%        | -2.48%        | -0.33%       | 0.01%        |
| Premium prepayments                       | 0.00%         | -1.93%        | -0.15%       | -0.28%       |
| Premium optimization                      | 0.00%         | 0.98%         | -0.02%       | -0.30%       |
| COI increases                             | 0.00%         | 0.00%         | -0.39%       | -0.66%       |
| <b>Gross portfolio performance</b>        | <b>10.73%</b> | <b>10.23%</b> | <b>9.54%</b> | <b>4.38%</b> |
| Investment factor effect                  | -3.33%        | -1.37%        | -0.21%       | -0.06%       |
| <b>Net portfolio performance</b>          | <b>7.40%</b>  | <b>8.86%</b>  | <b>9.34%</b> | <b>4.32%</b> |
| Master Fund Costs                         | -4.55%        | -3.30%        | -2.81%       | -1.72%       |
| Feeder Fund Costs                         | -1.05%        | -0.80%        | -0.66%       | -0.38%       |
| FX  | 0.00%         | 0.01%         | 0.02%        | -0.01%       |
| Interest                                  | 0.00%         | -0.04%        | -0.06%       | -0.02%       |
| Other                                     | 0.03%         | 0.00%         | -0.02%       | -0.02%       |
| <b>Net Fund Performance</b>               | <b>1.84%</b>  | <b>4.73%</b>  | <b>5.81%</b> | <b>2.17%</b> |

### Realized maturities - actual to expected

Actual to expected figures were in line with expectations. The below graph shows the actual number of maturities (red) versus expectation (blue). The portfolio has experienced 7.53 MUSD worth of maturities since inception.



## Directors' report

### Uncertainties regarding the measurement and determination of financial data

The majority of the Company's assets consist of fund units. The fair value of the Master Fund units is measured at the Net Asset Value (NAV) informed by the Fund Manager of the Master Fund. The liquidity of the tertiary market for Life Settlements - that the Master Fund invests in - is limited and thus it is not certain that the sale of a Life Settlement policy would realize the amount at which the asset is stated in the financial statements. Life expectancies and fair values are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision.

### Status on Corporate Governance Recommendations

The recommendations are best practice guidelines, which companies should generally follow. A company failing to comply with a recommendation must explain why it has deviated from the recommendation and what it has done differently (the "*comply or explain*" approach). Failure to comply with a recommendation is not considered a breach of rules, but merely implies that the Board of Directors of the Company has chosen a different approach.

By adhering to sound principles of corporate governance, the Company wishes to maintain the confidence of investors, achieve its financial objectives and act with integrity towards all its stakeholders.

The Company's position on the Corporate Governance Recommendations is listed on its webpage: [www.resslifeinvestments.com/corporate-actions](http://www.resslifeinvestments.com/corporate-actions).

### Board of Directors

Board members are elected for a one year term and are re-appointed at the Annual General meeting.

Chairman Ms. Helle Marianne Breinholt (born 1964), was appointed to the board of directors on 1 April 2011. Ms. Breinholt has more than 25 years of experience within the area of financial product development, funding, properties and currently holds the following board and management positions:

- BIG Fonden, chairman of the board since 2014
- BIG 1 Holding A/S, chairman of the board since 2014
- BIG 2 Holding A/S, chairman of the board since 2014
- Breinholt Consulting A/S, founder, board member, CEO, since 2001
- Breinholt Invest A/S, founder, board member, CEO, since 2004
- Investeringsforeningen AL Invest, udenlandske aktier, etisk, board member since 2010
- Investeringsforeningen AL Invest, obligationspleje, board member since 2010
- Private Wealth Properties A/S, board member, CEO, since 2016
- V. M. Brockhuus Holding A/S, board member since 2016
- V. M. Brockhuus Ejendomme A/S, board member since 2016
- V. M. Brockhuus Invest A/S, board member since 2016

Board member Mr. Jeppe Buskov (born 1975) was appointed to the board of directors on 28 February 2014. Mr. Buskov is a partner in the Danish law firm Kromann Reumert and currently holds the position as chairman of the board of directors of KR 606 A/S, KR 607 A/S, KR 612 A/S.

Board member Mr. Jack Austern (born 1962) was appointed to the board of directors on 27 September 2013. Mr. Austern has been engaged in financial business since 1990 with trading of equities and funds and currently holds the position as member of the board of directors of K/S Asschenfeldt, Tyskland Super, K/S Asschenfeldt, Klosterwall, Solingen, K/S Asschenfeldt, Minden II, Jagtbiografen Ny ApS and Nystrøm & Krabbe Ny A/S.

## **Directors' report**

### **Board of Directors – continued**

On 30 May 2016, Breinholt Invest A/S which is controlled by board member Helle Breinholt bought 40 shares in the Company and on 1 June 2016, board member Jack Austern bought 50 shares in the Company. The shares are still held at year end.

Apart from the aforementioned holdings, neither of the members of the Board of Directors or the Management hold shares, options, warrants or similar in the Company.

### **Risks**

The Board has reviewed the most important strategic and business-related risks. Among the most important risks are; financial risk, i.e. the fact that the value of the fund units can decrease and changes in applicable law, which could adversely affect the Company and its share price. Currency risk is another risk factor since the shares are denominated in EUR, the accounting currency is USD and the underlying assets are in USD. Other important risk factors are liquidity risk, i.e. the fact that the shares may not trade regularly and the Company's dependence on its Alternative Investment Fund Manager and tax risks related to the Company's investment in the Master Fund.

### **Capital Structure**

The Company is primarily funded through equity. The Company shall not raise any loans. However, the Company may raise loans of a maximum of 10 % of the Company's assets to redeem shareholders (including the purpose of reacquiring treasury shares), to exercise subscription rights, to temporarily finance transactions made or to pay expenses.

The Company has no interest in holding treasury shares other than for the purpose of reselling these to new or existing shareholders. Consequently, no policy regarding the possession of treasury share has been established.

### **Credit management**

The capital of the Company is represented by the net assets attributable to the investors. The Company's objective when managing capital is to safeguard the ability to continue as a going concern in order to provide returns for investors and benefits for other stakeholders as well as maintain a strong capital base to support the development of the investment activities of the Company.

### **Corporate Social Responsibility**

The Company does not have a Corporate Social Responsibility policy, including one for Human Rights or the Company's climate impact, since it is not found relevant due to the size and nature of the Company.

### **Target figures and policies for the underrepresented gender**

The board already meets the general requirements for gender diversity and consequently a policy for gender equality has not been established nor have targets for these measures been set. However, it is the intention to have both genders represented at all times.

The Company has no employees other than the Board and the Management and consequently, no policy or target figures have been established for employee gender representation.



## Financial statements for the period 1 October – 30 September

### Income statement and statement of comprehensive income

| Note   | USD                                    | 1 October 2015 -<br>30 September<br>2016 | 1 October 2014 -<br>30 September<br>2015 |
|--|--|--|--|
|  | Other Income                           | 128.921                                  | 0  |
| 2  | Staff costs                            | - 34,284                                 | - 46,803                                 |
| 3  | Other operating costs                  | - 381,363                                | - 182,468                                |
|  | <b>Operating loss</b>                  | <b>- 286,726</b>                         | <b>- 229,271</b>                         |
| 4  | Financial income                       | 2,146,788                                | 3,698,041                                |
| 5  | Financial expenses                     | - 22,767                                 | - 8,523                                  |
|  | <b>Profit before tax</b>               | <b>1,837,295</b>                         | <b>3,460,247</b>                         |
|  | Tax on profit for the year             | 0  | 0  |
|  | <b>Profit for the year</b>             | <b>1,837,295</b>                         | <b>3,460,247</b>                         |
|  | <b>Comprehensive income</b>            | <b>1,837,295</b>                         | <b>3,460,247</b>                         |
| There have been no transactions in other comprehensive income. |  |  |  |
|  | Average no. of shares issued           | 45,467                                   | 33,163                                   |
|  | Earnings per share (Basic and Diluted) | 40.41                                    | 104.34                                   |

## Financial statements for the period 1 October – 30 September

### Statement of financial position

| Note  | USD                                 | 30 September<br>2016     | 30 September<br>2015     |
|-------|-------------------------------------|--------------------------|--------------------------|
|       | <b>ASSETS</b>                       |                          |                          |
|       | <b>Non-current assets</b>           |                          |                          |
| 6, 10 | <b>Financial assets</b>             |                          |                          |
|       | Other investments                   | 72,696,310               | 56,618,467               |
|       | Other receivables                   | 5,000,000                | 360,000                  |
|       |                                     | <u>77,696,310</u>        | <u>56,978,467</u>        |
|       | <b>Total non-current assets</b>     | <u>77,696,310</u>        | <u>56,978,467</u>        |
|       | <b>Current assets</b>               |                          |                          |
|       | <b>Receivables</b>                  |                          |                          |
|       | Prepayments                         | 9,149                    | 7,609                    |
|       |                                     | <u>9,149</u>             | <u>7,609</u>             |
|       | <b>Cash and cash equivalents</b>    | <u>2,610,963</u>         | <u>1,171,538</u>         |
|       | <b>Total current assets</b>         | <u>2,620,112</u>         | <u>1,179,147</u>         |
|       | <b>TOTAL ASSETS</b>                 | <u><u>80,316,422</u></u> | <u><u>58,157,614</u></u> |
|       | <b>EQUITY AND LIABILITIES</b>       |                          |                          |
|       | <b>Equity</b>                       |                          |                          |
| 7     | Contributed capital                 | 32,320,561               | 24,882,001               |
|       | Share premium                       | 0                        | 29,342,549               |
|       | Retained earnings                   | 47,863,221               | 3,818,680                |
|       | <b>Total equity</b>                 | <u>80,183,782</u>        | <u>58,043,230</u>        |
|       | <b>Current liabilities</b>          |                          |                          |
|       | Other payables                      | 132,640                  | 114,384                  |
|       | <b>Total liabilities</b>            | <u>132,640</u>           | <u>114,384</u>           |
|       | <b>TOTAL EQUITY AND LIABILITIES</b> | <u><u>80,316,422</u></u> | <u><u>58,157,614</u></u> |

- 1 Accounting policies
- 8 Contingencies etc.
- 9 Related parties
- 10 Financial risks and financial instruments
- 11 Events after the balance sheet date

## Financial statements for the period 1 October – 30 September

### Statement of changes in equity

| USD                                    | <u>Contributed<br/>capital</u> | <u>Share<br/>premium</u> | <u>Retained<br/>earnings</u> | <u>Total</u>             |
|--|--------------------------------|--------------------------|------------------------------|--------------------------|
| Equity at 1 October 2014               | 18,550,268                     | 19,054,776               | 358,433                      | <b>37,963,477</b>        |
| Comprehensive income for the<br>period | 0                              | 0                        | 3,460,247                    | <b>3,460,247</b>         |
| Capital increase                       | <u>6,331,733</u>               | <u>10,287,773</u>        | 0                            | <u>16,619,506</u>        |
| <b>Equity at 30 September 2015</b>     | <b><u>24,882,001</u></b>       | <b><u>29,342,549</u></b> | <b><u>3,818,680</u></b>      | <b><u>58,043,230</u></b> |
| Equity at 1 October 2015               | 24,882,001                     | 29,342,549               | 3,818,680                    | <b>58,043,230</b>        |
| Comprehensive income for the<br>period | 0                              | 0                        | 1,837,295                    | <b>1,837,295</b>         |
| Capital increase                       | 7,438,560                      | 12,864,697               | 0                            | <b>20,303,257</b>        |
| Transfer                               | <u>0</u>                       | <u>-42,207,246</u>       | <u>42,207,246</u>            | <u>0</u>                 |
| <b>Equity at 30 September 2016</b>     | <b><u>32,320,561</u></b>       | <b><u>0</u></b>          | <b><u>47,863,221</u></b>     | <b><u>80,183,782</u></b> |

## Financial statements for the period 1 October – 30 September

### Statement of cash flows

| <b>USD</b>   | <b>2015/16</b>     | <b>2014/15</b>     |
|--|--------------------|--------------------|
| Total comprehensive income for the period                                | 1,837,295          | 3,460,247          |
| Change in current liabilities  | 18,256             | -26,162            |
| Change in receivables  | 1,540              | 719,622            |
| Unrealised financial income  | -2,146,788         | -3,698,041         |
| Unrealised financial expenses  | 22,767             | 8,523              |
| Corporation tax paid   | 0                  | 0                  |
| <b>Cash flow from operating activities</b>                               | <b>-266,930</b>    | <b>464,189</b>     |
| <br>   |                    |                    |
| Purchase of financial assets   | -18,614,738        | -16,095,357        |
| Interest received  | 167                | 299                |
| Realised exchange rate adjustments                                       | 20,436             | 0                  |
| <b>Cash flow from investing activities</b>                               | <b>-18,594,135</b> | <b>-16,095,058</b> |
| <br>   |                    |                    |
| Issuance of ordinary shares, net   | 20,303,258         | 16,619,506         |
| Interest paid  | -2,767             | -4,718             |
| <b>Cash flow from financing activities</b>                               | <b>20,300,491</b>  | <b>16,614,788</b>  |
| <br>   |                    |                    |
| <b>Net cash flows from operating, investing and financing activities</b> | <b>1,439,425</b>   | <b>983,919</b>     |
| <br>   |                    |                    |
| Cash and cash equivalents at 1 October                                   | 1,171,538          | 187,619            |
| <b>Cash and cash equivalents at 30 September</b>                         | <b>2,610,963</b>   | <b>1,171,538</b>   |



## **Financial statements for the period 1 October – 30 September**

### **Notes to the financial statements**

#### **1 Accounting policies**

Ress Life Investments A/S is a public limited company registered in Denmark.

The financial statements for Ress Life Investments A/S for the period 1 October 2015 – 30 September 2016 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

The annual report also fulfils the requirements laid down in International Financial Reporting Standards issued by the IASB.

#### **Basis of preparation**

The consolidated financial statements have been presented in United States Dollars (USD), rounded to the nearest whole USD.

The accounting policies set out below have been applied consistently in respect of the financial year and to comparative figures. For standards implemented prospectively, comparative figures are not restated.

#### **Going concern statement**

In connection with the financial reporting, the Board of Directors and the Management assessed whether presentation of the annual report under the going concern assumption is well-founded. The Board of Directors and the Management have concluded that no such factors exist at the balance sheet date as could raise doubt about the Company's ability to continue as a going concern at least until the next balance sheet date. The conclusion drawn is based on knowledge of Company, the estimated outlook and the uncertainties and risks identified in this respect (described in the Director's report and note 10) as well as an examination of budgets, including the expected developments in liquidity, capital base, etc., existing credit facilities, including contractual and expected maturity periods, as well as other terms. Thus, it is deemed appropriate, reasonable and well-founded to base the financial reporting on the going concern assumption.

#### **Determination of functional currency**

The functional currency is the currency used in the primary financial environment in which the reporting entity operates. Transactions denominated in currencies other than the functional currency are foreign currency transactions.

If indicators of the primary economic environment are mixed, then management uses its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. Management considers the USD as the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The USD is the currency in which the Company measures its performance and reports its results, as well as the currency in which it receives subscriptions for its investors. This determination also considers the competitive environment in which the Fund is compared.

## Financial statements for the period 1 October – 30 September

### Notes to the financial statements

#### 1 Accounting policies - continued

##### Foreign currency translation

On initial recognition, foreign currency transactions are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the rate at the transaction date and the rate at the date of payment are recognised in profit or loss as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at the date of the statement of financial position.

The difference between the exchange rates at the end of the reporting period and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in profit or loss as financial income or financial expenses.

##### General information on recognition and measurement

Income is recognised in the income statement as and when it is earned, including recognition of value adjustments of financial assets and liabilities. Any costs, including depreciation, amortisation and write-down, are also recognised in the income statement.

Assets are recognised in the statement of financial position when it is likely that future economic benefits will flow to the Company and the value of the asset can be measured reliably.

Liabilities are recognised in the statement of financial position when it is likely that future economic benefits will flow from the Company and the value of the liability can be measured reliably.

The initial recognition measures assets and liabilities at cost. Subsequently, assets and liabilities are measured as described in the following for each item.

Certain financial assets and liabilities are measured at amortised cost, recognising a constant effective interest over the term. Amortised cost is stated at initial cost less any deductions and with addition/deduction of the accumulated amortisation on the difference between cost and nominal amount.

The recognition and measurement takes into account predictable losses and risks arising before the year-end reporting and which prove or disprove matters that existed at the balance sheet date.

##### New financial reporting standards

The International Accounting Standards Board (IASB) has issued a new accounting standard on Financial instruments (IFRS 9). The Company is in the process of assessing the impact and planned implementation approach when the standard will become effective in 2018. The implementation of the principles for classification and measurement under IFRS 9 is not expected to lead to significant reclassifications between instruments at fair value and amortised cost. The standard is yet to be endorsed by the European Union.

The IASB has issued several other standards and amendments to current international financial reporting standards, including new standards on Revenue from contracts with customers (IFRS 15) which was endorsed by the EU in 2016 and Leases (IFRS 16) which is yet to be endorsed. The Board of Directors and the Management has assessed that these standards will not have a material impact on the financial statements.

## Financial statements for the period 1 October – 30 September

### Notes to the financial statements

#### 1 Accounting policies - continued

##### *Income statement and statement of comprehensive income*

###### **Staff costs**

Staff costs comprise fees to members of the Board of Directors.

###### **Other operating expenses**

Other operating expenses comprise domiciliary and management fee expenses, professional services fees and other such expenses.

###### **Financial income and expenses**

Financial income and expenses include interest income and expenses, realised and unrealised gains and losses arising from investments in financial assets, financial liabilities and transactions in foreign currencies.

Fair value adjustments are recognised in profit or loss as value adjustments of financial assets under financial income/expenses in the financial year in which the change adjustment occurs.

Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

###### **Tax on profit/loss for the year**

The Company is exempt from corporate taxes in Denmark in accordance with the Danish tax rules for investment Companies as the taxation occurs with the investors instead. Therefore the Company has no recognition of corporate tax, but immaterial amounts may be recorded in the financial statements in terms of withholding taxes.

##### *Statement of financial position*

###### **Financial assets and other investments**

The Company classifies its investments in securities as financial assets at fair value through profit or loss. These financial assets are classified by management at FVTPL at inception.

Financial assets/other investments designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but their performance is evaluated on a fair value basis and they are managed in accordance with the Company's documented investment strategy.

The Company's policy requires the AIF-Manager and the management to evaluate the information about these financial assets on a fair value basis. Assets in this category are classified as non-current assets as those are not expected to be realised within 12 months of the balance sheet date.

Regular purchases and sales of securities are recognised on the trade date — the date on which the Company commits to purchase or sell the investment. Financial assets at FVTPL are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets at FVTPL are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets are presented in the statement of comprehensive income within "other financial income or expenses" in the period in which they arise.

## Financial statements for the period 1 October – 30 September

### Notes to the financial statements

#### 1 Accounting policies - continued

##### Receivables

Receivables are measured at amortised cost. Provisions are made for bad debts where there is an objective indication that an individual receivable or a portfolio of receivables has been impaired.

Receivables where there is no objective evidence of individual impairment are assessed for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the country of domicile and credit ratings of the debtors in accordance with the Group's credit risk management policy. The objective evidence used for portfolios is determined based on historical loss experience.

If there is objective evidence that a portfolio has been impaired, an impairment test is performed to estimate the expected future cash flows on the basis of historical loss experience, adjusted for current market conditions and individual conditions related to the individual portfolio.

Provisions are made up as the difference between the carrying amount and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate used at the time of initial recognition is used as the discount rate for the individual receivable or portfolio.

Recognition as income of interest on written-down receivables is calculated based on the written-down value using the effective interest rate for the individual receivable or portfolio.

##### Current assets

Prepayments recognised as assets include costs incurred relating to the subsequent financial year and are measured at cost.

##### Current liabilities

Other payables are measured at amortised cost.

##### *Cash flow statement*

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of financial assets is shown separately in cash flows from investing activities.

Cash and cash equivalents comprise cash and short-term marketable securities (maturing in less than three months at the time of acquisition) which are subject to an insignificant risk of changes in value.

Cash flows from operating activities are calculated according to the indirect method as the profit/loss after tax adjusted for non-cash operating items, changes in working capital and interest income and expenses.

Cash flows from investing activities include payments in connection with purchase and sale of financial asset investments and realised interest income.

Cash flows from financing activities include changes in the size or composition of share capital and related costs, borrowings and repayment of interest-bearing debt and payment of dividend to shareholders and realised interest expenses.

## Financial statements for the period 1 October – 30 September

### Notes to the financial statements

#### 2 Staff cost

| USD                                       | 2015/16       | 2014/15       |
|---|---------------|---------------|
| Wages and salaries                        | 30,774        | 44,136        |
| Other social security costs               | 3,510         | 2,667         |
|   | <u>34,284</u> | <u>46,803</u> |
| Board of Directors, ordinary remuneration | 30,774        | 44,136        |
| Average number of employees               | 0             | 0             |

#### 3 Other operating costs

|  |                |                |
|--|----------------|----------------|
| Legal fees   | 86,297         | 43,690         |
| Audit fees   | 27,262         | 10,562         |
| Professional & Management fees                             | 192,332        | 69,272         |
| Transaction costs & fees                                   | 9,156          | 42,316         |
| Miscellaneous expenses                                     | 66,316         | 16,628         |
|  | <u>381,363</u> | <u>182,468</u> |
| Remuneration of the Company's statutory auditors comprise: |                |                |
| Statutory audit  | 11,983         | 10,562         |
| Other audit and assurance related services                 | 0              | 0              |
| Tax and VAT assistance                                     | 0              | 0              |
| Other  | 15,279         | 0              |
|  | <u>27,262</u>  | <u>10,562</u>  |

#### 4 Financial income

|                           |                  |                  |
|---------------------------|------------------|------------------|
| Interest income           | 167              | 213              |
| Exchange rate adjustments | 43,516           | 4,989            |
| Fair value adjustments    | 2,103,105        | 3,692,747        |
| Other interest income     | 0                | 92               |
|                           | <u>2,146,788</u> | <u>3,698,041</u> |

#### 5 Financial expenses

|                           |               |              |
|---------------------------|---------------|--------------|
| Exchange rate adjustments | 20,001        | 533          |
| Fair value adjustments    | 0             | 3,272        |
| Other financial expenses  | 2,766         | 4,718        |
|                           | <u>22,767</u> | <u>8,523</u> |

## Financial statements for the period 1 October – 30 September

### Notes to the financial statements

#### 6 Financial assets

| USD                                      | <u>Other<br/>Investments</u> | <u>Other<br/>receivables</u> | <u>Total</u>             |
|--|------------------------------|------------------------------|--------------------------|
| Cost 1 October 2015                      | 52,925,720                   | 360,000                      | 53,285,720               |
| Additions                                | 13,974,738                   | 4,640,000                    | 18,614,748               |
| Cost 30 September 2016                   | <u>66,900,458</u>            | <u>5,000,000</u>             | <u>71,900,458</u>        |
| Adjustments 1 October 2015               | 3,692,747                    | 0                            | 3,692,747                |
| Fair value adjustments                   | 2,103,105                    | 0                            | 2,103,106                |
| Adjustments 30 September 2016            | <u>5,795,852</u>             | <u>0</u>                     | <u>5,795,852</u>         |
| <b>Carrying amount 30 September 2016</b> | <u><b>72,696,310</b></u>     | <u><b>5,000,000</b></u>      | <u><b>77,696,310</b></u> |

#### 7 Contributed capital

The contributed capital comprises:

52.136 shares, equivalent to USD 32,320,561

**Contributed capital 1 October 2015** **24,882,001**

28 October 2015, issue of capital, 1,469 shares 822.863

25 November 2015, issue of capital, 675 shares 371.825

21 December 2015, issue of capital, 1,444 shares 763.800

25 January 2016, issue of capital, 332 shares 180.724

25 February 2016, issue of capital, 1,965 shares 1.072.895

27 April 2016, issue of capital, 4,036 shares 2.297.491

25 May 2016, issue of capital, 1,956 shares 1.115.212

28 September 2016, issue of capital, 1,462 shares 813.751

**Contributed capital 30 September 2016** **32,320,561**

The development in contributed capital since inception:

|            | <u>Number of shares</u> | <u>Share capital, EUR</u> |
|------------|-------------------------|---------------------------|
| In 2011/12 | 7,803                   | 3,901,500                 |
| In 2012/13 | 8,595                   | 4,297,500                 |
| In 2013/14 | 11,131                  | 5,565,500                 |
| In 2014/15 | 11,268                  | 5,634,000                 |
| In 2015/16 | <u>13,339</u>           | <u>6,669,500</u>          |
|            | <u><b>52,136</b></u>    | <u><b>26,068,000</b></u>  |

## Financial statements for the period 1 October – 30 September

### Notes to the financial statements

#### 7 Contributed capital - continued

The company holds treasury shares as it redeems investors to the extent that redeemed shares are not resold to new or current investors.

|   | Number of shares | % of total shares |
|---|------------------|-------------------|
| Treasury shares at 1 October 2015           | 0                | 0.00              |
| Bought in the financial year                | 3,180            | 6.10              |
| Sold in the financial year                  | -3,180           | -6.10             |
| <b>Treasury shares at 30 September 2016</b> | <b>0</b>         | <b>0.00</b>       |

The nominal value of treasury shares is EUR 500 per share.

#### 8 Contingencies etc.

The company has no contractual obligations or contingent liabilities. Further, the company has not issued mortgages or bonds or provided collateral for any assets held by the company, except that the company has placed its fund units in the Master Fund as security for its credit facility with Carnegie.

#### 9 Related parties

Ress Life Investments A/S' related parties include:

| Name of related party                                 | Nature of transactions                        |
|---|---|
| Resscapital AB  | AIF management fee                            |
| Citco Denmark ApS                                     | Domiciliary and administrative management fee |
| Board of Directors                                    | Board remuneration as described in note 2     |
| Kromann Reumert*                                      | Legal advisory services                       |
| <i>*Board member Jeppe Buskov is a partner hereof</i> |   |

Transactions with related parties comprise:

|                   | 2015/16 | 2014/15 |
|-------------------|---------|---------|
| Resscapital AB    | 50,350  | 2,003   |
| Kromann Reumert   | 32,613  | 43,690  |
| Citco Denmark ApS | 89,790  | 59,310  |

Shareholders holding of more than 5% of the share capital:

|   | Share capital,<br>% of total |
|---|------------------------------|
| Apoteket AB:S Pensionsstiftelse, Stockholm, Sweden    | 6.98%                        |
| Banque Carnegie Luxembourg SA, Luxembourg, Luxembourg | 9.46%                        |
| Helga Liselott Tham, Stockholm, Sweden                | 10.54%                       |
| The Swedish Club, Gothenburg, Sweden                  | 9.78%                        |
| Volvo Pensionsstiftelse, Gothenburg, Sweden           | 9.99%                        |

## **Financial statements for the period 1 October – 30 September**

### **Notes to the financial statements**

#### **10 Financial risks and financial instruments**

##### **Foreign exchange risks**

The shares are denominated in EUR. The functional currency is USD and the underlying assets are USD based. Accordingly, the value of the Shares is likely to fluctuate with any fluctuations in the exchange rate between USD and EUR. If the value of EUR depreciates against USD, the EUR price of the Shares will appreciate. In addition, there is a currency risk depending on the local functional currency for each shareholder.

##### **Interest rate risks**

Due to its investing and financing activities, Ress Life Investments A/S is to a limited extent exposed to interest rate risks related to fluctuations in interest levels in USA, Euroland and Denmark.

The interest rate exposure relating to interest rate changes comprises changes in interest yields on balances with banks.

##### **Early termination**

The Company is exposed to the potential risk related to an early termination of the Master Fund. The Fund Manager would, in such situation, have to distribute to the Unitholders of the Master Fund their pro-rata interest in the assets. The Master Fund's investments would have to be sold by the Fund Manager or distributed to the Company. It is possible that at the time of such sale or redemption certain investments held by the Master Fund may be worth less than the initial cost of the investment, resulting in a loss to the Master Fund and to the Company. Moreover, in the event the Master Fund terminates prior to the complete amortization of organizational expenses, any unamortized portion of such expenses will be accelerated and will be debited from (and thereby reduce) amounts otherwise available for distribution to the Company.

##### **Tax risks**

For the Company an investment in the Master Fund involves a number of complex tax considerations. Changes in tax legislation in any of the countries in which the Master Fund will have investments (or of Luxembourg), or changes in tax treaties negotiated by those countries, could adversely affect the returns from the Master Fund to its Unitholders. No assurance can be given regarding the actual level of taxation imposed upon the Master Fund. Each Unitholder is strongly urged to consult its own tax advisers regarding their tax implications of investing, holding and disposing of Units in the Master Fund and, if relevant, receiving distributions in respect of Units in the Master Fund.

##### **Credit risks and fair values**

The Company uses the fair value concept in connection with certain disclosure requirements and for recognition of financial instruments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants ("exit price").

The fair value is a market-based and not an entity-specific measurement. The entity uses the assumptions that the market participants would use for the pricing of the asset or liability based on the current market conditions, including risk assumptions. The entity's purpose of holding the asset or settling the liability is thus not taken into account when the fair value is determined.

The fair value measurement is based on the principal market. If a principal market does not exist, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and transport costs.



## Financial statements for the period 1 October – 30 September

### Notes to the financial statements

#### 10 Financial risks and financial instruments – continued

All assets and liabilities measured at fair value, or in respect of which the fair value is disclosed, are classified based on the fair value hierarchy, see below:

- Level 1: Value in an active market for similar assets/liabilities
- Level 2: Value based on recognised valuation methods on the basis of observable market information
- Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

The determination of what constitutes 'observable' requires significant judgement by the Company. The Management considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The following method and assumptions were used to estimate the fair values.

The Company invests primarily in the Master Fund whose net asset value (NAV) is used as fair value of Other Investments. The Fund Manager calculates the NAV in the Master Fund once every month per the end of each month. The Master Fund invests in life insurance policies whose valuation is carried out on an individual basis based on several factors such as premium payments and changes in these, updates of life expectancy, changes in discount rates and general "mark-to-market" adjustments. Twice a year the calculations are verified by an external auditor or actuary.

The following table analyses within the fair value hierarchy the company's financial assets measured at fair value at 30 September 2016. All fair value measurements disclosed are recurring fair value measurements.

| USD     | <u>2015/16</u>    | <u>2014/15</u>    |
|---------|-------------------|-------------------|
| Level 1 | 0                 | 0                 |
| Level 2 | 72.696.310        | 56.618.467        |
| Level 3 | 0                 | 0                 |
|         | <u>72.696.310</u> | <u>56.618.467</u> |

Carrying amount is equal to fair value for all financial assets and financial liabilities.

There have been no transfers between the levels in the fair value hierarchy this year.

The fair value of receivables, prepayments, cash, payables and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments. The Company's own credit risk has not been taken into account.

#### 11 Events after the balance sheet date

There are no events after the balance sheet date affecting the annual report.