



***Valor Group Ltd.
British Virgin Islands***

***Report of the auditor
to the Board of Directors
on the consolidated
financial statements 2014***



Report of the auditor
to the Board of Directors of
Valor Group Ltd.
British Virgin Islands

On your instructions, we have audited the consolidated financial statements of Valor Group Ltd. (“the Company”), which comprise the consolidated balance sheet, consolidated income statement and notes to the consolidated financial statements, for the period ended 31 December 2014. The Company was previously named “Wealth Assurance Holdings, Ltd.” and changed its name on 31 December 2014.

Board of Directors’ responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the accounting policies set forth in the notes to the consolidated financial statements. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor’s responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity’s preparation 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 existence and effectiveness of the entity’s internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, 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.

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Opinion

In our opinion, the financial statements for the period ended 31 December 2014 comply with the accounting policies set forth in the notes to the consolidated financial statements.

PricewaterhouseCoopers AG

Two handwritten signatures in blue ink. The signature on the left is a long, horizontal line with a small flourish at the end. The signature on the right is a more complex, cursive signature.

Enrico Strozzi

Christian Konopka

Zürich, 18 September 2015

Enclosure:

- Consolidated financial statements (consolidated balance sheet, consolidated income statement and notes to the consolidated financial statements)

VALOR GROUP, LTD.
Balance Sheet
As of December 31, 2014 and 2013

Assets

	2014	2013
Current Assets		
CASH IN BANK	\$ 56,457,034.20	\$ 18,883,503.00
CERTIFICATE OF DEPOSIT	102,791.00	74,757.00
ACCOUNTS RECEIVABLE	1,054,594.00	1,942,437.00
OTHER RECEIVABLES	2,653,768.06	75,178.00
STOCK SUBSCRIPTION RECEIVABLE	0.00	2,501,100.00
LOAN REC - SHAREHOLDERS	920,016.66	0.00
ACCRUED INTEREST AND RENT	11,531.00	12,830.00
OTHER ACCRUALS AND DEFERRALS	<u>9,185,106.22</u>	<u>357,877.00</u>
Total Current Assets	<u>70,384,841.14</u>	<u>23,847,682.00</u>
Fixed Assets		
FURNITURE & FIXTURES	<u>16,178.44</u>	<u>25,535.00</u>
Total Fixed Assets	<u>16,178.44</u>	<u>25,535.00</u>
Other Assets		
OTHER SECURITIES	9,029,057.20	0.00
LOAN REC - HUGHES	350,000.00	0.00
BARGAIN PURCHASE GAIN - WAAG	54,347,762.00	54,347,762.00
BARGAIN PURCHASE GAIN - VALOR LIFE	179,141,836.27	0.00
CAPITAL INVESTMENT - VL ASSURANCE	1,200,000.00	0.00
CAPITAL INVESTMENT - USAV	250,000.00	0.00
CAPITAL INVESTMENT - LIFE INSURANCE POLICIES	1,062,737,608.00	1,357,889,349.00
CAPITAL INVESTMENTS ON BEHALF OF POLICYHOLDERS	<u>4,325,689,981.78</u>	<u>0.00</u>
Total Other Assets	<u>5,632,746,245.25</u>	<u>1,412,237,111.00</u>
Total Assets	<u>\$ 5,703,147,264.83</u>	<u>\$ 1,436,110,328.00</u>

VALOR GROUP, LTD.
Balance Sheet
As of December 31, 2014 and 2013

Liabilities and Stockholders' Equity

	2014	2013
Current Liabilities		
ACCOUNTS PAYABLE	\$ 74,343,595.00	\$ 65,221,757.00
ACCRUED EXPENSES	34,548,881.59	7,861,716.00
SOCIAL SECURITY LIABILITY	47,767.61	18,608.00
TAX LIABILITY	269,366.00	94,242.00
TAX PROVISIONS	660,956.78	1,344.00
OTHER PROVISIONS	7,383,968.67	1,193,423.00
ACCRUALS AND DEFERRALS	1,024,817.27	233,796.00
DEFERRED PAYMENTS	5,031,750.00	0.00
ACTUARIAL RESERVE	812,905.25	365,881.00
TECHNICAL RESERVE	4,314,561,176.94	0.00
	<u>4,438,685,185.11</u>	<u>74,990,767.00</u>
Total Current Liabilities		
Long-Term Liabilities		
LOAN PAYABLE - THORSDALE	13,419,837.23	0.00
LOAN PAYABLE - DIRECTORS	1,575,000.00	0.00
LOAN PAYABLE - ICA	659,980.27	0.00
INVESTMENT RISK ON LIFE INSURANCE	989,254,367.00	1,293,613,503.00
	<u>1,004,909,184.50</u>	<u>1,293,613,503.00</u>
Total Long-Term Liabilities		
Total Liabilities		
	<u>5,443,594,369.61</u>	<u>1,368,604,270.00</u>
Stockholders' Equity		
COMMON STOCK - CLASS A	1,100.00	1,100.00
COMMON STOCK - CLASS B	2,500.00	2,500.00
PAID IN CAPITAL	14,997,500.00	14,997,500.00
EQUITY	74,968,095.38	(1,769,304.00)
NONCONTROLLING INTEREST IN SUBSIDIARIES	(7,899,196.00)	(7,337,181.00)
CURRENT NET INCOME-LOSS	177,482,895.84	61,611,443.00
	<u>259,552,895.22</u>	<u>67,506,058.00</u>
Total Stockholders' Equity		
Total Liabilities and Stockholders' Equity		
	<u>\$ 5,703,147,264.83</u>	<u>\$ 1,436,110,328.00</u>

VALOR GROUP, LTD.
Income Statement

	12 Months Ended December 31, 2014	12 Months Ended December 31, 2013
Income		
PREMIUMS EARNED ON OWN ACCOUNTS	\$ 5,242,596.00	\$ 0.00
OTHER INSURANCE EARNINGS ON OWN ACCOUNTS	5,837,058.00	0.00
UNREALIZED PROFIT FROM CAPITAL INVESTMENTS	30,551,961.00	0.00
CHANGE IN OTHER NET TECHNICAL PROVISIONS	165,593,164.00	0.00
OTHER BUSINESS INCOME	521,391.00	0.00
BARGAIN PURCHASE GAIN ON INVESTMENT	179,141,836.27	61,684,943.00
CURRENT EARNINGS ON CAPITAL INVESTMENTS	3,727.00	0.00
REALIZED GAIN ON INVESTMENT	270,547.00	0.00
EXTRAORDINARY EARNINGS	<u>12,415.00</u>	<u>0.00</u>
Total Income	<u>387,174,695.27</u>	<u>61,684,943.00</u>
Cost of Goods Sold		
EXPENSES FOR INSURANCE CLAIMS ON OWN ACCOUNTS	193,194,856.00	0.00
OTHER INSURANCE EXPENSES ON OWN ACCOUNTS	<u>6,283,202.00</u>	<u>0.00</u>
Total Cost of Goods Sold	<u>199,478,058.00</u>	<u>0.00</u>
Gross Profit	<u>187,696,637.27</u>	<u>61,684,943.00</u>
Operating Expenses		
ADMINISTRATIVE EXPENSES ON INSURANCE OPERATIONS	7,028,988.00	0.00
ACQUISITION EXPENSES ON INSURANCE OPERATIONS	547,260.00	0.00
BANK CHARGES	708.62	0.00
BSX LISTING SPONSOR FEES	0.00	9,000.00
CONSULTING FEES	49,605.00	0.00
DEPRECIATION	20,342.00	0.00
FOREIGN EXCHANGE ADJUSTMENT	514,370.73	0.00
GENERAL AND ADMINISTRATIVE FEES	1,817,319.00	16,105.00
INTEREST & INVESTMENT MANAGEMENT EXP.	339,243.00	0.00
LEGAL & AUDIT FEES	132,026.07	35,000.00
LICENSES AND PERMITS	650.00	0.00
MISCELLANEOUS FEES	0.00	200.00
PROFESSIONAL SERVICES	2,768.00	0.00
PUBLIC RELATIONS	3,960.00	0.00
RENT	28,200.00	0.00
RESIDENT AGENT (BVI) FEES	0.00	5,675.00
STOCK EXCHANGE FEES	0.00	7,520.00
TAXES - OTHER	240,888.00	0.00
TRAVEL	49,428.01	0.00
MINORITY INTEREST IN WEALTH ASSURANCE AG	<u>(562,015.00)</u>	<u>0.00</u>
Total Operating Expenses	<u>10,213,741.43</u>	<u>73,500.00</u>
Net Income (Loss)	<u><u>177,482,895.84</u></u>	<u><u>61,611,443.00</u></u>

Valor Group, Ltd.

NOTES TO 2014 CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – Valor Group, Ltd. is a financial holding company incorporated in May, 2013. On December 31, 2013, Valor Group, Ltd. purchased 90.1% of Wealth-Assurance AG, a Liechtenstein insurance company. On November 25, 2014 Valor Group, Ltd. purchased Valorlife Lebensversicherungs-Aktiengesellschaft (“Valorlife”), also a Liechtenstein insurance company. The companies are filing consolidated financial statements. The consolidated financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles.

Company Activity and Operating Cycle – The companies operate on a calendar year cycle. Wealth-Assurance AG and Valorlife are licensed as a life insurance companies in Liechtenstein and operate as such.

Valuation Methods – Third party capital investments are posted at current value. In the case of listed investments, this is the stock market value on the consolidated balance sheet date, or if not a trading day, the preceding trading day. Unlisted investments are posted at the last known disclosed value. These items are balanced on the liability side by provisions for third party investment risk. These are valued using the same principles.

Depreciation – Depreciation is computed using the straight line method over a 5 year period for financial reporting purposes.

Income Taxes – The company has incurred no income tax liability for 2014.

NOTE 2 – OTHER RECEIVABLES/ACCRUALS AND DEFERRALS.

Other Receivables represent unsettled fees from insurance contracts. Other accruals and Deferrals represent items paid in advance for 2015 expenses.

NOTE 3 – CAPITAL INVESTMENT LIFE INSURANCE POLICIES

The capital investment in life insurance policies contains policies with a non-liquid value of \$212 million.

NOTE 4 – EQUIPMENT AND VEHICLES

Equipment and vehicles are stated at cost less accumulated depreciation. Depreciation expense for the 12 months ended December 31, 2014 was \$20,342.

Equipment and vehicles consists of the following at December 31, 2014:

Valor Group, Ltd.

Office Building and Furniture	\$ 194,636
Accumulated depreciation	<u>(178,458)</u>
Office Building and Furniture, net	<u>\$ 16,178</u>

NOTE 5 – BUSINESS COMBINATIONS AND BARGAIN PURCHASE GAIN ON INVESTMENT

Business Combinations: Business combinations are accounted for under the acquisition method of accounting in accordance with FASB ASC 805, Business Combinations. Under the acquisition method the acquiring entity in a business combination recognizes 100 percent of the acquired assets and assumed liabilities, regardless of the percentage owned, at their estimated fair values as of the date of acquisition. Any excess of the purchase price over the fair value of net assets and other identifiable intangible assets acquired is recorded as goodwill. To the extent the fair value of net assets acquired, including other identifiable assets, exceed the purchase price, a bargain purchase gain is recognized. Assets acquired and liabilities assumed from contingencies must also be recognized at fair value, if the fair value can be determined during the measurement period. Results of operations of an acquired business are included in the statement of earnings from the date of acquisition. Acquisition-related costs, including conversion and restructuring charges, are expensed as incurred. The Company applied this guidance to the Valorlife acquisition that was consummated in 2014.

Goodwill and Other Intangible Assets: Goodwill is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any non-controlling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but are periodically evaluated for impairment at the reporting unit level at least annually. Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values.

In accordance with ASU 2011-08 *Intangibles – Goodwill and Other* (Topic 350): the Company makes a qualitative assessment of whether it is more likely than not that its fair value is less than its carrying amount before applying the two-step goodwill impairment test. If we conclude that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, we do not perform the two-step impairment test. Goodwill is also tested for impairment on an interim basis if circumstances change or an event occurs between annual tests that would more likely than not reduce the fair value of the reporting unit below its carrying amount. The qualitative assessment includes adverse events or circumstances identified that could negatively affect the reporting units' fair value as well as positive and mitigating events. Such indicators may include, among others: a significant change in legal factors or in the general business climate; significant change in the Company's stock price and market capitalization; unanticipated competition; and an action or assessment by a regulator.

Effective November 25, 2014, the Company acquired Valorlife, which resulted in a \$179,141,836 bargain purchase gain. No goodwill impairment charges were required for the year ended December 31, 2014. Goodwill is the only intangible asset with an indefinite life on the consolidated statements of financial condition.

Valorlife Acquisition - Effective November 25, 2014, the Company acquired Valorlife pursuant to the terms of the share sale and purchase agreement, dated 26 May 2014, between Wealth Assurance Beteiligungs-AG (a wholly owned subsidiary) and Vaudoise Assurances, Lausanne. The acquisition was accomplished by the Company's purchase of 100% of Valorlife's stock.

Valor Group, Ltd.

The acquired assets and liabilities were recorded at fair value at the date of acquisition and were reflected in the December 31, 2014 financial statements as such.

In accordance with GAAP guidance for business combinations, the Company recorded \$179,141,836 of bargain purchase gain. Due to circumstances that Valorlife faced at the time the acquisition was negotiated, the terms negotiated included a purchase price that was \$179,141,836 lower than Valorlife's Market Consistent Embedded Value ("MCEV") as of the date of acquisition. As a result, a bargain purchase gain of \$179,141,836 resulted at the time of purchase. The following table summarizes the fair value of the total consideration transferred as a part of the WAAG acquisition as well as the fair value of identifiable assets acquired and liabilities assumed as of the effective date of the transaction.

Consideration	
Fair value of total consideration transferred	\$ 15,158,163.73
Recognised Amounts of Identifiable Assets Acquired and Liabilities Assumed	
Valorlife total assets acquired	\$ 4,364,388,569.08
Valorlife total liabilities assumed	\$ (4,323,471,559.71)
MCEV of Valorlife	\$ 194,300,000.00
Less shareholders' equity	\$ (40,917,009.37)

Total Identifiable Net Assets Acquired	\$ 194,300,000.00

Bargain Purchase Gain	\$ 179,141,836.27

Revenue and net income included in consolidated net income related to the Valorlife acquisition through December 31, 2014 was \$0.00.

NOTE 6 – CURRENT LIABILITIES

Actuarial reserves represent the provisions for the processing of insurance claims. Other provisions are generally provisions for reinsurance, legal advice, audit of the annual financial statements, and for advance payment of service contracts.

NOTE 7 – CONVERSION OF FOREIGN CURRENCIES

The financial statements of Wealth-Assurance AG and Valorlife were represented in CHF. All currency conversions were calculated at a rate of CHF 1.00 = USD 1.00635.