

**MOORE STEPHENS  
& BUTTERFIELD**  
CHARTERED PROFESSIONAL ACCOUNTANTS

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The Directors  
Nordica Life (Bermuda) Ltd.  
C/o CT Insurance Management (Bermuda) Ltd.  
Swan Building 2<sup>nd</sup> floor  
26 Victoria Street  
Hamilton HM12

April 30, 2021

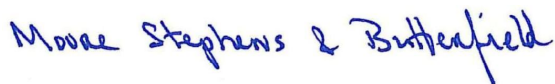
Dear Sirs:

**Nordica Life (Bermuda) Ltd. (the "Company")**

We enclose four (4) bound and two (2) unbound copies of the audited financial statements of the Company for the year ended December 31, 2020, together with our Independent Auditors' Report, duly signed.

Please arrange for one (1) unbound copy of the audited financial statements to be signed by two (2) Directors, after formal approval by the Board of Directors, and be returned to us.

Yours faithfully,



Chartered Professional Accountants  
Hamilton, Bermuda

*Enclosure:*  
Audited GAAP Financial Statements

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

Audited Financial Statements  
**December 31, 2020**  
(expressed in United States dollars)

2 Reid Street  
Hamilton HM11  
Bermuda

Mailing address:  
P.O. Box HM 2278  
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Bermuda

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**INDEPENDENT AUDITORS' REPORT  
To the Shareholders of NORDICA LIFE (BERMUDA) LTD.**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Nordica Life (Bermuda) Ltd. (the "Company"), which comprise the balance sheet as at December 31, 2020, and the statement of operations, statement of changes in equity, and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of a Matter**

As discussed in Note 1 to the financial statements, the Company applied to the Bermuda Monetary Authority (BMA) for discontinuance in Bermuda and continuance in Barbados. In consideration of the discontinuance effective April 25, 2017, the Company was not required by the Bermuda Monetary Authority to file a statutory return for the 2016 year-end. On January 29, 2018, the Company resolved to remain in Bermuda and formally withdrew the notice of discontinuance. As a consequence, the Company was required by the Bermuda Monetary Authority to file a Modified Capital & Solvency Return in respect of the 2016 and 2017 year-ends, except that an unaudited statutory financial return will be filed for the 2016 year-end.

On March 19, 2019, the Company requested BMA approval for a Modified Capital & Solvency Return for the 2018 year-end. On April 5, 2019, the BMA granted the approval to the Company to file a Modified Class C Capital & Solvency Return in respect of the financial year ended December 31, 2018.

Due to the exposure of all policies to the general account, the BMA required the Company to file the full Bermuda Solvency Capital Requirement for the 2019 year-end and prospectively.

As disclosed in Note 9 to the financial statements, QLI Limited is a party to two claims from two former policyholders. The Company believes that it has valid grounds to appeal the judgment pronounced against QLI Limited. The Company's shareholders have made a commitment to make capital injections which will be used to make the required payments. As a consequence, management is confident that these litigations will not have an adverse impact on the Company's financial position or its regulatory compliance.

Our opinion is not qualified in respect of these matters.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Key Audit Matter**

**How our audit addressed the Key Audit Matter**

**Assessing the carrying value of wealth management assets and liabilities related to separated accounts**

The carrying value of wealth management assets and liabilities related to separated accounts as at December 31, 2020 is \$383,018,440. 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. We focused on these accounts because they are material to the financial statements as a whole and the fact that the valuation of wealth management assets was significant to our audit.

- Testing IT controls and key application controls over the Company's accounting and insurance systems;
- Performing recalculations and analytical procedures on fee income in relation to the values of wealth management assets;
- Obtaining third party confirmations from banks to support the values of cash and quoted investments;
- Obtaining underlying supporting documentation to support the value of private investments;
- Testing management's controls related to new client policies;
- Inspecting underlying documentation for accepting new clients.

We found the values were supported by the available evidence.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Other Matter**

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.

*Moose Stephens & Butterfield*

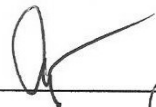
Chartered Professional Accountants  
Hamilton, Bermuda  
April 30, 2021

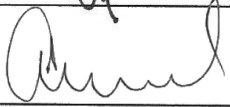
**NORDICA LIFE (BERMUDA) LTD.**  
**BALANCE SHEET**  
**DECEMBER 31, 2020**  
(Expressed in United States dollars)

	December 31 2020	December 31 2019
Notes	\$	\$
<b>ASSETS</b>		
Cash and cash equivalents	2,567,211	6,494,235
Fees receivable	428,104	371,668
Funds received on policies not yet accepted	15,002	15,002
Wealth management client assets held in separated accounts	3 383,018,440	266,593,214
	386,028,757	273,474,119
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	5 121,537	4,339,327
Commissions payable	208,183	187,001
Provision for future policy benefits	1,339,594	1,320,099
Funds received on policies not yet accepted	15,002	15,002
Liabilities related to separated accounts	3 383,018,440	266,593,214
	384,702,756	272,454,643
<b>EQUITY</b>		
Contributed equity	4 650,000	650,000
Retained earnings	676,001	369,476
	1,326,001	1,019,476
	386,028,757	273,474,119

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, 2020**  
(Expressed in United States dollars)

	Notes	December 31 2020 \$	December 31 2019 \$
<b>Revenues</b>			
Fee income	3	1,381,453	1,190,121
Life insurance premiums	3	46,253	48,130
Foreign exchange gain		-	8,896
Interest income		731	8,925
		1,428,437	1,256,072
<b>Expenses</b>			
Acquisition costs		280,849	344,929
Foreign exchange loss		157,436	-
Change in provision for future policy benefits		-	25,000
General and administrative expenses	5,6	683,627	548,722
		1,121,912	918,651
<b>Net income</b> (\$0.47 per share (2019 – \$0.52 per share))		306,525	337,421

*See accompanying notes to the financial statements.*



**NORDICA LIFE (BERMUDA) LTD.**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
(Expressed in United States dollars)

	December 31 2020	December 31 2019
Notes	\$	\$
<b>Contributed equity</b>		
Common stock - \$1 par value		
Authorised - 650,000 shares		
Issued - 650,000 shares	4	650,000
	650,000	650,000
<b>Retained earnings</b>		
Balance, beginning of year	369,476	397,055
Net income	306,525	337,421
Dividends paid (\$0.00 per share (2019 – \$0.56 per share))	-	(365,000)
	676,001	369,476
Balance, end of year	1,326,001	1,019,476

*See accompanying notes to the financial statements.*

**NORDICA LIFE (BERMUDA) LTD.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
(Expressed in United States dollars)

	December 31 2020 \$	December 31 2019 \$
<b>OPERATING ACTIVITIES:</b>		
Net income	306,525	337,421
Adjustments for non-cash items and working capital changes:		
(Increase) decrease in fees receivable	(56,436)	17,566
(Decrease) increase in accounts payable and accrued liabilities	(4,217,790)	3,968,974
Increase in commissions payable	21,182	18,611
Increase (decrease) in provision for future policy benefits	19,495	(10,021)
<b>Net cash (used in) from operating activities</b>	<b>(3,927,024)</b>	<b>4,332,551</b>
<b>FINANCING ACTIVITIES:</b>		
Dividends paid	-	(365,000)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(365,000)</b>
Net (decrease) increase in cash and cash equivalents	(3,927,024)	3,967,551
<b>Cash and cash equivalents, beginning of year</b>	<b>6,494,235</b>	<b>2,526,684</b>
<b>Cash and cash equivalents, end of year</b>	<b>2,567,211</b>	<b>6,494,235</b>

*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, 2020, the Company’s average exposure per policy is \$20,216 (2019 - \$14,162).

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 ongoing 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.

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.

**1. General (continued)**

On December 31, 2015, a liability to the shareholders of QLI Limited is recognised amounting it \$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.

On December 20, 2016, the Company applied to the Bermuda Monetary Authority for discontinuance in Bermuda and continuance to Barbados with verbal approval received on January 17, 2017. Ministerial consent in Bermuda was granted on April 5, 2017 and the formal notice to discontinue was filed with the Registrar of Companies (the "Registrar") on April 25, 2017. However, the Registrar could not issue a Certificate of Discontinuance due to the premature continuance date that was granted by the Barbados Authorities. The Certificate of Continuance issued was effective March 27, 2017. Despite efforts to resolve, the Barbados Authorities did not amend the continuance date (See Note 7).

On January 29, 2018, the Company resolved to remain in Bermuda and formally withdrew the notice of discontinuance. As a consequence, the Company was required by the Bermuda Monetary Authority to file a Modified Capital & Solvency Return in respect of the 2016 and 2017 year-ends, except that an unaudited statutory financial return was filed for the 2016 year-end (See Note 7).

The Company applied to the Bermuda Monetary Authority in a letter dated March 19, 2019 for approval to submit a modified Capital and Solvency Return for the financial year ended December 31, 2018, approval was granted on April 5, 2019 (See Note 7).

Due to the 1.84% account value exposure of all policies to the general account in 2018, the Bermuda Monetary Authority required the Company to file the full Bermuda Solvency Capital Requirement for the 2019 year-end and prospectively (See Note 7).

The registered office of the Company is located at Crawford House, 50 Cedar Avenue, Hamilton, HM 11, Bermuda. The Company is listed on the Bermuda Stock Exchange Mezzanine Market and its majority shareholder is First Universe Finance Ltd.

Since the outbreak of COVID-19 in the first quarter of 2020, global financial markets have experienced, and may continue to experience significant volatility and there are significant consequences for the global economy from travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on the global economy and the sectors in which the Company operate is uncertain at this time. Management, under the oversight of the Board of Directors, has performed an assessment of the potential effects of COVID-19 on the Company's operations and related financial performance through December 31, 2020. This assessment included consideration of the Company's exposure to COVID-19 related insurance claims; and the Company's continued ability to meet its statutory solvency and liquidity ratio requirements through December 31, 2020. As a result of this assessment, management has ultimately concluded that the Company's financial performance has not been significantly impacted by the COVID-19 outbreak and does not see the Company to be affected by the outbreak in the succeeding years. However, management will still continue to assess the Company's exposure to potential losses related to COVID-19 through regular reporting and financial forecasting.

## **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 held in trust***

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 offered by custodian banks, 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 ongoing management of the wealth management programs provided by the Company (a portion of which is paid to the Company's brokers, administrator and advisors) less withdrawals (termed "surrenders") paid to either the wealth management client or designee.

The Company has adopted the method of "deposit accounting" relating to its wealth management transactions where the assets and liabilities of these wealth management transactions move in tandem.

### ***Premiums and surrenders***

Risk based premiums due to the Company's account are recorded by the Company on the accruals basis.

Under deposit accounting, wealth management client funds (premiums) are recorded when received and surrenders are recorded when paid. Where such premiums are received in respect of proposals, which were not accepted (by agreement or policy terms) at the balance sheet date, these funds are reflected as "*Funds received on policies not yet accepted*" with the matching offsetting liability similarly described.

### ***Provision for future policy benefits***

The provision for future policy benefits represents management's best estimate of the Company's liability for death claims on underlying policies in force at the balance sheet date, which are subject to review annually by an independent actuary. These estimates are continually reviewed and are necessarily subject to the impact of future changes in such factors as claims severity and frequency. While management believes that the amount is adequate, the ultimate liability may be in excess of, or less than, the amounts provided and any adjustments will be reflected in the periods in which they become known.

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

***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 held in trust, the wealth management client bears all investment risk thus the Company is not exposed to any market, credit, currency, or interest rate risk on these investments. The Company therefore uses all reasonable means to record the underlying wealth management clients assets at fair value with the exception of promissory note interest which may or may not be reflected, unquoted investments which are primarily valued at cost (which may or may not be representative of fair value) and certain other private investments which are also recorded at managements best estimate of fair value. Valuation of quoted investments comprises values as derived from reports from the appointed custodian banks and fund administrators which may or may not be reflective of fair value since specific valuation methods (bid pricing, last reported pricing or mean pricing evaluations) will vary depending on the wealth management product chosen and/or because of custodian bank pricing models adopted. Investments in collective investment schemes are primarily based on reports from the fund administrators, which are subject to price timing differences.

***Determination of income***

Investment income derived from general cash and cash equivalents is recognised as earned and interest income on the Company's general interest-bearing instruments is recorded on the accrual basis using the effective yield method.

Unrealised gains and losses arising from changes in the fair value of the Company's general investments is recognised in a separate component of equity until sold unless the recoverable amount of the investment is considered permanently impaired whereupon an impairment loss is recognised in the statement of operations.

Realised gains (losses) arising on disposal of the Company's general investments are calculated using the specific identification method and recorded in income as they arise.

All purchases and sales of investments are recorded on the trade date basis.

The Company uses deposit accounting with respect to all investment income arising on investments included in separated accounts assets and non-separated account assets held in trust.

***Fee income and life insurance premiums***

Fee income includes facilitation, separate account set up and on-going fees recognised on the accrual basis as earned and recovered from wealth management clients separated account funds and non-separated accounts funds held in trust on a policy-by-policy basis based upon on the investment valuation policies adopted.

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

Life insurance premiums are recorded at the inception of the policy period and recovered from wealth management clients separated account funds and non-separated accounts funds held in trust on a policy-by-policy basis.

***Acquisition and administrative expenses***

Acquisition expenses comprise commissions paid to the Company's brokers under various arrangements, which are recognised when incurred, with any prepaid portion deferred in the balance sheet. Administrative expenses charged by a company under common control are recorded as incurred on the accruals basis under agreement.

***Foreign currencies***

Monetary assets and liabilities denominated in foreign currencies have been converted into US dollars at rates ruling at the balance sheet date. Income and expenses are translated at rates of exchange approximating the transaction date rates. Foreign exchange gains and losses are recognised in the separated accounts assets and non-separated accounts assets held in trust 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.

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 recognises 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 recognised is the best estimate of the expenditure required to settle the present obligation at balance sheet date, that is, the amount the Company would rationally pay to settle the obligation to a third party.

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

***Related parties***

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party transactions pertain to expenses paid or are owed to a company related through common control and are entered into on an arm's length basis.

***Risks***

Legal/regulatory risk is the risk that the legal or regulatory environment in which an insurer operates will change or that the tax rulings relevant to the Company's business model may change and create additional loss costs or expenses not anticipated by the insurer in pricing its products. That is, regulatory initiatives designed to reduce insurer profits or new legal theories may create costs for the insurer beyond those recorded in the financial statements or the Company may not continue in its current form due 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.

***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.

***New accounting pronouncement adopted during the year***

***Amendments to References to the Conceptual Framework in IFRS Standards***

In March 2018, the International Accounting Standards Board (IASB) has published its revised 'Conceptual Framework for Financial Reporting'. Included are revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation and disclosure. The new Conceptual Framework does not constitute a substantial revision of the document as was originally intended when the project was first taken up in 2004. Instead the IASB focused on topics that were not yet covered or that showed obvious shortcomings that needed to be dealt with. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020. The adoption of the revised Conceptual Framework did not have a material impact on the Company's overall financial statements presentation.



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

*New accounting pronouncement not yet adopted*

*IFRS 17 Insurance Contracts*

In May 2017, the International Accounting Standards Board (IASB) has published a new standard, IFRS 17 'Insurance contracts'. The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 'Insurance Contracts' and related interpretations and is effective for periods beginning on or after 1 January 2021, with earlier adoption permitted if both IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have also been applied. Management is currently evaluating the potential impact of the adoption of IFRS 17, but does not currently expect this standard to have a material impact on the Company's overall financial statements presentation.

**3. Separated accounts assets held in trust**

Separated accounts assets held in trust are maintained on a policy-by-policy basis. As at December 31, 2020, and 2019, the summary totals of these wealth management assets, broken down by valuation method are as follows:

	2020	2019
	\$	\$
<b>Wealth management separated accounts:</b>		
Investments held at reported market value	332,181,091	234,669,143
Investments held at estimated cost	50,837,349	31,924,071
	<u>383,018,440</u>	<u>266,593,214</u>

Certain separated wealth management accounts utilize margin trading.

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

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**3. 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, 2020, and 2019 comprise the following:

	2020	2019
	\$	\$
<b>Additions to wealth management accounts:</b>		
Funds (premiums) contributed	70,693,974	47,119,412
Foreign exchange translation adjustments	35,366,168	-
Investment income and revaluation gain	90,957,871	40,194,616
	<u>197,018,013</u>	<u>87,314,028</u>
<b>Deductions from wealth management accounts:</b>		
Funds (surrenders) withdrawn	79,165,081	30,789,316
Company fees recovered and/or due for settlement	1,381,453	1,190,121
Foreign exchange translation adjustments	-	7,838,026
Life insurance premiums for the Company's account	46,253	48,130
	<u>80,592,787</u>	<u>39,865,593</u>
Increase in wealth management accounts in the year	<u>116,425,226</u>	<u>47,448,435</u>
Separated accounts, beginning of year	<u>266,593,214</u>	<u>219,144,779</u>
<b>Separated accounts, end of year</b>	<u>383,018,440</u>	<u>266,593,214</u>
	<u>383,018,440</u>	<u>266,593,214</u>

**4. Contributed equity**

The Company's contributed equity consists of 650,000 (2019 - 650,000) authorized common shares with a par value of \$1 each. At the balance sheet date, there are 650,000 (2019 - 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 \$433,439 (2019 - \$381,785) paid to a company related through common control, of which \$156,980 (2019 - \$172,609) is included in accounts payable and accrued liabilities as at December 31, 2020. The Company's management considers such general and administrative expenses to be on an arms-length basis.

## **6. Expenses**

Included within the Company's general and administrative expenses are administration fees of \$124,793 (2019 - \$129,812) paid in Bermuda.

## **7. 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 \$1,326,001 of which \$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.

On December 20, 2016, the Company applied to the Bermuda Monetary Authority for discontinuance in Bermuda and continuance to Barbados with verbal approval received on January 17, 2017. Ministerial consent in Bermuda was granted on April 5, 2017 and the formal notice to discontinue was filed with the Registrar of Companies (the "Registrar") on April 25, 2017. However, the Registrar could not issue a Certificate of Discontinuance due to the premature continuance date that was granted by the Barbados Authorities. The Certificate of Continuance issued was effective March 27, 2017. Despite efforts to resolve, the Barbados Authorities did not amend the continuance date (See Note 1).

On January 29, 2018, the Company resolved to remain in Bermuda and formally withdrew the notice of discontinuance. As a consequence, the Company was required by the Bermuda Monetary Authority to file a Modified Capital & Solvency Return in respect of the 2016 and 2017 year-ends, except that an unaudited statutory financial return was filed for the 2016 year-end (See Note 1).

The Company applied to the Bermuda Monetary Authority in a letter dated March 19, 2019 for approval to submit a modified Capital and Solvency Return for the financial year ended December 31, 2018, approval was granted on April 5, 2019 (See Note 1).

Due to the 1.84% account value exposure of all policies to the general account in 2018, the Bermuda Monetary Authority required the Company to file the full Bermuda Solvency Capital Requirement for the 2019 year-end and prospectively (See Note 1).

## **8. 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 USD accounts, with smaller amounts in SEK, EUR, GBP, CAD 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 \$4,513. Likewise, a 1% weakening would have resulted in an estimated increase in the Company's equity and profit of \$4,513.

**8. Financial risk management** *(continued)*

*(ii) Equity price risk*

The Company did not hold any equity investments at December 31, 2020, 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, 2020.

The impact of interest rate movements on wealth management clients' assets has not been considered as the Company's equity and profit are not impacted by changes in the values of these assets.

**(b) Credit risk**

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

**(c) Liquidity risk**

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

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

**(d) Capital management**

The Company has not invested its own capital but is holding it in cash placed on bank accounts in the different Custodian Banks. The money held in these accounts is managed to obtain the highest possible interest income. The Company has no debts besides the liabilities to the policyholders, as most fixed expenses are prepaid, and commissions and administrative expenses are paid when earned.

**9. Commitments and contingencies**

It is noted that the Company merged with QLI Limited in December 2015. QLI Limited is a party to a claim from a former Belgium policyholder of QLI Limited and has received information that the subject policy has been declared null and void under Belgian law with judgment pronounced against QLI Limited for return of premium, less policy surrenders, and interest thereon. The amount of the judgment is approximately EUR 200,000.

The Company believes that it has valid grounds to appeal the judgment and restrict recovery to the assets of the relevant separate account which Bermuda counsel has confirmed would be the position under Bermuda law. However, in the event that the appeal is not in favor of the Company, the Company's shareholders have made a commitment to make capital injections which will be used to make the required payments. As a consequence, management is confident that these litigations will not have an adverse impact on the Company's financial position or its regulatory compliance.

**9. Commitments and contingencies** *(continued)*

QLI Limited is also among the five respondents of another similar case. The case is still pending and the litigation has not initiated yet. It is difficult to assess the outcome of the case at this time.

**10. Subsequent events**

The Company evaluated events and transactions occurring after December 31, 2020, through April 30, 2021, for potential recognition or disclosure in the notes to financial statements.

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