

Iris Financial Services Limited

Separate Financial Statements
for the year ended December 31, 2020
and Independent Auditor's Report

IRIS FINANCIAL SERVICES LIMITED
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Iris Financial Services Limited

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Iris Financial Services Limited (the "Company"), which comprise the separate statement of financial position as at December 31, 2020, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2020, and its separate 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 separate financial statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate financial statements in Bermuda and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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 separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.



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

- Identify and assess the risks of material misstatement of the separate 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 separate 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 separate financial statements, including the disclosures, and whether the separate 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.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
May 31, 2021

IRIS FINANCIAL SERVICES LIMITED
SEPARATE STATEMENT OF FINANCIAL POSITION
(Expressed in United States dollars)

	Note	At December 31st of:	
		2020	2019
ASSETS			
Cash	3	\$ 423,818	1,372
Other non-financial assets	4	25,140	5,786
Total current assets		448,958	7,158
Investments in subsidiaries	5	43,198,814	39,168,860
Total non-current assets		43,198,814	39,168,860
Total assets		\$ 43,647,772	39,176,018
LIABILITIES			
Loans and other interest-bearing liabilities	6	4,100,000	-
Trade and other payables	7	76,830	226,679
Dividends payable	8	-	1,600,791
Total current liabilities		4,176,830	1,827,470
Loans and other interest-bearing liabilities	6	4,885,092	13,685,092
Total non-current liabilities		4,885,092	13,685,092
Total liabilities		\$ 9,061,922	15,512,562
EQUITY			
Share capital and contributed surplus	9	33,741,952	21,763,099
Retained earnings		5,516,989	4,146,371
Accumulated other comprehensive income	11	(4,673,091)	(2,246,014)
Total equity		\$ 34,585,850	23,663,456
Total liabilities and equity		\$ 43,647,772	39,176,018

Approved by the Board of Directors

Nicola Juto

Director

Date

5/31/2021

DocuSigned by:

A. Juto

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Director

Date

5/31/2021

IRIS FINANCIAL SERVICES LIMITED
SEPARATE STATEMENT OF PROFIT OR LOSS
(Expressed in United States dollars)

		For the years ended at December 31st of:	
	Note	2020	2019
INCOME			
Investment income under equity method	10	\$ 6,382,031	6,702,816
Total Income		<u>6,382,031</u>	<u>6,702,816</u>
EXPENSES			
Administration fees		7,810	25,790
Intertrust fees		18,770	2,369
Audit fees		53,509	21,540
Bank charges		5,254	3,290
Director fees		4,667	3,030
FATCA fees		3,400	3,400
Legal, professional & other fees		5,012	2,625
Management fees		313,784	342,478
Total Expenses		<u>\$ 412,206</u>	<u>404,522</u>
OPERATIONAL PROFIT		<u>\$ 5,969,825</u>	<u>6,298,294</u>
FINANCE COSTS			
Interest		452,836	551,132
Total Finance Costs		<u>\$ 452,836</u>	<u>551,132</u>
NET INCOME FOR THE YEAR		<u>\$ 5,516,989</u>	<u>5,747,162</u>

IRIS FINANCIAL SERVICES LIMITED
SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME
(Expressed in United States dollars)

	Note	For the years ended at December 31st	
		2020	2019
NET INCOME		<u>\$ 5,516,989</u>	<u>5,747,162</u>
OTHER COMPREHENSIVE INCOME			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Movement in foreign subsidiaries hedge reserve		(1,649,118)	522,347
Tax effect in Foreign subsidiaries hedge reserve		357,984	-
Exchange differences on foreign subsidiaries currency translation	11	<u>(1,135,943)</u>	<u>(134,571)</u>
		<u>\$ (2,427,077)</u>	<u>387,776</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>\$ 3,089,912</u>	<u>6,134,938</u>

IRIS FINANCIAL SERVICES LIMITED
SEPARATE STATEMENT OF CHANGES IN EQUITY
(Expressed in United States dollars)

	Note	Share capital and contributed surplus	Retained earnings	Other comprehensive Income	Total equity
BALANCE AT DECEMBER 31, 2018		\$ <u>21,763,099</u>	\$ <u>1,908,685</u>	\$ <u>(2,633,790)</u>	\$ <u>21,037,994</u>
Changes in equity:					
Net income for the year		–	5,747,162	–	5,747,162
Other comprehensive income for the year	11	–	–	387,776	387,776
Dividends declared	8	–	(3,509,476)	–	(3,509,476)
BALANCE AT DECEMBER 31, 2019		\$ <u>21,763,099</u>	\$ <u>4,146,371</u>	\$ <u>(2,246,014)</u>	\$ <u>23,663,456</u>
Changes in equity:					
Issuance of shares	9	11,978,853	–	–	11,978,853
Net income for the year		–	5,516,989	–	5,516,989
Other comprehensive income for the year	11	–	–	(2,427,077)	(2,427,077)
Dividends declared	8	–	(4,146,371)	–	(4,146,371)
BALANCE AT DECEMBER 31, 2020		\$ <u>33,741,952</u>	\$ <u>5,516,989</u>	\$ <u>(4,673,091)</u>	\$ <u>34,585,850</u>

IRIS FINANCIAL SERVICES LIMITED
SEPARATE STATEMENT OF CASH FLOWS
DECEMBER 31, 2020
(Expressed in United States dollars)

	<u>Note</u>	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		\$ 5,516,989	\$ 5,747,162
Adjustments for:			
Equity method investment (income) loss	10	(6,382,031)	(6,702,816)
Interest accrued		452,836	551,132
Changes in assets and liabilities:			
(Increase) in other non-financial assets		(19,354)	(5,786)
(Decrease)/increase in trade and other payables		(153,146)	11,887
Net cash (used in) operating activities		<u>(584,706)</u>	<u>(398,421)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase and advance payments for subsidiary stock		(75,000)	(1,000,000)
Net cash provided from (used in) investing activities		<u>(75,000)</u>	<u>(1,000,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new loans		3,800,000	5,135,092
Payment of loans		(8,500,000)	-
Interest paid		(449,539)	(537,940)
Proceeds from the issuance of shares	9	11,978,853	-
Dividends paid		(5,747,162)	(3,590,364)
Net cash provided from (used in) financing activities		<u>1,082,152</u>	<u>1,006,788</u>
Net increase/(decrease) in cash and cash equivalents		422,446	(391,633)
Cash and cash equivalents at the beginning of the year		1,372	393,005
CASH AND CASH EQUIVALENTS AT DECEMBER 31st		<u>\$ 423,818</u>	<u>\$ 1,372</u>

IRIS FINANCIAL SERVICES LIMITED
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Expressed in United States dollars)

1. General Information

Iris Financial Services Limited (“Iris” or “the Company”) is an exempted company continued, domiciled and registered on November 2, 2018 in accordance with the Companies Act 1981 of the laws of Bermuda. Prior to the continuation the company was a private company incorporated by shares in the British Virgin Islands (“BVI”) on June 27, 2016.

The address of its registered office is Crawford House 50 Cedar Avenue, Hamilton, HM 11, Bermuda.

The Company’s activities are managed by Silver Tree Capital Ltd., a company incorporated in the British Virgin Islands (the “Manager”) with the administration of Iris delegated to Atlas Fund Services (Curacao) N.V (the “Administrator”).

2. Summary of accounting policies

1) Basis of accounting

The company separate financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and their interpretations issued by the International Accounting Standards Board (“IASB”).

The separate financial statements have been prepared on a going concern basis.

The financial statements were authorized for issue by the Board of Directors on May 31, 2021.

2) Measurement convention

The separate financial statements have been prepared on the historical cost basis.

3) Functional and presentation currency

Items included in the separate financial statements of the Company are measured in the currency of the primary economic environment in which the Company operates (the “functional currency”). The separate financial statements of the Company are presented in United States Dollars (“US\$” or “USD”), which is the Company’s functional and presentation currency. The primary objective of Iris is to generate returns in US\$, its capital-raising currency. The liquidity of Iris is managed on a day-to-day basis in US\$ in order to handle the issue, acquisition and resale of the Company’s shares.

All information is presented in US dollars and has been approximated to the nearest round unit.

4) Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

IRIS FINANCIAL SERVICES LIMITED
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Expressed in United States dollars)

2. **Summary of accounting policies** (continued)

4) Critical accounting judgments and key sources of estimation uncertainty (continued)

Judgements made by management in the application of IFRS that have significant effects on the separate financial statements are disclosed in the following notes to the separate financial statements.

A substantial source of uncertainty relates to the emergence of the COVID-19 pandemic. The Company's subsidiaries carry credit and insurance business that was not materially affected. The Company's management is monitoring the developments closely.

5) Foreign currency transactions

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction or average rates of exchange where these approximate actual rates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement except for differences arising on the translation of qualifying foreign operations, which are recognized in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

6) Classification of financial instruments issued by the company

According with IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these separate financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

IRIS FINANCIAL SERVICES LIMITED
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Expressed in United States dollars)

2. Summary of accounting policies (continued)

7) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

- Trade and other receivables: Trade and other receivables are recognized initially at fair value. Subsequent to initial recognition they are measured at amortized cost using the effective interest method, less any impairment losses.
- Trade and other payables: Trade and other payables are recognized initially at fair value. Subsequent to initial recognition they are measured at amortized cost using the effective interest method.
- Investments in subsidiaries are accounted for using the equity method. Under this method subsidiaries profit and loss share is recognized in parent's statement of profit or loss and subsidiaries other comprehensive income share is recognized in parent's statement of other comprehensive income.
- Loans and other interest-bearing borrowings: Loans and other interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method, less any impairment losses.
- Cash and cash equivalents: Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the separate cash flow statement
- Derecognition: Financial assets are derecognized when the contractual rights to the cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership. Financial liabilities at fair value through profit or loss are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Realized gains and realized losses on derecognition are determined using the specific identified cost method and are included in profit or loss for the period in which they arise.

8) Income Taxes

Under the current laws of the Bermuda, the Company is not subject to income, estate, corporation or capital gains taxes. Accordingly, no provision has been made for these taxes in these financial statements.

9) Expenses

All expenses are recognized in the separate statement of profit or loss on the accrual basis.

IRIS FINANCIAL SERVICES LIMITED
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Expressed in United States dollars)

2. Summary of accounting policies (continued)

10) Financial income and expenses

Interest from all interest-bearing assets and liabilities is recognized as net interest income using the effective interest method. The effective interest rate is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant period using the estimated future cash flows. The estimated future cash flows used in this calculation include those determined by the contractual terms of the asset or liability, all fees that are considered to be integral to the effective interest rate, direct and incremental transaction costs and all other premiums or discounts.

3. Cash

The following is a detail of cash and cash equivalents as of:

Concept	2020	2019
Cash at banks	\$ 423,818	\$ 1,372
TOTAL	\$ 423,818	\$ 1,372

4. Other non-financial assets

At December of 2020 other non-financial assets comprised of prepaid fees.

5. Investments in subsidiaries

The following are the Company's subsidiaries:

Subsidiary	Class of instrument held	Ownership	
		2020	2019
ExcelCredit S.A.S. (Colombia)	Common Stock	94.94%	100%
Golden Tree Reinsurance Limited (Bermuda)	Common Stock	100%	100%
IFS II Ltd. (Bermuda)	Common Stock	100%	–

IRIS FINANCIAL SERVICES LIMITED
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Expressed in United States dollars)

5. Investments in subsidiaries (continued)

The Company has the following carrying amounts for investment in subsidiaries:

	2020	2019
ExcelCredit S.A.S.	\$ 24,816,618	\$ 25,924,250
Initial recognition	707,599	707,599
Additional paid-in capital after acquisition	25,615,000	25,615,000
Net Income gained after acquisition	3,286,854	1,847,665
Other comprehensive income	(4,792,835)	(2,246,014)
Golden Tree Reinsurance Ltd	18,147,933	13,244,610
Initial recognition	1,000,000	1,000,000
Additional paid-in capital after acquisition	6,645,688	6,645,688
Net Income gained after acquisition	10,502,245	5,598,922
IFS II Ltd	234,263	-
Initial recognition	75,000	-
Net Income gained after acquisition	39,875	-
Other comprehensive income	119,388	-
Investments in Subsidiaries Total	\$ <u>43,198,814</u>	\$ <u>39,168,860</u>

- (1) Effective January 1, 2019, Golden Tree Reinsurance Limited was registered as a Class 3A insurer by the Bermuda Monetary Authority (BMA). Initial recognition was the paid-in capital and contributed surplus on January 2019 by Iris as its sole shareholder. On June 2019 all assets and liabilities were transferred from Golden Tree Insurance to Golden Tree Reinsurance Ltd, and all equity was treated as contributed surplus in the new Company. Golden Tree Insurance (Bermuda) was terminated upon effectiveness of the asset transfer agreement.
- (2) Iris invested in Excelcredit S.A.S in 2016, a Colombian based payroll loan company. Initial recognition was the paid-in-capital and contributed surplus. The company operates only in Colombia and until the end of 2019, Iris was the sole shareholder of the company. During 2020, Excelcredit issued new shares so Iris Financial Services Limited direct participation in Excelcredit ended in 94.94%.
- (3) IFS II Ltd was dully incorporated in March 2020 according to Bermuda Law and is wholly owned by Iris Financial Services Limited. IFS II Ltd holds the 5.01% of Excelcredit Ownership. Considering this indirect participation in Excelcredit through IFS II Ltd., Iris Financial Services Limited holds the 99,95% of Excelcredit ownership.

IRIS FINANCIAL SERVICES LIMITED
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Expressed in United States dollars)

6. Loans and other interest-bearing liabilities

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost.

	Outstanding capital		Currency	Maturity Date	Annual Interest
	2020	2019			
Current liabilities	\$ 4,100,000	\$ 2,000,000			
Loans					
Mistrust Loan Feb 2017	–	1,000,000	USD	Feb, 2020	9%
Golden Tree Reinsurance Limited (1)	2,100,000	1,000,000			
AV Securities Dec 2018	2,000,000	–	USD	Apr 2021	10.50%
Non-current liabilities	4,885,092	11,685,092			
Loans					
AV Securities Dec 2018	–	4,500,000	USD	Apr 2021	10.50%
Golden Tree Reinsurance Limited (1)	4,885,092	7,185,092	USD	–	0-1,0%
Total	\$ 8,985,092	\$ 13,685,092			

- (1) At 2020, obligations from subsidiary Golden Tree Reinsurance Limited have a term from 1 month up to 3 years for a balance of \$6,985,092. The balance of US\$6,000,000 carried an annual interest rate of 1% and the balance of 985,092 carried an annual interest rate of 0%. All Golden Tree Reinsurance Limited loans are not carried in consolidated financial statements.

Except for Golden Tree Reinsurance Limited Loans, all loans are collateralized with assets (payroll loans) from subsidiary ExcelCredit. The Company does not have any covenants on any of their debt and no loan agreements have been breach.

IRIS FINANCIAL SERVICES LIMITED
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Expressed in United States dollars)

7. Trade and other payables

The following is a detail of all trade and other payables at December 31st of:

	<u>2020</u>	<u>2019</u>
Trade and other payables		
Administration fees (1)	\$ 6,600	\$ 15,290
Audit fees (2)	24,000	23,991
Director fees	-	30
Loan interest	23,989	20,692
Management fee (3)	<u>22,241</u>	<u>166,676</u>
Trade and other payables total	\$ 76,830	\$ 226,679

- (1) Due to Atlas Fund Services (Curacao) N.V: Under the terms of an administration agreement dated July 1, 2016 the Administrator is responsible for providing record keeping, valuation and accounting services, and for discharging other administrative functions at the direction of the Investment Manager.
- (2) Due to KPMG for the annual audit of financial statements.
- (3) Due to Silver Tree Capital, for rendering investment management services.

8. Dividends

The Bye-laws provides for the distribution of dividends, as and when declared by the Company's directors. \$5,747,162 dividends were paid in 2020 (2019 - \$3,590,364).

Holders of Class C and D Preference Shares have the right to receive a preferred return. As the company does not have the obligation to declare and paid back dividend to the shareholders until the Board of Directors approves them, the amount of cumulative preference dividends not recognized as of December 31, 2020 is \$1,683,495.

9. Authorized share capital

The Company is authorized to issue up to 30.000 Shares of par value \$0,10 each, comprising four classes:

- (a) Class A Ordinary Shares;
- (b) Class B Ordinary Shares;
- (c) Class C Preference Shares;
- (d) Class D Preference Shares

Issued capital

At December 31, 2020, 12.000 Class A Shares, 392,46 Class B Shares, 1.730,03 Class C Shares and 796,95 Class D Shares were issued and fully paid.

At December 31, 2019, 12.000 Class A Shares, 121,51 Class B Shares and 2.000,99 Class C Shares were issued and fully paid.

IRIS FINANCIAL SERVICES LIMITED
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Expressed in United States dollars)

9. Authorized share capital (continued)

Class rights

Class A Ordinary Shares have voting rights and the right to an equal share in any distribution paid by the company if no Class C Shares are outstanding. Class B Ordinary Shares have no voting rights and the right to an equal share in any distribution paid by the company if no Class C Shares are outstanding. Class C Preference Shares have no voting rights and have the right to receive a preferred return at a rate of 8% per annum and 75% share in any distribution until conversion to Class B Shares. Class D Preference Shares have no voting rights and have the right to receive a preferred return at rate of 10% per annum. All types of shares are not redeemable but can be repurchased to be cancelled or held as treasury shares at Management's discretion.

Dividends and distributions

Under Iris Bye-laws the Board of Directors of the Company may, in accordance to the Companies Act 1981, declare a dividend to be paid to the Members, in proportion to the number of shares held by them, and no dividend payable shall bear interest against the Company.

The Company's distribution policy will be to distribute each year at least fifty percent (50%) of all of the Company's net earnings.

Allocation of income and expenses between share classes

There will be no difference in the allocation of income and expenses between different shares Classes.

Share transaction summary:

	<u>Class A shares</u>	<u>Class B shares</u>	<u>Class C shares</u>	<u>Class C treasury shares</u>	<u>Class D shares</u>	<u>Share capital and contributed surplus</u>
BALANCE AT DECEMBER 31, 2018	\$ 707,599	\$ 204,023	\$ 25,520,977	\$ (4,669,500)	\$ —	\$ 21,763,099
Issuance of shares	—	—	—	—	—	—
Use of advance payment for shares subscription	—	—	—	—	—	—
Conversion of Shares	—	1,011,095	(1,011,095)	—	—	—
Repurchase of Class C shares	—	—	—	—	—	—
BALANCE AT DECEMBER 31, 2019	\$ 707,599	\$ 1,215,118	\$ 24,509,882	\$ (4,669,500)	\$ —	\$ 21,763,099
Issuance of shares	—	—	—	—	11,978,853	11,978,853
Use of advance payment for shares subscription	—	—	—	—	—	—
Conversion of Shares	—	2,709,580	(2,709,580)	—	—	—
Repurchase of Class C shares	—	—	—	—	—	—
BALANCE AT DECEMBER 31, 2020	\$ 707,599	\$ 3,924,698	\$ 21,800,302	\$ (4,669,500)	\$ 11,978,853	\$ 33,741,952

IRIS FINANCIAL SERVICES LIMITED
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Expressed in United States dollars)

10. Investment income under equity method

Investment income for the year ended December 31, 2020 and 2019 is the following:

	<u>2020</u>	<u>2019</u>
ExcelCredit Net Income (in USD) (1)	\$ 1,438,832	\$ 1,103,894
Iris II Net Income (in USD)	39,875	-
Total Share in ExcelCredit Net Income	<u>1,478,707</u>	<u>1,103,894</u>
Golden Tree Net Income (in USD)	4,903,324	5,598,922
Investment income under equity method	<u>\$ 6,382,031</u>	<u>\$ 6,702,816</u>

1) Investment income for ExcelCredit in USD were derived with the following information:

	<u>2020</u>	<u>2019</u>
ExcelCredit Net Income (in thousand COP)	5,439,927	3,757,267
COP/USD Average Exchange Rate	3,678.84	3,403.6

11. Other comprehensive income

Other comprehensive income is due to ExcelCredit's hedge reserve and the currency translation differences of the mentioned subsidiary which would be reclassified to profit and loss in the event of the sale of the investment.

Concept	<u>2020</u>	<u>2019</u>
Other comprehensive income from previous years	\$ (2,246,014)	\$ (2,633,790)
(+) Movement in foreign subsidiaries hedge reserve	(1,649,118)	522,347
(+) Tax effect in Foreign subsidiaries hedge reserve	357,984	-
(+) Other Comprehensive Income for translation during the period	(1,135,943)	(134,571)
(+) Balance at the end of 2020	(3,904,304)	(2,768,361)
(-) Balance at the end of 2019	(2,768,361)	(2,633,790)
Other Comprehensive Income	<u>\$ (4,673,091)</u>	<u>\$ (2,246,014)</u>

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11. Other comprehensive income (continued)

Detail for the year ended December 31, 2020 is as follows:

ExcelCredit accounts	COP (Thousands)	Exchange rate		USD \$
Assets (+)	389,107,986	3,432.50	Closing rate	\$ 113,359,938
Liabilities (-)	303,119,852	3,432.50	Closing rate	88,308,770
Post-acquisition earnings (-)	11,392,207	3,424.02	Average rates	3,327,144
Post-acquisition other comprehensive income (-)	(2,901,936)	3,768.48	Average rates	(770,055)
All other equity accounts (-)	77,497,862	2,935.70	Historical cost	26,398,383
Other comprehensive income for translation	=	Exchange differences	=	\$ (3,904,304)

Detail for the year ended December 31, 2019 is as follows:

ExcelCredit accounts	COP (Thousands)	Exchange rate		USD \$
Assets (+)	334.550.427	3.277,14	Closing rate	\$ 102.086.095
Liabilities (-)	249.593.030	3.277,14	Closing rate	76.161.845
Post-acquisition earnings (-)	5.949.430	3.219,97	Average rates	1.847.665
Post-acquisition other comprehensive income (-)	1.800.355	3.446,66	Average rates	522.347
All other equity accounts (-)	77.207.612	2.933,13	Historical cost	26.322.599
Other comprehensive income for translation	=	Exchange differences	=	\$ (2.768.361)

12. Financial Instruments

a. Capital Management

Capital management is exercised on a consolidated basis in which subsidiaries capital requirements are satisfied by their own means or by Iris. The Company's individual policy centers in having sufficient liquid assets by its own or by their subsidiaries, to facilitate any of its liabilities payments without having to execute an unexpected sale of its assets. It also emphasizes in having a solid equity base to maintain the confidence of its investors, creditors and the market while ensuring the future development of the business.

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12. Financial Instruments (continued)

b. Risk management

i. Market risk

Market risk is the risk that future changes in equity and commodity prices, interest rates, and foreign exchange rates may make an instrument less valuable or more onerous. Market risk comprises three types of risk: price risk, interest rate risk and foreign currency risk. No investments held are subject to market risk as none of them are carried at fair value.

The investment companies, to which the Company subscribes, may invest in currencies different to the functional currency of the Company and therefore indirectly expose the Company to currency risk.

Direct exposure to currency risk arises in the translation of foreign operations in Colombia (whose functional currency is the Colombian Peso) to the functional and capital raising currency of Iris. Nevertheless, the investments are held as a long-term involvement in the Country for generating long term cash flows, and for this matter the accounting of the subsidiary is done using the equity method.

Under this method all foreign operations translation differences form part of other comprehensive income and will only form part of profit or loss statement in the event of sale of the investment. Therefore, currently it does not exist a direct exposure of profit and losses to currency risk.

The following is the sensitivity analysis of currency risk at which other comprehensive income is exposed:

The reasonable possible changes in foreign exchange rate until the next reporting date (one year) was determined as the annualized monthly volatility of FX rate, according to the monthly variations presented during the last year in the representative market rate (TRM), with a 90% (1-*i*) confidence and assuming a standard normal distribution (*z*) for the TRM variations.

Calculation at 2020:

Reasonable possible change up or down = $\sigma_{(last\ year\ monthly\ \Delta\% TRM)} * Z_{i/2} * \sqrt{12} = 33,18\%$

Effect on other comprehensive income for reasonable possible changes in foreign exchange rate (COP/USD) in one year may be positively of \$12.338.742 or negatively by \$6.193.045.

Calculation at 2019:

Reasonable possible change up or down = $\sigma_{(last\ year\ monthly\ \Delta\% TRM)} * Z_{i/2} * \sqrt{12} = 21,50\%$

Effect on other comprehensive income for reasonable possible changes in foreign exchange rate (COP/USD) in one year may be positively of \$7.138.506 or negatively by \$4.612.236.

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12. Financial Instruments (continued)

ii. Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for non-exchange traded financial instruments is not backed by an exchange clearing house.

The Company seeks to mitigate its exposure to credit risk by placing its cash and cash equivalents and transacting its investment activities with reputable financial institutions. The credit risk arising on investments in the investment companies is also mitigated by a continuous monitoring of the results of the investment companies by the Manager.

The Company's maximum exposure to credit risk in relation to each class of recognized financial assets is the carrying amount of those assets as indicated in the statement of financial position. As of December 31, 2020, and 2019, the Company held cash with one financial institution, Citco Banking Corporation N.V., subsidiary of Citco Group limited, one of the large investment and management in group in the world. Golden Tree reinsurance has a financial strength rating of B+ assigned by AM Best in June of 2020 and Excelcredit SAS has a rating of AA- (Col) assigned by local rating agency, Value and Risk, in April 2021.

iii. Liquidity risk

Liquidity risk is the risk that the Company may have difficulty in liquidating its positions due to existing or unforeseen market constraints. The Company's financial instruments include investments that are traded over-the-counter, which are not traded in an organized public market and may generally be illiquid. As a result, the Company may not be able to quickly liquidate investments or to respond to specific events such as deterioration in the credit worthiness of any particular issuer.

The Company is mitigating its liquidity risk by controlling the liquidity of its subsidiaries on a consolidated basis with a cash flow projection. Following is a detail of liabilities contractual maturities at December of each year:

		2020								
Financial liabilities	Carrying amount	1 - 15 Days	16 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 - 360 Days	> 360 Days
Loans from banks and other interest-bearing loans and borrowings	\$ 8,985,092			\$ 2,100,000		\$ 2,000,000				\$ 4,885,092
Interest on Loans and borrowings	—				\$ 50,131	\$ 2,247				—
		2019								
Financial liabilities	Carrying amount	1 - 15 Days	16 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 - 360 Days	> 360 Days
Loans from banks and other interest-bearing loans and borrowings	\$ 13,685,092			\$ 2,000,000						\$ 11,685,092
Preferred dividend	\$ 1,600,791						\$ 1,600,791			
Interest on Loans and borrowings	—			\$ 7,500	\$ 111,985			\$ 111,985	\$ 223,969	\$ 148,998

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13. Related party transactions

Due to related parties transactions consists of:

1) Management fees that are payable to Silver Tree Capital for the activities of managing the Company (refer to note 7 for more information) and management fees paid during 2020 as disclosed in the income statement.

2) A loan from Golden Tree Insurance to the Company (refer to note 6 for more information).

3) Transactions with key management personnel: the compensation of key management personnel is as follows:

Director fees	<u>2020</u>	<u>2019</u>
Giles Charmichael	\$ <u>4,667</u>	\$ <u>3,000</u>
	\$ <u>4,667</u>	\$ <u>3,000</u>

14. Events after statement of financial position date

Management has evaluated subsequent events occurring through May 31, 2021, the date that these financial statements were available to be issued and determined that neither adjusting or non-adjusting events occurred.