

Golden Tree Reinsurance Limited
(Incorporated in Bermuda)

Financial Statements
December 31, 2022
(expressed in U.S. dollars)



KPMG Audit Limited
Crown House
4 Par-la-Ville Road
Hamilton
HM 08
Bermuda

Telephone +1 441 295 5063
Fax +1 441 295 9132
Internet www.kpmg.bm

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Golden Tree Reinsurance Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Golden Tree Reinsurance Limited (the "Company"), which comprise the statement of financial position as at December 31, 2022, the statements of income 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 financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, 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 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 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 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 skepticism 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.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
June 30, 2023

Golden Tree Reinsurance Limited

Statement of Financial Position

As at December 31, 2022

(expressed in U.S. dollars)

At December 31 of:			
	2022		2021
Assets			
Cash and cash equivalents (Note 3)	\$ 3,231,812	\$	7,856,529
Insurance balances receivable (Note 5)	3,070,082		3,765,142
Funds Withheld	3,897,086		2,380,989
Investment at fair Value (Note 7)	19,255,469		13,452,540
Investments at amortized cost (Note 7)	2,630,650		-
Loan to affiliates (Note 4)	13,925,239		8,572,324
Prepaid Expense	1,391		48,676
Deferred acquisition costs	766,871		603,739
Other assets	275,000		-
Right of use of assets (Note 9)	459,772		586,713
Total assets	47,513,372		37,266,652
Liabilities			
Reserve for losses and loss expenses (Note 6)	\$ 988,664	\$	1,249,521
Commission & Tax Payable	393,814		410,279
Unearned Premium Reserve (Note 11)	9,461,309		7,156,702
Losses payable	1,177,808		941,032
Accrued liabilities	52,000		54,086
Lease Liability (Note 9)	367,528		475,053
Total liabilities	12,441,123		10,286,673
Shareholder's equity			
Share capital – Authorized, issued and fully paid common shares of par value \$1 each (Note 8)	120,000		120,000
Contributed surplus	7,525,688		7,525,688
Retained earnings	27,426,561		19,334,291
Total shareholder's equity	35,072,249		26,979,979
Total liabilities and shareholder's equity	\$ 47,513,372	\$	37,266,652

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors

Director

Director

Date

Date

Golden Tree Reinsurance Limited
Statement of Income and Comprehensive Income
For the year ended December 31, 2022
(expressed in U.S. dollars)

	For the years ended on December 31 of	
	2022	2021
Underwriting Income		
Gross written premium (Note 11)	\$ 12,899,589	\$ 16,214,246
Change in unearned premiums	(2,304,607)	(7,156,702)
Net premiums earned	10,594,982	9,057,544
Underwriting Expenses		
Acquisition costs and other underwriting expenses	(1,054,633)	(902,352)
Loss and loss expenses (note 6)	(1,653,243)	(2,951,108)
Net underwriting income	7,887,106	5,204,084
Net investment income (note 7)	871,601	4,456,213
Foreign exchange loss	(220,008)	(478,791)
General and administrative expenses	(446,429)	(349,460)
Net income	8,092,270	8,832,046
Comprehensive income for the year	\$ 8,092,270	\$ 8,832,046

The accompanying notes are an integral part of these financial statements.

Golden Tree Reinsurance Limited

Statement of Changes in Shareholder's Equity

For the year ended December 31, 2022

(expressed in U.S. dollars)

		Share capital	Contributed surplus	Retained earnings	Total shareholder's equity
December 31, 2020	\$	120,000	7,525,688	10,502,245	18,147,933
Comprehensive income for the year		-	-	8,832,046	8,832,046
December 31, 2021	\$	120,000	7,525,688	19,334,291	26,979,979
Comprehensive income for the year		-	-	8,092,270	8,092,270
December 31, 2022	\$	120,000	7,525,688	27,426,561	35,072,249

The accompanying notes are an integral part of these financial statements.

Golden Tree Reinsurance Limited

Statement of Cash flows

For the year ended December 31, 2022

(expressed in U.S. dollars)

	For the years ended on December 31 of	
	2022	2021
Cash flows from operating activities		
Net income for the year	\$ 8,092,270	\$ 8,832,046
Adjustment for:		
Net unrealized gain on investments	(466,609)	(4,338,624)
Amortization	126,941	103,536
Interest accrued on intercompany loans	(116,137)	(109,905)
Changes in assets and liabilities		
Insurance balances receivable	695,060	(1,852,016)
Funds Withheld	(1,516,097)	(1,598,749)
Prepaid expenses and other assets	47,285	(21,722)
Other assets	(275,000)	-
Losses payable	236,776	409,528
Accrued liabilities	(2,086)	2,342
Reserves for losses and loss expenses	(260,857)	1,009,521
Commission & Tax Payable	(16,465)	410,279
Deferred Acquisition costs	(163,132)	(603,739)
Change in unearned premium	2,304,607	7,156,702
Right of use	(107,525)	(215,196)
Net cash flows provided by operating activities	8,579,031	9,184,003
Cash flows from investing activities		
Loan to affiliates	(6,000,000)	(5,100,001)
Loan's Repayment	763,222	3,975,583
Proceeds from investment disposals	1,000,000	1,706,341
Purchase of investment	(8,966,970)	(4,200,000)
Net cash flows (used in) investing activities	(13,203,748)	(3,618,077)
Net (decrease)/increase in cash and cash equivalents	(4,624,717)	5,565,926
Cash and cash equivalents – Beginning of year	7,856,529	2,290,603
Cash and cash equivalents – End of year	\$ 3,231,812	7,856,529
Interest received	63,767	90,492

The accompanying notes are an integral part of these financial statements.

Golden Tree Reinsurance Limited

Notes to Statements

December 31, 2022

(expressed in U.S. dollars)

1. The Company

Golden Tree Reinsurance Limited. (the "Company") was incorporated under the laws of Bermuda on October 22, 2018 and registered effective January 1, 2019, as a Class 3A insurer under the Insurance Act, 1978, amendments thereto and related regulations ("The Act") to write general insurance of property and casualty business. The Company is a wholly owned subsidiary of Iris Financial Services Limited ("Parent Company"), a company incorporated under the laws of Bermuda. The Company's registered office is Crawford House, 50 Cedar Avenue, Hamilton HM 11, Bermuda.

Effective June 29, 2019, the Company, pursuant to the Asset Transfer Agreement, assumed the assets and liabilities of Independent Risk Solutions Ltd. (Acting in Respect of its Segregated Account 'Golden Tree Insurance').

The Company offers commercial credit and credit life coverage on a claims-incurred basis to ExcelCredit S.A.S. ("Excel") and Iris CF - Compañía de Financiamiento S.A. ("Iris CF"). All coverages are fronted by a commercial reinsurer with an A.M. Best security rating or equivalent of A- or higher. The commercial credit policy aims to protect the insured company from significant losses due to a deterioration in its receivables from its consumer loan program. The credit life policy is designed to protect the insured from losses in case any of its borrowers pass away before paying the balance of the loan extended to them.

The Company provides commercial credit coverage to Excel for 50% of the default of each vintage, defined as the total amount of loans provided in any one month, with a 10% deductible. The credit life policy covers Excel for the initial loan amount of debtors with a maximum limit of indemnity of \$91,100. The Company retains 100% of the risk.

The Company provides commercial credit coverage to Iris CF for 50% of the default of each vintage, defined as the total amount of loans provided in any one month, without a deductible. The Company retains 100% of the risk.

Effective May 1, 2022, the Company entered into an agreement with Kanguro Insurance ("Kanguro"), a licensed managing general agent in the United States, and Cimarron Insurance ("Cimarron"), a registered insurance carrier in the United States, to provide pet insurance coverage. Kanguro Insurance is responsible for underwriting and administering policy services for all underlying policies, while Cimarron fronts the program on a quota share basis with zero retention. The Company assumes and retains the full 100% of the risk.

The financial statements were approved and authorized for issue by the Board of Directors on June 30, 2023

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the year presented.

(a) Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of presentation

The Company's financial statements have been prepared under the historical cost basis, except for financial assets at fair value through profit or loss, which are stated at fair value.

Golden Tree Reinsurance Limited

Notes to Financial Statements

December 31, 2022

(expressed in U.S. dollars)

2. Summary of significant accounting policies (Cont.)

(b) Basis of presentation (Cont.)

The Company has prepared its financial statements in conformity with IFRS 4 "Insurance Contracts", effective January 1, 2006 and believes it is in compliance with the requirements as prescribed by the IASB in its first phase of the standard.

(c) Functional and presentation currency

Items included in these consolidated financial statements are measured in the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in United States Dollars ("US\$" or "USD"), which is the Company's functional and presentation currency. The primary objective of the Company is to generate returns in USD, its capital-raising currency.

(d) Use of estimates and judgement

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Key sources of estimation uncertainty are described in these significant accounting policies.

(e) Premiums written and acquisition costs

Premiums written are recorded when advised by the ceding companies and are included in income on a straight-line basis over the period of the primary insurer's insurance contract. Any unearned premiums are deferred on the balance sheet in consistency with the insurance contract. Acquisition costs, consisting of commissions and taxes relating to business underwritten by the Company and are expensed on a pro rata basis over the terms of the policy and are recognized in the statement of income.

The policies provide for premium adjustments based on the results of premium base reviews. The Company has considered such adjustments using estimates of the ultimate premiums, and in the opinion of management, future adjustments to premiums will not have a material effect on the financial position of the Company.

(f) Reserve for losses and loss related expenses

The reserve for losses and loss related expenses include estimates for outstanding claims and settlement expenses incurred at the balance sheet date including an estimate for the cost of claims incurred but not reported at that date. Such reserve is based on loss adjusters' evaluations and management's best estimates on an undiscounted basis and, in the opinion of management, is reasonable. Future adjustments to the amounts recorded as of December 31, 2022, resulting from the continual review process, as well as differences between estimates and ultimate settlements, will be reflected in the Company's statement of income and comprehensive income of future year when such adjustments become known. It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the liability.

Golden Tree Reinsurance Limited

Notes to Financial Statements

December 31, 2022

(expressed in U.S. dollars)

2. Summary of significant accounting policies (Cont.)

(g) Loans to affiliates

Loans are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value. Subsequent to initial recognition, the Loans to affiliates are measured at amortised cost using the effective interest rate method, less any impairment losses. Amortisation of interest is included in Investment income in the statement of income and comprehensive income. The Company considers that there is no significant related credit risk on the Loans as the amount is receivable from an affiliate, which has the intention and ability to repay the loan when required.

(h) Translation of foreign currencies

Monetary assets and liabilities originating in other currencies are translated into U.S. dollars (the functional currency) at the rates of exchange in effect at the balance sheet date. Non-monetary items originating in other currencies are translated into U.S. dollars at the rates of exchange in effect at the dates when the transactions occurred. Revenue and expense items are translated into U.S. dollars at the rate of exchange prevailing at the time of the transaction. The resulting exchange gains or losses are recognized in the statement of income and comprehensive income.

(i) Cash and cash equivalents

Cash and cash equivalents include amounts held in banks and other deposits having original maturity of less than ninety days. The carrying value approximates fair market value because of the short-term liquidity.

(j) Investments

Investments at fair value through profit or loss

Investments classified as financial assets at fair value through profit or loss are initially recognised at fair value in the statement of financial position and are subsequently re-measured at fair value based upon market quotations or counterparty prices. Investments are accounted for on the trade date (the date the Company enters into a commitment to buy or sell the investment).

Investments contains investments in Fund of Funds and are carried at fair value. The units of account that are valued by the Company are its interest in the funds and not the underlying holdings of such funds. Thus, the inputs used by the Company to value its investments in each of the funds may differ from the inputs used to value the underlying holdings of such funds. These funds are stated at fair value, which ordinarily will be the most recently reported net asset value ("NAV") as reported by their investment managers or third-party administrators. The change in the fair value of other fund investments is included in the Statement of income and comprehensive income.

Investments at Amortized Cost

Investments at amortized cost are financial assets with fixed payments and maturities, which the Company intends and is able to hold until maturity. These are initially recognized at fair value, including any associated transaction costs. They are subsequently measured at amortized cost using the effective interest method, and any impairment losses are deducted.

Golden Tree Reinsurance Limited

Notes to Financial Statements

December 31, 2022

(expressed in U.S. dollars)

If evidence of impairment is found, the loss is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows. This loss is recognized in profit or loss. If the impairment loss decreases due to a subsequent event, the previously recognized impairment loss may be reversed through profit or loss.

2. Summary of significant accounting policies (Cont.)

(j) Investments (Cont.)

As of December 31, 2022, there was no evidence of impairment on these investments

Interest on these investments is included within 'net investment income' in the statement of income and comprehensive income.

(j) Fair value measurements

Fair value of investments is disclosed based on a fair value hierarchy that reflect the quality of inputs used to measure fair value. The valuation hierarchy is based upon whether the inputs to the valuation of an asset or liability are observable or unobservable in the market at the measurement date, with quoted market prices being the highest level (Level 1) and unobservable inputs being the lowest level (Level 3). A fair value measurement will fall within the level of the hierarchy based on the input that is significant to determining such measurement. The three levels are defined as follows:

- Level 1 – inputs are based upon quoted prices for identical instruments traded in active markets.
- Level 2 – inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – investments are securities for which valuation techniques are not based on observable market data and require significant management judgement. The Company determines securities classified as Level 3 to include hedge funds and private investment funds. These measurements include circumstances in which there is little, if any, market activity for the asset or liability. In making the assessment, the Company considers factors specific to the asset or liability and such an assessment will involve significant management judgment. Because of the inherent uncertainty in the valuation of these Level 3 investments, fair values of such investments may differ from the values that would have been used had a ready market for these investments existed, and the differences could be material.

The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest level input that is significant to the fair value measurement in its entirety.

(k) Application of new and revised IFRSs

New and revised IFRSs in issue-adopted

No new standards to adopt in the current financial year.

New and revised IFRSs in issue-Not yet adopted

IFRS 9 Financial Instruments

Golden Tree Reinsurance Limited

Notes to Financial Statements

December 31, 2022

(expressed in U.S. dollars)

In July 2014, the IASB issued IFRS 9 – Financial Instruments (“IFRS 9”), which brings together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39.

2. Summary of significant accounting policies (Cont.)

(k) Application of new and revised IFRSs (Cont.)

Classification and measurement – Financial assets are classified and measured based on the business model within which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39 except that for financial liabilities measured at fair value will have fair value changes resulting from changes in the Company’s credit risk recognized in Other Comprehensive Income (“OCI”) instead of net income, unless this would create an accounting mismatch.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

The directors of the Company have assessed the impact this standard will have on future financial statements and related disclosures and do not anticipate that the application of this standard will have a material impact on the Company’s financial statements. The Company has elected to apply the deferral approach permitted by IFRS 4 (with the result that the Standard will be considered alongside IFRS 17).

For an insurer to apply this deferral:

- (i) Total liabilities related to insurance must exceed 90% of total liabilities; or
- (ii) Total liabilities related to insurance are greater than 80% of total liabilities but less than 90% of total liabilities so long as the insurer does not engage in significant activity unconnected to insurance.

The Company’s liabilities related to insurance as at December 31, 2021 were 95% of total liabilities; the Company therefore qualifies to defer IFRS 9.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration contracts which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows);

Golden Tree Reinsurance Limited

Notes to Financial Statements

December 31, 2022

(expressed in U.S. dollars)

- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognized in profit or loss over the service period (i.e., coverage period);

2. Summary of significant accounting policies (Cont.)

(k) Application of new and revised IFRSs (Cont.)

- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognized in profit or loss over the remaining contractual service period;
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in profit or loss, but are recognized directly on the Statement of financial position;
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense;

Extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach. IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, on or before the date it first applies.

The Company plans to adopt the new standard on the required effective date. The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on profit and total equity together with presentation and disclosure. The Company is still evaluating the impact of the standard.

(l) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the

Golden Tree Reinsurance Limited

Notes to Financial Statements

December 31, 2022

(expressed in U.S. dollars)

Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Golden Tree Reinsurance Limited

Notes to Financial Statements

December 31, 2022

(expressed in U.S. dollars)

2. Summary of significant accounting policies (Cont.)

(I) Leases (Cont.)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

– fixed payments, including in-substance fixed payments;

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Golden Tree Reinsurance Limited

Notes to Financial Statements

December 31, 2022

(expressed in U.S. dollars)

3. Cash and cash equivalents

		2022	2021
Cash at bank	\$	3,231,812	7,856,529
	\$	3,231,812	7,856,529

4. Related party transactions

Parties are considered to be related when one party has the ability to control the other party or exercises significant influence over the other party in making financial or operational decisions or by virtue of material contracts in existence during the year. Management has determined that all dealings with related parties are in accordance with underlying agreements in place or approval of the Board of Directors.

As per note 1 above, the Company provides reinsurance to Excel, Iris CF and Kanguro. The following amounts are related party balances and transactions with the Parent Company's affiliates at December 31, 2022 and 2021:

		2022	2021
Insurance balance receivable	\$	3,070,082	3,765,142
Fund withheld		3,897,086	2,380,989
Losses payable		1,177,808	941,032
Reserve for losses and loss expenses		988,664	1,249,521
		2022	2021
Premium written	\$	12,899,589	16,214,246
Losses incurred		1,653,243	2,951,108

Payments to key management personnel for 2022 and 2021 are detailed as follows:

		2022	2021
Directors fees	\$	27,375	22,500

As at December 31, 2022, the Company had the following outstanding loans with related parties:

Company	Termination year	Amount	Interest rate
Iris Financial Services Limited (1)	n/a	13,925,239	1.00%
		\$ 13,925,239	

Golden Tree Reinsurance Limited

Notes to Financial Statements

December 31, 2022

(expressed in U.S. dollars)

4. Related party transactions (Cont.)

As at December 31, 2021, the Company had the following outstanding loans with related parties:

Company	Termination year	Amount	Interest rate
Silver Tree Capital Limited	2022	\$ 741,283	6.00%
Iris Financial Services Limited (1)	n/a	7,831,041	1.00%
		\$ 8,572,324	

For the year ended December 31, 2021, the Company has an accrued interest balance of \$72,324.

(1) Iris Financial Services Limited

On January 5, 2020, the Company entered into an agreement with Iris Financial Services Limited (Iris), under which Golden Tree Reinsurance Limited has agreed to provide Iris with a loan facility up to USD 10,000,000, carrying a fixed interest rate of 1%, with a maturity term of 3 years.

The terms of the loan facility were amended on May 2, 2022, raising the borrowing limit to USD 16,000,000 and extending the maturity term indefinitely. It was agreed by both parties that the loan may be terminated with 7 days prior notice.

As of December 31, 2022, Iris had utilized USD 13,800,000 of the revised credit facility and has an accrued interest balance of \$125,239 (2021: \$9,101)

5. Insurance balance receivable

	2022	2021
Commercial credit	\$ 1,251,441	\$ 532,336
Credit life	1,818,641	3,232,806
Total	\$ 3,070,082	\$ 3,765,142

6. Reserve for losses and loss expenses

Reserves for losses and loss expenses are estimates subject to variability, and this variability could be material in the near term. This variability arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Variability can be caused by receipt of additional claim information, changes in judicial interpretation of contracts or significant changes in the severity or frequency of claims from historical trends.

Reserve for losses and loss expenses are based on all relevant information available to the Company. Methods of estimation are used which the Company believes produce reasonable results given current information. Reserves are prepared on an undiscounted basis.

Golden Tree Reinsurance Limited

Notes to Financial Statements

December 31, 2022

(expressed in U.S. dollars)

6. Reserve for losses and loss expenses (Cont.)

As at December 31, 2022 the reserve for losses and loss expenses totalled \$988,664 and \$1,249,521 for 2021. Claims movements for the year ended December 31, 2022 are as follows:

	2022	2021
Beginning of year		
Outstanding loss reserves (OSLR)	\$ 549,521	\$ —
Incurred but not reported (IBNR)	700,000	240,000
Total beginning of year	1,249,521	240,000
 Losses incurred:		
- current year losses	1,060,315	1,666,351
- prior year losses	592,928	1,284,757
Losses incurred in year	1,653,243	2,951,108
 Losses paid:		
- current year	(1,009,554)	(1,321,684)
- prior year	(738,167)	(598,452)
Losses paid in year	(1,747,721)	(1,920,136)
 Foreign exchange and other	(166,379)	(21,451)
Total end of year	(166,379)	(21,451)
 OSLR	329,704	549,521
IBNR	658,960	700,000
Total end of year	\$ 988,664	\$ 1,249,521

The Company has incurred losses as of December 31, 2022, of \$1,060,315 related to the current accident year and \$592,928 related to the prior years. Credit life policy historical data indicates that on average, claims are reported 4 months after the date of death and therefore it is possible for claims to be reported late.

Golden Tree Reinsurance Limited

Notes to Statements

December 31, 2022

(expressed in U.S. dollars)

6. Reserve for losses and loss expenses (Cont.)

Claims development on all the coverage is shown below:

Development years	2016	2017	2018	2019	2020	2021	2022	Total
1	8,282	222,796	345,901	550,044	757,156	2,304,672	1,855,298	1,855,298
2	58,526	285,545	448,271	1,087,750	1,564,172	2,153,854		2,153,854
3	51,237	285,545	467,620	1,130,709	1,350,388			1,350,388
4	48,565	285,545	467,620	1,115,596				1,115,596
5	48,565	285,545	465,875					465,875
6	48,160	285,545						285,545
7	61,193							61,193
Total incurred losses								7,287,749
Losses paid								6,299,085
Reserve for losses and loss expenses								988,664

Golden Tree Reinsurance Limited

Notes to Statements

December 31, 2022

(expressed in U.S. dollars)

7. Investments

Breakdown of the Company's Investment Income for 2022 and 2021:

		2022		2021
Investment Income – Change in fair value	\$	466,609	\$	4,346,307
Interest Income – Amortized cost investments		288,311		-
Interest Income – Loan to affiliates		116,681		109,906
Net investment income	\$	871,601	\$	4,456,213

Investments at fair value through profit or loss

The following table presents the analysis of the Company's investments by level of input as required by IFRS 7:

Financial instruments measured at fair value	2022			
	Fair value	Level 1	Level 2	Level 3
Aqua Multistrategy Fund Limited	17,923,442	-	-	17,923,442
JP Morgan managed investments	1,332,027	1,332,027	-	-
Total	\$ 19,255,469	1,332,027	-	17,923,442

Financial instruments measured at fair value	2021			
	Fair value	Level 1	Level 2	Level 3
Aqua Multistrategy Fund Limited	13,452,540	-	-	13,452,540

In both 2022 and 2021, there were no transfers into or out of Level 3 of the fair value hierarchy. The rationale for choosing the level of Classification is based on the following:

JP Morgan managed investments: The investment is a separately account managed by J.P. Morgan Securities LLC. The money invested here is allocated mainly in cash, fixed income and equity. All the securities invested are denominated in USD dollar, with defined maturities, rates and issuers, therefore, the entire account represents a pool of bonds. The account manager acts as broker for all the transactions with these securities, each bond or deposit bought or sold under this account is valued based on quoted prices observed in active markets in the US. Since the value is determined directly by observable prices, in the management judgement, these investments fall within level I inputs.

Aqua Multistrategy fund: The investment objectives of the Fund are to generate attractive long-term returns, thereby increasing investors' wealth; to preserve capital over the same time horizon, regardless of global financial market fluctuations; and to target low volatility to mitigate the risk of capital loss. Shareholders may redeem some or all of their shares annually, on the first calendar day after the expiry of the lock-up period, and annually thereafter, with six (6) months' prior written notice. As of December 2022, Golden Tree does not have any unfunded commitments with the fund.

This investment involves direct participation in a fund whose Net Asset Value (NAV) is calculated and reported to the investor on a monthly basis, based on the performance of their underlying investments. Investors have the right to redeem their participation at any time, using the valuation of the most recent quarter. Based on these characteristics, management has decided to classify the investment as Level III, using the estimated NAV reported by the fund's administrator each month.

Golden Tree Reinsurance Limited

Notes to Financial Statements

December 31, 2022

(expressed in U.S. dollars)

7. *Investments (Cont.)*

Investments at amortized cost

During 2022, the Company purchased a 23.33% participation interest in a Loan Agreement between BPA Funding I, LLC and Elevva Holdings Limited. The Loan Agreement, with a fixed interest rate of 16%, expires on February 20, 2026.

Under the terms of the agreement, interest and principal will be repaid with a combination of cash and an equivalent value of shares in Elevva Holdings Limited.

The investment is accounted for at amortized cost. Interest income is recognized on an effective interest basis, and any impairment losses are immediately recorded. At each reporting date, the Company assesses if there's objective evidence of investment impairment.

As of the reporting date, the carrying amount of this investment, recorded at amortized cost, was \$ 2,630,650.

8. *Share capital*

Share capital consists of 120,000 common shares with a par value of \$1, which were authorized, issued and fully paid as at December 31, 2022 and 2021.

9. *Leases*

The Company leases an office facility. The lease runs from 1 April 2021 to 31 March 2026. Lease payments are fix. Information about leases for which the Company is a lessee is presented below.

		Office
Balance at 1 January	\$	586,713
Depreciation charge for the year		(126,941)
Balance at 31 December	\$	459,772

Lease liabilities:

Balance at 1 January	\$	475,053
Lease payment		(79,295)
Current year adjustments		(28,230)
Balance at 31 December	\$	367,528

10. *Financial risk management*

The Company is exposed to market risk, credit risk, liquidity risk, interest rate risk, and currency risk among others, arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below.

Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates, and equity prices - will affect the future cash flows of insurance and reinsurance contracts, as well as the fair value or future cash flows of financial instruments. The aim of market risk management is to keep market risk exposures within acceptable boundaries while optimizing risk-adjusted returns.

Market risk primarily originates from the Company's interest-bearing financial assets and financial assets and liabilities denominated in foreign currencies. These risks are disclosed in the Interest Rate Risk and Currency Risk sections of this note.

Golden Tree Reinsurance Limited

Notes to Financial Statements

December 31, 2022

(expressed in U.S. dollars)

10. Financial risk management (Cont.)

Credit risk and concentration of credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

Management has identified key areas exposed to credit risk as:

- Cash and cash equivalents
- Insurance balances receivable
- Fund withheld
- Loan to affiliates
- Investments at fair value
- Investments at amortized cost

For monitoring and controlling the credit risk, the company is continuous monitoring the credit risk rating issued by recognized credit rating agencies in the domicile countries of the parties which the company has exposure. At the end of December 2022, none of the parties suffer a downgrade or significant change in their credit ratings that had a potential negative impact on the overall credit risk of the Company.

The Company does not require collateral or other security to support financial instruments with credit risk. The Company is party to financial instruments with concentration and credit risks in the normal course of business. As of December 31, 2022, the Company had deposits, with two financial institutions, for a total of \$ 3,231,812 (2021: \$7,856,529). \$2,553,158 (2021: 7,841,545) were held with The Bank of N T Butterfield & Son Ltd. with credit rating range from A2 to BBB+ as set out by Standards & Poor's and \$678,654 (2021: \$14,998) were held with JP Morgan A-1 as set out by Standards & Poor's.

Investment at Fair value were held of 19,255,469 (2021: \$13,452,540). Investment asset allocation is determined by management who manages the distribution of the assets to achieve the Company's investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Company's Board of Directors. Loans to affiliates for \$13,925,239 (2021: \$8,572,324) are mainly to the holding company Iris Financial services. The management monitors continually the performance of Iris financial performance to identify any potential inability of the company to serve their loan obligations. Insurance balances receivable of \$3,070,082 (2021: \$3,765,142) and Funds Withheld of \$3,897,086 (2021: \$2,380,989) are due from insurers with a credit rating of AA- as set out by Standards & Poor's.

Liquidity risk

Liquidity risk is the risk that not enough cash resources may be available to pay obligations when due. The Company's liquidity risk management approach consists of 1) monitoring the duration of the assets and liabilities and realigning the investment portfolios as needed; 2) monitoring collateral requirements on a monthly basis against available cash and, 3) maintaining a significant portion of liquid assets in the investment portfolios.

Liquidity and interest risk tables

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

Golden Tree Reinsurance Limited

Notes to Financial Statements

December 31, 2022

(expressed in U.S. dollars)

10. Financial risk management (Cont.)

Financial liabilities:

2022				
	Less than 3 months	3 month to 1 year	1 to 5 years	Total
Reserve for losses and loss expenses	\$ 988,664	-	-	988,664
Commission & Tax Payable	393,814	-	-	393,814
Unearned Premium Reserve	2,237,568	5,098,450	2,125,291	9,461,309
Losses payable	1,177,808	-	-	1,177,808
Accrued liabilities	52,000	-	-	52,000
Lease Liability	27,565	83,392	256,571	367,528
\$	4,877,419	5,181,842	2,381,862	12,441,123

2021				
	Less than 3 months	3 month to 1 year	1 to 5 years	Total
Reserve for losses and loss expenses	\$ 6,399	1,243,122	-	1,249,521
Commission & Tax Payable	410,279	-	-	410,279
Unearned Premium Reserve	1,159,967	3,479,901	2,516,834	7,156,702
Losses payable	343,856	597,176	-	941,032
Accrued liabilities	54,086	-	-	54,086
Lease Liability	28,442	85,331	361,280	475,053
\$	2,003,029	5,405,530	2,878,114	10,286,673

The following table details the Company's expected maturity for its financial assets. The tables below have been drawn up based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

Financial assets:

2022				
	Less than 3 months	3 month to 1 year	1 to 5 years	Total
Investment at fair value	\$		19,255,469	19,255,469
Investments at amortized cost			2,630,650	2,630,650
Loan to affiliates		6,000,000	7,925,239	13,925,239
Insurance balances receivable	3,070,082			3,070,082
Funds Withheld	715,453	1,208,004	1,973,629	3,897,086
Prepaid Expense	1,391			1,391
Deferred acquisition costs	189,473	416,258	161,140	766,871
\$	3,976,399	7,624,262	31,946,127	43,546,788

Golden Tree Reinsurance Limited

Notes to Financial Statements

December 31, 2022

(expressed in U.S. dollars)

10. Financial risk management (Cont.)

	2021			
	Less than 3 months	3 month to 1 year	1 to 5 years	Total
Investment at fair Value	\$ –	–	13,452,540	13,452,540
Loan to affiliates	772,324		7,800,000	8,572,324
Insurance balances receivable	3,765,142	-	-	3,765,142
Funds Withheld	570,647	114,597	1,695,745	2,380,989
Prepaid Expense	48,676	-	-	48,676
Deferred acquisition costs	100,449	301,347	201,943	603,739
	\$ 5,257,238	415,944	23,150,228	28,823,410

Interest rate risk

Interest rate risk arises from the possibility that changes in the interest rates will affect future cash flows or the fair value of financial instruments.

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows, the fair values of which are affected by changes in interest rates. Sensitivity analysis on interest rates has not been performed given the low rates earned on a relatively small portfolio, any change in the rates would not have a material impact on the financial statements. Other financial assets and liabilities are non-interest bearing with short term maturity and are not subject to significant amounts of interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Premiums are written in Colombian Pesos and these can potentially generate exchange rate differences. While there is exposure, the net amount of assets and liabilities associated with these policies that is exposed to currency fluctuations is not significant, thus, the overall currency risk is limited.

Insurance risk

The Company accepts insurance risk through its insurance contracts where it assumes the risk of loss from affiliated entities that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts. The Company predominantly funds its insurance liabilities through its cash and in the normal course of its operations. In the event of a significant amount of claims, the insurance liabilities may require to be funded through the disposal of the Company's portfolio of investments.

The Company employs a dynamic strategy of asset-liability management, risk diversification, and prudent underwriting practices to manage its risk.

Golden Tree Reinsurance Limited

Notes to Financial Statements

December 31, 2022

(expressed in U.S. dollars)

11. Premium written and earned

The following table shows the premiums movement during the year ended December 31, 2022:

	2022	2021
Opening balance	\$ 7,156,702	-
Gross premiums written	12,899,589	16,214,246
Premiums earned	(10,594,982)	(9,057,544)
Balance deferred at 31 December	\$ 9,461,309	7,156,702

12. Capital risk management and statutory financial reporting

The Company is required by its license to maintain a solvency margin and an enhanced capital requirement in accordance with the provisions of the Insurance Act. Each year the Company is required to file with the Bermuda Monetary Authority (the "Authority") a capital and solvency return within four months of its relevant financial year end (unless specifically extended).

The prescribed form of capital and solvency return, which was revised under new legislation enacted in 2011, comprises the insurer's Bermuda Solvency Capital Requirement ("BSCR") model, a schedule of fixed income investments by rating category, a schedule of net loss and loss expense provision by line of business, a schedule of premiums written by line of business, a schedule of risk management and a schedule of fixed income securities. The BSCR includes a standardized model used to measure the risk associated with an insurer's assets, liabilities and premiums, and a formula to take account of catastrophe risk exposure. The Authority requires all Class 3A insurers to maintain their capital at a target level which is 120% of the minimum amount calculated in accordance with the BSCR (the Enhanced Capital Requirement or "ECR").

These provisions have been met. Actual statutory capital and surplus, as determined using statutory principles, as follows:

	2022	2021
Total shareholder's equity	\$ 35,072,249	26,979,979
Less: Non-admitted assets:		
Prepaid expenses	(1,391)	(48,676)
Statutory capital and surplus	\$ 35,070,858	26,931,303

13. Taxation

Under current Bermuda law the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event of any such taxes being imposed the Company will be exempted from taxation until the year 2035.

14. Subsequent events

No subsequent events were noted by management as of the date of issuance of the financial statements on June 30, 2023.