Iris Financial Services Limited

Consolidated Financial Statements
for the year ended December 31, 2023
and Independent Auditor's Report

IRIS FINANCIAL SERVICES LIMITED
TABLE OF CONTENTS

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

INDPENDENT AUDITOR'S REPORT

To the Board of Directors of Iris Financial Services Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Iris Financial Services Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Valuation of liability for incurred claims ('LIC')

As presented in the Material Accounting Policies in Note 2.15, and in Notes 16 and 26.5 of the consolidated financial statements, the Group has liabilities for incurred claims of $4,086,612 at December 31, 2023.

LIC is estimated by using a range of standard actuarial claims projection techniques. Such estimation techniques are complex and requires the application of judgment by the Group.

LIC is determined by using the Group's past claims development experience to project future claims development and hence the ultimate claims costs. The Group also incorporates an element of risk adjustment for non-financial risk to remove the uncertainty that future cash flows will exceed the expected value amount.

The risk

A significant estimate made by the Group is the estimation of the liability for incurred claims (LIC), specifically IBNR. The LIC is derived from the fulfillment cash flows related to incurred claims. In addition, an explicit risk adjustment for non-financial risk is applied. The valuation of the LIC is a process which incorporates judgment and estimation in setting assumptions such as past experience, loss development factors and initial expected loss ratios. There is a higher level of uncertainty within the IBNR portion of the liability for incurred claims related to the estimate of the fulfillment cash flows for IBNR.

Our response to the risk

Assessing valuer's credentials:

- We evaluated the competence, capabilities and objectivity of the Group's independent experts;
- We (together with our own actuarial specialists) performed enquiries of these experts to understand their processes and models.

Our valuation expertise:

- We used our own actuarial specialists in assessing and challenging the reasonableness of the methods and assumptions utilised by the Group's experts, and we also independently projected a range around the Group's IBNR estimate applying our own assumptions and variety of actuarial techniques.

Assessing observable inputs:

- We agreed the underlying data utilised in the actuarial analyses to accounting records and confirmation from fronting carriers.

Completeness

- We evaluated the adequacy of the Group's disclosures on the LIC in accordance with the requirements of relevant accounting standards.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements.

KPMG

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 consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Bron Turner.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
August 14, 2024

ABBREVIATIONS AND KEY

Abbreviation	Meaning
IFRS	International Financial Reporting Standards
IASB	International Accounting Standards Board
USD	United States dollars
FVPL	Fair value through profit or loss
NCI	Non-controlling interest
OCI	Other comprehensive income
ECL	Expected credit losses
SPPI	Solely payments of principal and interest
LRC	Liability for remaining coverage
LIC	Liability for incurred claims
IACF	Insurance acquisition cash flows
RA	Risk adjustment for non-financial risk
LGD	Loss given default
PAA	Premium allocation approach

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

	Note		At December 31: 2023	2022 restated	At January 1: 2022 restated
ASSETS					
Cash and cash equivalents	5	$	18,446,430	11,861,275	20,830,508
Financial investments	25		32,957,429	26,542,171	18,002,830
Loans	6		9,620,694	8,502,907	9,999,414
Other receivables	7		5,452,689	1,761,032	2,148,350
Other financial assets	8		8,228,752	983,396	-
Current tax assets	11		642,509	283,565	113,941
Other non-financial assets			306,651	205,674	256,080
Total current assets			**75,655,154**	**50,140,020**	**51,351,123**
Equity-accounted investees			10,485,146	9,767,103	-
Loans	6		124,311,172	96,907,439	99,493,148
Property and equipment	9		2,481,711	2,528,469	3,107,064
Intangible assets	10		6,063,020	3,527,613	2,434,051
Total non-current assets			**143,341,049**	**112,730,624**	**105,034,263**
Total assets		$	**218,996,203**	**162,870,644**	**156,385,386**

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

			At December 31:		At January 1:
			2023	2022	2022
	Note			*restated*	*restated*
LIABILITIES					
Loans and other interest-bearing liabilities	12	$	81,792,029	44,196,401	47,337,927
Trade and other payables	13		10,138,213	6,069,304	14,559,694
Employee benefits	14		669,205	501,999	565,926
Other non-financial liabilities	15		439,780	254,894	203,032
Reinsurance contracts liabilities	16		2,277,060	4,078,724	3,078,932
Total current liabilities			**95,316,287**	**55,101,322**	**65,745,511**
Loans and other interest-bearing liabilities	12		68,174,247	60,852,941	54,623,373
Trade and other payables	13		1,479,101	7,236,622	-
Non-current deferred tax liabilities	11		1,171,260	1,159,739	720,005
Total non-current liabilities			**70,824,608**	**69,249,302**	**55,343,378**
Total liabilities			**166,140,895**	**124,350,624**	**121,088,889**
EQUITY					
Share capital and contributed surplus			49,741,952	43,741,952	33,741,952
Retained earnings			8,559,865	6,549,294	8,952,422
Accumulated other comprehensive income			(5,574,120)	(11,838,950)	(7,487,570)
Non-controlling interest			127,611	67,724	89,693
Total equity			**52,855,308**	**38,520,020**	**35,296,497**
Total liabilities and equity		$	**218,996,203**	**162,870,644**	**156,385,386**

- *The notes are an integral part of the consolidated financial statements*

Approved by the Board of Directors

Director

8/15/2024

Date

Nicolai Jonkus

Director

8/14/2024

Date

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

	Note		At December 31: 2023	2022 *restated*
Contractual interest income			18,906,226	17,130,218
Service Fee			3,270,718	5,720,552
Interest income calculated using the effective interest method	**18**	**$**	**22,176,944**	**22,850,770**
Gains from loan portfolio sales	19		6,267,815	3,861,379
Insurance revenue	20		14,743,075	10,594,982
Other income including services and commissions	21		5,836,869	3,111,269
Total income			**49,024,703**	**40,418,400**
Interest and other similar expense	22		(22,717,286)	(15,089,040)
Insurance service expense	20		(5,785,827)	(2,702,776)
Allowance for loans impairment	6		(2,603,212)	(3,962,322)
Total expenses			**(31,106,325)**	**(21,754,138)**
Net income from insurance and financial services			**17,918,378**	**18,664,262**
Investment income from financial assets at amortized cost	23		408,919	521,129
Share of losses of equity-accounted investees	23		(251,809)	(206,897)
Investment income from financial assets at FVTPL	23		1,743,336	466,609
Total investment income			**1,900,446**	**780,841**
Other income			3,920,911	377,035
Administrative expenses	24		(14,781,587)	(12,780,813)
Other expenses			(1,259,573)	(284,070)
Net profit before income tax			**7,698,575**	**6,757,255**
Income tax	11		2,189	(653,164)
Net Profit			**7,700,764**	**6,104,091**
Net Profit attributable to:				
Owners of the Company			8,010,571	6,296,872
Non-controlling interest			(309,807)	(192,781)
Total		$	**7,700,764**	**6,104,091**

- *The notes are an integral part of the consolidated financial statements*

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

	Note	At December 31: 2023	2022 restated
Net profit		**7,700,764**	**6,104,091**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Movement in foreign subsidiaries hedge reserve		(10,562)	49,508
Exchange differences in foreign subsidiaries' currency translation		5,315,235	(4,452,782)
Equity-accounted investees – share of OCI		969,851	42,706
Total other comprehensive income		**6,274,524**	**(4,360,568)**
Total comprehensive income		**13,975,288**	**1,743,523**
Other comprehensive income attributable to:			
Owners of the Company		6,264,830	(4,351,380)
Non-controlling interest		9,694	(9,188)
Total		**6,274,524**	**(4,360,568)**

- *The notes are an integral part of the consolidated financial statements*

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

			Equity attributable to equity holders of the parent				
For the period from December 31, 2021, to December 31, 2023	**Note**		**Share capital and contributed surplus**	**Retained earnings**	**Other Comprehensive Income**	**Non-controlling Interest**	**Total Equity**
December 31, 2021 as previously reported		$	**33,741,952**	**9,023,690**	**(7,487,570)**	**89,693**	**35,367,765**
Impact of initial application of IFRS 17				(71,268)			**(71,268)**
BALANCE AT DECEMBER 31, 2021			**33,741,952**	**8,952,422**	**(7,487,570)**	**89,693**	**35,296,497**
Changes in equity:							
Issuance of shares			10,000,000				10,000,000
Profit for the year				6,296,872		(192,781)	6,104,091
Other comprehensive income for the year					(4,351,380)	(9,188)	(4,360,568)
Dividends declared				(8,700,000)			(8,700,000)
NCI contributions to subsidiaries						180,000	180,000
BALANCE AT DECEMBER 31, 2022			**43,741,952**	**6,549,294**	**(11,838,950)**	**67,724**	**38,520,020**
Changes in equity:							
Issuance of shares			6,000,000				6,000,000
Profit for the year				8,010,571		(309,807)	7,700,764
Other comprehensive income for the year					6,264,830	9,694	6,274,524
Dividends declared				(6,000,000)			(6,000,000)
NCI contributions to subsidiaries						360,000	360,000
BALANCE AT DECEMBER 31, 2023		$	**49,741,952**	**8,559,865**	**(5,574,120)**	**127,611**	**52,855,308**

- The notes are an integral part of the consolidated financial statements -

IRIS FINANCIAL SERVICES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed in United States dollars)

	Note		For the year ended on December 31: 2023	2022 *restated*
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit for the period		$	7,700,764	6,104,091
Adjustments for:				
Depreciation	9		662,617	663,347
Amortization	10		1,142,344	675,331
Impairment, net	6		2,603,212	3,412,257
Interest expense accrued	22		22,717,286	14,516,131
Interest income accrued			(22,585,863)	(17,414,288)
Gain from payroll loans sold	19		(6,267,815)	(3,861,379)
Current and deferred tax expense			(2,189)	653,164
Share of profit of equity-accounted investees			251,809	284,070
Unrealised losses / (gains)			(1,743,336)	(466,609)
Changes in assets and liabilities:				
Loans			(3,600,827)	(21,173,375)
Other receivables			(551,053)	(2,358,638)
Other non-financial assets			(168,361)	768,520
Other financial assets			(2,468,464)	-
Deferred expenses			-	(163,132)
Reinsurance contracts liabilities			(1,801,664)	2,467,134
Trade and other payables			(3,508,102)	798,079
Employee benefits			58,657	25,793
Other non-financial liabilities			66,748	607,723
Non-current deferred tax liabilities			(526,043)	(571,258)
Income tax paid			2,189	(653,164)
Interest income received			22,585,863	20,991,597
Net cash generated by operating activities		**$**	**14,567,772**	**5,305,394**

IRIS FINANCIAL SERVICES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed in United States dollars)

	Note		For the year ended on December 31: 2023	2022 *restated*
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in subsidiaries and associates		$	-	(10,000,000)
Disposal of financial assets at FVTPL			2,339,871	-
Acquisition of financial assets at FVTPL			(961,667)	(5,497,496)
Acquisition of financial assets at amortised cost			(328,798)	(2,342,339)
Other financial assets			(4,776,892)	-
Purchase of property and equipment			(266,123)	(442,119)
Disposal of property and equipment			32,282	-
Purchase of intangibles			(2,563,744)	(2,387,698)
Net cash used in investing activities			**(6,525,071)**	**(20,669,652)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from the increase in loans and structured financing			19,483,846	21,218,641
Interest paid			(22,717,286)	(14,516,131)
Leasing payments			(873,790)	-
Proceeds from the issuance of shares			6,000,000	10,000,000
NCI contribution to subsidiaries			360,000	180,000
Dividends paid			(6,000,000)	(8,700,000)
Net cash (used in) / provided by financing activities			**(3,747,230)**	**8,182,510**
Effect of foreign exchange rate changes on cash and cash equivalents			**2,289,684**	**(1,787,485)**
Net increase / (decrease) in cash and cash equivalents			6,585,155	(8,969,233)
Cash and cash equivalents at the beginning of the period			11,861,275	20,830,508
CASH AND CASH EQUIVALENTS END OF YEAR		$	**18,446,430**	**11,861,275**

- *The notes are an integral part of the consolidated financial statements.*

NOTE 1. GENERAL INFORMATION

Iris Financial Services Ltd. (“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. Iris, together with all entities in which it has a controlling financial interest (the “Group”), is a provider of credit services, specifically payroll loans, operating in Colombia and a provider of insurance services operating in Bermuda.

As at December 31, 2023, Meridian PTC Limited, incorporated in Bermuda, indirectly held 76.34% (2022: 77.82%) of Iris’ issued share capital.

These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group”) and includes the result of equity-accounted investees.

The Company’s activities are managed and administered by Silver Tree Capital Ltd., a company continued in Bermuda (the “Manager”).

NOTE 2. MATERIAL ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

These consolidated financial statements are prepared in accordance with IFRS, and their interpretations issued by the IASB.

The consolidated financial statements were authorised for issue by the board of directors on August 14, 2024.

The Company and the subsidiaries’ financial statements have been prepared on a going concern basis.

The Company has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

2.2 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

In these financial statements, the Group has applied IFRS 17 for the first time. No other standard, interpretation, or amendment that has been issued but is not yet effective has been early adopted.

IFRS 17 replaces IFRS 4 for annual periods beginning on or after January 1, 2023. The Group has restated comparative information for 2022 using the transitional provisions in IFRS 17 Appendix C.

Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the Group’s reinsurance contracts. Under IFRS 17, the Group’s reinsurance contracts issued are eligible to be measured by applying the PAA, simplifying the measurement process compared to the general model.

Key changes in measurement principles under the PAA include:

- Liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and amounts recognized in revenue for insurance services provided.
- Liability measurement includes adjustments for the time value of money and financial risk if the premium due date and the related service period exceed 12 months.
- Explicit risk adjustment for non-financial risk when a group of contracts is onerous to calculate a loss component.
- Liability for incurred claims is determined on a discounted probability-weighted expected value basis, including an explicit risk adjustment for non-financial risk.

NOTE 2. MATERIAL ACCOUNTING POLICIES (cont.)

2.2 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (cont.)

Changes to presentation and disclosure

The Group no longer reports line items such as gross written premiums and net written premiums. Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses

Transition

On the transition date, January 1, 2022, the Group:

- Identified, recognized, and measured each group of reinsurance contracts as if IFRS 17 had always applied.
- Recognized assets for insurance acquisition cash flows as if IFRS 17 had always applied, performing a recoverability assessment at the transition date.
- Derecognized any existing balances that would not exist if IFRS 17 had always applied. These included deferred acquisition costs for reinsurance contracts and insurance receivables and payables. Under IFRS 17, they are included in the measurement of the reinsurance contracts.
- Recognized any resulting net difference in equity.

The Group applied the full retrospective approach for transition to IFRS 17.

The Group has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item. The effects of adopting IFRS 17 on the consolidated financial statements at 1 January 2022 are presented in the statement of changes in equity.

2.3. FUNCTIONAL AND PRESENTATION CURRENCY

Items included in these consolidated financial statements are presented in the currency of the primary economic environment in which each of the Group entities operates (the “Functional Currency”). The consolidated financial statements are presented in USD, which is the Company’s functional currency.

2.4. MEASUREMENT CONVENTION

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments that have been measured at fair value.

2.5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

During the preparation of these consolidated financial statements, 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 ongoing 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.

Judgements made by management in the application of IFRS that have significant effects on the financial statements are disclosed in the following items of the financial statements:

NOTE 2. MATERIAL ACCOUNTING POLICIES (cont.)

2.5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont.)

Judgements

- Impairment of financial assets (note 2.10): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL;

- Measurement of reinsurance contracts (note 2.14): determining the techniques for estimating the liability for incurred claims.

- Interests in associates (note 2.6 and 3): whether the Group has significant influence over an investee;

Assumptions and estimation uncertainties

- Impairment of financial assets (note 26.3): determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information;

- Measurement of the fair value of financial instruments (note 25),

2.6. BASIS OF CONSOLIDATION

Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

NOTE 2. MATERIAL ACCOUNTING POLICIES (cont.)

2.6. BASIS OF CONSOLIDATION (cont.)

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity- accounted investees, until the date on which significant influence ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.7 FOREIGN CURRENCY TRANSACTIONS

Monetary assets and liabilities in other currencies are translated into USD at the rates of exchange prevailing at the reporting date and non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into USD at historic rates or the rates of exchange prevailing at the dates of the transactions.

Income and expense items in other currencies are translated into USD at the rates prevailing at the dates of the transactions. Realised and changes in unrealised gains and losses on other financial assets denominated in foreign currencies and foreign currency positions are reported under other income/other expenses in the consolidated statement of profit or loss.

Where subsidiaries are consolidated, the assets and liabilities of foreign operations are translated into USD at the rate of exchange on the reporting date, and their statements of profit or loss and comprehensive income are translated at the weighted average exchange rates for the period. Exchange differences arising on translation of foreign consolidated subsidiaries are recognised in other comprehensive income, except to the extent that the translation difference is allocated to NCI. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of profit or loss as part of the gain or loss on sale.

2.8 CLASSIFICATION OF FINANCIAL INSTRUMENTS ISSUED BY THE GROUP

Following the guidelines of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Group 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 group; and

- where the instrument will or may be settled in the group’s own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the group’s own equity instruments or is a derivative that will be settled by the Group’s exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

NOTE 2. MATERIAL ACCOUNTING POLICIES (cont.)

2.8 CLASSIFICATION OF FINANCIAL INSTRUMENTS ISSUED BY THE GROUP (cont.)

If the previously mentioned conditions are not fulfilled, the funds received from the issuance of the financial instrument are categorized as a financial liability. If such a liability instrument legally appears to be the Company's own shares, the values presented in these consolidated financial statements for allocated share capital and contributed surplus account do not include the values related to those shares.

2.9 FINANCIAL INSTRUMENTS

Recognition and initial measurement

Receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the entity becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost, as described above, are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at FVPTL include various types of investments such as investment funds, managed portfolios, private equity investments, and retained interests from payroll loans sold

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by any impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the entity changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost includes participation interest in loan agreement at amortised cost, loans and other receivables.

NOTE 2. MATERIAL ACCOUNTING POLICIES (cont.)

2.9 FINANCIAL INSTRUMENTS (cont.)

Financial liabilities

Financial liabilities are classified at amortised cost and subsequent to initial recognition, are measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost includes loans and other interest-bearing liabilities and trade and other payables.

<u>Derecognition of financial assets and financial liabilities</u>

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- • The rights to receive cash flows from the asset have expired; or
- • The Group has transferred substantially all the risks and rewards of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.10 IMPAIRMENT

<u>Financial assets</u>

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

– the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
– the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

The Group uses a provision matrix to measure ECL from trade receivables of its individual customers which encompasses a great number of small balances.

NOTE 2. MATERIAL ACCOUNTING POLICIES (cont.)

2.10 IMPAIRMENT (cont.)

The impairment model used to evaluate the portfolio focuses on four main aspects:

- Duration of default: time that a loan payment has been overdue, broken down into defined intervals.
- Gross-up percentage: the portion of expected monthly payments already received.
- Default cause: the reason for payment failure, categorized as either temporary or permanent.
- Potential for term extension: the ability and willingness of a borrower to extend the loan term to ensure full payment.

To apply this model, a series of statistical analyses are performed to assess the portfolio. The best model is chosen based on specific metrics, and the loans are then categorized into stages. These stages are further consolidated into three broader stages to comply with IFRS 9 rules.

Finally, the expected credit loss is calculated using the appropriate formula for each stage. This is an estimate of the potential average loss due to possible loan defaults, determined based on the Group's write-off policy.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Calculation of ECLs

ECLs are calculated based on scenarios to measure expected cash shortfalls, discounted at an appropriate EIR. Key elements include:

PD: Probability of Default, the likelihood of default over a given time horizon.
EAD: Exposure at Default, the estimated exposure at a future default date.
LGD: Loss Given Default, the estimated loss arising in case of default.

Forward looking information

In its ECL models, the Group uses a broad range of forward-looking information such as GDP growth and central bank base rates.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of loans.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Non-financial assets

The carrying amounts of the Group's non-financial assets, property and equipment and intangibles, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

NOTE 2. MATERIAL ACCOUNTING POLICIES (cont.)

2.10 IMPAIRMENT (cont.)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”).

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

There was no impairment on non-financial assets during 2023 and 2022.

2.11 FINANCIAL GUARANTEE RIGHTS

Recognition and Measurement

Financial guarantee rights (“FGR” or “FGA”) are recognized as an asset when the customer pays the guarantee service fee at the time they obtain a loan. The customer remits this service fee to a third-party guarantor, and the sole beneficiary of this guarantee is the Group. The FGA functions as a first-loss pool to cover the Group against any potential defaults in their payroll loan portfolio. The Group holds the exclusive rights to the FGA, which are administered by a third party. The FGA asset is initially measured at the fair value of the rights acquired by the Group.

Income from the FGA rights is recognized when the right to the financial guarantee is established, and is reported under "Service Fee" in the statement of profit or loss. Recoveries from the FGA reduce the carrying amount of the FGA asset in the statement of financial position when the payment is received by the Group for the loan claim.

Presentation and Disclosure

The FGA asset is presented under " Other financial assets" in the statement of financial position. The impact of these guarantees is assessed on a portfolio basis rather than individually for each loan. Income from the FGA is recognized in the statement of profit or loss under "Other Income" when the rights are established. Recoveries from the FGA are shown as reductions to the FGA asset in the statement of financial position when the payment is received by the Group from the third-party guarantor.

2.12 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Lease payments are accounted for as described in note 2.20.

NOTE 2. MATERIAL ACCOUNTING POLICIES (cont.)

2.12 PROPERTY AND EQUIPMENT *(cont.)*

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Fixtures and fittings: 120 months
- Office equipment: 120 months
- Computers: 60 months
- Telecommunication equipment: 36 months
- Right of use assets: Time available for use

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

2.13 INTANGIBLE ASSETS

Intangible assets are software and licenses acquired by the Group and are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date.

2.14 EMPLOYEE BENEFITS

All employee benefit obligations are short-term benefit obligations measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. They include benefits and contributions demanded by the Colombian Law for employees, such as social security and other benefits.

The Group does not have any post-employment benefit plans, post-employment contribution plans nor any share-based payment transactions.

2.15 REINSURANCE CONTRACTS

The Group issues reinsurance contracts to compensate other entities for claims arising from their reinsurance contracts. The Group determines whether a contract contains significant insurance risk by comparing the benefits payable after an insured event to those payable if the event did not occur.

Separating components from reinsurance contracts

The Group assesses its reinsurance products to determine if they contain distinct components that must be accounted for under another IFRS standard. Currently, no such components require separation.

Level of aggregation

The Group determines the level of aggregation by dividing its business into portfolios of contracts with similar risks, managed together. These portfolios are further divided into groups based on expected profitability: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. Contracts are grouped by year of issue for recognition and measurement purposes. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

NOTE 2. MATERIAL ACCOUNTING POLICIES (cont.)

2.15 REINSURANCE CONTRACTS (cont.)

Recognition

The Group recognizes groups of reinsurance contracts from the earliest of the following:

- The beginning of the coverage period
- The date when the first payment from a policyholder is due or received
- The date when an onerous contract is identified

Contract boundary

The Group includes all future cash flows within the boundary of each contract in the group. Cash flows are included if they arise from substantive rights and obligations during the reporting period in which the Group can compel the policyholder to pay premiums or has an obligation to provide reinsurance contract services.

Measurement - premium allocation approach

The Group applies the PAA to all the reinsurance contracts that it issues, as:

- The coverage period of each contract in the group is one year or less

  Or

- For contracts longer than one year, the Group has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Group has also considered qualitative factors such as the nature of the risk and types of its lines of business.

When measuring liabilities for remaining coverage, the PAA is broadly similar to the Group's previous accounting treatment under IFRS 4. When measuring liabilities for incurred claims, the Group does not discount cash flows as they are expected to occur less than one year after the date on which the claims are incurred, and it includes an explicit risk adjustment for non-financial risk.

Liability for remaining coverage

The Group enters into various reinsurance contracts that transfer significant insurance risk. The Group defines significant insurance risk as the possibility of having to pay, on the occurrence of an insured event, an amount that is significant in relation to the premiums earned by the Group on such contracts. The contracts are on a claim incurred basis and are classified as short-term.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group recognises a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flow that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage.

Initial recognition

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date, and adjusted for any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows. For certain line of business , the Group expenses insurance acquisition cash flows as they are incurred.

NOTE 2. MATERIAL ACCOUNTING POLICIES (cont.)

2.15 REINSURANCE CONTRACTS (cont.)

On initial recognition of each group of contracts, the Group expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Group has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

Subsequent measurement

The Group measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period
- Minus insurance acquisition cash flows, except for lines for which the Group chooses to expense insurance acquisition cash flows as they occur
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group
- Plus any adjustment to the financing component, where applicable
- Minus the amount recognised as insurance revenue for the services provided in the period

The Group estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Group, and include an explicit adjustment for non-financial risk (the risk adjustment). The Group does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

Insurance acquisition cash flows

Insurance acquisition cash flows are allocated to related groups of reinsurance contracts recognized in the statement of financial position. An asset for insurance acquisition cash flows is recognized for acquisition cash flows incurred before the related group of reinsurance contracts has been recognized.

Insurance acquisition cash flows are allocated to related groups of insurance contracts and amortised over the coverage period of the related group.

The Group assesses the recoverability of the asset for insurance acquisition cash flows, if facts and circumstances indicate the asset may be impaired. When assessing the recoverability, the Company applies:

- An impairment test at the level of an existing or future group of insurance contracts; and
- An additional impairment test specifically covering the insurance acquisition cash flows allocated to expected future contract renewals.

If an impairment loss is recognised, the carrying amount of the asset is adjusted and an impairment loss is recognised in profit or loss.

Liability for incurred claims

The Group recognises the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Incurred Loss Development Method and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios.

NOTE 2. MATERIAL ACCOUNTING POLICIES (cont.)

2.15 REINSURANCE CONTRACTS (cont.)

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of reinsurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Group does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

The risk adjustment for non-financial risk is determined using the Cost of Capital method ("CoC". The corresponding confidence level for this technique is approximately 80% (2022: 80%). The CoC rate that is used is 6%.

Reinsurance revenue

Insurance revenue is allocated based on the passage of time or the timing of incurred insurance service expenses, if this differs significantly from the passage of time.

Loss components

A loss component is established for groups of contracts deemed onerous, representing the excess of fulfillment cash flows over the carrying amount of the liability for remaining coverage.

2.16 NET INCOME FROM INSURANCE AND FINANCIAL SERVICES

Net income from insurance and financial services includes the results of the Group's core activities related to insurance and financial services. This includes:

- **Insurance revenue:** Premiums earned from reinsurance contracts.
- **Insurance service expenses**: Claims and other insurance-related service expenses, adjustments to liabilities for incurred claims, amortization of insurance acquisition cash flows, and acquisition expenses.
- **Interest income**: Interest earned on payroll loans calculated using the effective interest method.
- **Gains from loan portfolio sales:** Profit from the sale of loan portfolios.
- **Other income**: Including services and commissions from financial services.
- Net income is calculated as the total of these incomes and expenses and represents the profit from the Group's primary operations excluding administrative costs, other incomes or expenses, and income taxes.

2.17 TOTAL INVESTMENT INCOME

Total investment income includes all returns generated from the Group's investment activities, which are classified into the following categories:

- **Investment income from financial assets at amortized cost:** Interest income from investment assets measured at amortized cost, reflecting the effective interest method.
- **Share of profit of equity-accounted investees:** The Group's share of profits from investments in associates accounted for using the equity method.

NOTE 2. MATERIAL ACCOUNTING POLICIES (cont.)

2.17 TOTAL INVESTMENT INCOME (cont.)

- **Investment income from financial assets at FVTPL:** Gains or losses from changes in the fair value of financial assets held for trading or designated as FVTPL, including dividends and interest income from these assets.

2.18 EXPENSES

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

2.19 INCOME TAXES AND OTHER TAXES

Income taxes

Iris and its Bermuda subsidiaries, including Golden Tree Reinsurance Limited and IFS II Ltd., are exempt from income, estate, corporation, and capital gains taxes. KBHI LLC, a U.S. disregarded entity, reports income through its owner, Iris, which is also exempt from U.S. taxes

ExcelCredit SA. and ExcelSeguros Agencia de Seguros Ltda. follow the Colombian tax laws and VAT regulations. Kanguro Holdings Inc. has no taxable income due to net operating loss carryforwards for 2022 and anticipates the same for 2023

The Bermuda Corporate Income Tax Act, effective in 2025, applies to Bermuda businesses in multinational groups with annual revenues over EUR 750 million. Iris has determined it is not within the scope of this act. Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.
Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2.20 LEASES

At inception of a contract, the Group 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 Group 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.

NOTE 2. MATERIAL ACCOUNTING POLICIES (cont.)

2.20 LEASES (cont.)

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 Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group 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.

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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group 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 Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group 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.

2.21 ISSUED IFRS STANDARDS NOT YET EFFECTIVE

The following new or amended IFRS standards and interpretations have been issued but are not yet effective and have not been early adopted by the Group in preparing these consolidated financial statements. The Group intends to adopt these standards, if applicable, when they become effective:

1. IFRS 18 — Presentation and Disclosure in Financial Statements

- Effective Date: Annual reporting periods beginning on or after January 1, 2027
- Summary: IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements. It aims to ensure that financial statements provide relevant information that faithfully represents an entity's assets, liabilities, equity, income, and expenses..
- Impact: The Group is currently assessing the impact of IFRS 18 on its consolidated financial statements. Preliminary analysis indicates that the new standard will enhance the clarity and consistency of financial statement presentation and disclosures.

NOTE 2. MATERIAL ACCOUNTING POLICIES (cont.)

2.21 ADOPTED IFRS NOT YET APPLIED (cont.)

2. Amendments to IAS 1: Classification of Liabilities as Current or Non-Current

- Effective Date: Annual reporting periods beginning on or after January 1, 2024
- Summary: These amendments clarify the criteria for classifying liabilities as current or non-current, particularly in relation to conditions existing at the end of the reporting period.
- Impact: The Group does not expect a material impact on the classification of liabilities. However, the amendments will enhance the clarity and consistency of liability classification.

3. Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

- Effective Date: Deferred indefinitely; early adoption permitted
- Summary: These amendments address an inconsistency between the requirements in IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture.
- Impact: The Group does not anticipate a significant impact from these amendments.

NOTE 3. LIST OF SUBSIDIARIES AND ASSOCIATES

NOTE 3.1 SUBSIDIARIES

Set out below is a list of the subsidiaries of the group which are consolidated in these financial statements and recorded as described in note 2.6:

ExcelCredit SA. ("ExcelCredit"):

ExcelCredit is a Colombian company that specializes in payroll-based loans and has been in operation since January 24, 2013. Iris indirectly owns 99.95% of ExcelCredit's issued capital, amounting to approximately US$1.6 million. ExcelCredit's operating address is Carrera 14 # 93A-30, Bogotá, Colombia.

Golden Tree Reinsurance Limited ("Golden Tree"):

Incorporated under Bermudian law on October 18, 2018, Golden Tree is a regulated Class 3A insurer according to the Insurance Act 1978. Iris owns 100% of Golden Tree's issued capital, which is USD 120,000. Golden Tree primarily manages casualty and credit risks. The company's operations are located at Innovation House, 46 Reed Street, Hamilton, Bermuda.

ExcelSeguros Agencia de Seguros Ltda. ("ExcelSeguros"):

ExcelSeguros an insurance broker incorporated under Colombian law on July 31, 2020. ExcelSeguros, which is not currently regulated, offers different consumer insurance products in the Colombian market. Its operating address is the same as ExcelCredit: Carrera 14 # 93A-30, Bogotá, Colombia. Iris indirectly owns 100% of ExcelSeguros' issued capital, approximated at USD 5,000.

IFS II Ltd.

IFS II Ltd. is a Bermuda exempted company, is directly wholly owned by Iris and serves to hold 99.9% of the shares of ExcelSeguros as well as 5.0118% ownership in ExcelCredit.

Kanguro Holding Inc. ("Kanguro")

Kanguro is a Managing General Agent (MGA) that specializes in providing property and casualty insurance products, with an initial focus on pet insurance, to the Hispanic market in the USA. Kanguro controls the complete customer journey, underwriting, rating, quoting, binding, issuing, and servicing the policy. Risks associated with Kanguro's products are reinsured by Golden Tree.

KBHI LLC

KBHI LLC was incorporated in United States in 2021 as part of the group strategy to convert ExcelCredit into a licensed financial institution. In March 2023, Iris transferred ExcelCredit's assets and liabilities to KBHI LLC.

NOTE 3.2 ASSOCIATES

IB Holding Ltd.

IB Holdings Ltd., an exempted corporation, was established and registered on February 2, 2022, under the Companies Act 1981 of Bermuda. The company's registered office is located at Crawford House, 50 Cedar Avenue, Hamilton, HM 11, Bermuda.

On March 29, 2022, the Group acquired 10,000 ordinary shares in IB Holdings Ltd. for a per-share exercise price of USD 0.1, and contributed a total of USD 3,999,000 to the surplus. Subsequently, on May 31, 2022, the group acquired an additional 15,000 ordinary shares at the same exercise price, contributing another USD 5,998,500 to the surplus. The group acquired 100% shareholding in IB Holdings Ltd., thereby gaining control and consolidating the assets and liabilities of IB Holdings Ltd.

(Expressed in United States dollars)

NOTE 3. LIST OF SUBSIDIARIES AND ASSOCIATES (cont.)

The Group fully integrated the capital on three separate dates: May 3, 2022 (USD 2,001,000), August 3, 2022 (USD 1,999,000), and August 19, 2022 (USD 6,000,000).

On December 5, 2022, IB Holdings Ltd.'s board of directors approved the issuance of 66,634 common shares with a par value of US$0.1 per common share to Fondo De Capital Privado Aqua Compartimento Tres – Aqua III in exchange for shares of IBH LLC at a fair value of USD 26,653,600, which led to a dilution of the Group's ownership in IB Holdings Ltd. to 27.28%. Consequently, the group lost its control over IB Holdings Ltd. and derecognized its assets and liabilities.

Following the loss of control, the Group's retained interest in IB Holdings Ltd. was reassessed at fair value on the date control was lost. This valuation was then considered as the cost at the initial recognition of the investment in IB Holdings Ltd. The fair value was determined at USD 9,982,072, and the company did not record any profit or loss resulting from this transaction.

As of December 31, 2023, the carrying amount of the investment is USD 10,485,146, equivalent to 27.28% of the adjusted equity of IB Holdings Ltd.

During 2023, the Group recorded a loss of USD 251,809 for its investment in IB Holdings Ltd.

		2023	2022
Assets	$	38,619,355	35,803,163
Liabilities		(184,070)	-
Net assets		**38,435,285**	**35,803,163**
Associate's Profit/(Loss) – 100%		(923,052)	(758,420)
Associate's OCI – 100%		3,555,174	(156,547)
Company's share in Associate		27.28%	27.28%
Company's share of Associate's net assets		10,485,146	9,767,103
Company's share of Associate's loss		(251,809)	(206,897)
Company's share of Associate's OCI	$	969,851	(42,706)

Movement in investment in associates from December 31, 2022 to December 31, 2023

		2023	2022
Investments in associates as of December 31, 2022	$	9,767,103	-
Investment in associates		-	10,000,000
Share of profit before lost of control			16,706
Share of losses of equity-accounted investees		(251,809)	(206,897)
Equity-accounted investees – share of OCI		969,851	(42,706)
Investments in associates as of December 31, 2023		10,485,146	9,767,103

(Expressed in United States dollars)

NOTE 4. OPERATING SEGMENT

The Group has the following two strategic divisions, which are its reportable segments. These divisions offer different services and are managed separately. The following summary describes the operations of each reportable segment.

Reportable segment	Operations
Lending	The lending division operates through ExcelCredit, a Colombian based company specializing in payroll-based loans. The operations for this segment are conducted in Colombia. It serves more than 30,000 clients and manages over US$100M in loans
Reinsurance	The reinsurance division operates through Golden Tree, a Bermuda-based company licensed as a Class 3A insurer. The operations for this segment are conducted in Bermuda. Golden Tree, through its related party Kanguro as a Managing General Agent (MGA), gains access to the United States insurance market. Both subsidiaries are considered to be the same business unit, managing mainly P&C risks.

Iris serves as a holding company for the operating subsidiaries and does not offer any products or services itself.

The Board reviews the internal management reports of each division separately and in conjunction.

Information related to each reportable segment is set out below. Segment profit (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

2023	Lending	Reinsurance	Other segments	Total
Interest income calculated using the effective interest method	18,906,226	-	-	18,906,226
Gains from loan portfolio sales	6,267,815	-	-	6,267,815
Insurance revenue	-	14,743,075	-	14,743,075
Other income including services and commissions	7,150,711	-	-	7,150,711
Segment revenue	**32,324,752**	**14,743,075**		**47,067,827**
Investment income	743,772	1,408,483	(251,809)	1,900,446
Insurance service expense	-	(5,785,827)	-	(5,785,827)
Allowance for loans impairment	(646,336)	-	-	(646,336)
Interest and other similar expense	(21,696,817)	-	(1,020,469)	(22,717,286)
Depreciation and amortisation	(1,170,092)	(141,468)	-	(1,311,560)
Administrative expenses (*)	(9,788,539)	(2,601,028)	(1,080,460)	(13,470,027)
Other income and expenses	3,644,019	813,383	(1,796,064)	2,661,338
Profit before tax	**3,410,759**	**8,436,618**	**(4,148,802)**	**7,698,575**
Segment Assets	**175,638,504**	**27,506,653**	**15,851,046**	**218,996,203**
Segment Liabilities	**148,672,180**	**3,082,383**	**14,386,332**	**166,140,895**

(*) Material administrative expenses are disclosed in Note 24

(Expressed in United States dollars)

NOTE 4. OPERATING SEGMENT (cont.)

2022	Lending	Reinsurance	Other segments	Total
Interest income calculated using the effective interest method	17,130,218	-	-	17,130,218
Gains from loan portfolio sales	3,861,379	-	-	3,861,379
Insurance revenue	-	10,594,982	-	10,594,982
Other income including services and commissions	8,281,756	-	-	8,281,756
Segment revenue	**29,273,353**	**10,594,982**	**-**	**39,868,335**
Investment income	116,137	871,601	(206,897)	780,841
Insurance service expense	-	(2,702,776)	-	(2,702,776)
Allowance for loans impairment	(3,412,257)	-	-	(3,412,257)
Interest and other similar expense	(14,265,852)	-	(823,188)	(15,089,040)
Depreciation and amortisation	-	(126,941)	-	(126,941)
Administrative expenses (*)	(10,193,634)	(319,488)	(2,140,750)	(12,653,872)
Other income and expenses	1,121,011	(103,325)	(924,721)	92,965
Profit before tax	**2,638,758**	**8,214,053**	**(4,095,556)**	**6,757,255**
Segment Assets	**125,487,873**	**25,579,094**	**11,803,677**	**162,870,644**
Segment Liabilities	**105,078,880**	**12,441,123**	**6,830,621**	**124,350,624**

(*) Material administrative expenses are disclosed in Note 24

Geographic Information

The Lending and Reinsurance segments are managed on a worldwide basis, but operate primarily in Colombia and Bermuda, respectively.

The geographic information analyses the Group's revenue and non-current assets by the Company's country of domicile and other countries. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets.

i. Revenue

Geographic Area		**2023**	**2022**
Colombia	$	46,505,140	39,838,312
Bermuda		562,687	30,023
Total	$	**47,067,827**	**39,868,335**

ii. Non-current assets (**)

Geographic Area		**2023**	**2022**
Colombia	$	145,932,204	112,898,604
Bermuda		352,389	459,772
United States		508,317	355,644
Total	$	**146,792,909**	**113,714,020**

NOTE 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and on demand deposits and short-term deposits. Short-term deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Cash and cash equivalents at December 31 were as follows:

		2023	2022
Cash at hand	$	3,558	3,046
Cash at banks		13,870,526	9,417,542
Short term deposits		4,572,346	2,440,687
Total	$	**18,446,430**	**11,861,275**

NOTE 6. LOANS

The payroll loans are denominated in Colombian pesos (COP). The loans are retranslated into USD using the exchange rate at year end (December 31, 2023: COP 3,822.05 per USD and December 31, 2022: COP 4,810.20 per USD). Loans at December 31 were as follows:

		2023	2022
Payroll loans current portion	$	9,620,694	8,502,907
Total current loans		**9,620,694**	**8,502,907**
Payroll loans non-current portion		125,202,125	98,821,420
Impairment allowance		(890,953)	(1,913,981)
Total non-current loans		**124,311,172**	**96,907,439**
Total	$	**133,931,866**	**105,410,346**

Payroll loans include principal balance and interest accrued not yet paid, and any sales commissions calculated using the effective interest method. The following is a breakdown of the gross payroll loan outstanding as of December 31 of:

		2023	2022
Payroll loans principal outstanding		115,458,406	92,244,346
Accrued interest on payroll loans		5,879,307	4,124,976
Other client receivables		7,817,657	6,764,194
Transaction costs		4,520,782	3,817,276
Insurance claims to collect		1,146,667	373,535
Total gross payroll loan outstanding		**134,822,819**	**107,324,327**
Allowance for loan impairment		(890,953)	(1,913,981)
Total payroll loans outstanding	$	**133,931,866**	**105,410,346**

(Expressed in United States dollars)

NOTE 6. LOANS (cont.)

Consequently, the financial guarantee rights (FGA) are recognized as a collective asset, and their impact is not calculated for each specific loan. Instead, the recoveries from the FGA are treated separately and disclosed as such in the financial statements.

The movement in the net allowance for impairment / net balance recoverable from FGA in respect of payroll loans during the year was as follows:

		2023	2022
Opening balance of impairment allowance	$	1,913,981	1,325,195
Increase in impairment allowance (*)		6,424,804	5,105,623
Recovery from impaired loans (*)		(3,821,592)	(1,143,301)
Sale of loan portfolio (**)		(4,189,427)	(3,692,385)
Foreign exchange impact on impairment		563,187	318,849
Closing balance of impairment allowance	$	**890,953**	**1,913,981**

(*) The net impairment loss that was recognized in the income statement was $ 2,603,212 for 2023 and $ 3,962,322 for 2022.

(**) The decrease in impairment was primarily due to the sale of the delinquent portfolio with 100% impairment and the write-offs for the period, which resulted in the decrease in impairment. It represents the effective write-off of the previously recognized impairment on these loans. The Group sold the defaulting portfolio, which had a 100% provision, to Patrimonio Autónomo Aqua NPLs de Fiduciaria Colpatria.

NOTE 7. OTHER RECEIVABLES

The following is a detail of other receivables at December 31st of each year:

		2023	2022
Insurance claims (1)	$	4,198,362	656,737
Other accounts receivable from customers		777,748	9,020
Miscellaneous		471,000	1,088,703
Loans to third parties		4,532	6,052
Loans to employees		1,047	459
Accounts receivable from payroll departments		-	61
Total	$	**5,452,689**	**1,761,032**

(1) Insurance claims are recognized following claims submitted to Seguros Mundial S.A. under a credit insurance contract. The contract provides financial protection to the Company against the risk of default on up to 40% of the value of loans disbursed monthly.

(Expressed in United States dollars)

NOTE 8. OTHER FINANCIAL ASSETS

The following is a detail of other financial assets and liabilities at December 31st of each year:

		2023	2022
			restated
Renta4 -Trust Agreement (1)	$	4,776,892	-
Available Financial Guarantee Rights (“FGA”) (2)		3,451,860	983,396
Total	$	**8,228,752**	**983,396**

(1): Other financial assets include an Irrevocable Commercial Trust Agreement for Administration and Payments between Renta4 Global Fiduciaria S.A. and KBHI LLC, signed on September 11, 2023. Renta4 Global Fiduciaria S.A. manages the funds transferred by KBHI LLC for the purpose of establishing KOA. These funds are intended to capitalize KOA, a newly formed entity in the process of obtaining a banking license from the Superintendent of Finance of Colombia as of December 31, 2023. Upon incorporation and the subsequent merger with ExcelCredit, the merged entity will be rebranded as KOA. The group will maintain the same shareholding proportion in the resulting company as currently held in ExcelCredit. The time frame for the trust was from its execution on September 11, 2023, until the final account settlement dated February 12, 2024.

(2): Since 2019, the Group has had a contract with FGA Fondo de Garantía to secure customer debt defaults. Customers pay for this security when credit is disbursed. This guarantee covers the amount of defaulted loans, but it is applied at a portfolio level rather than to individual loans.

The Group has reclassified certain balances related to Available Financial Guarantee Rights (“FGA”) within its consolidated financial statements for the year ended December 31, 2023, and restated the related balances of the comparative period.

Impact on consolidated statement of financial position for the comparative period:

The FGA asset, previously included within the allowance for loan impairment, has been reclassified to other financial assets. This reclassification increased other financial assets by $983,396 as of December 31, 2022, with a corresponding increase in the allowance for loan impairment. As a result, the prior year's allowance for loan impairment was restated from $930,585 to $1,913,981.

impact on consolidated statement of profit or loss for the comparative period:

The Group also adjusted the presentation of certain items within the Consolidated Statement of Profit or Loss to align with the reclassification of the FGA asset:

- Other financial income related to service fees charged to clients of $5,170,487 was reclassified to Interest income calculated using the effective interest method.
- An income of $550,065 related to service fees charged to clients, previously included in allowance for loans impairment, was also reclassified to Interest income calculated using the effective interest method.

(Expressed in United States dollars)

NOTE 9. PROPERTY AND EQUIPMENT

Reconciliation of carrying amount of property and equipment for the year ended on December 31, 2023 and 2022:

	2022	Additions	Disposals	Depr.	FX	2023
Office equip.	117,682	1,491	-	(26,475)	27,214	119,912
Comp. & telecom.	348,190	264,632	-	(126,723)	(3,824)	482,275
Leased prop./equip. (1)	1,978,674	-	32,282	(482,264)	190,005	1,718,697
Improvements on third-party property	152,093	-	-	(27,155)	35,889	160,827
Total	**2,596,639**	**266,123**	**32,282**	**(662,617)**	**249,284**	**2,481,711**
	2021	**Additions**	**Disposals**	**Depr.**	**FX**	**2022**
Office equip.	146,351	13,186	-	(17,086)	(24,769)	117,682
Comp. & telecom.	63,980	412,715	-	(124,978)	(3,527)	348,190
Leased prop./equip.(1)	2,697,172	23,710	-	(490,270)	(320,108)	1,910,504
Improvements on third-party property	199,561	16,218	-	(31,013)	(32,673)	152,093
Total	**3,107,064**	**465,829**	-	**(663,347)**	**(381,077)**	**2,528,469**

(1): Golden Tree and ExcelCredit have entered into fixed lease contracts for the premises used as their respective headquarters. The annual lease payments amount to $126,418 for Golden Tree Reinsurance Limited and $747,372 for ExcelCredit SA. These lease contracts have a remaining term of 3 years. The lease liability was determined by measuring the present value of the anticipated lease payments over the lease term. The incremental borrowing rate applied at the commencement of the leases reflects the fixed rate at which the companies could have borrowed a similar amount for a similar term at the start date. The borrowing rate is subject to reassessment in case of substantial modifications to the lease agreements.

NOTE 10. INTANGIBLE ASSETS

Reconciliation of carrying amount of intangible assets for the year ended on December 31, 2023 and 2022:

	2022	Additions	Amortisation	FX	2023
Software	3,301,600	2,464,755	(1,122,900)	1,045,350	5,688,805
Banking licence acquisition	226,013	98,989	(19,444)	68,657	374,215
Total	**3,527,613**	**2,563,744**	**(1,142,344)**	**1,114,007**	**6,063,020**
	2021	**Additions**	**Amortisation**	**FX**	**2022**
Software	2,400,594	2,163,255	(675,331)	(586,918)	3,301,600
Banking licence acquisition	33,457	224,443	-	(31,887)	226,013
Total	**2,434,051**	**2,387,698**	**(675,331)**	**(618,805)**	**3,527,613**

During 2023 and 2022 the Group invested in technology in line with the medium-term strategic plan and strengthening of its core processes. These intangibles are amortised over ten years.

(Expressed in United States dollars)

NOTE 11. INCOME TAX

The following is a detail of current tax assets and liabilities at December 31st of each year:

Current tax assets

		2023	2022
Income tax payable	$	(248,834)	(25,021)
Withholding income taxes		105,546	57,787
Tax credits		428,919	218,023
Self-withholding income taxes		356,878	32,776
Current tax assets	$	**642,509**	**283,565**

Income tax

The following is a detail of income taxes recognized at December 31st of each year:

		2023	2022
Current tax	$	280,267	45,926
Subtotal		**280,267**	**45,926**
Deferred tax		(282,456)	607,238
Total (gain)/loss	$	**(2,189)**	**653,164**

(Expressed in United States dollars)

NOTE 11. INCOME TAX (cont.)

Effective Rate Reconciliation

		2023	2022
Pretax taxable income of entities subject to tax	$	1,330,108	1,767,700
Calculated tax at statutory rate (35%)		465,538	618,695
Recognition of tax loss carry forward		(559,190)	-
Expenses not deductible for tax purposes		55,513	193,170
Tax effect of changes in tax rates		-	(57,759)
Tax savings from discounts		79,743	(85,194)
Adjustments for prior period taxes		-	(12,365)
Foreign exchange tax effects		(43,793)	(3,383)
Income tax (gain)/expense	$	**(2,189)**	**653,164**

Deferred tax assets/(liabilities)

The following tables present a detailed breakdown of deferred tax assets/liabilities for the years ending on December 31, 2023 and 2022. Deferred tax assets/(liabilities) arise from temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, as well as from unused tax losses and credits.

		2022	Charged in income statement	Charged in OCI	FX effect	2023
Unrealized gains deferred tax	$	(1,629,620)	(25,342)	-	(395,977)	(2,050,939)
IFRS 16 deferred tax impact		95,260	(9,862)	-	23,361	108,759
Loan impairment deferred tax		237,154	(89,902)	-	49,759	197,011
Tax credits available		11,484	(105,085)	-	(10,539)	(104,140)
Accumulated tax losses		125,983	559,190	-	104,443	789,616
Taxable loans fx differences		-	(98,862)	(10,562)	(2,143)	(111,567)
Total deferred tax liabilities	**$**	**(1,159,739)**	**230,137**	**(10,562)**	**(231,096)**	**(1,171,260)**

		2021	Charged in income statement	Charged in OCI	FX effect	2022
Unrealized gains deferred tax	$	(1,560,784)	(383,428)	-	314,592	**(1,629,620)**
IFRS 16 deferred tax impact		94,537	19,312	-	(18,589)	**95,260**
Loan impairment deferred tax		375,087	(83,176)	-	(54,757)	**237,154**
Tax credits available		(82,576)	90,600	-	3,460	**11,484**
Accumulated tax losses		152,216	-	-	(26,233)	**125,983**
Taxable loans fx differences		301,515	(332,733)	49,508	(18,290)	**-**
Total deferred tax liabilities	$	**(720,005)**	**(689,425)**	**49,508**	**200,183**	**(1,159,739)**

(Expressed in United States dollars)

NOTE 12. LOANS AND OTHER INTEREST-BEARING LIABILITIES

The following is a detail of loans and other interest-bearing liabilities at December 31st of each year:

Current		**2023**	**2022**
Structured financing (2)	$	660,669	290,627
Loan obligations (2)		71,633,388	43,905,774
Unsecured unsubordinated fixed rate bonds (1)		9,497,972	-
Total		**81,792,029**	**44,196,401**
Non-current		**2023**	**2022**
Loan obligations (2)		68,174,247	51,348,974
Unsecured unsubordinated fixed rate bonds (1)		-	9,503,967
Total	$	**68,174,247**	**60,852,941**

(1) On October 1, 2021, the Group issued unsecured unsubordinated fixed rate bonds amounting to USD 9,500,000 and a redemption period of 3 years at a fixed interest rate of 8.5% per annum and quarterly payments.
(2) The table below offers detailed information about the loan obligations, including specifics about counterparties, currency, and the terms of each individual loans.

Loan obligations	*Rate*	*Spread*	*2023*	*Original term*	*2022*
Sindicado (a)	RBI	6%	32,231,494	36	29,640,697
Subordinated debt	Fixed	22.18%	17,789,973	(b)	16,341,035
BTG Pactual (a)	RBI	7%-7.62%	23,340,560	42-144	20,210,783
GNB Sudameris	RBI	7.55%	13,184,183	36	10,175,982
Credicorp	IPC	8.5%	10,564,070	96	-
Santander (a)	RBI	6.75%	10,090,564	36	-
Banco Bogota	RBI	5.89%	8,383,451	34	4,777,217
Bancoomeva	RBI	5.82%	7,882,351	35	583,931
Banco Occidente	RBI	5.01%	3,727,767	32	2,644,786
Bancolombia	RBI	4.6%	3,151,601	36	4,293,478
Av Securities (Glide)	Fixed	21.5%	2,048,720	36	-
Bancoldex	RBI	6.1%	1,732,045	36	-
Iris C.F.	Fixed	15%	660,669	39	-
Av Villas	RBI	3.85%	547,763	36	524,220
Pichincha	RBI	6.4%	331,000	36	613,106
Rentek	FTD	14.71%	49,524	24	257,459
Otros		n/a	5,967	-	-
Bbva Sobregiro		n/a		-	192,054
IBH LLC		n/a	2,550,000	(c)	5,000,000
BN Investments	Fixed	12%	2,196,602	12	-
Total			**140,468,304**		**95,254,748**

RBI: Reference Banking Indicator, FTD: Fixed Term Deposits reference

(a): The obligation includes covenants which ExcelCredit must comply with to avoid causing the acceleration of debt repayment. The Company has established monitoring and control of the evaluated indicators to ensure compliance with the agreed conditions throughout the relationship with the creditor.

(Expressed in United States dollars)

NOTE 12. LOANS AND OTHER INTEREST-BEARING LIABILITIES (cont.)

(b): This loan does not have a stated maturity date as it is repaid based on previous notice of one of the parties. This loan was fully repaid at the date of the issuing of these financial statements.

(c): IBH LLC loan is paid on demand, with no fixed maturity date. Repayment can be requested by the lender at any time, subject to the notice period specified in the loan agreement.

Covenant	Formula	Limit
BTG Pactual		
Solvency Ratio	(Share Capital + Capital Surplus + Retained Earnings + Current Year Earnings) / (Loans with Recourse - Provision)	≥ 16%
Overdue Loans	Loans overdue > 60 days / Loans with Recourse	≤ 10%
Overdue Loan Coverage with FGA	(Provision + Guarantee Rights) / Loans overdue > 60 days	≥ 80%
Sindicado and Santander		
Solvency with Private Capital Fund	(Equity + Debt FCP-ORI) / (Assets - Cash)	≥ 16%
Overdue Loan Coverage	(Provision for own dischargeable loans + Guarantee Rights) / Loans overdue > 60 days	≥ 80%
Overdue Loans	Loans > 90 days / Total Loans	≤ 3%
Credicorp		
Financial Leverage	(Equity + Debt FCP) / Financial Debt	≥ 15%
Overdue Loans	Loans overdue > 60 days / Total Loans	5% - 5.5%

(Expressed in United States dollars)

NOTE 13. TRADE AND OTHER PAYABLES

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

		2023	2022
Customer credit balances	$	193,107	3,076,058
Liabilities under lease contracts (IFRS 16)		1,958,078	2,090,430
Trade accounts payable		3,055,776	1,972,293
Outstanding insurance obligations		2,562,685	1,608,274
Pending disbursements of credit balances		970,839	860,492
Accrued expenses and other liabilities		3,200	118,640
Third-party funds held in trust		2,772,558	3,579,739
Exchange rate coverage contract		101,071	-
Total	$	**11,617,314**	**13,305,926**

NOTE 14. EMPLOYEE BENEFITS

The following is a detail of employee benefits at December 31st of each year:

		2023	2022
Salaries	$	94,977	54,984
Mandatory severance compensation		310,419	243,539
Interest accrued on severance pay		35,515	27,472
Accrued legal leave entitlements		228,294	176,004
Total	$	**669,205**	**501,999**

NOTE 15. OTHER NON-FINANCIAL LIABILITIES

The following is a detail of other non-financial liabilities at December 31st of each year:

		2023	2022
Withholding income tax payable	$	122,555	51,923
Withholding industry and trade tax payable		2,652	2,245
Value added tax payable		93,987	79,459
Industry and trade tax payable		220,586	121,267
Total	$	**439,780**	**254,894**

(Expressed in United States dollars)

NOTE 16. REINSURANCE CONTRACTS

Disclosure of reconciliation of changes in reinsurance contracts by remaining coverage and incurred claims

2023

	LRC	LIC		
	Excluding loss component	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
Opening reinsurance contract	1,820,055	2,192,502	66,167	**4,078,724**
Net opening balance	**1,820,055**	**2,192,502**	**66,167**	**4,078,724**
Insurance revenue	(14,743,075)	-	-	**(14,743,075)**
Insurance service expenses				
Incurred claims and other insurance service expenses	-	2,137,910	-	**2,137,910**
Adjustments to liabilities for incurred claims	-	1,875,533	84,735	**1,960,268**
Amortisation of insurance acquisition cashflows	1,545,200	-	-	**1,545,200**
Insurance acquisition expenses	142,449			**142,449**
Total Insurance service expenses	**1,687,649**	**4,013,443**	**84,735**	**5,785,827**
Insurance finance income or expenses from reinsurance contracts				
Foreign exchange income/(expense)	(660,524)	472,370	-	**(188,154)**
Cash flows				
Premiums received	10,615,505	-	-	**10,615,505**
Claims and other insurance service expenses paid	-	(2,742,605)	-	**(2,742,605)**
Acquisition cost paid	(529,162)	-	-	**(529,162)**
Total cash flows	**10,086,343**	**(2,742,605)**		**7,343,738**
Closing reinsurance contract	(1,809,552)	3,935,710	150,902	**2,277,060**
Net closing balance	**(1,809,552)**	**3,935,710**	**150,902**	**2,277,060**

(Expressed in United States dollars)

NOTE 16. REINSURANCE CONTRACTS (cont.)

Disclosure of reconciliation of changes in reinsurance contracts by remaining coverage and incurred claims

2022

	LRC	LIC		
	Excluding loss component	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
Opening reinsurance contract	817,112	2,190,553	71,267	**3,078,932**
Net opening balance	**817,112**	**2,190,553**	**71,267**	**3,078,932**
Insurance revenue	(10,594,982)	-	-	**(10,594,982)**
Insurance service expenses				
Incurred claims and other insurance service expenses	-	1,747,721	-	**1,747,721**
Adjustments to liabilities for incurred claims	-	(94,478)	(5,100)	**(99,578)**
Amortisation of insurance acquisition cashflows	927,425	-	-	**927,425**
Insurance acquisition expenses	127,208			**127,208**
Total Insurance service expenses	**1,054,633**	**1,653,243**	**(5,100)**	**2,702,776**
Insurance finance income or expenses from reinsurance contracts				
Foreign exchange income/(expense)	386,386	(166,378)	-	**220,008**
Cash flows				
Premiums received	11,776,697	-	-	**11,776,697**
Claims and other insurance service expenses paid	-	(1,484,916)	-	**(1,484,916)**
Acquisition cost paid	(1,619,791)	-	-	**(1,619,791)**
Total cash flows	**10,156,906**	**(1,484,916)**		**8,671,990**
Closing reinsurance contract	1,820,055	2,192,502	66,167	**4,078,724**
Net closing balance	**1,820,055**	**2,192,502**	**66,167**	**4,078,724**

NOTE 17. AUTHORIZED SHARE CAPITAL

The Group is authorized to issue up to 30,000 Shares of par value $0,10 each, comprising five classes:

(a) Class A Ordinary Shares
(b) Class B Ordinary Shares
(c) Class C Preference Shares
(d) Class D Preference Shares
(e) Class E Preference Shares

(Expressed in United States dollars)

NOTE 17. AUTHORIZED SHARE CAPITAL (cont.)

Issued capital

At December 31, 2023, 12,000 Class A Shares, 1,316.5 Class B Shares, 806 Class C Shares, 796.95 Class D Shares and 800 Class E Shares were issued and fully paid.

At December 31, 2022, 12,000 Class A Shares, 1,089.87 Class B Shares, 1,032.63 Class C Shares, 796.95 Class D Shares and 500 Class E Shares were issued and fully paid.

During 2023, the company has issued 300 Class E Shares for a total value of USD 6,000,000, and 226.63 Class C Shares were converted to Class B Shares.

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 and E 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 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 shareholders, 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 is to distribute each year at least fifty percent (50%) of all of the Company’s net earnings.

During 2023, the Company has paid dividends of USD 6,000,000 (2022: USD 8,700,000).

NOTE 18. INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST METHOD

Interest income for the years ended 2023 and 2022 consists of interest earned on payroll loans:

		2023	2022
			Restated
Contractual interest income	$	18,906,226	17,130,218
Service Fee (1)		3,270,718	5,720,552
Interest income calculated using the effective interest method	$	**22,176,944**	**22,850,770**

The interest income is calculated using the effective interest method, ensuring that the interest is recognized over the life of the loan in a manner that reflects a constant periodic rate of return on the carrying amount of the loan.
(1): The service fee represents fees charged to clients in relation to their debt obligations. These fees were reclassified in the current year. The impact on the prior year's figures has been disclosed in Note 8.

(Expressed in United States dollars)

NOTE 19. GAINS FROM LOAN PORTFOLIO SALES

The Group engages in non-recourse loan portfolio sales as part of its regular business operations. The gain is derived from the valuation of the retained interest in the asset, which is measured at fair value using the discounted cash flow method adjusted for risk.

		2023	2022
Gains from loan portfolio sales	$	6,267,815	3,861,379
Total	$	**6,267,815**	**3,861,379**

NOTE 20. INSURANCE SERVICE RESULT

The breakdown of insurance service result is presented below:

		2023	2022
Insurance revenue	$	**14,743,075**	**10,594,982**
Insurance service expense			
Incurred claims and other incurred insurance service expenses		(2,137,910)	(1,747,721)
Changes that relate to past service - adjustment to LIC		(1,960,268)	99,578
Amortisation of insurance acquisition cashflows		(1,545,200)	(927,425)
Insurance acquisition expenses		(142,449)	(127,208)
Total insurance service expense		**(5,785,827)**	**(2,702,776)**
Insurance service result	$	**8,957,248**	**7,892,206**

NOTE 21. OTHER INCOME INCLUDING SERVICES AND COMMISSIONS

The following is a detail of other financial income for the years ended December 31:

		2023	2022
Income from credit analysis	$	4,147,147	1,969,809
Recovery from defaulted loans		793,957	1,141,460
Commission from sale of insurance policies		124,264	-
Other commission		771,501	-
Total	$	**5,836,869**	**3,111,269**

(Expressed in United States dollars)

NOTE 22. INTEREST AND OTHER SIMILAR EXPENSE

The following is a detail of interest expense for the years ended December 31:

		2023	2022
Interest expense on financial liabilities	$	21,478,431	13,801,109
Interest expense on portfolio promissory notes		823,866	505,725
Lease interest expense		159,545	209,297
Losses due to exchange rate effect		255,444	572,909
Total	$	**22,717,286**	**15,089,040**

NOTE 23. INVESTMENT INCOME

The table below presents an analysis of total investment income recognised in profit or loss in the period:

		2023	2022
Investment income from financial assets at amortized cost (1)	$	408,919	521,129
Share of profit of equity-accounted investees (2)		(251,809)	(206,897)
Investment income from financial assets at FVTPL (3)		1,743,336	466,609
Total investment income	$	**1,900,446**	**780,841**

(1): This includes interest income from investment assets measured at amortized cost, reflecting the effective interest method.
(2): This represents the Iris's share of profits from investments in associates accounted for using the equity method.
(3): This encompasses gains or losses from changes in the fair value of financial assets held for trading or designated as FVTPL, including dividends and interest income from these assets.

NOTE 24. ADMINISTRATIVE EXPENSES

The following is a detail of administrative expenses for the years ended December 31:

		2023	2022
Staff expenses	$	5,052,831	4,875,667
Non-income taxes		1,612,129	1,485,153
Fees and services		2,606,525	1,936,223
Management Fees		930,105	812,459
Audit Fees		181,815	171,003
Depreciation and amortisation		833,460	848,408
Depreciation of right of use		478,100	490,270
Other operating expenses		3,086,622	2,161,630
Total general expenses	$	**14,781,587**	**12,780,813**

(Expressed in United States dollars)

NOTE 25. FINANCIAL INVESTMENTS

The Group's financial investments comprise assets classified as investments at FVTPL and 'investments at amortized cost, as detailed below.

		2023	2022
Investments at FVTPL	$	29,589,062	23,911,521
Investments at amortized cost		3,368,367	2,630,650
Total	$	**32,957,429**	**26,542,171**

Investments at FVTPL

Fair value is defined within the following categories based on the inputs used for its measurement:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- 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.
- Level 3: inputs are unobservable inputs for the asset or liability.

		2023		
Financial instruments at fair value	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Investment funds	18,582,231	-	-	18,582,231
Managed portfolios	2,184,699	2,184,699	-	-
Private equity investments	238,136	-	-	238,136
Retained interests from payroll loans sold	8,583,996			8,583,996
Total	**29,589,062**	**2,184,699**		**27,404,363**
		2022		
Investment funds	17,923,442	-	-	17,923,442
Managed portfolios	1,332,027	1,332,027	-	-
Retained interests from payroll loans sold	4,656,052			4,656,052
Total	**23,911,521**	**1,332,027**		**22,579,494**

Movement in Level 3 financial instruments measured at fair value:

		2023	2022
Opening balance	$	**22,579,494**	**17,911,922**
Total gains recorded		6,864,740	514,516
Purchases		300,000	4,153,056
Disposals		(2,339,871)	**-**
Total	$	**27,404,363**	**22,579,494**

NOTE 25. FINANCIAL INVESTMENTS (cont.)

Financial instruments measured at FVTPL	Description and valuation technique
Investment funds	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 its underlying investments. Investors have the right to redeem their participation with a 95-day notice, 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. Unobservable input: Reported net asset value per share Range of unobservable inputs: Not applicable
Managed portfolios	The investment is a separate account managed by J.P. Morgan Securities LLC. The funds are allocated mainly to cash, fixed income, and equity. All the securities invested are denominated in USD, with defined maturities, rates, and issuers; therefore, the entire account represents a pool of bonds. The account manager acts as a 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 management's judgment, these investments fall within Level I inputs.
Private equity Investments	This corresponds to shares obtained as payment in-kind from a private company as part of the restructuring of a loan. The fair value is determined using Level 3 inputs, as there are no observable market prices for these shares. The valuation of the shares as of December 31, 2023, is based to the USD equivalent receivable as of the restructuring date. Unobservable input: Recent transaction price Range of unobservable inputs: Not applicable
Retained interests from payroll loans sold	Retained interests from payroll loans sold consist of retained interest from the sale of loan portfolios. The original financial assets are derecognized from the Group's balance sheet as all rights to the cash flows are transferred to the purchaser. In return, the Group receives cash and retains a residual interest in the form of future excess interest payments, valued using a discounted cash flow model adjusted for risk. The main inputs and assumptions include estimated future interest payments, expected early repayments, expected loan defaults and recovery rates, a risk-adjusted discount rate, and historical rates of prepayments, defaults, and recoveries. Level 3 inputs are used for measurement, with no observable market prices. The valuation considers assumptions about prepayment rates, default rates, and economic conditions. Unobservable Inputs: Collections, prepayments, repayments, overdue payments, and average life of the loans. Range of Unobservable Inputs: Average life of the loans: 24 to 27 months.

NOTE 25. FINANCIAL INVESTMENTS (cont.)

Investments at amortized cost

During 2022, the Group 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. At each reporting date, the Group assesses whether there has been a significant increase in credit risk of the investment since initial recognition, considering both quantitative and qualitative information. If such evidence exists, the loss allowance is measured at an amount equal to the lifetime expected credit losses. No significant increase in credit risk has been noted since initial recognition.

In assessing the credit risk of the investment, the Group considered various factors including Elevva Holdings Limited's financial information, the future prospects of the industry in which Elevva Holdings Limited operates, and the performance of the underlying loan.

As of the reporting date, the gross carrying amount of this investment, before deduction of any loss allowance, recorded at amortized cost, was $ 3,368,367 (2022: $2,630,650). The loss allowance for this investment was $0.

NOTE 26. FINANCIAL RISK MANAGEMENT

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

NOTE 26.1 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 Group's income or the value of its holdings of financial instruments.

The Group exposure to market risk from a USD perspective arises in the translation of foreign operations in Colombia to the capital raising currency of the Group. Nevertheless, the investments are held as a long-term involvement in the country for generating long term cash flows. All foreign operations translation differences form part of other comprehensive income and will only form part of profit or loss in the event of sale of the investment.

Monetary assets and liabilities which generate foreign currency exposure in the profit or loss statements for being in a currency different than each of the subsidiaries' functional currencies are as follows:

	COPS *(in thousands)*		**USD**	
	2023	**2022**	**2023**	**2022**
Net asset position	17,735,183	18,564,551	4,254,396	4,286,812

NOTE 26. FINANCIAL RISK MANAGEMENT (cont.)

NOTE 26.1 MARKET RISK *(cont.)*

Sensitivity analysis of currency risk at which profit or loss and 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 95 (1-i) confidence and assuming a standard normal distribution (z) for the TRM variations.

Sensitivity analysis at December 31, 2023

Reasonable possible change up or down = $\sigma_{(last\ year\ monthy\ \Delta\%\ TRM)} * z_{i/2} * \sqrt{12}$ = 20.04% effect on other comprehensive income for reasonable possible changes in foreign exchange rate (COP/USD) in one year may be positively of $6,758,280 or negatively by $4,501,803.

Sensitivity analysis at December 31, 2022

Reasonable possible change up or down = $\sigma_{(last\ year\ monthy\ \Delta\%\ TRM)} * z_{i/2} * \sqrt{12}$ = 19.18% effect on other comprehensive income for reasonable possible changes in foreign exchange rate (COP/USD) in one year may be positively of $4,843,039 or negatively by $3,284,310.

NOTE 26.2 CAPITAL MANAGEMENT

Capital management is supervised by the Board under a policy of a maintaining a maximum debt to equity ratio of 5 times, wide and stable liquidity sufficient to cover the projected growth of Group's loan book and maintaining always a superior maturity in its debts rather that its assets in order to reduce possible liquidity risk temporary gaps. The Group has also worked towards having the lowest possible debt cost. During 2023 and 2022 the Group has complied successfully with such policies.

One subsidiary within the Group, Golden Tree, is a regulated entity and is thus subject to externally imposed capital requirements under the Insurance Act. It is required to maintain a solvency margin and an Enhanced Capital Requirement (ECR), filed annually with the Bermuda Monetary Authority within four months of the financial year-end. The ECR is calculated in accordance with the Bermuda Solvency Capital Requirement (BSCR), which mandates Golden Tree to uphold capital at a target level of 120% of the minimum BSCR-calculated amount. The Group has consistently complied with these additional requirements.

NOTE 26.3 CREDIT AND COUNTERPARTY RISK

The Group recognizes credit risk as the potential financial loss if a customer or a counterparty to a financial instrument defaults on their contractual obligations. The main sources of credit risk for the Group stem from customers' receivables, other receivables and investment securities.

(Expressed in United States dollars)

NOTE 26. FINANCIAL RISK MANAGEMENT (cont.)

NOTE 26.3 CREDIT AND COUNTERPARTY RISK (cont.)

The Group manages credit risk through a comprehensive strategy that includes:

1. Independence of the credit risk management function from other business areas.
2. Rigorous due diligence on clients' creditworthiness.
3. Diversification of the credit portfolio to prevent undue concentration and tail-risks.
4. Managing credit exposures based on the "one obligor principle".

The Group is actively involved in the Colombian credit market, primarily providing payroll loans regulated by Colombian Law 1527 of April 27, 2012. This loan type is more secure as repayments are directly deducted from the borrower's salary, reducing dependence on the borrower's willingness to pay.

The Group focuses on expanding within three low-risk market segments:

1. Public school and university teachers.
2. Public servants employed by any Colombian Government entity.
3. Pension recipients.

This focus causes a large part of the Group's counterparty risk to be concentrated in the Colombian Government, along with notable pension funds and insurance companies. In accordance with IFRS 9, the Group measures ECLs on these financial instruments to make prudent provisions for potential losses.

The Group acknowledges that automatic deduction of loan payments from salaries does not eliminate all risk, especially if a borrower's salary does not cover the loan payments. To manage this risk, the Group adheres to stringent loan origination policies and processes that align with local regulations and IFRS 9, including assessing the credit risk of borrowers at the time of initial recognition and at each reporting date.

The Group's Credit Risk Committee, supported by the Board, the Management Team, and the Risk area, formulates general loan origination policies while ensuring compliance with IFRS 9. The Committee also regularly reviews the effectiveness of the Group's credit risk management activities.

Eligibility criteria for a payroll loan with the Group reflect domestic regulations.

The Group calculates ECLs based on reasonable and supportable forward-looking information, which is incorporated into both assessments of whether the credit risk of an instrument has increased significantly since its initial recognition and following measurement of ECL.
The group formulates three scenarios where the economic variables will have an effect on the probability of default. One base case with the highest weight and central for strategic planning and budgeting and two less likely scenarios, one upside, and one downside.

The scenario probability weightings applied in measuring ECL are as follows:

		2023			2022	
	Upside	Base	Downside	Upside	Base	Downside
Scenario probability weighting	20%	50%	30%	25%	50%	25%

(Expressed in United States dollars)

NOTE 26. FINANCIAL RISK MANAGEMENT (cont.)

NOTE 26.3 CREDIT AND COUNTERPARTY RISK (cont.)

The group has identified and documented key drivers of credit risk and, using analysis of historical data, has estimated the relationship between macroeconomic variables and credit risk and losses. The key drivers for credit risk on the loan portfolio are GDP growth, inflation rate, and unemployment rate. The group updates the economic variables on a quarterly basis.

As of December 2023	Unemployment rate	GDP Growth	Inflation rate
Central Economic Assumptions			
3-year average	10.1%	7.0%	7.0%
Upside Economic Assumptions			
3-year average	9.1%	6.5%	6.0%
Downside Economic Assumptions			
3-year average	11.1%	6.5%	8.0%

As of December 2022	Unemployment rate	GDP Growth	Inflation rate
Central Economic Assumptions			
3-year average	9.5%	5.0%	3.9%
Upside Economic Assumptions			
3-year average	8.5%	6.0%	2.9%
Downside Economic Assumptions			
3-year average	10.5%	4.0%	4.9%

In addition, the groups perform backtesting on the model base on the defaulted loans one year later to verify if the provision for losses estimated accurately represented the realized default.

The Group's policies on credit bureau information usage, purchasing and restructures, granting amounts limits, wages, documentation authenticity validation, enquiry logs, credit approvals, and disbursement are all designed with the aim of reducing loan book defaults and delinquency, in compliance with IFRS 9.

Credit risk exposure

The credit risk exposure for loans and receivables at the closing date, 31 December 2023 and 2022 was as shown below:

		2023	**2022**
Loans net of acquisition costs	$	130,317,315	103,507,050
Other receivables		5,376,520	2,036,032
Total	$	**135,693,835**	**105,543,082**

<u>Loans and other receivables</u>

The Group’s credit risk exposure is mainly impacted by the individual characteristics of each customer. However, the products offered by the Group are not addressed to the general public and are not for mass consumption, but their target market are State-run entities’ workers or pensioners from public or private funds who meet the Group’s credit profile. The resources with which customers cover their obligations to the Group are derived specifically from their salary or pension, according to the method of payment of salary direct discount. This type of credit provides a better credit risk mitigation because payments are not subjected to the borrower’s willingness to repay.

(Expressed in United States dollars)

NOTE 26. FINANCIAL RISK MANAGEMENT (cont.)

NOTE 26.3 CREDIT AND COUNTERPARTY RISK (cont.)

The Group has set up a credit policy whereby every new customer is analysed individually regarding his or her financial situation and his data reported by credit bureaus.

Attribution levels have been assigned by job positions for the credit approval and credit amount related policies by age and type of contract or pension for each applicant have been established. Credit policies are monitored on a continued basis by the credit risk committee and in the event that any adjustments are required, it is at this point that such adjustments are reviewed and approved.

Evaluation of expected credit loss for individual customers as of 31 December 2023.

The Group uses a provision matrix to measure ECL from trade receivables of its individual customers which encompasses a great number of small balances.

The impairment model used to evaluate the portfolio focuses on four main aspects:

- Duration of Default: Time that a loan payment has been overdue, broken down into defined intervals.
- Gross-Up Percentage: The portion of expected monthly payments already received.
- Default Cause: The reason for payment failure, categorized as either temporary or permanent.
- Potential for Term Extension: The ability and willingness of a borrower to extend the loan term to ensure full payment.

To apply this model, a series of statistical analyses are performed to assess the portfolio. The best model is chosen based on specific metrics, and the loans are then categorized into stages. These stages are further consolidated into three broader stages to comply with IFRS 9 rules

Finally, the ECL is calculated using the appropriate formula for each stage. This is an estimate of the potential average loss due to possible loan defaults, determined based on the Group's write-off policy.

The table below presents the data of credit risk exposure and ECL's for loans at 31 December 2023 and 2022.

		31 December 2023			31 December 2022		
	Stage	Avg. Loss Rate	Capital at risk (a)	Impairment allowance	Avg. Loss Rate	Capital at risk (a)	Impairment allowance
No-overdue		0.40%	123,633,786	544,155	0.51%	97,291,764	495,440
1-30 days	I	0.76%	1,204,263	8,158	0,67%	1,494,816	9,914
31-60 days	II	0.72%	994,170	6,364	0,57%	1,110,144	6,335
61-90 days	II	3.61%	790,226	25,255	2,71%	698,039	18,906
Over 90 days	III	3.42%	609,959	18,458	22,78%	520,496	118,611
Over 121 days	III	10.61%	3,069,911	288,563	52,16%	2,391,791	1,264,775
Total			**130,302,315**	**890,953**		**103,507,050**	**1,913,981**

(a) The exposed balance at risk includes outstanding balances of paid-in capital, accounts receivable and surety financing capital without transaction costs.

The reduction in the provision for expected credit losses compared to the previous year is due to the fact that for the period 2023, a credit insurance was incorporated into the PDI of the ECL model. By incorporating this variable, a lower provision is generated. The Group has contracted credit insurance with Seguros Mundial S.A which covers 40% of the loan balance.

NOTE 26. FINANCIAL RISK MANAGEMENT (cont.)

NOTE 26.3 CREDIT AND COUNTERPARTY RISK (cont.)

Given that IFRS 9 contemplates 3 stages for the impairment calculation proposed under this method, credits are re-categorised by risk management as follows:

Stage I = 1 to 30 days
Stage II = 31 to 90 days
Stage III = Over 90 days

Other receivables are assessed for credit risk and potential impairment at each reporting date. The Group conducts an evaluation at each reporting date to determine whether there's a significant increase in the credit risk of these receivables since their initial recognition. This review considers both qualitative and quantitative data, including the Group's reasoned and supported future expectations. As of December 31, 2023, the Group identified no substantial increases in credit risk or signs of impairment on these receivables based on this evaluation. There is no collateral associated with these receivables. As of December 31, 2023, the Group identified no substantial increases in credit risk or signs of impairment on these receivables based on this evaluation, even without the impact of collateral.

Concentration of Credit Risk:

The Group's loans are concentrated in Colombia and consist solely of payroll loans. The loans are primarily to employees of government entities and large corporations, thereby reducing individual counterparty risk. However, these loans are subject to the economic conditions of Colombia. To mitigate these risks, the Group employs the following strategies:

- Diversification: Loans are diversified across various government entities and large corporations within Colombia to minimize the impact of any single employer's financial distress.
- Monitoring: Continuous monitoring of the economic and political environment in Colombia is conducted.
- Credit Evaluation: Rigorous credit evaluation criteria are employed to ensure the creditworthiness of borrowers.
- Provisioning: Adequate provisions are maintained, incorporating forward-looking information and economic forecasts.
- Insurance and Guarantees: Financial guarantees, such as the agreement with FGA Fondo de Garantia, are secured to cover customer debt defaults.
- Collection Strategies: Proactive collection strategies are implemented to manage overdue loans, including renegotiation of loan terms and settlements.
- Sale of Delinquent Portfolios: Periodic sales of delinquent loan portfolios to third parties reduce the burden of impaired loans on the balance sheet.

NOTE 26.4 LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. For the current financial year, it is observed that the Group's total current liabilities exceed its current assets. However, through various strategic implementations and liquidity risk management measures, the Group maintains robust control over its liquidity risk.

At the subsidiary level, the Group employs an Asset and Liability Management (ALM) model to measure liquidity risk. This model allows for the prediction of potential mismatches between asset and liability positions, forecasting cash inflows and outflows. Subsequently, liquidity control is monitored on a weekly basis by estimating the cash inflows from operations and cash outflows for new outlays and operational expenses.

At the corporate level, the Group allocates capital to its various subsidiaries to ensure they have sufficient liquidity to meet their operational needs. This allocation is managed centrally and adjusted based on the subsidiaries' liquidity requirements and strategic objectives.

(Expressed in United States dollars)

NOTE 26. FINANCIAL RISK MANAGEMENT (cont.)

NOTE 26.4 LIQUIDITY RISK *(cont.)*

In 2021, the Group issued unsecured unsubordinated fixed-rate bonds maturing on September 30, 2024. These bonds, amounting to $9.5 million, were utilized to grow both the lending and reinsurance businesses with a long-term perspective. The Group plans to roll over this debt upon maturity, aiming to raise $15 million. As of the date of the financial statements, the Group is in conversation with both existing and new bondholders to secure this funding, with the terms of the new debt currently under negotiation, to maintain its strategic growth initiatives

The Group employs a multi-faceted approach to managing liquidity risk, including:

- Diversification of Funding Sources: To mitigate the risk of not being able to roll over its debts, the Group diversifies its sources of funding. This includes engaging with various financial institutions, investment banks, and leveraging strategic partnerships with investment entities such as family offices, hedge funds, and investment companies.
- Engaging Third-Party Investment Banks: The Group collaborates with third-party investment banks to secure funding, ensuring access to a wide range of financing options and maintaining financial flexibility.
- Strategic Partnerships: The Group has established strategic partnerships with investment entities to provide a stable and diversified funding base. These partnerships are integral to the Group's liquidity management strategy.
- Ongoing Liquidity Management: The Group continuously manages its liquidity on both a subsidiary and consolidated basis. This involves making detailed projections and regularly monitoring cash flows to anticipate and address potential liquidity shortfalls.
- High Loan Prepayment Rates: The Group considers the high loan prepayment rate, which significantly reduces the average maturity of its loan book, thereby mitigating long-term liquidity risk.

.

Table of maturities of financial assets and liabilities:

The tables below represents the maturities of financial assets and liabilities based on contractual maturity

Financial asset by type

		2023			
		Less than 3 months	**3 month to 1 year**	**1 to 5 years**	**Total**
Cash and cash equivalents	$	18,446,430	-	-	18,446,430
Other financial assets		8,228,752	-	-	8,228,752
Financial instruments		2,914,622	1,947,713	28,095,094	32,957,429
Loans		1,476,654	8,144,040	124,311,172	133,931,866
Other receivables		222,375	5,230,314	-	5,452,689
Current tax assets		642,509	-	-	642,509
Total	$	**31,931,342**	**15,322,067**	**152,406,266**	**199,659,675**

(Expressed in United States dollars)

NOTE 26. FINANCIAL RISK MANAGEMENT (cont.)

NOTE 26.4 LIQUIDITY RISK *(cont.)*

Financial liability by type

		2023			
		Less than 3 months	**3 month to 1 year**	**1 to 5 years**	**Total**
Loans and other interest-bearing liabilities	$	12,612,819	69,179,210	68,174,247	149,966,276
Trade and other payables		8,930,943	1,207,270	1,479,101	11,617,314
Employee benefits		497,985	171,220		669,205
Reinsurance contracts liabilities		665,772	1,611,288		2,277,060
	$	**22,707,519**	**72,168,988**	**69,653,348**	**164,529,855**

Financial asset by type

		2022			
		Less than 3 months	**3 month to 1 year**	**1 to 5 years**	**Total**
Cash and cash equivalents	$	11,861,275	-	-	11,861,275
Other financial assets		983,396			983,396
Financial instruments		2,036,904	3,951,175	19,570,696	25,558,775
Loans		5,000,795	3,502,112	96,907,439	105,410,346
Other receivables		1,097,130	663,902	-	1,761,032
Current tax assets		283,565	-	-	283,565
	$	**21,263,065**	**8,117,189**	**116,478,135**	**145,858,389**

Financial liability by type

		2022			
		Less than 3 months	**3 month to 1 year**	**1 to 5 years**	**Total**
Loans and other interest-bearing	$	17,908,703	26,287,698	60,852,941	105,049,342
Trade and other payables		4,714,534	1,354,770	7,236,622	13,305,926
Employee benefits		369,996	132,003	-	501,999
Reinsurance contracts liabilities		1,169,805	2,908,919	-	4,078,724
Total	$	**24,163,038**	**30,683,390**	**68,089,563**	**122,935,991**

NOTE 26.5 INSURANCE RISK

The Group is exposed to significant insurance risks through its coverage programs, including:

- Commercial Credit and Credit Life Coverage: Covers loan defaults and borrower deaths for financial services entities within the Group. The Group retains 100% of the risk.
- Pet Insurance Program: Provides reinsurance for pet insurance, retaining 100% of the risk.
- Surety Policy: Covers defaults on loan agreements with various banks, with 100% coverage up to a specified aggregated amount.
- Commercial Auto & Trucking Insurance: Participates in usage-based insurance programs for commercial vehicles, with coverage based on vehicle usage.

NOTE 26. FINANCIAL RISK MANAGEMENT (cont.)

NOTE 26.5 INSURANCE RISK (cont.)

These exposures involve potential losses from loan defaults, borrower deaths, pet-related claims, loan agreement defaults, and vehicle usage-based claims.

The following tables show the gross undiscounted liabilities for incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

(in thousands USD)

Yr.	2016	2017	2018	2019	2020	2021	2022	2023	Total
At end of accident year	8	223	346	550	757	2,305	1,855	4,863	4,863
One year later	59	286	448	1,088	1,564	2,154	1,649		1,649
Two years later	51	286	468	1,131	1,350	2,103			2,103
Three years later	49	286	468	1,116	1,361				1,361
Four years later	49	286	466	1,129					1,129
Five years later	48	286	466						466
Six years later	61	286							286
Seven years later	49								49
								Total incurred losses	11,906
								Losses paid	7,819
								Estimates of present value of future cash flows	4,087

The following tables show the concentration of liabilities for incurred losses by type of contract and geographical concentration as of December 31 of:

Type of contract	Country	2023	2022
Commercial Credit and Credit Life Coverage	Colombia	3,649,834	2,175,313
Pet Insurance Program	United States	285,876	17,189
Total		**3,935,710**	**2,192,502**

The are no incurred loses for the Surety and Commercial Auto & Trucking Insurance's programs as of December 31, 2023 and 2022.

NOTE 26. FINANCIAL RISK MANAGEMENT (cont.)

NOTE 26.6 INTEREST RISK

Management of Interest Rate Risk

Interest rate risk (IRR) arises from the potential for changes in interest rates to negatively affect the financial performance of the Group. The Group is exposed to interest rate risk primarily through its borrowings, financial investments, and loan portfolios.

Risk Management Strategies

The Group employs a combination of strategies to manage interest rate risk, ensuring that risk levels are maintained within established limits and aligned with the Group's risk appetite. These strategies include:

- Diversification of Funding Sources: By diversifying its sources of funding, including fixed and variable-rate borrowings, the Group reduces its exposure to interest rate changes. This approach ensures that not all funding is subject to the same interest rate movements.
- Gap Analysis and Duration Matching: The Group performs regular gap analysis and duration matching to manage the timing differences between interest rate changes on assets and liabilities. This helps in aligning the maturities of assets and liabilities, thereby reducing IRR.

NOTE 27. RELATED PARTY TRANSACTIONS

During the normal course of the Group's operations, several transactions were conducted with related parties. These transactions have been documented and disclosed in the financial statements.

In addition to the entities mentioned in note 3, the Group also conducted operations with the following parties:

- IRIS CF - Compañía de Financiamiento S.A. (Iris CF): The Group has an indirect stake in Iris CF., amounting to 21.01%.
- Blue Palm Advisors SAS: Blue Palm Advisors SAS is considered a related party, as it shares common ownership with the Group.
- Silver Tree Capital Limited: Silver Tree Capital Limited is considered a related party, as it shares common ownership with the Group.

Further details and the nature of these transactions are elaborated in the following page:

(Expressed in United States dollars)

NOTE 27. RELATED PARTY TRANSACTIONS (cont.)

Balances and transactions with related parties

Group Component	Related party	Type of operation	Amount recorded in P&L		Balance at		Ref
			31/12/2023	31/12/2022	31/12/2023	31/12/2022	
Excel Credit S.A.	BPA SAS (4)	Synergy Contract	32,734	31,598	25,475	-	(a)
Excel Credit S.A.	ExcelSeguros SAS	Synergy Contract	3,750	4,235	2,491	364	(a)
Excel Credit S.A.	IRIS CF (5)	Synergy Contract	61,024	59,181	14,332	5,176	(a)
Excel Credit S.A.	IRIS CF (5)	Account receivables	-	-	0	328,942	(b)
Excel Credit S.A.	IRIS CF (5)	Account payable	-	-	365,670	2,836,078	(b)
Excel Credit S.A.	IRIS CF (5)	Loans			660,669	-	
IFS Ltd. (1)	STC Ltd (2)	Management Fees	826,878	707,275	72,698	49,100	(c)
IFS Ltd. (1)	GT Ltd (3)	Intercompany loans	98,237	84,574	9,138,477	13,925,239	(d)
IFS Ltd. (1)	IBH LLC	Intercompany loans	-	-	2,550,000	5,000,000	(e)
Excel Credit S.A.	IRIS CF (5)	Cash in banks	-	-	1,721,076	848,239	(f)
ExcelSeguros SAS	IRIS CF (5)	Cash in banks	-	-	80,511	7,774	(f)

(1) IFS Ltd.: Iris Financial Services Limited; (2) STC Ltd.: Silver Tree Capital Limited; (3) GT Ltd: Golden Tree Reinsurance Limited
(4) BPA SAS: Blue Palm Advisors SAS; (5) IRIS CF*: IRIS CF - Compañía de Financiamiento S.A.*

(a) Refers to agreements entered into by Excel Credit S.A., Blue Palm Advisors S.A.S., ExcelSeguros SAS, and IRIS CF., meant to ensure operational and commercial advantages while maintaining each party's independence. The parties share a space within Excel Credit S.A.'s headquarters building, considering mutual interest operations between them.

(b) Certain loans are transferred from Excel Credit S.A. to IRIS CF. IRIS CF assumes complete ownership, along with all associated rights and risks related to the repayment of these loans. Therefore, IRIS CF is entitled to receive all principal and interest payments that derive from these loans. Excel Credit offers client management and collection services to IRIS CF and in return, IRIS CF compensates Excel Credit with a premium. This premium corresponds to the difference between the loan's interest rate and a fixed rate, which is mutually agreed upon by both parties.

(Expressed in United States dollars)

NOTE 27. RELATED PARTY TRANSACTIONS (cont.)

Balances and transactions with related parties

(c): Silver Tree Capital Limited is engaged in the provision of managerial services to the Group. Balance payable to Silver Tree Capital Limited amounted to $ 72,698 as of December 31, 2023. The management fees related to these services have been disclosed in the statement of profit or loss for the year 2023 under the heading "Administrative expenses" and amounted to $ 826,878.

(d): On January 5, 2020, Iris entered into a loan agreement with its subsidiary, Golden Tree Reinsurance Limited. The initial agreement was for a loan facility of up to USD 10,000,000, with a fixed interest rate of 1% over a maturity term of 3 years. On May 2, 2022, the terms of this loan facility were amended, increasing the borrowing limit to USD 16,000,000 and making the maturity term indefinite. The agreement stipulates that the loan can be terminated by either party with 7 days prior notice. As of December 31, 2023, Iris had utilized USD 8,915,000 of this facility and accrued interest of USD 223,477. This intra-group transaction was eliminated in the consolidated financial statements.

(e): Effective September 2, 2022, Iris entered into a loan agreement with IB Holding Limited, an associate of Iris. The arrangement consisted of an unsecured promissory note with a principal value of USD 5,000,000, repayable on demand by the Group. On September 21, 2022, the creditor rights of this loan were transferred from IB Holding Limited to IBH LLC, a related party. This constituted an in-kind contribution from IB Holding Ltd. to IBH LLC, with a value of USD 5,000,000, effectively shifting the loan obligation from IB Holding Ltd. to IBH LLC. During 2023, repayments totalling USD 2,450,000 were made against this loan by Iris.

(f) Refers to cash held by Excel Credit S.A. and ExcelSeguros SAS in IRIS CF.

Transactions with Key Management Personnel:

The compensation awarded to key management personnel during the years 2023 and 2022 is detailed below. These compensations are in line with the Group's remuneration policy and reflective of the market rates for such positions.

Concept		2023	2022
Key management fees including social security costs	$	175,604	162,897
	$	**175,604**	**162,897**

NOTE 28. EVENTS AFTER REPORTING DATE

Management evaluated all subsequent events occurring through August 14, 2024, the date when these financial statements were available to be issued, and determined that no additional adjusting or non-adjusting events occurred.