



AIRTEL MONEY TRANSFER LIMITED

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

31 DECEMBER 2018

AIRTEL MONEY TRANSFER LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS

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AIRTEL MONEY TRANSFER LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTORS

Mr Prasanta Das Sarma *
Mr Rajeev Sethi *

* Indian

REGISTERED OFFICE

LR No. 209/11880
Parkside Towers, Mombasa Road
P.O. Box 73146 - 00200
NAIROBI, KENYA

COMPANY SECRETARY

Africa Registrars
Certified Public Secretaries (Kenya)
P.O. Box 1243 – 00100
NAIROBI, KENYA

LAWYERS

Walker Kontos
Hakika House, Bishops Road
P.O. Box 60680 - 00200
NAIROBI, KENYA

AUDITORS

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place, Waiyaki Way, Muthangari
P.O. Box 40092 – 00100

PRINCIPAL BANKERS

Equity Bank (Kenya) Limited
Equity Centre, Hospital Road, Upper Hill
P.O. Box 75104 – 00200
NAIROBI, KENYA

AIRTEL MONEY TRANSFER
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors submit their report together with the audited financial statements for the year ended 31 December 2018, which discloses the state of affairs of Airtel Money Transfer Limited

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is to carry on business as a money remittance operator dealing in inbound and outbound international money transfers.

2. RESULTS

There was no profit or loss as the company did not engage in trading activities during the year.

3. DIRECTOR'S

The directors who held office during the year and to the date of this report are as listed below;

Name	Nationality	Role
Mr. Rajeev Sethi**	Indian	Director
Mr. Prasanta Das Sarma**	Indian	Director

All the Directors do not have any interest in the Company's shareholding. During the period, the Company did not pay any directors' fees.

4. GOVERNANCE

The Board of Directors consists of two directors. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets.

The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Company is committed to the principles of effective corporate governance. The Directors also recognize the importance of integrity, transparency and accountability.

5. DISCLOSURE OF INFORMATION TO AUDITORS

Each director confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware and that each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AIRTEL MONEY TRANSFER LIMITED
REPORT OF THE DIRECTORS (Continued)

6. AUDITORS

Deloitte & Touche were appointed as auditors during the year and, having expressed their willingness, continue in office in accordance provisions of section 719 (2) of the Kenyan Companies Act, 2015. The Directors monitor the effectiveness, objectivity and independence of the auditor. The Directors also approve the annual audit engagement contract, which sets out the terms of the auditor's appointment and the related fees.

By order of the Board

SCRIBE SERVICES


SECRETARIES

SCRIBE SERVICES
SECRETARIES

Nairobi, Kenya

29/03/2019

AIRTEL MONEY TRANSFER LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2018

STATEMENT OF DIRECTOR'S RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the company as at the end of the financial year and of its profit or loss for that year. It also requires the Directors to ensure that the company maintains proper accounting records that are sufficient to show and explain the transactions of the company and disclose, with reasonable accuracy, the financial position of the company. The Directors are also responsible for safeguarding the assets of the company, and for taking reasonable steps for the prevention and detection of fraud and error.

The Directors accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

- (i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- (ii) selecting suitable accounting policies and applying them consistently; and
- (iii) making accounting estimates and judgements that are reasonable in the circumstances.

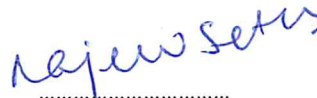
Having made an assessment of the Company's ability to continue as a going concern, the Directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Board of Directors on 29 / 03 / 2019 and signed on its behalf by:



.....
P D Sarma
Director



.....
Rajeev Sethi
Director

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIRTEL MONEY TRANSFER LIMITED

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Airtel Money Transfer Limited, ("the company"), set out on pages 8 to 18, which comprises of the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. 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.

Other Information

The directors are responsible for the other information. The other information comprises the Report Directors as required by the Kenya Companies Act, 2015. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIRTEL MONEY TRANSFER LIMITED (continued)

Report on the audit of the Financial Statements (Continued)

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenya Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIRTEL MONEY TRANSFER LIMITED (continued)

Report on Other matters prescribed by the Kenya Companies Act, 2015.

In our opinion, the information in the Report of the Directors on pages 3 to 4 is consistent with the financial statements.



Certified Public Accountants (Kenya)
Nairobi


-----2019

CPA Fredrick Okwiri - P/No 1699.
Signing partner responsible for the independent audit

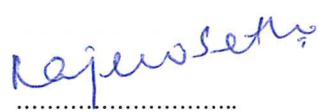
AIRTEL MONEY TRANSFER LIMITED
 STATEMENT OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2018

	Notes	2018 Kshs	2017 Kshs
CURRENT ASSETS			
Cash and cash equivalents	6	<u>20,000,000</u>	<u>-</u>
TOTAL ASSETS		<u><u>20,000,000</u></u>	<u><u>-</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	<u>20,000,000</u>	<u>-</u>
TOTAL EQUITY AND LIABILITIES		<u><u>20,000,000</u></u>	<u><u>-</u></u>

The financial statements on pages 9 to 18 were approved and authorized by the Board of directors on 29/03/.....2019
 and signed on its behalf by:



 PD Sarma
 Director



 Rajeev Sethi
 Director

AIRTEL MONEY TRANSFER LIMITED
 STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Ordinary Share Capital Kshs
Year ended 31 December 2018		
Balance as at 1 January 2018		-
Capital invested during the year		<u>20,000,000</u>
Balance as at 31 December 2018	6	<u>20,000,000</u>
Year ended 31 December 2017		
Balance as at 1 January 2017		<u>-</u>
Balance as at 31 December 2017		<u>-</u>

AIRTEL MONEY TRANSFER LIMITED
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 KShs	2017 KShs
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of share capital funds	6	20,000,000	-
		<u> </u>	<u> </u>
Net cash from investing activities		<u>20,000,000</u>	<u>-</u>
		<u> </u>	<u> </u>
Net increase in cash and cash equivalent		<u>20,000,000</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR			
		<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
	5	<u>20,000,000</u>	<u>-</u>

AIRTEL MONEY TRANSFER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

Airtel Money Transfer Limited (the company) is incorporated in Kenya under the Kenyan Companies Act, 2015 as a private limited liability company and is domiciled in Kenya. The address of the registered office is:

LR No. 209/1180
Parkside Towers, Mombasa Road
P.O. Box 73146-00200 City Square
Nairobi

The parent company of this operation is Airtel Networks Kenya Limited.

2. BASIS OF PREPARATION

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and Interpretations of those Standards as adopted by the International Accounting Standards Board. The financial statements are presented in Kenya Shillings and are prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3(j).

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the IASB, and the requirements of the Kenyan Companies Act, 2015.

For the purpose of reporting under the Kenyan Companies Act, 2015, the balance sheet in the financial statements is represented by the statement of financial position.

(b) Presentation financial statements

The Company presents its statement of financial position in order of liquidity. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously.

The company has a nil statement of profit and loss and other comprehensive income as it was yet to begin operations as of the reporting date.

(c) Functional and presentation currency

The financial statements are presented in Kenya Shillings which is the company's functional currency.

3. SIGNIFICANT ACCOUNTING POLICES

a) Income recognition

The company did not engage in any activities that generate any form of revenue as of the reporting date.

b) Taxation

No taxes were accrued for in the year as the company did not engage in trading activities during the year.

c) Cash and cash equivalents

Cash and cash equivalents are defined as cash in bank accounts. For the purposes of these accounts, cash and cash equivalents comprise bank balances.

AIRTEL MONEY TRANSFER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICES (continued)

d) Financial instruments

Cash and cash equivalents are the financial assets of the Company. The company did not have any liabilities. All financial assets and liabilities are valued at amortized cost due to their nature and fair value of the same approximate the carrying amount due to short term nature.

e) Statement of Cash flows

Cash flows are reported using the indirect method as per IAS-7" Statement of cash flows", whereby profit for the period is adjusted for the effect of transactions of a non-cash nature, any deferral or accrual of past or future cash operating receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities are segregated.

f) Fair Value Measurement

Fair value is the price at the measurement date, at which an asset can be sold or paid to transfer a liability, in an orderly transaction between market participants. The Company's accounting policies require measurement of certain financial / non-financial assets and liabilities at fair values (either on a recurring or non-recurring basis). Also, the fair values of financial instruments measured at amortized cost are required to be disclosed in the said financial statements. The Company is required to classify the fair valuation method of the financial / non-financial assets and liabilities, either measured or disclosed at fair value in the financial statements, using a three level fair-value-hierarchy (which reflects the significance of inputs used in the measurement). Accordingly, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The three levels of the fair-value-hierarchy are described below:

Level 1: Quoted (unadjusted) prices for identical assets or liabilities in active markets

Level 2: Significant inputs to the fair value measurement are directly or indirectly observable

Level 3: Significant inputs to the fair value measurement are unobservable.

g) Share capital and share premium

Issued ordinary shares are classified as Equity when the Company has an un-conditional right to avoid delivery of cash or another financial asset, that is, when the dividend and repayment of capital are at the sole and absolute discretion of the Company and there is no contractual obligation whatsoever to that effect. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

h) Contingencies

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognized and disclosed only where an inflow of economic benefits is probable.

i) Critical accounting estimates and judgements

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. The estimates and assumptions are based on the directors' best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(i) **New and amended IFRS Standards that are effective for the current year ended 31 December 2018**

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Company has elected not to restate comparatives in respect of the classification and measurement of financial instruments.

Additionally, the Company adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018 only and not to the comparative period.

The standard amends the classification and measurement models for financial assets. See below.

1) Classification and measurement of financial assets

The Company has applied the requirements of IFRS 9 to instruments that continue to be recognized as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognized as at 1 January 2018. Comparative amounts in relation to instruments that continue to be recognized as at 1 January 2018 have not been restated where appropriate in accordance with the transition provisions of the standard.

The Company's statement of financial position only contains Cash and bank balances under financial assets:

There has been no change in the measurement criteria for any of the Company's financial assets on adoption of IFRS 9 after the consideration of the business model and cash flow characteristics.

2) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. Specifically, IFRS 9 requires the Company to recognize a loss allowance for expected credit losses on its financial assets as listed in (1) above.

The expected credit loss (ECL) assessment is mainly based on the ageing of the receivable balances and historical experience. The receivables are assessed on an individual basis or grouped into homogeneous groups and assessed for impairment collectively, depending on their significance. Where the financial asset has been written-off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit and loss.

The adoption of the standard has not resulted in any adjustments to the comparatives as allowed by the provisions of the standard.

3) Classification and measurement of financial liabilities

The application of IFRS 9 has not affected the Company's accounting for its liabilities. The payables continue to be recognised initially at fair value and subsequently measured at amortised cost.

4) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Company had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Company has elected to reclassify upon the application of IFRS 9.

5) Impact of initial application of IFRS 9 on financial performance

The adoption and application of IFRS 9 in the current year has resulted in an insignificant impairment loss.

6) Day one adjustment

The Company's financial instruments as carried at fair value or amortised cost are all short term. The financial instruments as at 31 December 2018 do not include any significant long outstanding items from the 2017 financial year. Accordingly, the application of IFRS 9 would not result in any significant adjustment to the opening balance and a day one adjustment to retained earnings has not been made.

AIRTEL MONEY TRANSFER LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

6) Day one adjustment (continued)

The application of IFRS 9 has had no impact on the cash flows of the Company.

(ii) New and revised IFRSs that were effective in the current year but had no material impact on the amounts reported in the company financial statements

IFRS 15 – Revenue from contracts with customers
 IFRS 2 - Classification and Measurement of Share-based Payment Transactions
 IFRIC 22 - Foreign Currency Transactions and Advance Consideration
 Annual Improvements to IFRS Standards 2014-2016 Cycle

(iii) New standards and amendments to published standards and interpretations in issue but not yet effective in the year ended 31 December 2018

<i>New and Amendments to standards</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to IFRS 9: <i>Prepayment Features with Negative Compensation</i>	1 January 2019, with earlier application permitted
Annual Improvements to IFRS Standards 2015–2017	1 January 2019, with earlier application permitted
Annual Improvements to IFRS Standards 2014-2017 Cycle	Effective for annual periods beginning on or after 1 January 2019

The directors of the Company do not anticipate that the application of the new standards and amendments to the standards in the future will have a significant impact on the Company's financial statements.

(iv) Early adoption of standards

The Company did not early-adopt any new or amended standards in 2018.

5. CASH AND CASHEQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	2018 KShs	2017 KShs
Cash at bank	20,000,000	-

AIRTEL MONEY TRANSFER LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018

6. SHARE CAPITAL AND SHAREHOLDING

The shareholding of the Company as at 31 December 2018 is as stated below: -

Name of Share Holder	No. of Shares
Airtel Networks Kenya Limited	1,999,999
Bharti Airtel Africa B.V.	<u>1</u>
	<u>2,000,000</u>
Authorized:	
2,000,000 ordinary shares of KShs. 10 each	<u>20,000,000</u>
Issued and fully paid:	
2,000,000 ordinary shares of KShs. 10 each	<u>20,000,000</u>

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's principal financial instruments comprise cash and cash equivalents and payables. These instruments arise directly from its operations. The company does not speculate or trade in derivative financial instruments.

The company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, liquidity risk and operational risk. The directors review and agree policies for managing these risks.

The directors have overall responsibility for the establishment and oversight of the company's risk management framework. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as foreign exchange rates, interest rates and equity prices. The objective of market risk management is to manage and control market risk exposure within acceptable levels, while optimizing on the return on the risk.

(i) *Foreign Exchange Risk*

Foreign exchange risk arises from future investment transactions on recognized assets and liabilities. The company's policy is to record transactions in foreign currencies at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange in effect at the statement of financial position date. All gains or losses on changes in currency exchange rates are accounted for in the statement of comprehensive income. The company operates wholly within Kenya and its assets and liabilities are fully denominated in local currency.

(ii) *Interest Rate Risk*

Interest rate risk is the risk that the future profitability and/or cash flows of financial instruments will fluctuate because of changes in the market interest rates. The interest rate exposure arises mainly from the interest rate movements on the borrowings. However, the company had no borrowings as of the reporting date.

AIRTEL MONEY TRANSFER LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK

Credit risk also arises from cash and deposits with banks and financial institutions. Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and also arises from bank balances.

The tables below detail the credit quality of the Company's financial assets as well as the Company's maximum exposure to credit risk by credit risk rating grade:

	Note	Internal/ external rating	12 months or lifetime ECL	Gross carrying amount	Loss allowance	Net amount
				KShs'000	KShs'000	KShs'000
31-Dec-18						
Bank balances	6	Investment grade	12 months ECL	20,000,000	-	20,000,000
				20,000,000	-	20,000,000

	Note	Internal/ external rating	Incurred loss model (IAS 39)	Gross carrying amount	Loss allowance	Net amount
				KShs'000	KShs'000	KShs'000
31-Dec-17						
Bank balances	6	NA	Incurred loss model	-	-	-
				-	-	-

Bank balances are not restricted and include deposits held with banks that have high credit ratings. Bank balances are thus considered investment grade. Impairment loss on the bank balances is therefore not material.

The Cash and Cash equivalents are carried at gross amount – amortized cost. The loss allowance on cash and cash equivalents, if recognized, would pass through the profit and loss account and would be borne by Airtel Networks Kenya Limited. The current liquid assets have been recognized as the principal amount receivable to the Banks excluding any interest

LIQUIDITY RISK

Liquidity risk is the risk that the company will encounter difficulty in meeting its obligations from its financial liabilities. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

AIRTEL MONEY TRANSFER LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair values of financial assets and liabilities

Set out below are the carrying amounts and fair values of the financial instruments that are carried in the financial statements. The cost or carrying amount approximates the fair value.

	Carrying amount		Fair value	
	2018 KShs	2017 KShs	2018 KShs	2017 KShs
Financial Assets				
Cash and cash equivalents	<u>20,000,000</u>	<u>-</u>	<u>20,000,000</u>	<u>-</u>
Total financial assets	<u>20,000,000</u>	<u>-</u>	<u>20,000,000</u>	<u>-</u>
Financial Liabilities				
Amount due from related parties	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financial liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

There are no liabilities. All are borne by Airtel Networks Kenya Limited as the company had not engaged in trading activities as at 31st December 2018.

8. CAPITAL MANAGEMENT

The principal activity of the Company is to carry out cross border mobile money transfers. The company has been dormant as at 31st December 2018.

The capital structure of the company consists of cash and cash equivalents. In order to maintain or adjust the capital structure, the company may return capital to shareholders or issue new shares.

9. OPERATIONS

The directors have put in place internal controls systems which include instituting measures ostensibly to ensure adequate accounting records are maintained.

10. COMMITMENTS AND CONTIGENCIES

Capital commitments

There were no capital commitments entered into by the company as at the reporting date. (2017: None).

Legal claims

There were no known legal cases against the company as at the reporting date. (2017: None).

11. EVENTS AFTER THE REPORTING DATE

The company commenced operations in March 2019.