AIRTEL MONEY TRANSFER LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2023

CONTENTS

DIRECTORS
Mrs. Anne Kinuthia Otieno*
Mr. Japhet Kinyua Aritho*

* Kenyan

REGISTERED OFFICE

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

COMPANY SECRETARY

Scribe Services Secretaries
P.O. Box 3085 – 00100
NAIROBI, KENYA

AUDITORS

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

PRINCIPAL BANKERS

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

(All amounts are in KSH '000, unless stated otherwise)

The directors submit their report together with the audited financial statements for the year ended 31 December 2023, which discloses the state of affairs of Airtel Money Transfer Limited, (the "Company").

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

The results for the year are set out on page 9.

	For the year ended	
	31 Dec 2023	**31 Dec 2022**
Profit before tax	22,060	5,140
Tax expense	(6,618)	(2,151)
Profit after tax	**15,442**	**2,989**

3. DIRECTORS

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

Name	Nationality	Role	Date of Appointment/resignation
Mrs. Anne Kinuthia Otieno	Kenyan	Director	Appointed on 21st December 2021
Mr. Japhet Kinyua Aritho	Kenyan	Director	Appointed on 6th June 2019

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. BUSINESS REVIEW

Airtel Money Transfer Limited has continued to experience steady growth in business performance and especially led by the growth in customer numbers.

We have witnessed a strong growth in customer numbers in the year ending December 2023.
The number of inbound customers grew by 119% year on year with the outbound customers growing by 105% year on year.

The company has continued to put in place initiatives aimed at growing the business by enhancing the existing Airtel Africa corridors and onboarding additional corridors such as Terrapay and Thunes.

For the year 2024, we target continued strong growth in customer numbers and effectively volume and value of transactions. Part of the upcoming partnerships include Ria Money, IDT Corporation (North America), Lulu Exchange & Daytona, National Exchange (Middle East), Pay send and iFast (UK).

We sincerely thank our customers, government bodies, regulators, business partners and employees for their unwavering support this year and look forward to an even better and stronger working relation in the coming year.

6. 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.

6. AUDITORS

Deloitte & Touche LLP, 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
Nairobi, Kenya

26 March **2024**

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.

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 ..26.....March... 2024 and signed on its behalf by:

....
Anne Kinuthia Otieno
Director

....
Japhet Aritho
Director

Deloitte & Touche LLP
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Waiyaki Way
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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 9 to 25, which comprises of the statement of financial position as at 31 December 2023, 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 2023, 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.
- 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 the audit of the Financial Statements (Continued)

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

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

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA Freda Mitambo - Practicing certificate No. 2174.**

Freda Mitambo

For and on behalf of Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Nairobi

...26 March...**2024**

Statement of Profit or Loss and other Comprehensive Income

(All amounts are in KSH '000, unless stated otherwise)

	Note	For the year ended 31 Dec 2023	31 Dec 2022
Income			
Revenue	4	13,642	10,555
		13,642	10,555
Expenses			
Other Administration Expenses	8	1,994	1,005
License Fees	8	100	100
Sales & Marketing Expense	8	2,163	3,611
Employee cost	8	2,884	3,304
		7,141	8,020
Operating Profit		**6,501**	**2,535**
Finance cost	5	106	131
Finance income	5	(15,665)	(2,736)
Profit before tax		**22,060**	**5,140**
Income tax expense	6	6,454	1,798
Deferred income tax	7	164	353
Total tax expense		**6,618**	**2,151**
Profit for the year		**15,442**	**2,989**
Other comprehensive income for the year		-	-
Total comprehensive income for the period		**15,442**	**2,989**

Statement of Financial Position

(All amounts are in KSH '000, unless stated otherwise)

	Note	As of 31 Dec 2023	As of 31 Dec 2022
Assets			
Current Assets			
Financial Assets			
Trade and other receivables	9	75,705	34,565
Cash and cash equivalents	10	81,036	53,529
Other Current Assets	11	100	-
		156,841	88,094
Total Assets		**156,841**	**88,094**
Liabilities			
Non-Current liabilities			
Deferred tax liability	7	517	353
		517	353
Current Liabilities			
Income tax payable	6	720	284
Trade and other payables	13	95,363	42,658
		96,083	42,942
Total Liabilities		**96,600**	**43,295**
Net Assets		**60,241**	**44,799**
Equity			
Ordinary share capital	12	40,000	40,000
Retained earnings		20,241	4,799
Total Equity		**60,241**	**44,799**

The financial statements on pages 9 to 25 were approved and authorized for issue by the Board of directors on ....26......March....2024 and signed on its behalf by:

....

Anne Kinuthia Otieno
Director

....

Japhet Aritho
Director

(All amounts are in KSH '000, unless stated otherwise)

Equity attributable to owners of the company

	Share Capital		Retained Earnings	Total Equity
	No of Shares	Amount		
As at 1 Jan 2022	4,000,000	40,000	1,810	41,810
Profit for the year			2,989	2,989
Balance at 31 Dec 2022	**4,000,000**	**40,000**	**4,799**	**44,799**
As at 1 Jan 2023	4,000,000	40,000	4,799	44,799
Profit for the year			15,442	15,442
Balance at 31 Dec 2023	**4,000,000**	**40,000**	**20,241**	**60,241**

Statement of Cash Flow

(All amounts are in KSH '000, unless stated otherwise)

	Note	As of 31 Dec 2023	31 Dec 2022
Cash flows from operating activities			
Profit before tax		22,060	5,140
Operating cash flow before changes in working capital			
Changes in working capital			
Increase in trade and other receivables	9	(41,140)	(24,429)
(Increase) /decrease in other current assets	11	(100)	100
Increase in Trade and other payables	13	52,705	32,402
Net cash generated from operating activities before tax		33,525	13,213
Income tax paid	6	(6,018)	(1,514)
Net cash generated from operating activities before tax(a)		27,507	11,699
Increase in cash and cash equivalents during the period (a+b+c)		27,507	11,699
Cash and cash equivalents as at beginning of the period		53,529	41,830
Cash and cash equivalents as at end of the period	10	**81,036**	**53,529**

1. COMPANY 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 Money Kenya Limited. 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. MATERIAL ACCOUNTING POLICES

a) Basis of Preparation

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 and the profit and loss statement is presented in the statement of profit or loss and other comprehensive income.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

b) Basis of Measurement

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 reported in Kenya Shillings rounded to the nearest thousands (KSh'000), which is also the functional currency.

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

2. MATERIAL ACCOUNTING POLICES (continued)

b) Basis of preparation (continued)

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.

c) Foreign currency transactions

The items included in the financial statements of the company are measured using the currency of primary economic environment in which the company operates (i.e. 'functional currency'). The financial statements are presented in Kenya Shillings, which is also the functional, and presentation currency of the company.

Transactions in foreign currencies are initially recorded in Kenya Shillings at the rates prevailing at the date of the transaction.
Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing exchange rate prevailing as at the reporting date with the resulting foreign exchange differences, on subsequent re-statement/settlement, recognised in the Statement of Comprehensive Income within finance costs/finance income. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate prevalent, at the date of initial recognition (in case they are measured at historical cost) or at the date when the fair value is determined (in case they are measured at fair value) – with the resulting foreign exchange difference, on subsequent re-statement/settlement, recognised in the profit and loss, except to the extent that it relates to items recognised in the other comprehensive income or directly in equity.

The equity items denominated in foreign currencies are translated at historical exchange rate

d) Revenue recognition

Revenue is recognised upon transfer of control of promised products or services to the customer at the consideration which the company has received or expects to receive in exchange of those products or services, net of any taxes/duties and discounts. When determining the consideration to which the company is entitled for providing promised products or services via intermediaries, the company assesses whether the intermediary is a principal or agent in the onward sale to the end customer. Revenue is recognised when, or as, each distinct performance obligation is satisfied. The main categories of revenue and the basis of recognition are as follows:

- **Service Revenue**

  This includes fees deducted directly from customers' wallet for P2P transactions to international mobile money customers.

e) Taxes

The income tax expense comprises of current and deferred income tax. Income tax is recognised in the profit and loss, except to the extent that it relates to items recognised in the same or a different period, outside profit or loss, in other comprehensive income or directly in equity, in which case the related income tax is also recognised accordingly.

2. MATERIAL ACCOUNTING POLICES (continued)

e) Taxes (continued)

a. Current tax

Current tax is calculated on the basis of the tax rates, laws and regulations, which have been enacted or substantively enacted as at the reporting date in the respective countries where the group entities operate and generate taxable income. The payment made in excess/(shortfall) of income tax obligation for the respective periods are recognised in the statement of financial position under income tax assets/income tax liabilities, respectively.

Any interest, related to accrued liabilities for potential tax assessments are not included in Income tax charge or (credit), but are rather recognised within finance costs.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable or based on expected value approach, as applicable. The assessment is based on the judgement of tax professionals within the company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

b. Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, deferred tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Further, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences, tax losses and tax credits can be utilised. Moreover, deferred tax is recognised on temporary differences arising on investments in subsidiaries, joint ventures and associate - unless the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets, recognised and unrecognised, are reviewed at each reporting date and assessed for recoverability based on best estimates of future taxable profits.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Income tax assets and liabilities are off-set against each other and the resultant net amount is presented in the statement of financial position, if and only when, (a) the company currently has a legally enforceable right to set-off the current income tax assets and liabilities, and (b) when it relates to income tax levied by the same taxation authority and where there is an intention to settle the current income tax balances on net basis.

2. MATERIAL ACCOUNTING POLICES (continued)

f) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and any deposits with original maturities of three months or less (that are readily convertible to known amounts of cash and cash equivalents and subject to an insignificant risk of changes in value).

Cash and cash equivalents also include inter-operability collection and disbursement funds. Interoperability refers to a mobile money transfer service allowing customers to send and receive money across networks.

g) Financial Instruments

a) Recognition, classification and presentation

Financial instruments are recognised in the statement of financial position when the company becomes a party to the contractual provisions of the financial instrument.
The company determines the classification of its financial instruments at initial recognition. The company classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets and liabilities arising from different transactions are off-set against each other and the resultant net amount is presented in the statement of financial position, if and only when, the group currently has a legally enforceable right to set-off the related recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

b) Measurement - Non-derivative financial instruments

I. Initial measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Other transaction costs are expensed as incurred in the Consolidated Statement of Comprehensive Income.

II. Subsequent measurement - financial assets

The subsequent measurement of non-derivative financial assets depends on their classification as follows:

- **Financial assets measured at amortised cost**

  Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest rate ('EIR') method (if the impact of discounting / any transaction cost is significant).

  Interest income from these financial assets is included in finance income.

2. MATERIAL ACCOUNTING POLICES (continued)

b) Measurement - Non-derivative financial instruments (continued)

II. Subsequent measurement - financial assets (continued)

EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability.

- **Financial assets at fair value through profit or loss ('FVTPL')**

  All equity instruments and financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income ('FVTOCI') are measured at FVTPL. Interest (basis EIR method) and dividend income from financial assets at FVTPL is recognised in the profit and loss within finance income/finance costs separately from the other gains/losses arising from changes in the fair value.

- **Impairment**

  The company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and debt instrument carried at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. If credit risk has not increased significantly, 12 month expected credit loss ('ECL') is used to provide for impairment loss, otherwise lifetime ECL is used.

III. Subsequent measurement - financial liabilities

Financial liabilities are subsequently measured at amortised cost using the EIR method (if the impact of discounting/any transaction costs is significant).

a) Derecognition

Financial liabilities are derecognised from the statement of financial position when the underlying obligations are extinguished, discharged, lapsed, cancelled, expires or legally released. The financial assets are derecognised from the statement of financial position when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. The difference in the carrying amount and consideration is recognised in the consolidated statement of comprehensive income.

Cash and cash equivalents, trade receivables and prepayments are the financial assets of the Company. Financial liabilities comprise the amounts to related parties arising from international money transfers. 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.

h) 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.

2. MATERIAL ACCOUNTING POLICES (continued)

i) Share capital

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.

j) Provisions

General

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the relevant obligation, using a pre-tax rate that reflects current market assessments of the time value of money (if the impact of discounting is significant) and the risks specific to the obligation. The increase in the provision due to un-winding of discount over passage of time is recognised within finance costs.

k) 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.

l) Critical accounting estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, 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 recognized in the period in which the estimate is revised and in any future periods affected.

(All amounts are in KSH '000, unless stated otherwise)

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

3.1 New and amended Standards that are effective for the current period

No new IFRS issued during the year is applicable to the company. Amendments to existing IRFS have been applied by the Company as required, however, these amendments do not have any material impact on the Company's financial statements.
Newly issued amendments include;

- Amendments to IAS 12 in relation to relation to 'deferred tax related to assets and liabilities arising from a single transaction.'
- Amendments to IAS 1 in relation to 'Disclosure of accounting policies'
- Amendments to IAS 12 in relation to relation to 'Pillar Two Model rules.
- Amendments to IAS 8 in relation to Accounting Estimates

3.2 New and revised Standards in issue but not yet effective

The following pronouncements issued by the IASB are relevant to the Company and are effective for periods on or after I January 2024. The Company's financial statements will be presented in accordance with these requirements, which are being evaluated but are not expected to have a material impact on the results, financial position or cashflows of the Company.

- Amendments to IFRS 16 in relation to Sale and leaseback accounting.
- Amendments to IAS 1 in relation to 'classification of liabilities as current and non-current' and 'non-current liabilities with Covenants'.
- Amendments to IAS 7 and IFRS 7 in relation to 'Supplier finance arrangements.
- Amendments to IAS 21 in relation to 'Lack of exchangeability.

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

4. REVENUE

	For the year ended	
	31 Dec 2023	**31 Dec 2022**
Service Revenue	13,642	10,555
	13,642	**10,555**

5. FINANCE COST (INCOME)

	For the year ended	
	31 Dec 2023	**31 Dec 2022**
Bank charges	106	131
	106	**131**
Realized foreign exchange gain	(15,665)	(2,736)
	(15,665)	**(2,736)**

6. INCOME TAX

The company's profit before income tax differs from the statutory profit before income tax amount as follows:

	For the year ended	
	31 Dec 2023	**31 Dec 2022**
Profit for the year before tax	22,060	5,140
Enacted tax rates in the country	30%	30%
Tax expense with enacted rate	6,618	1,542
Effect of:		
Items for which no deferred tax asset recognized	-	609
Income tax expense	6,618	2,151

Income tax payable

	31 Dec 2023	**31 Dec 2022**
Opening income tax payable	284	-
Current Tax	6,454	1,798
Tax paid	(6,018)	(1,514)
Income tax payable as of 31 Dec 2023	**720**	**284**

7. DEFERRED TAX

	As of	
	31 Dec 2023	**31 Dec 2022**
Unrealized exchange gains	1,721	1,175
Total temporary differences	**1,721**	**1,175**
Deferred tax liability	517	353

Deferred income tax is calculated using the tax rate of 30% (2022: 30%). The movement of the deferred income tax account is as follows:

	31 Dec 2023	**31 Dec 2022**
At the start of the year*	353	(609)
Deferred tax recognized for the year	-	609
At year end	164	353
Net deferred tax liability	**517**	**353**

*At the start of 2022, deferred tax liability of Kshs'000. 609 was unrecognized.

8. EXPENSES

	As of	
	2023	**2022**
Other administration expenses	1,994	1,005
Employee cost	2,884	3,304
Sales and marketing expenses	2,163	3,611
License fees*	100	100
	7,141	**8,020**

*This relates to the annual fees for the Money Remittance Provider (MRP) license.
Other expenses are cross charges from the Airtel Money Kenya Limited

(All amounts are in KSH '000, unless stated otherwise)

9. TRADE AND OTHER RECEIVABLES

	As of	
	2023	**2022**
Amounts due from related parties	75,705	34,565
	75,705	**34,565**

10. CASH AND CASH EQUIVALENTS

	As of	
	2023	**2022**
Balance held in wallets	20,612	48,761
Cash at bank	60,424	4,768
Total	**81,036**	**53,529**

The above cash and cash equivalent balance has been considered in preparation of the statement of cash flows.

11. OTHER CURRENT ASSETS

	As of	
	31 Dec 2023	**31 Dec 2022**
Prepaid Expenses	100	-
	100	**-**

12. SHARE CAPITAL AND SHAREHOLDING

The shareholding of the Company as at 31 December 2023 and 2022 is as stated below: -

	As of 31-Dec-23
Name of Shareholder	**No. of Shares**
Airtel Money Kenya Limited*	4,000,000
Authorized:	
4,000,000 ordinary shares of KShs. 10 each	40,000
Issued and fully paid:	
4,000,000 ordinary shares of KShs. 10 each	40,000

	As of 31-Dec-22
Name of Shareholder(s)	**No. of Shares**
Airtel Networks Kenya Limited	3,999,999
Bharti Airtel Africa B.V.	1
	4,000,000
Authorized:	
4,000,000 ordinary shares of KShs. 10 each	40,000
Issued and fully paid:	
4,000,000 ordinary shares of KShs. 10 each	40,000

*In June 2023, 100% shareholding of this company was transferred from Airtel Networks Kenya Limited and Bharti Airtel Africa B.V to Airtel Money Kenya Limited.

13. TRADE AND OTHER PAYABLES

	As of	
	31 Dec 2023	**31 Dec 2022**
Payable to related parties	94,611	40,262
Payable to others	752	2,396
	95,363	**42,658**

14. RELATED PARTY TRANSACTIONS

The company's parent company is Airtel Money Kenya Limited. Below is a summary of the key transactions with related parties;

	As of		
	31 Dec 2023	**31 Dec 2022**	**Relationship**
Receivable from related parties			
Airtel Mobile Commerce Zambia Ltd	40,779	23,144	Fellow subsidiary
Airtel Money Tanzania Limited	19,654	11,421	Fellow subsidiary
Airtel Uganda Limited	7,275	-	Fellow subsidiary
Airtel Rwanda Ltd	7,997	-	Fellow subsidiary
	75,705	34,565	
Payable to related parties			
Airtel Money Kenya Limited	90,171	38,160	Immediate parent
Airtel Mobile Commerce Ltd-Malawi	4,440	1,448	Fellow subsidiary
Airtel Uganda Limited	-	610	Fellow subsidiary
Airtel Rwanda Ltd	-	44	Fellow subsidiary
	94,611	40,262	

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: Market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance, but the company does not hedge any risks.

Risk management is carried out by management under policies approved by the Board of Directors.

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.

- ***Foreign Exchange Risk***

The company's currency risk arises mainly from fluctuation of the Kenya Shilling against the US Dollar since the company has liabilities and receivables from related parties that are denominated in US Dollar. The company manages foreign exchange risk by converting its foreign currency balances into local currency on an on-going basis to cater for its operational requirements. The sensitivity analysis has been prepared on the basis that the trade receivables, payables and the proportion of financial instruments in foreign currencies are all constant.

The assumption in calculation of the sensitivity analysis is that the sensitivity of the relevant statement of profit or loss is the effect of the assumed changes in the respective market risk, the sensitivity of equity is calculated by considering the effects of the assumed changes of the underlying risks.

At 31 December 2023, if the Ksh. had weakened/strengthened by 5% against the US dollar with all other variables held constant, post tax profit/(loss) for the period would have been KShs'000 3,615 (2022: Ksh'000 1,678) lower/higher, mainly as a result of US dollar denominated trade receivables and payables.

(All amounts are in KSH '000, unless stated otherwise)

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

MARKET RISK (Continued)

The balances in foreign currencies at year end were as follows;

	As of	
	31 Dec 2023	**31 Dec 2022**
Assets in foreign currencies		
Cash and cash equivalents	1,037	1,094
Trade receivables	75,705	34,565
Total Assets	**76,742**	**35,659**
Liabilities in foreign currencies		
Trade and other payables	4,440	2,102
Total Liabilities	**4,440**	**2,102**
Net foreign currency Asset	**72,302**	**33,557**
Sensitivity Analysis of 5%	3,615	1,678

CREDIT RISK

Credit risk also arises from cash and deposits with banks and financial institutions, amounts from related parties and trade and other receivables. The company has no significant concentrations of credit risk. 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.

Trade Receivable

Trade receivables are typically non-interest bearing unsecured and derived from sales made to a number of related parties. As the customer base is widely distributed both economically and geographically, there is no concentration of credit risk.

As there is no independent credit rating of the customers available with the company, the management reviews the credit-worthiness of its customers based on their financial position, past experience, ageing and other factors.
Currently all the balances are held as receivables from sister companies and as a policy decision are not considered for impairment.

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.

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 Money Kenya Limited. The current liquid assets have been recognized as the principal amount receivable to the Banks excluding any interest.

(All amounts are in KSH '000, unless stated otherwise)

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK (Continued)

Trade Receivable (Continued)

31-Dec-23	Gross carrying amount	Loss allowance	Net amount
Cash and cash equivalent	81,036	-	81,036
Trade and other receivable	75,705	-	75,705
	156,741	**-**	**156,741**

31-Dec-22	Gross carrying amount	Loss allowance	Net amount
Cash and cash equivalent	53,529	-	53,529
Trade and other receivable	34,565	-	34,565
	88,094	**-**	**88,094**

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.

The table below summarizes the maturity profile of the company's financial liabilities based on contractual undisclosed payments:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Totals
At 31 December 2023:				
Liabilities				
Trade and other payables	95,363	-	-	93,363
Total financial liabilities	**95,363**	**-**	**-**	**93,363**
At 31 December 2022:				
Liabilities				
Trade and other payables	42,658	-	-	42,658
Total financial liabilities	**42,658**	**-**	**-**	**42,658**

CAPITAL MANAGEMENT

Capital includes equity attributable to the equity holders of the company. The company manages its capital structure and adjusts it, in light of changes in economic conditions or its business requirements. To maintain or adjust the capital structure, the company may return capital to shareholders or issue new shares.

Fair Value 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 Financial assets and Financial liabilities are short term in nature so cost or carrying amount approximates the fair value.

(All amounts are in KSH '000, unless stated otherwise)

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

LIQUIDITY MANAGEMENT (continued)

	Carrying amount		Fair value	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Financial Assets				
Trade and other receivable	75,705	34,565	75,705	34,565
Cash and cash equivalents	81,036	53,529	81,036	53,529
Total financial assets	**156,741**	**88,094**	**156,741**	**88,094**
Financial Liabilities				
Trade and other payables	95,363	42,658	95,363	42,658
Total financial liabilities	**95,363**	**42,658**	**95,363**	**42,658**

16. OPERATIONS

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

17. COMMITMENTS AND CONTIGENCIES

i. Capital commitments

There were no capital commitments entered into by the company as at the reporting date. (2022: None).

ii. Legal claims

There were no known legal cases against the company as at the reporting date. (2022: None).

18. COMPARATIVES

Where necessary, comparative figures of 2022 have been reclassified to conform to changes in presentation in the current year.

19. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date that would require adjustment to, or disclosure in, these financial statements.