

AIRTEL MONEY KENYA LIMITED
ANNUAL REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2022

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Airtel Money Kenya Limited
Annual report and accounts 2022
Company Information

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

DIRECTORS

Ms. Rose Mambo*

Mr. Neeraj Jain**

Mr. Japhet Kinyua Aritho *

Ms. Anne Kinuthia Otieno*

* Kenyan

**Indian

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

P.O. Box 40092 – 00100

NAIROBI, KENYA

PRINCIPAL BANKERS

Standard Chartered Bank Kenya PLC

P.O. Box 30003 – 00100

NAIROBI, KENYA

Equity Bank Kenya PLC

Equity Centre, Hospital Road, Upper Hill

P.O. Box 75104 – 00200

NAIROBI, KENYA

Kenya Commercial Bank PLC

Kencom House, 6th Floor, Wing B

P.O. Box 48400 – 00100

NAIROBI, KENYA

Cooperative Bank Kenya PLC

CIC Plaza, Upper Hill

P.O. Box 48231 – 00100

NAIROBI, KENYA

Airtel Money Kenya Limited
Annual report and accounts 2022
Directors' Report

(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 2022, which discloses the state of affairs of Airtel Money Kenya Limited, (the "Company").

The Company was incorporated as a limited private company on 29 June 2020 in Kenya, under the Companies Act, 2015 (Reg No.PVT-JZU77XQ). It is domiciled in Kenya and is a subsidiary of Airtel Africa Plc.

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is to carry out business as a payment service provider. The company officially started operations on 1st July 2022 following its separation from the core telecommunication business, Airtel Networks Kenya Limited.

2. FINANCIAL RESULTS

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

	For the year ended	For the 18 months period ended
	31 Dec 2022	31 Dec 2021
Profit/(Loss) before tax	16,940	(232)
Income Tax Expense	(8,618)	-
Profit/(Loss) after tax	8,322	(232)

3. DIRECTOR'S

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

Name	Nationality	Role	Date of appointment/resignation
Ms. Rose Mambo	Kenyan	Director	Appointed on 25 th March 2022
Mr. Neeraj Jain	Indian	Director	Appointed on 25 th March 2022
Mr. Japhet Kinyua Aritho	Kenyan	Director	Appointed on 29 th June 2020
Ms. Anne Kinuthia Otieno*	Kenyan	Director	Appointed on 16 th November 2021

* Executive

None of the Directors 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 four 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.

6. AUDITORS

Deloitte & Touché LLP have expressed their willingness, continue in office in accordance with the 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

.....24 March.....2023

Airtel Money Kenya Limited
Annual report and accounts 2022
Statement of Directors' Responsibilities on the Financial Statements

The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements for each financial period that give a true and fair view of the financial position of the company as at the end of the financial period and of its profit or loss for that period. 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 judgments 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**24 March**..... 2023 and signed on its behalf by:



.....
Rose Mambo
Director



.....
Anne Kinuthia Otieno
Director

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

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Airtel Money Kenya limited ("the company"), set out on pages 9 to 29, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period 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 2022, and its financial performance and cash flows for the period 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.



Partners: D.M. Mbogho; A.N. Muraya; F. O. Aloo; J. Nyang'aya; B.W. Irungu; I. Karim; F. Okwiri; F.O Omondi; F. Mitambo; P. Seroney; D. Waweru; C Luo.

Deloitte & Touche, a partnership with registration No. 177912, converted to Deloitte & Touche LLP Registration No. LLP-A21DDP effective 14 June 2021.

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIRTEL MONEY KENYA LIMITED**

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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 KENYA LIMITED**

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 Directors Report 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 & Touché LLP
Certified Public Accountants (Kenya)
Nairobi**

30 March
.....2023

Airtel Money Kenya Limited
Annual report and accounts 2022
Statement of profit or loss and other Comprehensive Income
(All amounts are in KSH'000, unless stated otherwise)

		For the year ended	For the 18 months period ended
	Notes	31 Dec 22	31 Dec 21
Income			
Revenue	5	196,503	-
Other Income	6	11,046	-
		<u>207,549</u>	<u>-</u>
Expenses			
Commission, sales and marketing expenses	7	84,795	-
Employee benefits expense	8	49,692	-
Other operating expenses	9	37,545	210
Depreciation and amortization	10	58,808	-
		<u>230,840</u>	<u>210</u>
Operating Loss for the year/period		(23,291)	(210)
Finance cost	11	3,229	21
Finance income	11	(7,865)	-
Foreign Exchange loss/(gain)		(35,595)	1
Profit/(Loss) before tax		16,940	(232)
Income tax expense	12	8,618	-
Profit/(Loss) for the year/period		8,322	(232)
Other Comprehensive income for the year/period		-	-
Total comprehensive income/(loss) for the year/period		8,322	(232)

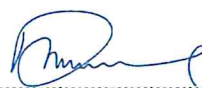
Airtel Money Kenya Limited
Annual report and accounts 2022
Statement of Financial Position
(All amounts are in KSH'000, unless stated otherwise)

	Notes	As of	
		31 Dec 22	31 Dec 21
Assets			
Non-current assets			
Property plant and equipment	14	377,666	-
Capital work-in-progress	14	21,437	-
Intangible assets	15	45,778	-
Deferred Tax Asset	13	10,685	-
		455,566	-
Current assets			
Trade and other receivables	17	191,726	-
Cash and cash equivalents	16	1,154,924	4,814
Other current assets	18	73,429	-
		1,420,079	4,814
Total assets		1,875,645	4,814
Current liabilities			
Trade and other payables	19	723,365	46
Income tax payable	12	4,966	-
Other current liabilities	20	21,580	-
		749,911	46
Non-current liabilities			
Other Non-current liabilities	21	92,644	-
		92,644	-
Total liabilities		842,555	46
Net Assets		1,033,090	4,768
Equity			
Ordinary share capital	22	1,025,000	5,000
Accumulated Losses		8,090	(232)
Equity attributable to owners of the company		1,033,090	4,768
Total equity		1,033,090	4,768

The financial statements on pages 9 to 29 were approved and authorized for issue by the Board of directors on24..March.....2023 and signed on its behalf by:



Rose Mambo
Director



Anne Kinuthia Otieno
Director

Airtel Money Kenya Limited
Annual report and accounts 2022
Statement of Changes in Equity
(All amounts are in KSH'000, unless stated otherwise)

Equity attributable to owners of the company

	Ordinary Share capital	Accumulated losses	Total
At incorporation 29th June 2020	5,000	-	5,000
Total comprehensive loss for the year	-	(232)	(232)
As of 31 December 2021	5,000	(232)	4,768
Additional shares issued during the year	1,020,000	-	1,020,000
Total comprehensive income for the year	-	8,322	8,322
As of 31 December 2022	1,025,000	8,090	1,033,090

Further explanations on the components of equity are available in Note 22.

Airtel Money Kenya Limited
Annual report and accounts 2022
Statement of Cash Flows
(All amounts are in KSH'000, unless stated otherwise)

	For the year ended 31 Dec 2022	For the 18 months period ended 31 Dec 2021
Cash flows from operating activities		
Profit/(Loss) before taxation	16,940	(232)
Adjustments for: -		
Depreciation and amortization (Note 10)	58,808	-
Finance Income (Note 11)	(7,865)	-
Forex gain	(35,595)	-
Operating cash flow before changes in working capital	32,288	(232)
Changes in working capital		
(Increase) in trade and other receivables (Note 17)	(191,726)	-
(Increase) in other financial assets	(37,834)	-
Increase in Trade Payables (Note 19)	723,319	46
Increase in other financial and non-financial liabilities (Notes 20, 21)	114,224	-
Net cash generated from operations before tax	640,271	(186)
Income taxes paid (Note 12)	(14,337)	-
Net cash generated from operating activities (a)	625,934	(186)
Cash flows from investing activities		
Purchase of property, plant, equipment and capital work-in-progress (Note 14)	(446,211)	-
Purchase of intangible assets (Note 15)	(57,478)	-
Interest received (Note 11)	7,865	-
Net cash used in investing activities (b)	(495,824)	-
Cash flows from financing activities		
Proceeds from issuance of share capital (Note 22)	1,020,000	5,000
Net cash (used)/generated from financing activities (c)	1,020,000	5,000
Increase in cash and cash equivalents during the period (a+b+c)	1,150,110	4,814
Cash and cash equivalents as at beginning of the period	4,814	-
Cash and cash equivalents as at end of the period (Note 16)	1,154,924	4,814

1. CORPORATE INFORMATION

Airtel Money Kenya 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 Mobile Commerce Kenya B.V. (Incorporated in Netherlands). The principal activity of the Company is to carry out business as a payment service provider. The company started operations on 1st July 2022 following its separation from Airtel Networks Kenya Limited.

2. SIGNIFICANT ACCOUNTING POLICES

2.1 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 Comprehensive Income.

The financial statements are reported in Kenya Shillings except when otherwise indicated.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

2.2 Basis of measurement

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 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 the price paid to transfer a liability in an orderly transaction between market participants.

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 of fair value). Accordingly, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is 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.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

2.3 Foreign currency transactions

a. Functional and presentation currency

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.

b. Transactions and balances

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.

2.4 Current versus non-current classification

The company presents assets and liabilities in the statement of financial position based on current/non-current classification.

All assets and liabilities which are not current (as discussed in the below paragraphs) are classified as non-current assets and liabilities.

An asset is classified as current when it is expected to be realised or intended to be sold or consumed in normal operating cycle, held primarily for the purpose of trading, expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is classified as current when it is expected to be settled in normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within 12 months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. Derivatives designated in hedging relationship are classified based on the hedged item and the host contract respectively.

2.5 Property, plant and equipment ('PPE') and capital work-in-progress

An item is recognised as an asset, if and only if, it is probable that the future economic benefits associated with the item will flow to the company and its cost can be measured reliably. PPE is initially recognised at cost.

The initial cost of PPE comprises its purchase price (including non-refundable duties and taxes but excluding any trade discounts and rebates), and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Further, it includes assets installed on the premises of customers as the associated risks, rewards and control remain with the company.

Subsequent to initial recognition, PPE is stated at cost less accumulated depreciation and any impairment losses. When significant parts of PPE are required to be replaced at regular intervals, the

2. SIGNIFICANT ACCOUNTING POLICES (continued)

2.5 Property, plant and equipment ('PPE') and capital work-in-progress (continued)

company recognises such parts as separate component of assets. When an item of PPE is replaced, then its carrying amount is de-recognised from the statement of financial position and cost of the new item of PPE is recognised.

The expenditures that are incurred after an item of PPE has been put to use, such as repairs and maintenance, are normally charged to the consolidated statement of comprehensive income in the period in which such costs are incurred. However, in situations where the said expenditure can be measured reliably, and is probable that future economic benefits associated with it will flow to the company, it is included in the asset's carrying value or as a separate asset, as appropriate.

Depreciation on PPE is computed using the straight-line method over the estimated useful lives. Freehold land is not depreciated as it has an unlimited useful life. The company has established the estimated range of useful lives for different categories of PPE as follows:

Categories	Years
Computer equipment	3 - 5
Furniture, fixtures and office equipment	1 - 5
Licenses	3 - 5

The useful lives, residual values and depreciation method of PPE are reviewed, and adjusted appropriately, at least, as at each reporting date so as to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. The effect of any change in the estimated useful lives, residual values and/or depreciation method are accounted prospectively, and accordingly, the depreciation is calculated over the PPE's remaining revised useful life. The cost and the accumulated depreciation for PPE sold, scrapped, retired or otherwise disposed of are de-recognised from the statement of financial position and the resulting gains/(losses) are included in the consolidated statement of comprehensive income within other expenses/other income.

PPE in the course of construction is carried at cost, less any accumulated impairment and presented separately as capital work-in-progress ('CWIP') including capital advances in the statement of financial position until capitalised. Such cost comprises of purchase price (including non-refundable duties and taxes but excluding any trade discounts and rebates), and any directly attributable cost.

2.6 Intangible assets

Identifiable intangible assets are recognised when the company controls the asset, it is probable that future economic benefits attributed to the asset will flow to the company and the cost of the asset can be measured reliably.

Intangible assets are recognised at cost. These assets having a definite useful life are carried at cost less accumulated amortisation and any impairment losses. Amortisation is computed using the straight-line method over the expected useful life of intangible assets.

The company has established the estimated useful lives of different categories of intangible assets as follows:

•Software

Software are amortised over the period of the license, generally not exceeding three years.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Intangible assets (continued)

•Licences

Acquired licenses are amortised commencing from the date when the related software is available for intended use. The useful lives range from two to fifteen years.

2.7 Impairment of non-financial assets

(a) Property, plant and equipment, Intangible assets and intangible assets under development

At each reporting period date, the company reviews the carrying amounts of its PPE, CWIP and finite lived intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Intangible assets under development are tested for impairment, at-least annually or earlier, in case circumstances indicate that it may be impaired.

For the purpose of impairment testing, the recoverable amount (that is, higher of the fair value less costs to sell and the value-in-use) is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets, in which case the recoverable amount is determined at the CGU level to which the said asset belongs. If such individual assets or CGU are considered to be impaired, the impairment to be recognised in the statement of comprehensive income is measured by the amount by which the carrying value of the asset/CGU exceeds their estimated recoverable amount and allocated on pro-rata basis.

(b) Reversal of impairment losses

Impairment losses, other than goodwill, are reversed in the statement of comprehensive income and the carrying value is increased to its revised recoverable amount provided that this amount does not exceed the carrying value that would have been determined had no impairment loss been recognised for the said asset/CGU in previous years.

2.8 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 Company 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.

2. SIGNIFICANT ACCOUNTING POLICES (continued)
2.8 Financial Instruments (continued)

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 recognized at fair value. Other transaction costs are expensed as incurred in the Statement of Comprehensive Income.

II. Subsequent measurement - financial assets

The subsequent measurement of 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 costs is significant). Interest income from these financial assets is included in finance income.

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.

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.

However, only in case of trade receivables, the company applies the simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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).

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 company has transferred substantially all risks and rewards of ownership. The difference in the carrying amount and consideration is recognised in the Statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

2.9 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.

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 country. The payment made in excess/(shortfall) of the respective 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 recognized 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. Please also refer changes in accounting policies and disclosures under note 3.

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 utilized. 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 unrecognized, 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 realized 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 relate 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.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand (balances held in wallets), 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).

2. SIGNIFICANT ACCOUNTING POLICES (continued)

2.11 Share capital/Share premium

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. Share premium account is used to record the premium on issue of shares.

2.12 Employee benefits

The company's employee benefits mainly include wages, salaries, bonuses, defined contribution to plans, other long term benefits including compensated absences and share-based payments. The employee benefits are recognised in the year in which the associated services are rendered by the employees. Short-term employee benefits are recognised in Statement of comprehensive income at undiscounted amounts during the period in which the related services are rendered.

2.13 Provisions

Provisions are recognised when the company 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.

2.14 Revenue

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. To the extent that the intermediary is considered a principal, the consideration to which the company is entitled is determined to be that received from the intermediary. To the extent that the intermediary is considered an agent, the consideration to which the company is entitled is determined to be the amount received from the customer; the upfront discount provided to the intermediary is recognised as Commission Sales and Marketing expense.

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**

As part of the mobile money services, the company earns commission from merchants for facilitating recharges, bill payments and other merchant payments. It also earns commissions on transfer of monies from one customer wallet to another. Such commissions are recognised as revenue at a point in time on fulfilment of these services by the company.

- **Loan service revenue**

This constitutes the revenue share earned by the company for offering an alternate channel to lending partners.

2.15 Operating profit

Operating profit is stated as revenue less operating expenditure including depreciation and amortisation and operating exceptional items. Operating profit excludes finance income, finance costs and non-operating income.

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 37 in relation to 'Onerous contracts -cost of fulfilling contracts'.

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 1 January 2023. 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 IAS 1 - Classification of liabilities as current or non-current
- Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction.
- Amendments to IFRS 16 – Sale and lease back accounting.

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.

3.3 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.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 program 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.

(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. However, the company is not exposed to this risk as it currently has no borrowings.

(iii) Credit Risk

Credit risk arises from cash and deposits with banks and financial institutions. 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.

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:

As of 31 Dec 2022

Particulars	Gross carrying amount	Less allowance	Net amount
Trade Receivables	3,648	-	3,648
Other receivables	1,198	-	1,198
Cash and cash equivalents	1,154,924	-	1,154,924
Due from related parties	186,880	-	186,880
	1,346,650	-	1,346,650

As of 31 Dec 2021

Particulars	Gross carrying amount	Less allowance	Net amount
Cash and cash equivalents	4,814	-	4,814
Total	4,814	-	4,814

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market Risk (Continued)

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

Based on the industry practices and the business environment in which the company operates, management considers trade receivables are credit impaired if the payments are more than 90 days past due. In determining the amount of impairment, management considers the collateral against such receivables and any amount payable to such customers.

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. The current liquid assets have been recognized as the principal amount receivable from the Banks excluding any interest.

The following table details the risk profile of trade receivables based on the company's provision matrix:

Particulars	Less than 30 days	30 to 60 days	60 to 90 days	Above 90 days	Total
Trade Receivable as of 31 Dec 2022	3,648	-	-	-	3,648
Trade Receivable as of 31 Dec 2021	-	-	-	-	-

(iv) 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 undiscovered payments:

	Less than 1 year	Between 1 and 2 years	More than 2 Years	Totals
As of 31 December 2022:				
Liabilities				
Accrued expenses	77,442	-	-	77,442
Amounts due to related companies	643,646	-	-	643,646
Trade payables	2,277	-	-	2,277
Total financial liabilities (contractual maturity dates)	723,365	-	-	723,365
As of 31 December 2021:				
Liabilities				
Accrued expenses	40	-	-	40
Amounts due to related companies	6	-	-	6
Trade payables	0	-	-	0
Total financial liabilities (contractual maturity dates)	46	-	-	46

4.FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk (Continued)

(v) Capital Management

Capital includes equity attributable to the equity holders of the company. The company manages its capital structure and makes adjustments to 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.

	Carrying amount	Fair value	Carrying amount	Fair value
	As of 31 Dec 2022	As of 31 Dec 2022	As of 31 Dec 2021	As of 31 Dec 2021
Financial Assets				
Trade Receivables	3,648	3,648	-	-
Other receivables	1,198	1,198	-	-
Due from related parties	186,880	186,880	-	-
Cash and cash equivalents	1,154,924	1,154,924	4,814	4,814
Total financial assets	1,346,650	1,346,650	4,814	4,814
Financial Liabilities				
Trade payables	2,277	2,277	-	-
Accrued Expenses	77,442	77,442	40	40
Amounts due to related parties	643,646	643,646	6	6
Total financial liabilities	723,365	723,365	46	46

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		For the year/period ended	
		31 Dec 2022	31 Dec 2021
5. REVENUE			
	Money Transfer	42,211	-
	Commission on Collection	97,091	-
	Easy Recharge Commission	51,863	-
	Bill and Merchant Payments	4,623	-
	Corporate bulk payments	715	-
		196,503	-
6. OTHER INCOME			
	Loan Service Revenue	10,710	-
	Other Income	336	-
		11,046	-
7. COMMISSION, SALES AND MARKETING EXPENSES			
	Advertisement & marketing Expenses	38,166	-
	Commission expense	28,912	-
	Business Promotion	15,936	-
	Interoperability charges	1,782	-
		84,795	-
8. EMPLOYEE BENEFITS EXPENSE			
	Salaries & bonuses	37,619	-
	Allowances	4,922	-
	Staff welfare expenses	4,533	-
	Contribution to labour funds	2,155	-
	Recruitment & training	463	-
		49,692	-
9. OTHER OPERATING EXPENSES			
	Management Fees	9,322	-
	Administration Expenses	11,926	10
	Repair & Maintenance	2,461	-
	Legal & Professional Charges	1,190	-
	Customer Service Expenses	5,344	-
	License Fees	60	200
	Billing & Software expenses	7,241	-
		37,545	210
10. DEPRECIATION AND AMORTISATION			
	Depreciation	47,108	-
	Amortization	11,700	-
		58,808	-

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11. FINANCE COST AND INCOME

(i) Finance cost

Bank charges

For the year/period ended	
31 Dec 2022	31 Dec 2021
3,229	21
3,229	21

(ii) Finance income

Interest income - FDs

7,865	-
7,865	-

12. TAX EXPENSE

The tax on the company's profit/ (loss) before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	For the year/period ended	
	31 Dec 2022	31 Dec 2021
Profit/(Loss) before income tax	16,940	(232)
Tax calculated at the statutory income tax rate of 30%	5,082	(70)
Net tax effect of:		
Expenses not deductible	3,606	-
Items for which no deferred tax asset was recognized (prior year)	(70)	70
Income tax expense	8,618	-
Income tax Expense		
Deferred Income tax	(10,685)	-
Current Year Tax	19,303	-
Total	8,618	-
Income tax payable		
Income tax expense	19,303	-
Tax paid	(14,337)	-
Income tax payable	4,966	-

13. DEFERRED TAX

	As of	
	31 Dec 2022	31 Dec 2021
Temporary differences on property, plant and equipment	30,130	-
Provision for bonus	5,485	-
Unrealized exchange loss	-	1
Carried forward losses	-	231
Total timing differences	35,615	232
Deferred Income Tax Asset not recognized	-	(70)
Net deferred income tax asset	10,685	-

Deferred income tax is calculated using the tax rate of 30% (2021:30%). The movement of the deferred income tax account is as follows:

	As of	
	31 Dec 2022	31 Dec 2021
At start of year	(70)	-
Deferred tax asset movement for the year	(10,615)	(70)
Deferred tax asset recognized	(10,685)	-

A deferred tax asset of Kshs 10,685 has been recognized in the financial statements. Deferred tax asset of Kshs 70 was not recognized in 2021.

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14. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment	Computers	Furniture & fittings	TOTAL	Capital work in progress
Gross Carrying Value					
As of December 31, 2021	-	-	-	-	-
Additions	250	3,392	421,132	424,774	21,437
As of December 31, 2022	250	3,392	421,132	424,774	21,437
Accumulated Depreciation					
As of January 1, 2022	-	-	-	-	-
Charge for the year	25	972	46,111	47,108	-
As of December 31, 2022	25	972	46,111	47,108	-
Net carrying value					
As of December 31, 2021	-	-	-	-	-
As of December 31, 2022	225	2,420	375,022	377,666	21,437

15. INTANGIBLE ASSETS

	License	TOTAL
Gross Carrying Value		
As of January 1, 2022	-	-
Additions	57,478	57,478
As of December 31, 2022	57,478	57,478
Accumulated Depreciation		
As of January 1, 2022	-	-
Charge for the year	11,700	11,700
As of December 31, 2021	11,700	11,700
NET CARRYING VALUE:		
As of December 31, 2021	-	-
As of December 31, 2022	45,778	45,778

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16. CASH AND CASH EQUIVALENTS

	As of	
	31 Dec 2022	31 Dec 2021
Balance held in wallets	361,251	-
Bank Balance	176,672	4,814
Fixed Deposits	617,000	-
	1,154,924	4,814

17. TRADE AND OTHER RECEIVABLES

	As of	
	31 Dec 2022	31 Dec 2021
Interest accrued on investments	4	-
Unbilled revenue	2,146	-
Other receivables	1,198	-
Amounts due from related parties	186,880	-
	191,726	-

18. OTHER CURRENT ASSETS

	As of	
	31 Dec 2022	31 Dec 2021
Prepaid expenses	348	-
Advances to vendor	600	-
Input VAT	70,589	-
WHT receivable	1,892	-
	73,429	-

19. TRADE AND OTHER PAYABLES

	As of	
	31 Dec 2022	31 Dec 2021
Trade payables	2,277	-
Accrued expenses	77,442	40
Amounts due to related parties	643,646	6
	723,365	46

20. OTHER CURRENT LIABILITIES

	As of	
	31 Dec 2022	31 Dec 2021
Other taxes payable	20,126	-
Contribution to labour funds	1,454	-
	21,580	-

21. OTHER NON-CURRENT LIABILITIES

	As of	
	31 Dec 2022	31 Dec 2021
Security deposits	92,644	-
	92,644	-

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22. SHARE CAPITAL

Ordinary share capital

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

	Number of shares	Par value KShs'000	Ordinary Shares KShs'000
As of 31 January 2022	5,000	1,000	5,000
Additional shares issued during the year	1,020,000	1000	1,020,000
As of 31 December 2022	1,025,000	1,000	1,025,000
At incorporation	-	-	-
Issue of shares	5000	1000	5,000
As of 31 December 2021	5,000	1,000	5,000

23. RELATED PARTY TRANSACTIONS

Below is a summary of balances with related parties:

(i) Receivable from related parties (Note 17)

	As of		Relationship
	31 Dec 2022	31 Dec 2021	
Airtel Networks Kenya Limited	148,720	-	Fellow subsidiary
Airtel Money Transfer Limited	38,160	-	Fellow subsidiary
	186,880	-	

(ii) Payable to related parties (Note 19)

Airtel Networks Kenya Limited	638,907	-	Fellow subsidiary
Airtel Mobile Commerce B.V	4,733	-	Parent Company
Airtel Mobile Commerce Kenya B.V	6	6	Parent Company
	643,646	6	

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24. COMPARATIVES

The company was successfully separated from Airtel Networks Kenya Limited (ANKL) effective 1 July 2022.

Below is the business performance for the 6 months period (January to June 2022) as well as performance after separation (July to December 2022) compared to the full year performance in 2021.

	For the period ended			
	GSM Jan to June 2022	Airtel Money Jul to Dec 2022	Total	31 Dec 2021
Revenue	172,954	207,549	380,503	283,698
Commission, sales & marketing expenses	53,968	84,795	138,763	65,831
Employee benefits expense	64,676	49,692	114,368	123,987
Other operating expenses	51,443	37,545	88,988	57,256
Depreciation and amortization	14,624	58,808	73,432	52,510
Total Costs	184,711	230,840	415,551	299,584
Finance costs	5,289	3,229	8,518	1,906
Finance Income	(19,772)	(7,865)	(27,637)	(19,512)
Foreign exchange gain	(59,535)	(35,595)	(95,130)	(36,967)
Profit before tax	62,260	16,940	79,201	38,687
Income tax expense	-	8,618	8,618	-
Profit after tax	62,260	8,322	70,583	38,687

25. COMMITMENTS AND CONTINGENCIES

(i) Capital commitments

The capital expenditure contracted as at the reporting date is as follows;

	As of	
	2022	2021
Capital commitments		
Authorized and contracted for, due within 1 year	101,208	-

(ii) Legal claims

There were no known legal cases against the company as at the reporting date.

26. 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.