AIRTEL MOBILE COMMERCE (KENYA) LIMITED

ANNUAL REPORT

AND

FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2020

TABLE OF CONTENTS

Airtel Mobile Commerce (Kenya) Limited
Company Information

DIRECTORS

Mr Prasanta Das Sarma *
Mr Alok Bafna *

* Indian

REGISTERED OFFICE
Parkside Towers, Mombasa road
P. O. Box 73146 – 00200
Nairobi, Kenya

COMPANY SECRETARY
Scribe Service Secretaries
Certified Public Secretaries (Kenya)
P. O. Box 3085 – 00100
NAIROBI, KENYA

AUDITORS
Deloitte and Touche
Certified Public Accountants (Kenya)
Deloitte Place, Waiyaki Way, Muthangari
P. O. Box 40092 - GPO 00100
Nairobi, Kenya

BANKERS
Equity Bank Kenya Limited
Equity Centre
Upper Hill, Hospital Road
P. O. Box 75104 - 00200
Nairobi, Kenya

KCB Bank (Kenya) Limited
Kencom House, 6th Floor, Wing B
P.O. Box 48400 - 00100
NAIROBI, KENYA

NCBA Bank Kenya Plc
P.O. Box 44286 - 00100
NAIROBI, KENYA

Stanbic Bank
Stanbic House, Westlands Road
P.O. Box 30550 - 00100
NAIROBI, KENYA

Absa Bank Kenya Plc
P.O. Box 46661 - 00100
NAIROBI, KENYA

Standard Chartered PLC
P.O. Box 30003 - 00100
NAIROBI, KENYA

The directors submit their report together with the audited financial statements for the year ended 31 December 2020, which discloses the state of affairs of Airtel Mobile Commerce (Kenya) Limited.

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is to hold the funds for Airtel Money E-value account holders, in the trust.

2. RESULTS

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

3. DIRECTOR'S

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

Name	Nationality	Role	Date of appointment/resignation
Mr. Alok Bafna**	Indian	Chairman	Appointed on 07th November 2017
Mr. Prasanta Das Sarma**	Indian	Director	Appointed on 1st April 2017

** Executive

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 executive 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 Board delegates the day to day management of the business to the sister company's (Airtel Networks Kenya Limited) Managing Director who is assisted by the Senior Management team of the company. Senior Management is invited to attend board meetings and facilitates the effective control of all the Company's operational activities, acting as a medium of communication and coordination between all the various business units.

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 & Touche, 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

SCRIBE SERVICES
....**2021** 23/03/2021
SECRETARIES

Airtel Mobile Commerce (Kenya) Limited
Statement of Directors' responsibilities on the Financial Statements
(All amounts are in KSH '000' unless otherwise stated)

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.

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

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

Approved by the Board of Directors on 23rd March 2021 and signed on its behalf by:

P D Sarma	**Alok Bafna**
Director	**Director**

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place
Waiyaki Way, Muthangari
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Nairobi
Kenya

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIRTEL MOBILE COMMERCE (KENYA) LIMITED

Report on the audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Airtel Mobile Commerce (Kenya) Limited, ("the company"), set out on pages 9 to 23, which comprise the statement of profit or loss and other comprehensive income, the statement of financial position, 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 2020, 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 (Continued)
TO THE MEMBERS OF AIRTEL MOBILE COMMERCE (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 judgement and maintain professional scepticism 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 expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

INDEPENDENT AUDITORS' REPORT (Continued)
TO THE MEMBERS OF AIRTEL MOBILE COMMERCE (KENYA) LIMITED

Report on the audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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.

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.

Deloitte & Touche

Certified Public Accountants (Kenya)
Nairobi

30 March **2021**

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

Airtel Mobile Commerce (Kenya) Limited
Statement of Profit or Loss and Other Comprehensive Income
(All amounts are in KSH '000' unless otherwise stated)

	Note	As of 31 Dec 2020	As of 31 Dec 2019
Revenue		-	-
Operating expenses	8	-	-
Profit/(loss) before tax		-	-
Tax expense/(credit)		-	-
Profit/(loss) for the year		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

Airtel Mobile Commerce (Kenya) Limited
Statement of Financial Position
(All amounts are in KSH '000' unless otherwise stated)

	Notes	As of 31 Dec 2020	As of 31 Dec 2019
Assets			
Current Assets			
Financial Assets			
Balance held in mobile money trust	5	1,134,145	1,376,214
Total Assets		**1,134,145**	**1,376,214**
Current Liabilities			
Financial Liabilities			
Mobile money wallet balance	7	1,134,045	1,376,114
Total Current Liabilities		**1,134,045**	**1,376,114**
Net Assets		**100**	**100**
Equity			
Share capital	6	100	100
Total Equity		**100**	**100**

The financial statements on pages 9 to 23 are approved and authorized by the Board of directors on 23rd March..........2021 and signed on its behalf by:

PD Sarma
Director

Alok Bafna
Director

Airtel Mobile Commerce (Kenya) Limited
Statement of Change in Equity
(All amounts are in KSH '000' unless otherwise stated)

	Notes	Ordinary Share Capital
Balance as at 1 January 2019		**100**
Balance as at 31 December 2019	**6**	**100**
Balance as at 1 January 2020		100
Balance as at 31 December 2020	**6**	**100**

Airtel Mobile Commerce (Kenya) Limited
Statement of Cash flow
(All amounts are in KSH '000' unless otherwise stated)

		As of	
		31 Dec 2020	**31 Dec 2019**
Cash flows from operating activities			
Profit before tax		-	-
Changes in working capital			
Net increase/(decrease) in amount due to E-value holders	7	(242,069)	281,841
Net cash generated from operating activities (a)		**(242,069)**	**281,841**
Cash flows from investing activities (b)		-	-
Cash flows from financing activities (c)		-	-
Net Increase/Decrease in cash and cash equivalents during the year a+b+c		**(242,069)**	**281,841**
Cash and cash equivalents at the start of the year		1,376,214	1,094,373
Cash and cash equivalents at the end of the year	**5**	**1,134,145**	**1,376,214**

- It represents balance held under mobile money trust on behalf of mobile money customers which is not available for normal business operations of the company.

1. GENERAL INFORMATION

Airtel Mobile Commerce (Kenya) Limited (the company) is incorporated in Kenya under the Kenyan Companies Act 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 BV which is incorporated in Netherlands.

2. SIGNIFICANT ACCOUNTING POLICES

(a) Statement of compliance

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

The accounting policies, as set out in the following paragraphs of this note, have been consistently applied, to all the periods presented in these financial statements except for the change in accounting policies set out below.

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

(b) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and Interpretations of those Standards as adopted by the International Accounting Standards Board.

The financial statements are reported in Kenya Shillings, with all values rounded to the nearest thousand (KSH '000) except when otherwise indicated.

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. These policies have been consistently applied to all years presented, unless otherwise stated.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services

Mobile Money Balance

Reclassification of liability and bank balances pertaining to mobile money business earlier presented as 'trade payables' and 'other bank balances' respectively.

2. SIGNIFICANT ACCOUNTING POLICES (Continued)

(b) Basis of preparation (continued)

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 is required to be disclosed in the said financial statements. The Company is required to classify the fair valuation method of the financial / non-financial assets and liabilities, either measured or disclosed at fair value in the financial statements, using a three level fair-value-hierarchy (which reflects the significance of inputs used in the measurement). Accordingly, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The three levels of the fair-value-hierarchy are described below:

Level 1: Quoted (unadjusted) prices for identical assets or liabilities in active markets
Level 2: Significant inputs to the fair value measurement are directly or indirectly observable
Level 3: Significant inputs to the fair value measurement are unobservable.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 2p.

(c) Presentation of statement of comprehensive income

The company does not present a statement of profit and loss and other comprehensive income based on the National Payment System regulations which stipulates that income generated from trust shall be used in accordance with the trust legislation in consultation with the Central Bank of Kenya or shall be donated to a public charitable organization for use for public charitable purposes. In addition, in accordance with the requirements of the trust deed with Airtel Network.

(d) Functional and presentation currency

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

(e) Revenue recognition

Currently the company does not engage in any activities that generate any form of revenue. Operating expenses of the Trust are accrued and paid for by Airtel Networks Kenya Limited. This is in accordance with the National Payment System Act, 2011 which stipulates that any income generated from placement of these trust funds shall be used in accordance with the trust legislation or donated to a charitable public organization. As per the trust deed, the entity can only offer Airtel Money Services Kenya Limited, separate accounts are to be maintained for operations. As such, all expenses are borne by Airtel Networks Kenya Limited.

2. SIGNIFICANT ACCOUNTING POLICES (Continued)

(f) Taxation

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

(g) Cash and cash equivalents

Cash and cash equivalents include cash in trust bank accounts held on behalf of E-value account holders of Airtel Networks Kenya. For the purposes of the statement of cash flows cash and cash equivalents comprise of balance held under mobile money trust.

(h) 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.
The amounts held by electronic account holders in their mobile money wallets are presented separately in the Balance Sheet as 'Mobile money wallet balance'. The amounts held in bank on behalf of such electronic account holders are restricted for use in normal operations by the company and are presented as 'Balance held under mobile money trust'.

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:

2. SIGNIFICANT ACCOUNTING POLICES (Continued)

c. Measurement - Non-derivative financial instruments (continued)

- **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. 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).

d. 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.

Balance held under mobile money trust are the financial assets of the Company. Mobile money wallet balance held by related parties and E-value holders are financial liabilities of the company. 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.

(i) 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. SIGNIFICANT ACCOUNTING POLICES (Continued)

(j) Share capital and share premium

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

(k) Critical accounting estimates and judgements

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

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) New and amended IFRS Standards that are effective for the current year ended 31 December 2020

The following pronouncements issued by the IASB are relevant to the company and effective for annual periods beginning on or after 1 January 2020. The company's financial reporting will be presented in accordance with these requirements, which are being evaluated but not expected to have a material impact on the financial position or cash flows of the company, from 1 Jan 2020.

1. Amendments to References to the Conceptual Framework in IFRS Standards
2. Amendments to IAS 1 and IAS 8 Definition of material

(b) New and revised Standards in issue but not yet effective

The Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

i.	Amendments to IAS 1	Classification of Liabilities as Current or Non-current
ii.	Amendments to IFRS 3	Reference to the Conceptual Framework
iii	Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use
iv	Annual Improvements to IFRS Standards 2018-2020 Cycle	

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

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

4. RELATED PARTY TRANSACTIONS AND BALANCES

Mobile money wallet balance due to related parties: -

	As of	
	31 Dec 2020	**31 Dec 2019**
Mobile money wallet balance due to related parties	26,852	31,380
	26,852	**31,380**

This amount is in respect to mobile money wallet balance due to Airtel Networks Kenya Limited (a fellow subsidiary) arising from post- paid customers' deposits (via Airtel money) as well as payments of purchases of airtime and goods from Airtel Kenya Networks Kenya Limited (via Airtel Money).

5. CASH AND CASH EQUIVALENT

Cash and cash equivalents included in the statement of cash flows comprise of balance held under mobile money trust and the balance is held under following bank accounts:

	As of	
	31 Dec 2020	**31 Dec 2019**
Standard Chartered PLC	75,332	162,620
Kenya Commercial Bank Account	197,726	289,345
Absa Bank Kenya Plc	226,396	287,370
Equity Bank Account	212,262	346,965
NCBA Bank Kenya Plc	197,499	19,321
Stanbic Bank Account	224,930	270,593
Balance held under mobile money trust	**1,134,145**	**1,376,214**

6. SHARE CAPITAL AND SHAREHOLDING

The shareholding of the Company as at 31 December 2020 is as stated below:

Name of Shareholder	**No. of Shares**	**% of Share-holding**
Airtel Mobile Commerce B.V	999	99.90%
Airtel Mobile Commerce Holdings B.V.	1	0.10%
	1,000	**100%**

	2020	**2019**
Authorized:		
1,000 ordinary shares of KSH 100 each	100	100
Issued and fully paid:		
1,000 ordinary shares of KSH 100 each	100	100

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

7. MOBILE MONEY WALLET BALANCE

	As of	
	31 Dec 2020	**31 Dec 2019**
Amount due to E-Value holders	1,107,193	1,344,734
Amount due to related parties	26,852	31,380
	1,134,045	**1,376,114**

*Amount due to related parties is payable to Airtel Networks Kenya Limited. This relates to airtime and data bundles sold through Airtel Money platform. The obligation is settled on a daily basis.

(a) Mobile money wallet balance other E Value Holders

	2020	**2019**
As at 1 January	1,344,734	1,030,542
Net (withdrawals)/deposits	(237,541)	314,192
For the year ended	**1,107,193**	**1,344,734**

(b) Mobile money wallet balance with related parties

	2020	**2019**
As at 1 January	31,380	63,731
Net (withdrawals)/deposits	(4,528)	(32,351)
For the year ended	**26,852**	**31,380**

8. EXPENSES

(a) Audit fees is accrued and paid for by Airtel Networks Kenya Limited (Note 11). The fee for the year 2020 was KShs 1.07 Million (2019: KShs 1.24 Million).

	2020	**2019**
Audit Fees	1,066	1,240
Reimbursement by Airtel Networks Kenya Limited	(1,066)	(1,240)
	-	-

As per Net Payment System Act, 2011, a payment service provider (in this regard, Airtel Networks Kenya Limited) shall, at its own expense, appoint an external auditor who is a member of good standing of the Institute of Certified Public Accountants of Kenya to carry out an audit of the transactions in its business.

(b) All other expenses of the trust are borne by Airtel networks Kenya Limited in accordance with the trust deed.

9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's principal financial instruments comprise balance held under mobile money trust and Mobile money wallet balance. These instruments arise directly from its operations. The company does not speculate or trade in derivative financial instruments.

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

The directors have overall responsibility for the establishment and oversight of the company's risk management framework. The company's overall risk management 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. The company operates wholly within Kenya and its assets and liabilities are fully denominated in local currency.

(ii) *Interest Rate Risk*

Interest rate risk is the risk that the future profitability and/or cash flows of financial instruments will fluctuate because of changes in the market interest rates. The interest rate exposure arises mainly from the interest rate movements on the borrowings. However, the company does not engage in borrowing activities as its obligation is to hold cash in trust

(iii) *Credit risk*

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

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

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

9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

	Note	Internal/ external rating	12 months or lifetime ECL	Gross carrying amount	Loss allowance	Net amount
31-Dec-20						
Balance held under mobile money trust	5	Investment grade	12 months ECL	1,134,145	-	1,134,145
				1,134,145	**-**	**1,134,145**
31-Dec-19						
Balance held under mobile money trust	5	Investment grade	12 months ECL	1,376,214	-	1,376,214
				1,376,214	**-**	**1,376,214**

Balance held under mobile money are restricted. This cannot be used for normal business operations. It includes deposits held with banks that have high credit ratings. Bank balances are thus considered investment grade. Impairment loss on the bank balances is therefore not material.

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

(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.

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

9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 cost or carrying amount approximates the fair value.

	Carrying amount		Fair value	
	31 Dec 2020	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Financial Assets				
Balance held in mobile money trust	1,134,145	1,376,214	1,134,145	1,376,214
Total financial assets	**1,134,145**	**1,376,214**	**1,376,214**	**1,376,214**
Financial Liabilities				
Mobile money wallet balance	1,134,045	1,376,114	1,134,045	1,376,114
Total financial liabilities	**1,134,045**	**1,376,114**	**1,134,045**	**1,376,114**

10. CAPITAL MANAGEMENT

The principal activity of the Company is to hold the funds for Airtel Money E-value account holders, in the trust. The company does not trade and is not allowed to deal in these funds otherwise than to settle obligations arising from genuine transaction of Airtel Mobile Commerce E-value. The principal obligation of the company is not to maximize wealth but to safeguard third party funds.

The capital structure of the company consists of money held under trust. In order to maintain or adjust the capital structure, the company may return loan capital to shareholders, issue new shares or sell assets to reduce debt.

11. OPERATIONS

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

12. COMPARATIVES

Where necessary, comparative figures have been adjusted to take into account changes in the presentation.

13. COMMITMENTS AND LEGAL CASES

Capital commitments

There was no capital commitment entered into by the company as at the reporting date. (2019: None).

Legal claim

There were no known legal cases against the company as at the reporting date. (2019: None).

14. 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.