AIRTEL MONEY TRANSFER LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2020

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Airtel Money Transfer Limited
Company Information

DIRECTORS
Mr. Prasanta Das Sarma *
Mr. Japhet Kinyua Aritho**

* Indian
** Kenyan

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

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

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

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

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 Money Transfer Limited.

1. PRINCIPAL ACTIVITIES

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

2. RESULTS

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

	2020	2019
Profit / (Loss) before tax	5,808	(620,557)
Tax	-	-
Profit /(Loss) after tax	**5,808**	**(620,557)**

3. DIRECTOR'S

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

Name	Nationality	Role
Mr. Prasanta Das Sarma	Indian	Director
Mr. Japhet Kinyua Aritho	Kenyan	Director

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

4. GOVERNANCE

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

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

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

5. DISCLOSURE OF INFORMATION TO AUDITORS

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

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

23rd March 2021

Airtel Money Transfer Limited
Statement of Directors' Responsibilities on the Financial Statements
(All amounts are in KSH, unless stated otherwise)

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

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

(i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;

(ii) selecting suitable accounting policies and applying them consistently; and

(iii) making accounting estimates and judgements that are reasonable in the circumstances.

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

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

....
P D Sarma
Director

....
Japhet Aritho
Director

Deloitte.

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

Tel: +254 (0) 20 423 0000
Cell: +254 (0) 719 039 000
Dropping Zone No.92
Email: admin@deloitte.co.ke
www.deloitte.com

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

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Airtel Money Transfer Limited, ("the company"), set out on pages 9 to 26, which comprises of the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 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.

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

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

INDEPENDENT AUDITORS' REPORT (Continued)
TO THE MEMBERS OF AIRTEL MONEY TRANSFER 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 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.

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

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

Airtel Money Transfer Limited
Statement of Profit or Loss and other Comprehensive Income
(All amounts are in KSH, unless stated otherwise)

	Notes	For the year ended 31 Dec 2020	For the year ended 31 Dec 2019
Income			
Revenue	7	2,155,974	21,310
		2,155,974	21,310
Expenses			
Other expenses	8	1,971,660	726,264
		1,971,660	726,264
Operating Profit		**184,314**	**(704,954)**
Finance cost	9	178,506	(84,397)
Profit/(Loss) before tax		**5,808**	**(620,557)**
Tax expense	13	-	-
Profit/(Loss) for the period		**5,808**	**(620,557)**
Other comprehensive income		-	-
Total comprehensive income for the period		**5,808**	**(620,557)**

Airtel Money Transfer Limited
Statement of Financial Position
(All amounts are in KSH, unless stated otherwise)

	Notes	As of 31 Dec 2020	As of 31 Dec 2019
Assets			
Current Assets			
Financial Assets			
Trade and other receivables	10	188,160,102	3,797,007
Cash and cash equivalents	4	63,003,869	23,671,787
Other Current Assets	12	603,500	618,760
		251,767,471	28,087,554
Total Assets		**251,767,471**	**28,087,554**
Liabilities			
Current Liabilities			
Trade and other payables	11	212,382,220	8,708,111
		212,382,220	8,708,111
Total Liabilities		**212,382,220**	**8,708,111**
Net Assets		**39,385,251**	**19,379,443**
Equity			
Ordinary share capital	5	40,000,000	20,000,000
Accumulated profit		(614,749)	(620,557)
Total Equity		**39,385,251**	**19,379,443**

The financial statements on pages 9 to 26 were approved and authorized by the Board of directors on .23rd......March.......2021 and signed on its behalf by:

....

PD Sarma
Director

Japhet Aritho
Director

Airtel Money Transfer Limited
Statement of Changes in Equity
(All amounts are in KSH, unless stated otherwise)

	Share Capital		Retained Earnings	Total Equity
	No of Shares	Amount		
As at 1 Jan 2019	2,000,000	20,000,000	-	20,000,000
Profit /(Loss) for the year	-	-	(620,557)	(620,557)
Balance at 31 Dec 2019		**20,000,000**	**(620,557)**	**19,379,443**
As at 1 Jan 2020	2,000,000	20,000,000	(620,557)	19,379,443
Profit /(Loss) for the year	-	-	5,808	5,808
Issue of share capital	2,000,000	20,000,000	-	20,000,000
Balance at 31 Dec 2020	**4,000,000**	**40,000,000**	**(614,749)**	**39,385,251**

Airtel Money Transfer Limited
Statement of Cash Flow
(All amounts are in KSH, unless stated otherwise)

	Note	As of 31 Dec 2020	As of 31 Dec 2019
Cash flows from operating activities			
Profit/(Loss) before taxation		5,808	(620,557)
Operating cash flow before changes in working capital			
Changes in working capital			
Decrease/(Increase) in trade and other receivables		(184,363,096)	(3,797,007)
Increase/(Decrease) in other current assets		15,260	(618,760)
Increase/(Decrease) in Trade Payable		203,674,110	8,708,111
Net cash generated from operating activities (a)		19,332,082	3,671,787
Cash flows from investing activities		-	-
Net cash used in investing activities (b)			
Cash flows from financing activities			
Proceeds from issuance of share capital		20,000,000	-
Net cash (used)/generated from financing activities (c)		20,000,000	20,000,000
Increase in cash and cash equivalents during the period (a+b+c)		39,332,082	23,671,787
Cash and cash equivalents as at beginning of the period		23,671,787	20,000,000
Cash and cash equivalents as at end of the period	4	**63,003,869**	**23,671,787**

1. GENERAL INFORMATION

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

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

The parent company of this operation is Airtel Networks Kenya Limited. The principal activity of the Company is to carry on business as a money remittance operator dealing in inbound and outbound international money transfers.

2. 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.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICES (continued)

b) Basis of preparation (continued)

value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The three levels of the fair-value-hierarchy are described below:

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

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

c) Foreign currency transactions

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

In preparing the financial statements of the company, transactions in currencies other than the company's functional currency (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 Consolidated 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.

d) Revenue recognition

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

- **Service Revenue**

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

2. SIGNIFICANT ACCOUNTING POLICES (continued)

e) Taxes

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

a. Current tax

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

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

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

b. Deferred tax

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICES (continued)

f) Cash and cash equivalents

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

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

For the purpose of the statement of cash flows, in addition to above items, any bank overdrafts that are integral part of the Group's cash management, are also included as a component of cash and cash equivalents.

g) Financial Instruments

a) Recognition, classification and presentation

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

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

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

b) Measurement - Non-derivative financial instruments

I. Initial measurement

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

II. Subsequent measurement - financial assets

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

- **Financial assets measured at amortised cost**

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

2. SIGNIFICANT ACCOUNTING POLICES (continued)

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).

c) Derecognition

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

Cash and cash equivalents, trade receivables and prepayments are the financial assets of the Company. Financial liabilities comprise the amounts to related parties arising from international money transfers. All financial assets and liabilities are valued at amortized cost due to their nature and fair value of the same approximate the carrying amount due to short term nature.

h) Statement of Cash flows

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

i) 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.

j) Provisions

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

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

k) Contingencies

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

l) Critical accounting estimates and judgments

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

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

a) 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.

3. Amendments to References to the Conceptual Framework in IFRS Standards
4. 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.

4. CASH AND CASH EQUIVALENTS

	As of	
	31 Dec 2020	**31 Dec 2019**
Cash in hand (E-value)	23,004,469	3,672,387
Cash at bank	39,999,400	19,999,400
Total	**63,003,869**	**23,671,787**

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

5. SHARE CAPITAL AND SHAREHOLDING

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

Name of Share Holder	No. of Shares
Airtel Networks Kenya Limited	3,999,999
Bharti Airtel Africa B.V.	1
	4,000,000
Authorized:	
4,000,000 ordinary shares of KShs. 10 each	40,000,000
	========
Issued and fully paid:	
4,000,000 ordinary shares of KShs. 10 each	40,000,000
	========

In current year, company has issued 2,000,000 ordinary shares of KShs. 10 each to Airtel Networks Kenya Limited (Parent company).

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

MARKET RISK

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

- ***Foreign Exchange Risk***

The company's currency risk arises mainly from fluctuation of the Kenya Shilling against the US Dollar since the company has liabilities and receivables from related parties that are denominated in US Dollar. The company manages foreign exchange risk by converting its foreign currency

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

balances into local currency on an on-going basis to cater for its operational requirements. The sensitivity analysis has been prepared on the basis that the trade receivables, payables and the proportion of financial instruments in foreign currencies are all constant.

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

At 31 December 2020, if the KShs had weakened/strengthened by 5% against the US dollar with all other variables held constant, post tax profit/(loss) for the period would have been KShs. 5,882,880 (2019: KShs. 68,275) lower/higher, mainly as a result of US dollar denominated trade receivables and payables. There would be no impact on equity.

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

	2020	2019
Assets in foreign currencies		
Trade receivables	117,678,900	3,608,491
Total Assets	**117,678,900**	**3,608,491**
Liabilities in foreign currencies		
Trade and other payables	21,307	2,242,986
Total Liabilities	**21,307**	**2,242,986**
Net foreign currency Asset	**117,657,593**	**1,365,505**

CREDIT RISK

Credit risk also arises from cash and deposits with banks and financial institutions, amounts from related parties and trade and other receivables. The company has no significant concentrations of credit risk. Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Trade Receivable

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

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

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

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

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

31-Dec-20	Gross carrying amount	Loss allowance	Net amount
Cash and cash equivalent	63,003,869	-	63,003,869
Trade and other receivable	188,160,102	-	188,160,102
	251,163,971	**-**	**251,163,971**

31-Dec-19	Gross carrying amount	Loss allowance	Net amount
Cash and cash equivalent	23,671,787	-	20,667,356
Trade and other receivable	3,797,007	-	7,420,198
	28,087,554	**-**	**28,087,554**

LIQUIDITY RISK

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Totals
At 31 December 2020:				
Liabilities				
Amounts due to related companies	211,954,221	-	-	211,954,221
Provisions	428,000	-	-	428,000
Total financial liabilities	**212,382,221**	**-**	**-**	**212,382,221**
At 31 December 2019:				
Liabilities				
Amounts due to related companies	8,708,110	-	-	8,708,110
Total financial liabilities	**8,708,110**	**-**	**-**	**8,708,110**

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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**	
	2020	**2019**	**2020**	**2019**
Financial Assets				
Trade and other receivable	188,160,102	3,797,007	188,160,102	3,797,007
Cash and cash equivalents	63,003,869	23,671,787	63,003,869	23,671,787
Total financial assets	**251,163,971**	**27,468,794**	**251,163,971**	**27,468,794**
Financial Liabilities				
Trade and other payables	212,382,221	8,708,110	212,382,221	8,708,111
Total financial liabilities	**212,382,221**	**8,708,110**	**212,382,221**	**8,708,111**

7. REVENUE

	2020	2019
Service Revenue	2,155,974	21,310
	2,155,974	21,310

8. OTHER EXPENSES

	2020	2019
Other Administration Expenses	648,000	0
License Fees	100,000	0
Network Charges	1,223,660	726,264
	1,971,660	**726,264**

9. FINANCE COST/(INCOME)

	2020	2019
Foreign exchange Loss/(Gain)	137,413	(84,997)
Bank charges	41,094	600
	178,506	**(82,378)**

10. TRADE AND OTHER RECEIVABLES

	2020	2019
Amounts due from related parties	188,160,102	3,797,007
	188,160,102	**3,797,007**

11. RELATED PARTY TRANSACTIONS

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

	As of		
	31 Dec 2020	**31 Dec 2019**	**Relationship**
Receivable from related parties			
Airtel Networks Kenya Limited	70,481,203	188,516	Immediate parent
Airtel Mobile Commerce Zambia Ltd	7,969,338	155,141	Fellow subsidiary
Airtel Rwanda Ltd	-	244,159	Fellow subsidiary
Airtel Money Tanzania Limited	1,167,657	3,096,493	Fellow subsidiary
Airtel Mobile Commerce Ltd-Malawi	108,541,904	112,698	Fellow subsidiary
	188,160,102	3,797,007	
Payable to related parties			
Airtel Networks Kenya Limited	211,932,913	6,465,124	Immediate parent
Airtel Mobile Commerce Zambia Ltd	-	353,860	Fellow subsidiary
Airtel Rwanda Ltd	21,307	535,040	Fellow subsidiary
Airtel Money Tanzania Limited	-	1,275,721	Fellow subsidiary
Airtel Mobile Commerce Ltd-Malawi	-	78,366	Fellow subsidiary
	211,954,221	8,708,110	

12. OTHER CURRENT ASSETS

	As of	
	31 Dec 2020	**31 Dec 2019**
Prepaid Expenses	603,500	618,760
	603,500	**618,760**

13. INCOME TAX

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

	2020	**2019**
Profit before tax	5,808	(620,557)
Enacted tax rates in the country	30%	30%
Tax expense with enacted rate	1,742	(186,167)
Effect of:		
Expenses (net) not deductible	66,000	-
Items for which no deferred tax asset recognised	(67,742)	186,167
Income tax expense	-	-

14. DEFERRED TAX

Deferred income tax is calculated using the tax rate of 30% (2019: 30%). The movement of the deferred income tax account is as follows

	2020	**2019**
At the start of the year	186,167	-
Deferred Tax Liability on unrealised gain	(63,599)	(25,319)
Deferred Tax Asset on Taxable Profit/(Loss)	(4,143)	211,486
Unrecognised asset	(118,425)	(186,167)
Net Deferred Tax Asset	-	-

A deferred tax asset of Kshs. 118,425 (2019: Kshs 186,167) has not been recognized in the financial statement as it is not probable that future taxable profits will be available against which the deferred tax asset can be utilized. The company's tax losses can be carried forward for ten years for offsetting.

15. OPERATIONS

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

16. COMMITMENTS AND CONTIGENCIES

Capital commitments

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

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

17. COMPARATIVES

Where necessary, comparative figures of 2019 have been reclassified to conform to changes in presentation in the current year.

19. EVENTS AFTER THE REPORTING DATE

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