

AIRTEL MONEY TRANSFER LIMITED
ANNUAL REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2019

Airtel Money Transfer Limited
Annual Report and Financial Statements
For the year ended 31 December 2019

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Airtel Money Transfer Limited
Company Information
For the year ended 31 December 2019

DIRECTORS

Mr Prasanta Das Sarma *
Mr Japhet Aritho** (Appointed on 15th May 2019)

* 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

Airtel Money Transfer Limited
Directors' Report
For the year ended 31 December 2019

The directors submit their report together with the audited financial statements for the year ended 31 December 2019, which discloses the state of financial 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.

	2019	2018
	KShs	KShs
Loss before taxation	(620,557)	-
Taxation	-	-
Loss after taxation	(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	Appointed on 15 th May 2019
Mr. Rajeev Sethi	Indian	Director	Resigned on 15 th May 2019

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

4. GOVERNANCE

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

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

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

5. DISCLOSURE OF INFORMATION TO AUDITORS

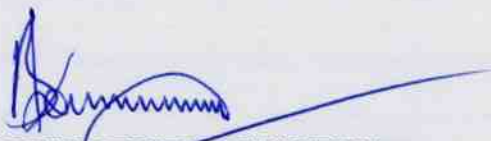
Each director confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware and that each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that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

Airtel Money Transfer Limited
Directors' Report (Continued)
For the year ended 31 December 2019

6. AUDITORS

Deloitte & Touché, 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

25th March 2020

Airtel Money Transfer Limited

**Statement of Directors' report on the Financial Statements
For the year ended 31 December 2019**

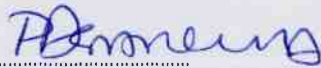
The Kenyan Companies Act, 2015 requires the Directors to **prepare** financial statements for each financial year that give a true and fair view of the financial position of the company as at the end of the financial year and of its profit or loss for that year. It also requires the Directors to ensure 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 26th March 2020 and signed on its behalf by:



**P D Sarma
Director**



**Japhet Aritho
Director**

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Airtel Money Transfer Limited, ("the company"), set out on pages 9 to 25, which comprise the statement of financial position as at 31 December 2019, and 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 2019, 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 Directors' Report as required by the Kenya Companies Act, 2015. The other information does not include the financial statements and our auditor's report thereon.

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

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

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

Report on the Audit of the Financial Statements (Continued)

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional 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 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
TO THE MEMBERS OF AIRTEL MONEY TRANSFER LIMITED (Continued)**

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 Directors' Report on pages 3 to 4 is consistent with the financial statements.



**Certified Public Accountants (Kenya)
Nairobi**



-----2020

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

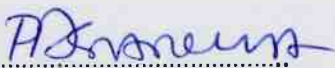
Airtel Money Transfer Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2019

	Notes	Dec-19 KShs	Dec-18 KShs
Revenue	7	21,310	-
		21,310	-
Other expenses	8	(726,264)	-
Finance income	9	84,397	-
Loss before tax		(620,557)	-
Tax expense		-	-
Loss for the year		(620,557)	-

Airtel Money Transfer Limited
Statement of Financial Position
For the year ended 31 December 2019

		2019	2018
Current Assets	Notes	KShs	KShs
Trade and other receivables	10	7,420,198	-
Cash and cash equivalents	4	20,667,356	20,000,000
Total Assets		28,087,554	20,000,000
Equity and Liabilities			
Equity			
Ordinary share capital	5	20,000,000	20,000,000
Accumulated Loss		(620,557)	-
Total Equity		19,379,443	20,000,000
Current Liabilities			
Trade and other payables	11	8,708,111	-
Total Current Liabilities		8,708,111	-
Total Equity and Liabilities		28,087,554	20,000,000

The financial statements on pages 9 to 25 were approved and authorized by the Board of directors on 26th March 2020 and signed on its behalf by:



PD Sarma
Director



Japhet Aritho
Director

Airtel Money Transfer Limited
Statement of Changes in Equity
For the year ended 31 December 2019

	Notes	Ordinary Share Capital Kshs	Accumulated loss Kshs	Total Kshs
Year ended 31 December 2019				
Balance as at 1 January 2019		20,000,000	-	20,000,000
Loss for the year		-	(620,557)	(620,557)
Balance as at 31 December 2019	5	20,000,000	(620,557)	19,379,443
		=====	=====	=====
Year ended 31 December 2018				
Balance as at 1 January 2018		-	-	20,000,000
Capital invested during the year		20,000,000	-	-
Balance as at 31 December 2018	5	20,000,000	-	20,00,000
		=====	=====	=====

Airtel Money Transfer Limited
Statement of Cash Flows
For the year ended 31 December 2019

	2019	2018
	KShs	KShs
Cash flows from Operating Activities		
Profit for the current year	(620,557)	-
Adjustments for:		
Changes in working capital		
(Increase)/Decrease in Trade and other receivables	(7,420,198)	-
Increase/(Decrease) in Trade and other payables	8,708,111	-
Net cash from operating activities	<u>667,356</u>	<u>-</u>
Cash flows from Financing Activities		
Share issuance proceeds	-	20,000,000
Net cash from Financing activities	<u>-</u>	<u>20,000,000</u>
Net increase in cash and cash equivalents	<u>667,356</u>	<u>20,000,000</u>
Cash and Cash Equivalents at the start of the year	20,000,000	-
Cash and Cash Equivalents at the end of the year	<u>20,667,356</u>	<u>20,000,000</u>

Airtel Money Transfer Limited
Notes to the Financial Statements
For the year ended 31 December 2019

1. GENERAL INFORMATION

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(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 profit or loss. 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 presented in Kenya Shillings and are prepared under the historical cost convention, unless otherwise stated in the accounting policies below.

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 2(l).

(c) Functional and presentation currency

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 recorded at the rates of exchange prevailing as at the dates of the transactions.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rate prevailing at that date. Exchange gains and losses resulting in the settlement of foreign currency transactions and from the revaluation of monetary assets and liabilities denominated in foreign currency as at the closing date are recognized in profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

d) Revenue recognition

Revenue arises from billing customers for cross border P2P (person to person) transactions.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payments and excluding taxes or duty. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the transactions have been resolved.

e) Taxes

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation. The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date.

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 historical financial information.

No taxes were accrued for in the year because of the loss incurred and any deferred tax asset on tax losses would not reverse in the near future hence not recognised.

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 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.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

g) Financial instruments

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) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: These are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly

Level 3: These are unobservable inputs for the asset or liability

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.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

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 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 2019

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

i. IFRS 16 Leases

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

ii. Amendments to IFRS 9 Prepayment Features with Negative Compensation

The Company has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

iii. Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IAS 12 Income Taxes and IAS 23 Borrowing Costs

The Company has adopted the amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year. The Annual Improvements include amendments to four Standards:

IAS 12 Income Taxes: The amendments clarify that the Company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Company originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs: The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

iv. Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The Company has adopted the amendments of IAS 19 for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that

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

New and amended IFRS Standards that are effective for the current year ended 31 December 2019 (Continued)

may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Company will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

v. IFRIC 23 Uncertainty over Income Tax Treatments

The Company has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Company to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:

If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.

If no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

(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.

Amendments to IAS 1 and IAS 8	<i>Definition of material</i>
Conceptual Framework	<i>Amendments to References to the Conceptual Framework in IFRS Standards</i>

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, except as noted below:

i. Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards.

New and amended IFRS Standards that are effective for the current year ended 31 December 2019 (Continued)

The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

ii. Amendments to References to the Conceptual Framework in IFRS Standards.

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASB Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

Airtel Money Transfer Limited
Notes to the Financial Statements
For the year ended 31 December 2019

4. CASH AND CASH EQUIVALENTS

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

	2019	2018
	KShs	KShs
Cash at bank	19,999,400	20,000,000
Cash in hand (E-value)	667,956	-
	<u>20,667,356</u>	<u>20,000,000</u>

5. SHARE CAPITAL AND SHAREHOLDING

The shareholding of the Company as at 31 December 2019 is as stated below: -

Name of Share Holder	No. of Shares
Airtel Networks Kenya Limited	1,999,999
Bharti Airtel Africa B.V.	<u>1</u>
	<u>2,000,000</u>

Authorized:
2,000,000 ordinary shares of KShs. 10 each 20,000,000
=====

Issued and fully paid:
2,000,000 ordinary shares of KShs. 10 each 20,000,000
=====

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 programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance, but the company does not hedge any risks.

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

MARKET RISK

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

Foreign Exchange Risk

The company's currency risk arises mainly from fluctuation of the Kenya Shilling against the US Dollar since the company has liabilities and receivables from related parties that are denominated in US Dollar. The company manages foreign exchange risk by converting its foreign currency balances into local currency on an on-going basis to cater for its operational requirements.

The sensitivity analysis has been prepared on the basis that the trade receivables, payables and the proportion of financial instruments in foreign currencies are all constant.

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

At 31 December 2019, if the KShs had weakened/strengthened by 5% against the US dollar with all other variables held constant, post tax profit for the period would have been KShs 245,555 (2018: Nil) 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;

	2019	2018
	KShs	KShs
Assets in foreign currencies		
Trade receivables	3,797,007	-
Total Assets	3,797,007	-
Liabilities in foreign currencies		
Trade and other payables	8,708,111	-
Total Liabilities	8,708,111	-
Net foreign currency liability	(4,911,104)	-

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

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

	Note	Internal/ external rating	12 month s or lifetim e ECL	Gross carrying amount	Loss allowance	Net amount
31-Dec-19				KShs	KShs	KShs
Cash and cash equivalents	6	Investment grade	12 months ECL	20,667,356	-	20,667,356
Trade and other receivables	6	Investment grade	12 months ECL	7,420,108	-	7,420,198
				28,087,554	-	28,087,554

	Note	Internal/ external rating	Incurr ed loss model (IAS 39)	Gross carrying amount	Loss allowance	Net amount
31-Dec-18				KShs	KShs	KShs
Cash & cash equivalents	6	Investment grade	12 months ECL	20,000,000	-	20,000,000
				20,000,000	-	20,000,000

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

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

LIQUIDITY RISK

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

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

	2019 KShs
Liabilities	
Trade and other payables (Less than one year)	8,708,111 =====

Fair values of financial assets and liabilities

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

	Carrying amount		Fair value	
	2019 KShs	2018 KShs	2019 KShs	2018 KShs
Financial Assets				
Trade and other receivables	7,420,198	-	7,420,198	-
Cash and cash equivalents	<u>20,667,356</u>	<u>20,000,000</u>	<u>20,667,356</u>	<u>20,000,000</u>
Total financial assets	<u>28,087,554</u>	<u>20,000,000</u>	<u>28,087,554</u>	<u>20,000,000</u>
Financial Liabilities				
Amount due from related parties	<u>8,708,111</u>	-	<u>8,708,111</u>	-
Total financial liabilities	<u>8,708,111</u>	<u>-</u>	<u>8,708,111</u>	<u>-</u>

The amount due to related parties relate to payables arising from the cross-border mobile money transfer. The company commenced trading activities in March 2019.

Airtel Money Transfer Limited
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7. REVENUE

	2019	2018
	KShs	KShs
Service Revenue	21,310	-
	<u>21,310</u>	<u>-</u>

8. OTHER EXPENSES

Operating expenses	726,264	-
	<u>726,264</u>	<u>-</u>

9. FINANCE INCOME

Foreign exchange gain	(84,997)	-
Bank charges	600	-
	<u>(84,397)</u>	<u>-</u>

10. TRADE AND OTHER RECEIVABLES

Prepayments	3,623,191	-
Amounts due from related parties	3,797,007	-
	<u>7,420,198</u>	<u>-</u>

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;

	2019	
	Kshs	
(a) Receivable from related parties		Relationship
Airtel Rwanda Limited	3,096,493	Fellow subsidiary
Airtel Tanzania Limited	244,159	Fellow subsidiary
Airtel Networks Kenya Limited	188,516	Immediate parent
Airtel Networks Zambia Plc	155,141	Fellow subsidiary
Airtel Malawi Limited	112,698	Fellow subsidiary
	<u>3,797,007</u>	
(b) Payable to related parties		
Airtel Networks Kenya Limited	6,465,124	Immediate parent
Airtel Tanzania Limited	1,275,721	Fellow subsidiary
Airtel Rwanda Limited	535,040	Fellow subsidiary
Airtel Networks Zambia Plc	353,860	Fellow subsidiary
Airtel Malawi Limited	78,366	Fellow subsidiary
	<u>8,708,111</u>	

12. CAPITAL MANAGEMENT

The principal activity of the Company is to carry out cross border mobile money transfers. The capital structure of the company consists of cash and cash equivalents. In order to maintain or adjust the capital structure, the company may return capital to shareholders or issue new shares.

13. OPERATIONS

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

14. COMMITMENTS AND CONTIGENCIES

Capital commitments

There were no capital commitments entered into by the company as at the reporting date. (2018: None).

Legal claims

There were no known legal cases against the company as at the reporting date. (2018: None).

15. 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.