



TrustGro SCA Limited

Annual Report and Financial Statements
for the year ended 31 December 2024



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Country of incorporation and domicile

Kenya

Nature of business and principal activities

Microfinance

Directors

Dr C M Munyua	- Chairperson
I O Miencha	
J M Mwirichia	
T Mutesva*	
S Gikonyo	- Appointed on 7 November 2024

* Zimbabwean

Registered office

1st Floor Avocado Towers
Muthithi Road, Westlands
Nairobi
Kenya

Postal address

P.O Box 5483-00100
Nairobi
Kenya

Parent company

Finclusion Group Limited

Principal Bankers

KCB Bank Limited
Stanbic Bank Kenya Limited
Ecobank Kenya Limited

Independent Auditor

PricewaterhouseCoopers LLP
PwC Tower, Waiyaki Way
P.O Box 43963-00100
Nairobi
Kenya

Secretary

Nile registrars

Company registration number

54186

Company highlights

Who we are

Fin Kenya, formally known as TrustGro SCA Limited is a financial services institution with a tech-based offering that includes financial wellness, embedded credit, insurance, and AI driven credit modeling solutions.

Fin Kenya is a wholly-owned subsidiary of Finclusion Group Limited, a Mauritius based high impact investment holding company.

Fin Kenya was founded in 1993 and acquired by Finclusion Group Limited in 2020. In 2022, the institution was rebranded to Fin Kenya from TrustGro SCA Limited.

Fin Kenya is well positioned to be Kenya's superlative financial institution by providing its customers with a holistic digital ecosystem to meet every financial need.

Fin Kenya's objective is to serve the MSMEs and underserved populace.

Our Mission What we are doing everyday.

We enhance the quality of life of our customers through simple, convenient, and appropriate financial services.

Our Vision What we will achieve in time as we continue to do what we do every day.

We are creating an ecosystem where people and organisations can access financial solutions that help them meet their objectives.

Our Values The lens through which we are doing what we do everyday.

People

The building blocks of families, communities, and nations are people. We seek to connect with our stakeholders as people and create an environment where we share what motivates us to create lasting bonds.

Innovation

We are never satisfied with the status quo and relentlessly seek to improve. Innovation is a natural output when we understand people's motivations individually and work together as teams towards a shared vision.

Teamwork

When pursuing our mission and vision, our methodology is founded on collaboration and working as a team to solve the problems we all face.

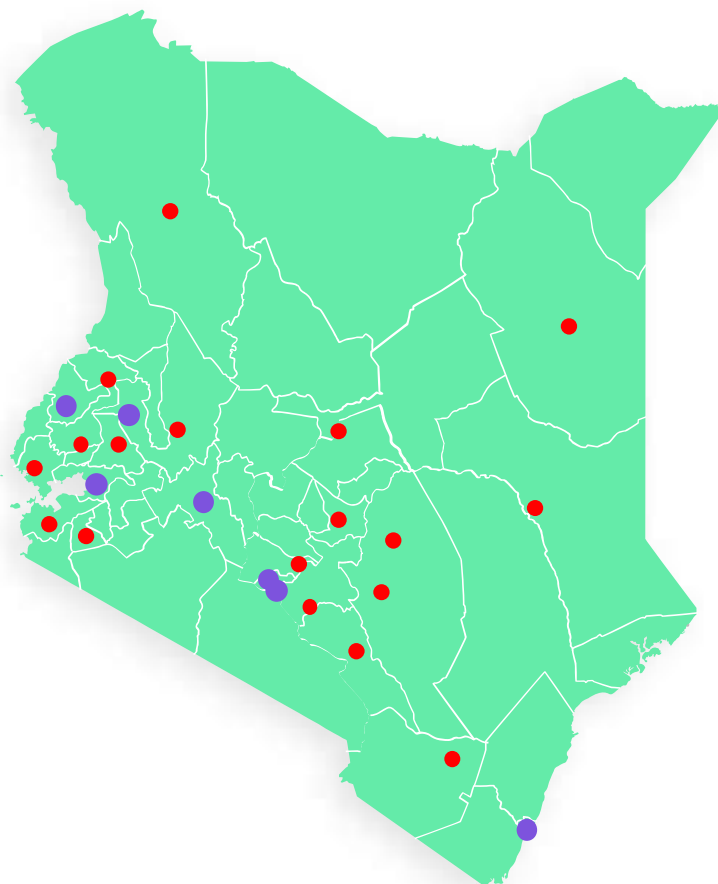
Integrity

We believe in being authentic.
We believe in standing for what is right.
What we say is what we do.

Who we are (continued)

Together with our partners, we provide credit, savings, insurance and more, in a **fast, convenient and reliable** manner.

- Fin Kenya runs a digitally-enabled lending model focused on servicing individual and MSMEs distribution through digital channels, partners and branches.
- Fin Kenya offers secured options such as vehicle logbook and asset finance loans, and unsecured offerings, like government and private payroll loans, along with salary advances.



Partners:

164

Employees:

56

Agents:

210

Customers:

>8,500

APR:

55%

Loan Book:

KES1.04B



Branches

Nairobi – CBD, Nairobi – Westlands, Nakuru, Eldoret, Kisumu, Bungoma, Mombasa.



Satellites

Kapsabet, Kitale, Kakamega, Kisii, Embu, Homabay, Kabarnet, Wajir, Isiolo, Mwingi, Thika, Garissa, Machakos, Kitui, Voi, Makeni, Lowdar.

Our people

Kenya

NUMBER OF EMPLOYEES

56  **31**  **25**

As of December 2024

-  A high-performance and value-driven culture
-  A dedicated focus on diversity and inclusion
-  Deepening digital skills and ways of 'agile' working
-  Opportunities for growth, development, and mobility across the Group
-  Significant investment into up-skilling our staff through education and higher-learning initiatives.



Product information

Ensuring our customers can access what they need to take their businesses or personal life to the next level is a top priority.

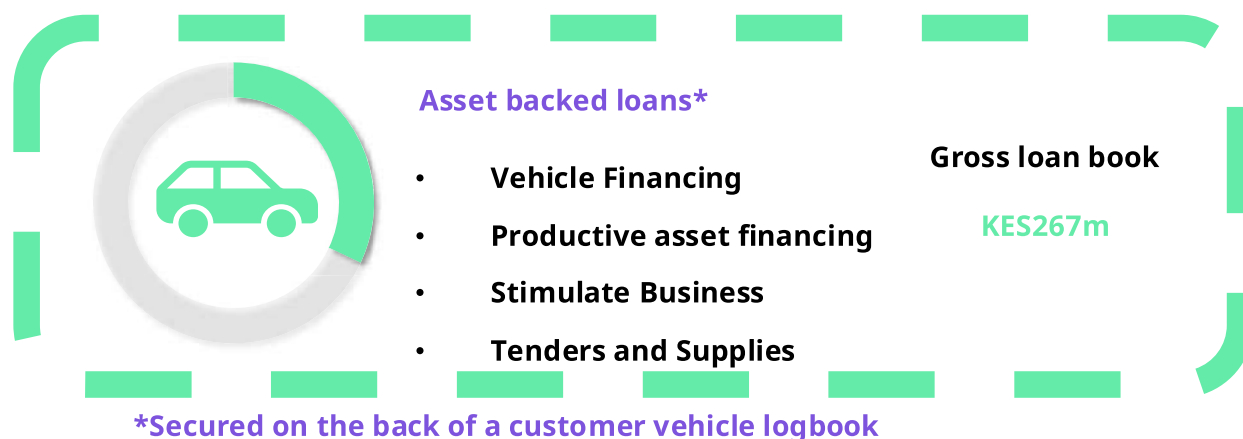
Fin Kenya provides MSMEs and employed individuals with affordable vehicle financing, allowing businesses to gain much-needed mobility, allowing them to take their operations to the next level and thereafter, access working capital or project financing through the Vehicle Logbook loans.

Fin Kenya's largest customer segment comprises civil servants and other government union workers, to whom we provide credit products deducted via payroll deduction, allowing them access to education, medical support, financial support for their secondary income generating activities, including farming, whilst providing the much needed family support.

Our products are designed to allow easy and efficient access to significant loan sizes, so that Fin Kenya, can where our customers need us most.

Embedded credit portfolio

Our secured product portfolio



Asset finance loans Fin Kenya provides MSMEs and employed individuals with affordable vehicle financing, allowing businesses to gain much-needed mobility, allowing them to take their operations to the next level and thereafter, working capital or project financing.

Vehicle logbook loans Once a client has paid off their vehicle, we recommend maintaining the collateral to enable easier processing of subsequent loans in funding working capital, contract finance or general business support.

Our Target Market Our ideal customer is an MSME who makes use of vehicles in their day-to-day operations.



Male/female: 50/50



Age: +30 years



Income bracket: +KES80,000

Product information (continued)

Legacy credit portfolio

Our unsecured product portfolio



Payroll Long term financing for clients looking to grow a side hustle or fund their family's personal development.

Salary advance For privately employed clients who are looking for immediate access to short term financing.

Insurance premium finance



The cover is provided through mTek's digital system, The mTek platform enables customers to buy insurance directly from the insurer, compare insurance policies, and file claims directly to the insurer from the convenience of their smart devices, all within seconds.

Our Target Market



Male/female: 50/50



Age: +25 years



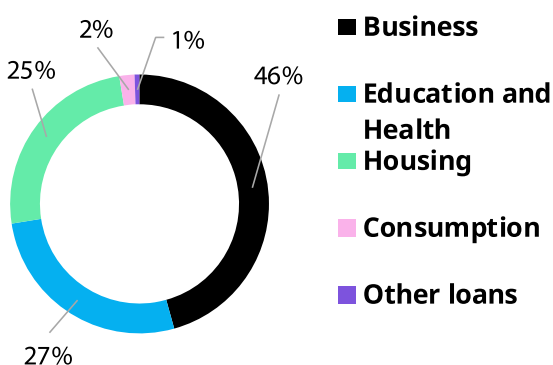
Income bracket: +KES20k

Customer demographics

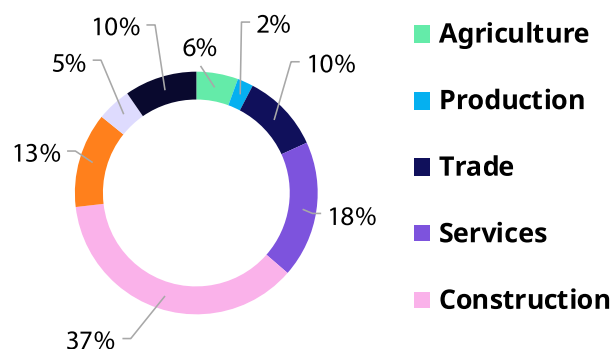
Fin Kenya's customer demographics

Customer use of funds (% of gross portfolio)

Employee portfolio

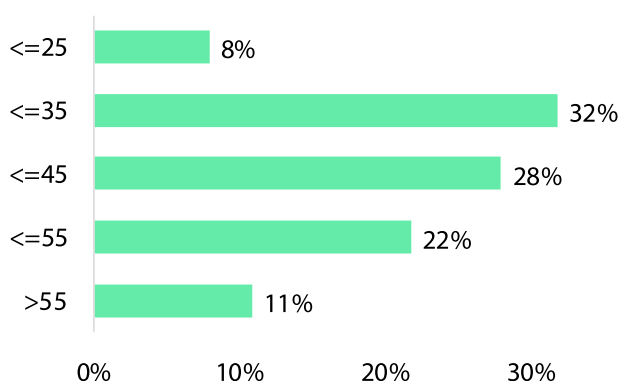


MSME portfolio

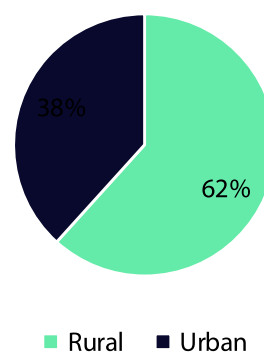


Customer profile

Age Split(%)



Geography split (%)



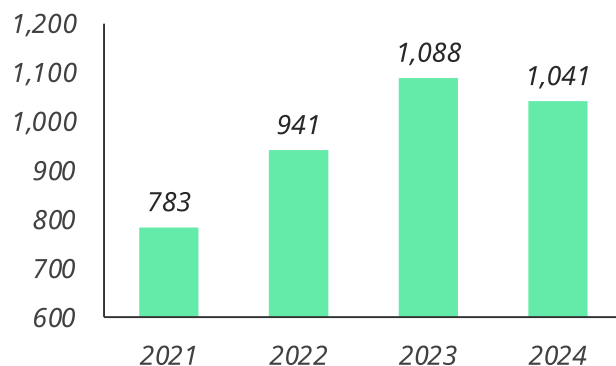
Average loan: **KES 84k**

Average income: **KES 50k**

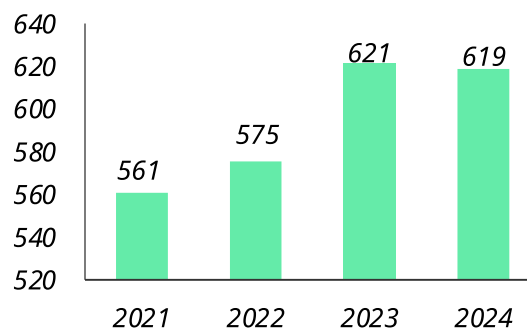
Financial Overview

Undertaking credit quality measures for sustainable profitability.

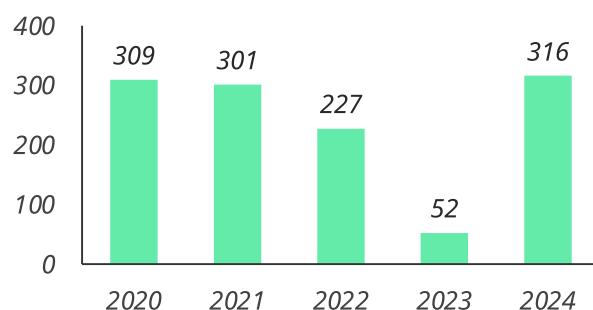
Gross loan book (KESm)



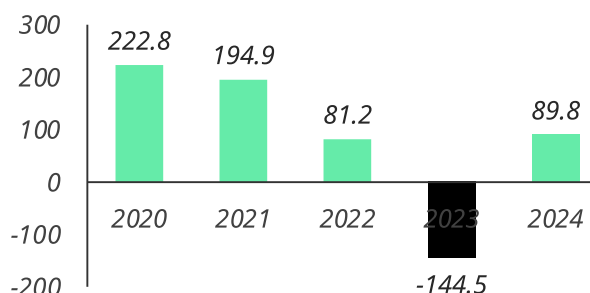
Revenue (KESm)



EBITDA (KESm)



Profit before tax (KESm)



- The loan cleanup exercise in March and May coupled with the reinforcement of credit decisioning process impacted the size of our loan book
- Favorable currency movements have helped offset impairment losses, contributing to an increase in EBITDA and a return to profitability.
- Equity capitalisation of **2.37x D/E** which is below our **3x limit**.

Social Impact

Fin positively impacting lives

Actively contributing towards the UN's Sustainable Development Goals

- Financial education
- Educational Loans
- Empowering small businesses:
- Credit rehabilitation

An MF Rating is the **social rating** that provides an expert opinion on the social performance management of a financial service provider and its capacity to put its mission into practice and achieve social goals.

In 2021, our **MFR** is **BB-**, meaning adequate social performance management and client protection systems and satisfactory **alignment to the social mission**.

No poverty

Quality education

Decent work & economic growth

Reduced inequalities



Sustainable, customer-centric financing designed to empower clients while fostering long-term financial stability and growth.

Fuelling growth beyond borders: Edward's success

January 2024: Edward, a farmer and spice producer, secures working capital from Fin Kenya, using his car as collateral and quickly repays within three months.

April 2024: Fin Kenya provides a larger loan to support Edward's expanded distribution of Kenyan-packaged spices across Kenya, Tanzania, and Uganda.

Impact: Edward's story highlights Fin Kenya's commitment to empowering SMEs with an influence that spans borders.



June 2023: Edith, a determined entrepreneur running a mini-mart and supplies business, secures her first loan from Fin Kenya to manage inventory and fulfil large orders.

September 2024: Fin Kenya extends a second loan to Edith, enabling her to expand her client base and meet growing demand.

Impact: Edith's story reflects Fin Kenya's commitment to supporting small business growth through reliable financial partnerships.

Note from the Managing Director



Dear Stakeholders,

I am pleased to share our financial results for the year ended 31 December 2024. This year has been one of resilience and strategic execution, despite a challenging macroeconomic landscape. Our performance underscores the strength of our business model, prudent financial management, and unwavering commitment to value creation.

Strong Financial Recovery We achieved a total profit before tax of Shs 90 million in 2024, a remarkable turnaround from the loss before tax of Shs 145 million in the previous year. This positive momentum was primarily driven by foreign exchange gains of Shs 187 million, stemming from the strengthening of the shilling. While interest income saw a slight dip to Shs 559 million from Shs 561 million in 2023, our net interest income remained robust at Shs 353 million, reinforcing the sustainability of our core operations.

Navigating a Challenging Operating Environment. The macroeconomic environment presented notable challenges, particularly in credit markets. Loan impairment provisions increased to Shs 167 million from Shs 101 million in 2023, reflecting cautious risk provisioning in response to economic headwinds. Additionally, net fee and commission income declined due to market pressures. Despite these factors, our strategic risk management framework has positioned us to withstand volatility while protecting shareholder value.

Cost Management and Operational Efficiency Our focus on cost management remained strong, with operating expenses slightly increasing to Shs 133 million. However, employee costs increased modestly to Shs 140 million, reflecting our continued investment in talent and operational excellence.

Solid Financial Position and Stability. Our balance sheet remains resilient, with total assets holding steady at Shs 1.63 billion. Notably, borrowings declined to Shs 958 million from Shs 1.04 billion, underscoring our disciplined approach to debt management. Shareholders' equity improved significantly to Shs 403 million from Shs 368 million, reflecting the Company's profitability and strategic capital management.

Outlook. As we navigate the upcoming year, we remain committed to sustainable growth, leveraging technology and customer-centric solutions to enhance our service offerings. While economic conditions remain uncertain, our resilience and strategic initiatives position us well to capture emerging opportunities and mitigate risks.

On behalf of the Board and management, I extend my appreciation to our stakeholders for their unwavering support. Together, we will continue to drive financial inclusion and create lasting value.



Serah Gikonyo
Managing Director

24 March 2025

Directors Report

1. Principal activities

TrustGro SCA Limited is incorporated and domiciled in Kenya with interests in the micro finance industry. The company operates principally in Kenya and is in the business of lending micro finance loans. There have been no material changes to the nature of the company's business from the prior year.

2. Business review

The Company recorded a profit before tax of Shs 90 million against a loss before tax of Shs 145 million recorded in the prior year. The profit was mainly driven by the favourable foreign exchange rates in the year with the Kenya Shilling appreciating against the USD and the EUR by 17% and 23% respectively resulting in FX gains of Shs 187 million.

Additionally, the deceleration of the inflation rate from 6.9% in January to 3% in December helped stabilize the cost environment, while the reduction in interest rates contributed to a more favourable borrowing climate.

Elevated taxes affected customers' purchasing power and credit obligations, leading to a general increase in industry NPLs, and consequently the 2024 impairments.

The company's loan book and total assets have remained largely steady year on year reflecting a strategic focus on maintaining financial stability and asset quality ensuring a robust balance sheet and positioning the company to navigate the dynamic economic landscape effectively.

Costs have remained largely under control as a result of streamlining our business operations to achieve better economies of scale while providing a premium service to our customers.

In order to enhance customer experience at all touch points, the Company introduced a 3-year strategy in 2023 to deliver business growth by tapping into new and existing opportunities.

The company continues to improve its products, services and technology to deliver on our mission statement.

3. Results and dividends

The profit for the year of Shs 36m (2023: loss of Shs 127m) has been added to / netted against the accumulated losses. The directors do not recommend payment of any dividend for the year (2023: Nil).

4. Directorate

The directors who held office during the year and to the date of this report are disclosed on page 1.

5. Disclosures to auditors

With respect to each director at the time this report was approved:

- a) there is, as far as each director is aware, no relevant audit information of which the company's auditor is unaware; and
- b) each director has taken all steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

6. Terms of appointment of auditors

PricewaterhouseCoopers LLP continues in office in accordance with the Company's Articles of Association and Section 719 of the Companies Act, 2015.

The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

By order of the Board:



Company Secretary

24 March 2025

Statement of Directors' Responsibilities

The Companies Act, 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company as at the end of the financial year and of its financial performance for the year then ended. The directors are responsible for ensuring that the Company keeps proper accounting records that are sufficient to show and explain the transactions of the Company; disclose with reasonable accuracy at any time the financial position of the Company; and that enables them to prepare financial statements of the Company that comply with prescribed financial reporting standards and the requirements of the Companies Act, 2015. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with IFRS Accounting Standards and in the manner required by the Companies Act, 2015. They also accept responsibility for:

- Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- Selecting suitable accounting policies and then apply them consistently; and
- Making judgements and accounting estimates that are reasonable in the circumstances.

Having assessed the Company's ability to continue as a going concern, the Directors have disclosed matters relating to the use of going concern basis of preparation in note 1 (a) of the financial statements.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the Board of Directors on 24 March 2025 and signed on its behalf by:



T Mutesva
Director



I O Miencha
Director



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TRUSTGRO SCA LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of TrustGro SCA Limited (the Company) set out on pages 17 to 51 which comprise the statement of financial position at 31 December 2024, the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended and the notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of TrustGro SCA Limited as at 31 December 2024, and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of the Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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 the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 on the other information, 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.

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Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu R Njoroge S O Norbert's B Okundi K Saiti



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TRUSTGRO SCA LIMITED (CONTINUED)

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the requirements of the 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 ISAs 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 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.



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TRUSTGRO SCA LIMITED
(CONTINUED)**

Auditor's responsibilities for the audit of the financial statements (continued)

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

We communicate with the directors 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 Companies Act, 2015

In our opinion the information given in the report of the directors on page 12 is consistent with the financial statements.

Bernice Kimacia

**CPA Bernice Kimacia, Practicing Certificate Number 1457
Engagement partner responsible for the audit**

**For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi**

24 March 2025



[Innovate, Integrate, Elevate.]

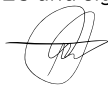
Statement of profit or loss and other comprehensive income

	Notes	Year ended 31 Dec 2024 Shs	Year ended 31 Dec 2023 Shs
Interest income	5	559,357,697	560,871,559
Interest expense	6	(206,145,014)	(180,580,289)
Net interest income		353,212,683	380,291,270
Loan impairment provisions	7	(166,858,769)	(100,986,059)
Net interest income after loan impairment charges		186,353,914	279,305,211
Fee and commission income	8	41,320,019	49,532,318
Fee and commission expense	8	(49,846,269)	(47,481,839)
Net fee and commission (expenses) /income		(8,526,250)	2,050,479
Other income	9	18,119,322	10,886,139
Operating expenses	10	(133,091,989)	(107,717,807)
Employee costs	11	(140,331,116)	(138,010,683)
Foreign exchange gains/ (losses)	12	186,997,329	(175,488,639)
Depreciation of right-of-use asset	19	(6,883,839)	(6,863,413)
Depreciation of property and equipment	18	(8,080,931)	(8,204,491)
Amortisation of intangible assets	20	(4,713,718)	(491,879)
		(87,984,942)	(425,890,773)
Profit/(loss) before income tax		89,842,722	(144,535,083)
Income tax (expense)/ credit	13	(54,309,896)	17,884,168
Profit/(loss) for the year		35,532,826	(126,650,915)
Other comprehensive income		-	-
Total comprehensive profit/ (loss) for the year		35,532,826	(126,650,915)

Statement of financial position

	Notes	2024 Shs	2023 Shs
Assets			
Cash and bank balances	14	226,548,474	25,977,039
Other receivables	15	168,002,755	109,985,713
Current income tax		34,633,911	16,762,441
Loans to customers	17	920,951,364	988,787,848
Loans to group companies	16	183,826,846	188,723,299
Property and equipment	18	21,792,485	27,328,401
Right-of-use asset	19	13,226,098	20,109,937
Intangible assets	20	59,244,986	30,434,773
Deferred income tax	25	4,475,955	58,785,851
Total assets		1,632,702,874	1,466,895,302
Liabilities			
Overdraft	14	201,996,641	-
Payables and accrued expenses	21	52,170,373	39,107,239
Borrowings	22	957,722,634	1,035,373,483
Lease liabilities	23	17,492,164	24,626,344
Total liabilities		1,229,381,812	1,099,107,066
Shareholders' equity			
Share capital		581,021,687	581,021,687
Accumulated losses		(177,700,625)	(213,233,451)
		403,321,062	367,788,236
Total equity and liabilities		1,632,702,874	1,466,895,302

The financial statements on pages 17 to 51 were approved for issue by the board of directors on 24 March 2025 and signed on its behalf by:



T Mutesva
Director



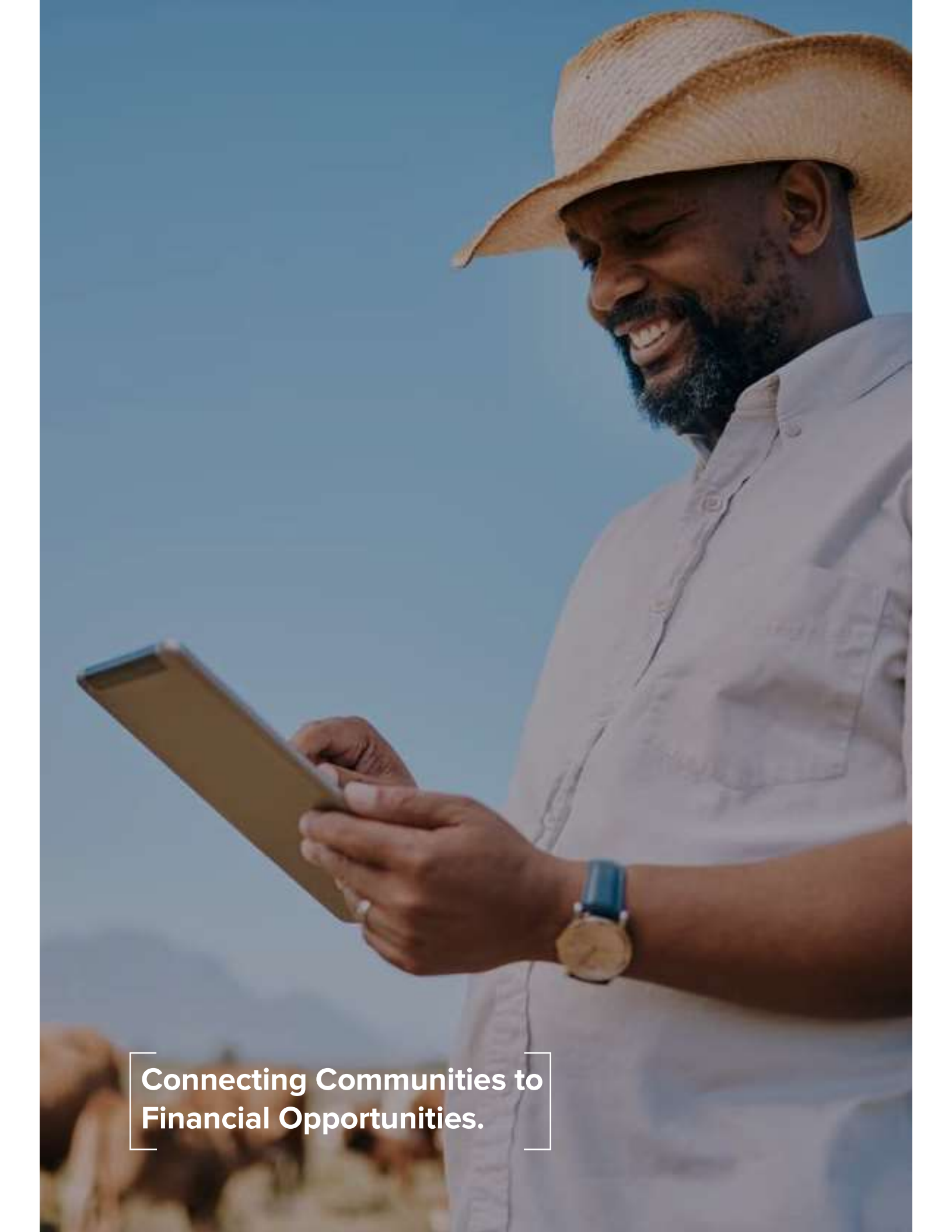
I O Miencha
Director

Statement of changes in equity

	Notes	Share capital Shs	Share premium Shs	Accumulated loss Shs	Total equity Shs
Year ended 31 Dec 2023					
At start of year	24	387,040,800	193,980,887	(86,582,536)	494,439,151
Total comprehensive income for the year		-	-	(126,650,915)	(126,650,915)
At end of year		387,040,800	193,980,887	(213,233,451)	367,788,236
Year ended 31 Dec 2024					
At start of year	24	387,040,800	193,980,887	(213,233,451)	367,788,236
Total comprehensive income for the year		-	-	35,532,826	35,532,826
At end of year		387,040,800	193,980,887	(177,700,625)	403,321,062

Statement of cash flows

	Note	2024 Shs	2023 Shs
Cash flow used in operating activities			
Cash generated from operations	26	121,569,359	86,088,047
Tax paid		(17,871,471)	(9,643,290)
Net cash used in operating activities		103,697,888	76,444,757
Cash flows used in investing activities			
Purchase of property and equipment	18	(2,545,015)	(2,835,711)
Purchase of intangible assets	20	(33,523,930)	(30,053,815)
Loans to group companies		-	8,122,295
Net cash used in investing activities		(36,068,945)	(24,767,231)
Cash flows from/(used in) financing activities			
Borrowings received	22	308,695,228	613,228,932
Borrowings repayments	22	(367,823,602)	(694,190,048)
Payment of lease obligation	23	(9,925,775)	(9,481,571)
Net cash generated from financing activities		(69,054,149)	(90,442,688)
Net movement in cash and cash equivalents		(1,425,206)	(38,765,160)
Cash and cash equivalents at start of the year		25,977,039	64,742,199
Cash and cash equivalents at end of the year	14	24,551,833	25,977,039



Connecting Communities to
Financial Opportunities.

Notes

1. Material accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These accounting policies are consistent with the previous period.

a) Basis of preparation

(i) Compliance with IFRS

The financial statements are prepared in compliance with IFRS Accounting Standards applicable to companies reporting under IFRS Accounting Standards and in accordance with the Companies Act, 2015. The financial statements are presented in Kenya shillings and are prepared under the historical cost convention except where otherwise stated in the accounting policies below.

Going concern

The Company generated positive operating cash flows of Shs 104M (2023: Shs 76M).

The underlying business continues to be strong, with a strong net interest margin, strong asset position of Shs 1,633m and is in a net current asset and net asset position.

Management have also performed a liquidity assessment and the Company has adequate cashflows to operate for more than 12 months from the date of the financial statements.

Based on the above, the directors believe that going concern basis of preparing the financial statements is appropriate.

(ii) Use of estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires the directors to exercise 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 4.

(iii) Changes in accounting policies and disclosures

New and amended standards and interpretations

Amendments to IAS 1 - Non-current liabilities with covenants

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Effective from 1 January 2024 with no material impact expected on the Company financial statements.

Amendment to IFRS 16 – Leases on sale and leaseback

These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

Effective from 1 January 2024 with no impact expected on the Company financial statements.

Amendments to Supplier Finance Arrangements (IAS 7 and IFRS 7)

These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

Effective from 1 January 2024 with no impact expected on the Company financial statements.

Notes (continued)

Standards and interpretations not yet effective

Amendments to IAS 21 -Lack of Exchangeability (Amendments to IAS 21)

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

Effective from 1 January 2025 with no impact expected on the Company financial statements.

Amendment to IFRS 9 - Classification and Measurement of Financial Instruments

These amendments:

- clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
- make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

Effective from 1 January 2026 with no impact expected on the Company financial statements.

IFRS 18 - Presentation and Disclosure in Financial Statements

The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

IFRS 18 replaces IAS 1 'Presentation of Financial Statements' and focuses on updates to the statement of profit or loss with a focus on the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

Many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'.

Effective from 1 January 2027 with an impact on the Company financial statements expected.

IFRS 19 - Subsidiaries without Public Accountability

The objective of IFRS 19 is to provide reduced disclosure requirements for subsidiaries, with a parent that applies the Accounting Standards in its consolidated financial statements.

IFRS 19 is a voluntary Accounting Standard that eligible subsidiaries can apply when preparing their own consolidated, separate or individual financial statements.

Effective from 1 January 2027 with no impact expected on the Company financial statements.

Notes (continued)

1. Material accounting policies (continued)

a) Foreign currency translation

(i) Foreign currency translation

The financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The financial statements are presented in Kenya Shillings, which is the Company's Functional and Presentation Currency.

(ii) Transactions and balances

Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognised on a net basis in the profit and loss account in the year in which they arise, except for differences arising on translation of non-monetary available-for-sale financial assets, which are recognised in other comprehensive income.

Foreign currency exchange gains and losses resulting from the settlement of foreign currency transactions and balances and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

b) Revenue

(i) Interest income

Interest income is recorded using the effective interest rate (EIR) method for all financial assets measured at an amortised cost.

The EIR is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability or when appropriate, a shorter period, to the gross carrying amount of the financial asset or liability. The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into

account transaction costs and any discount or premium on the acquisition of the financial asset. Fees and costs are also an integral part of the EIR.

(ii) Fee and commission income

The Company earns fees and commissions income from a diverse range of financial services it provides to its customers. Fees and commissions income is recognised at an amount that reflects the consideration to which the Company expects to be entitled in exchange for providing the services.

Other fees and commission income, including monthly service fees, administration and management fees, are recognised as the related services are performed.

When a fee or commission is charged in full at inception of transaction, the income and/ or expense is deferred over the life of the product it relates to and realised using effective interest rate method.

c) Interest expense

Interest expense is calculated using the EIR method for all financial liabilities held at amortised cost.

The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial liability.

If expectations of fixed rate financial liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount.

The difference from the previous carrying amount is booked as a negative adjustment to the carrying amount of the financial liability on the balance sheet with a corresponding increase or decrease in interest expense calculated using the effective interest method.

Commission and interest paid directly attributable to the earnings of interest and fees are recognised as interest expense.

Notes (continued)

1. Material accounting policies (continued)

d) Property and equipment

Property and equipment are tangible assets which the company holds for its own use and which are expected to be used for more than one year. An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property and equipment is initially measured at cost. Cost includes all the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Property and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held-for-sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation Method	Average useful life
Furniture and fixtures	Straight line	6 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	3 years
Computer equipment	Straight line	3 years
Leasehold improvement	Straight line	Shorter of the useful life and
		the lease duration

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

Notes (continued)

1. Material accounting policies (continued)

e) Intangible assets

An intangible asset is recognised when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost. Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the asset so that it will be available for use or sale;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell it;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the asset during its development can be measured reliably.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. The amortisation period and the amortisation method for intangible assets are reviewed every period-end. Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation Method	Average useful life
Internally generated computer software	Straight line	10 years

f) Leases

Leases under which the Company is the lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Company recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Company is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used. For leases that contain non-lease components, the company allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease. Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

All right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liabilities.

Depreciation is calculated using the straight-line method to write-down the cost of each asset to its residual value over its estimated useful life. If the ownership of the underlying asset is expected to pass to the group at the end of the

Notes (continued)

1. Material accounting policies (continued)

Leases (continued)

Leases under which the Company is the lessee (continued)

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

Leases under which the Company is the lessor

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the lessee are classified as finance leases. All other leases are classified as operating leases. Payments received under operating leases are recognised as income in the profit or loss account on a straight-line basis over the lease term.

g) Share capital and equity

Ordinary shares are classified as equity.

h) Financial liabilities

The Company's holding in financial liabilities comprises of borrowings, payables and accrued expenses. These are initially recognised at fair value and subsequently measured at amortised cost. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

i) Financial assets

i) Recognition and measurement

The Company determines the appropriate classification of its financial assets at initial recognition. It recognises a financial asset in its statement of financial position when it becomes party to the contractual provisions of the instrument.

The Company classifies and measures its financial assets at *amortised cost*. Financial assets are initially recognised in the financial statements at fair value plus transaction costs.

The Company's financial assets are classified on the basis of both:

- The Company's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset.

Company's business model: The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from sale of assets.

Contractual cash flow characteristics of the financial asset:

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk and a profit margin that is consistent with a basic lending arrangement.

The Company classifies its financial assets at amortised cost. Amortised cost assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) and are not designated at fair value through profit and loss (FVPL). The carrying amount of these assets is adjusted by any expected credit loss allowances. Interest income from financial assets is included in "interest and credit related income" using the effective interest rate method.

ii) Modification of loans

The Company may sometimes renegotiate or otherwise modify the contractual cash flows of loans to customers. When this happens, the Company assesses whether or not the new terms are substantially different to the original terms. The Company does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;

Notes (continued)

1. Material accounting policies (continued)

Financial assets (continued)

Modification of loans (continued)

- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in interest rate; and
- Change in the currency of the loan - Insertion of collateral, other security or credit enhancement that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Company derecognises the original financial asset and recognises a “new” asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred.

Accordingly, the date of the modification is treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. This typically means measuring the loss allowance at an amount equal to 12-month expected credit losses until the criteria for the recognition of lifetime expected credit losses is met.

However, in some unusual circumstances following a modification that results in derecognition of the original financial asset, there may be evidence that the modified financial asset is credit-impaired at initial recognition, and thus, the financial asset is recognised as an originated credit-impaired financial asset. This might occur, for example, in a situation in which there was a substantial modification of a distressed asset that resulted in the derecognition of the original financial asset. In such a case, it may be possible for the modification to result in a new financial asset which is credit-impaired at initial recognition. Differences in the carrying amount are recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification

gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate of credit-adjusted effective interest rate for POCI financial assets.

ii) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

iii) Impairment of financial assets

The measurement of impairment losses across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk.

These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's internal credit grading model, which assigns PDs to the individual grades;
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on an ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;

Notes (continued)

1. Material accounting policies (continued)

Financial assets (continued)

iii) Impairment of financial assets (continued)

- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

j) Employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments because of past performance.

Termination benefits are payable when employment is terminated by the company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits at the earlier of the following dates:

- a) when the company can no longer withdraw the offer of those benefits; and
- b) when the entity recognises cost for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

k) Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation because of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where some or all the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

Notes (continued)

1. Material accounting policies (continued)

l) Income tax

(i) Income tax expense

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in the profit and loss account except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

(ii) Current income tax

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(iii) Deferred income tax

Deferred tax is determined for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the asset is recovered or the liability is settled.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities. However, for investment property that is measured using the fair value model, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.

Deferred tax liabilities are recognised for all taxable temporary differences except those arising on the initial recognition of an asset or liability, other than through a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that future taxable

profits will be available against which temporary differences can be utilised. Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

m) Comparatives

Where necessary, comparative figures are restated to conform to changes in presentation in the reporting period.



Notes (continued)

2. Financial risk management

The company's activities expose it to a variety of financial risks: liquidity risk, market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk) and credit risk.

i) Liquidity risk

Liquidity risk is the risk that operations cannot be funded, and financial commitments cannot be met in a timely manner and cost effectively. Liquidity risk management deals with the overall profile of the statement of financial position, the funding requirements of the company and cash flows. In quantifying the liquidity risk, future cash flow projections are simulated, and necessary arrangements are put in place to ensure that all future cash flow commitments are met.

In these simulations the following factors are taken into consideration:

- **Loan disbursements:** Although longer loan tenures to customers have a positive impact on the revenue and the financial position, the cash is negatively impacted in the short term. To mitigate such impact, mix between longer term loan products and shorter-term loan products is managed to balance the net cash flows.
- **Collections of loans to customers:** Collection efficiency rates are used when projecting cash inflows. Efficiency rates are monitored monthly to optimise cash flows and based on historical experience. Disbursements will be adjusted in the case of lower than expected collections, since this is managed daily.
- **Cost containment and budgeting:** Costs are managed daily and any variance to budgets are investigated to ensure the accuracy of the cash flow simulations models.
- **External debt repayments:** External debt repayments are accounted for in the cash flow simulation models. Loans are renegotiated where applicable.

- **Treasury function:** The finance department monitors liquidity daily to ensure that the company bank accounts are funded to meet operational requirements. Bank account movements are monitored daily and are flagged for any issues requiring attention. Creditors are paid on a monthly or bi-weekly schedule.

- **Debt facilities:** The company is funded by facilities from its shareholder and third parties.

The tables below present the liabilities payable by the Company and assets held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The company's expected cash flows on these instruments may vary from this analysis. Regular updates are provided to the company's financiers to ensure that facilities and lines of credit remain open and that loan commitments are not drawn down unexpectedly.

Compliance with Loan Covenants

As at 31 December 2024, the Company was required to maintain a Non-Performing Loan ratio of not more than 15% under its loan agreement with Ecobank Kenya Limited. However, the NPL ratio stood at 21%, resulting in a non-compliance with this covenant.

The Company is in discussions with the lender regarding the non-compliance, and no changes to the terms of the facility are expected. As of the date of these financial statements, the lender has not exercised any rights to demand early repayment. Arising from the non-compliance, the loan balance of shs 77 million has been classified as a current liability.

Based on discussions between management and the bank, management believe that the facility is unlikely to be recalled as result of the above.

Notes (continued)

2. Financial risk management (continued)

i) Liquidity risk (continued)

At 31 December 2024

	Up to 12 months	1 year – 3 years	Over 3 years	Total
	Shs	Shs	Shs	Shs
Liabilities				
Borrowings	479,629,009	170,193,104	593,930,734	1,243,752,847
Overdraft	238,356,036	-	-	238,356,036
Payables and accrued expenses	52,170,373	-	-	52,170,373
Lease liabilities	12,732,212	19,434,548	-	32,166,760

Total liabilities

782,887,630	189,627,652	593,930,734	1,566,446,016
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Assets held for managing liquidity risk

Cash and bank balances	226,548,474	-	-	226,548,474
Loans to customers	708,595,792	1,204,439,719	721,044,659	2,634,080,170
Other receivables	162,959,264	-	-	162,959,264
Loan to group companies	65,075,732	163,568,731	-	228,644,463

Total assets

1,163,179,262	1,368,008,450	721,044,659	3,252,232,371
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Net liquidity gap

380,291,632	1,178,380,798	127,113,925	1,685,786,355
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At 31 December 2023

Liabilities

Borrowings	475,382,796	224,777,816	784,417,552	1,484,578,164
Payables and accrued expenses	39,107,239	-	-	39,107,239
Lease liabilities	11,738,147	28,105,177	-	39,843,324

Total liabilities

526,228,182	252,882,993	784,417,552	1,563,528,727
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Assets held for managing liquidity risk

Cash and bank balances	25,977,039	-	-	25,977,039
Loans to customers	643,384,523	944,807,219	565,614,193	2,153,805,935
Other receivables	109,985,713	-	-	109,985,713
Loan to group companies	-	166,046,227	55,348,742	221,394,969

Total assets

779,347,275	1,110,853,446	620,962,935	2,511,163,656
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Net liquidity gap

253,119,093	857,970,453	(163,454,617)	947,634,929
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Notes (continued)

2. Financial risk management (continued)

ii) Market risk

Market risk is the risk that changes in the market prices, such as interest rates and foreign currency exchange rates will affect the fair value and future cash flows of a financial instrument.

Market risk arises from open positions in interest rates and foreign currencies, both which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on risk.

Overall responsibility for managing market risk rests with the directors.

Management is responsible for the development of detailed risk management policies (subject to reviews by the directors) and for the day-to-day implementation of those policies.

Interest rate risk

The Company is exposed to various risks associated with the effects of fluctuations in prevailing levels of market interest rates on both fair values and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The table below summarises the Company's exposure to interest rate risks. Included in the table are assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

At 31 Dec 2024	Up to 12 months Shs	Over 1 year Shs	Non- Interest bearing Shs	Total Shs
Assets				
Cash and bank balances	226,548,474	-	-	226,548,474
Other receivables	45,956,712	137,870,134	168,002,755	351,829,601
Loans to customers	170,175,935	750,775,429	-	920,951,364
Total assets	442,681,121	888,645,563	168,002,755	1,499,329,439
Liabilities				
Payables and accrued expenses	-	-	52,170,373	52,170,373
Overdraft	201,996,641	-	-	201,996,641
Borrowings	396,562,318	561,160,316	-	957,722,634
Lease liabilities	7,068,550	10,423,614	-	17,492,164
Total liabilities	605,627,509	571,583,930	52,170,373	1,229,381,812
Interest sensitivity gap	(162,946,388)	317,061,633	115,832,382	269,947,627

Notes (continued)

2. Financial risk management (continued)

ii) Market risk (continued)

Interest rate risk (continued)

At 31 December 2023	Up to 12 months Shs	Over 1 year Shs	Non- Interest bearing Shs	Total Shs
Assets				
Cash and bank balances	25,977,039	-	-	25,977,039
Other receivables	188,723,299	-	109,985,713	298,709,012
Loans to customers	148,399,368	840,388,480	-	988,787,848
Total assets	363,099,706	840,388,480	109,985,713	1,313,473,899
Liabilities				
Payables and accrued expenses	-	-	39,107,239	39,107,239
Other borrowings	331,249,013	704,124,470	-	1,035,373,483
Lease liabilities	6,587,769	18,038,575	-	24,626,344
Total liabilities	337,836,782	722,163,045	39,107,239	1,099,107,066
Interest sensitivity gap	25,262,924	118,225,435	70,878,474	214,366,833

Notes (continued)

2. Financial risk management (continued)

ii) Market risk (continued)

Currency risk

Currency risk arises on financial instruments denominated in foreign currency. The Company holds borrowings and bank balances that are denominated in foreign currency. Management sets limits on the level of exposure by currency, which are monitored daily.

The company's significant currency positions were:

	USD Shs	EURO Shs	Total Shs
At 31 December 2024			
Assets			
Cash and bank balances	212,526,365	621,345	213,147,710
Loan to group company	183,826,846	-	183,826,846
Liabilities			
Borrowings	(196,877,608)	(683,876,865)	(880,754,473)
Net foreign currency exposure	199,475,603	(683,255,520)	(483,779,917)
As at 31 December 2023			
Assets			
Cash and bank balances	160,775	7,151,222	7,311,997
Loan to group company	188,723,299	-	188,723,299
Liabilities			
Borrowings	(274,447,615)	(665,324,787)	(939,772,402)
Net foreign currency exposure	(85,563,541)	(658,173,565)	(743,737,106)

The table below presents sensitivities of profit or loss to reasonably possible changes in exchange rates applied at the end of the reporting period relative to functional currency of the Company with all other variables held constant:

	At 31 Dec 2024 Shs	At 31 Dec 2023 Shs
USD strengthens/weakens by 5%	9,973,780	(4,278,177)
Euro strengthens/weakens by 5%	(34,162,776)	(32,908,678)

Notes (continued)

2. Financial risk management (continued)

iii) 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 obligation and arises principally from loans to customers, other receivables and bank balances.

The company uses IFRS 9 expected credit loss (ECL) approach as its loan impairment method. The ECL allowance is based on credit losses expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, in which case the allowance is based on 12 months' expected credit loss.

Credit risk management

Credit risk management comprises of the following main aspects:

- Credit committees and credit policies: The company's credit products are governed by the credit policy document. Credit committee meetings are held on demand. The credit policy is the output document that the committee reviews and updates on monthly basis. Collections data is reviewed by the committee and analysed. This information is used to adjust the policy to reduce bad debt and maximise acceptable levels of disbursements versus risks. The credit committees report to management on a quarterly basis in terms of its charter.
- Credit philosophy: The credit philosophy of the company is to place primary emphasis of the credit decision on the borrower's ability to service the loan. It is therefore critical to establish the customer's ability and commitment to service their loan instalment for the applicable loan tenure.

A borrower's ability (or affordability) to pay is dictated by their repayment to gross income and total existing internal and external financial obligation in relation to their net income. The willingness to repay is primarily based on the client's past payment history through information derived internally or external sources including credit reference bureaus.

The company utilises a risk scoring engine that analyses aggregated 'big data'.

The credit scoring engine is configured with the credit policy parameters and is embedded in the system, preventing human intervention which can result in breaches of policy. The company also make use of credit risk cover for its customers which covers the outstanding capital in the event of a customer's loss of income relating to death and disability. All credit approvals are governed by the company's credit policy. Business and product rules are incorporated into the operating system business and decisioning layer.

Credit Market Indicators – External credit bureau enquiries are used to establish outright application disqualifying factors such as fraud indicators, insolvency, debt review status as well as external exposure information relating to account handling, balances and client commitments.

•Deduction at source lending: The company provides loans to gainfully employed individuals that are employed by employers that are vetted by the company and that have concluded an agreement with the company. In terms of these agreements the employer deducts the loan instalments from the customer's salary and disburses these funds to the company. Loan size, terms, rates and customer affordability criteria are also agreed with the employer upon engagement. In this instance the company mitigates the direct customer risk and gears the risk towards the customer's employer. Employers are assessed monthly based on their collection's performance.

•Employer risk assessment: The company assesses the employer to determine if the employer will be able to honour its obligations in terms of the agreement. Criteria that the company uses are as follows:

Checks

- Industry type
- Financial position (3 years signed annual financial statements)
- KYC (know your customer)
- Tax clearance
- External references
- Any litigation pending

Documentation

- Statutory documents
- Directors KYC (know your customer)
- Audited financial statement

Notes (continued)

2. Financial risk management (continued)

iii) Credit risk (continued)

Impairment assessment

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial asset, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a significant increase in credit risk (SICR) subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The guiding principle for ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments since initial recognition.

The ECL allowance is based on credit losses expected to arise over the life of the asset (life time expected credit loss), unless there has been no significant increase in credit risk since origination.

The company assesses the probability of default by referring to historical collection data. The historical collection data are reviewed monthly to reduce the difference between the impairment allowance estimate and actual loss experience.

Loans within the company comprise many small, homogenous assets. Statistical techniques are used to calculate impairment allowances collectively, based on historical default and recovery rates.

These statistical analyses use as primary inputs the extent to which accounts in the portfolio are in arrears and historical loss experience on the eventual losses encountered from similar delinquent portfolios.

Maximum exposure to credit risk

The Company's financial assets, on which there is credit risk exposure comprise of the loans to customers, other receivables and balances held with banks.

Management performed an assessment of the ECL on other receivables and balances held with other banks and the impact was not significant. No provisions have been made on the carrying amounts of these financial assets.

The financial assets that present the maximum exposure to credit risk are disclosed below:

Notes (continued)

2. Financial risk management (continued)

iii) Credit risk (continued)

Maximum exposure to credit risk (continued)

Assets

	2024 Shs	2023 Shs
Cash and bank balances	226,548,474	25,977,039
Other receivables	162,959,264	109,985,713
Loan to group companies	183,826,846	188,723,299
Loans to customers	920,951,364	988,787,848
Total assets	1,494,285,948	1,313,473,899

Collateral on loans and advances

The Company routinely obtains collateral and security to mitigate credit risk. The Company ensures that any collateral held is sufficiently liquid, legally effective, enforceable and regularly reassessed.

Before attaching value to collateral, the Company ensures that they are legally perfected and devoid of any encumbrances.

The principal collateral types held by the Company for loans and advances are motor vehicles.

Valuation of collateral taken are within agreed parameters and are conservative in value. The valuation is performed only on origination or in the course of enforcement actions. Collateral for impaired loans is reviewed regularly to ensure that it is still enforceable and that the impairment allowance remains appropriate given the current valuation.

ECL on loans to customers

The following table contains an analysis of the credit risk exposure for loans to customers for which an ECL allowance applies.

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
At 31 December 2024	Shs	Shs	Shs	Shs
Gross carrying amount	762,564,567	65,734,001	213,028,067	1,041,326,635
Less: Loss allowance	(12,598,165)	(24,059,262)	(83,717,844)	(120,375,271)
Carrying amount	749,966,402	41,674,739	129,310,224	920,951,364
At 31 December 2023				
Gross carrying amount	716,421,931	140,072,637	231,961,038	1,088,455,606
Less: Loss allowance	(15,178,764)	(22,759,703)	(61,729,291)	(99,667,758)
Carrying amount	701,243,167	117,312,934	170,231,747	988,787,848

Notes (continued)

3. Capital risk management

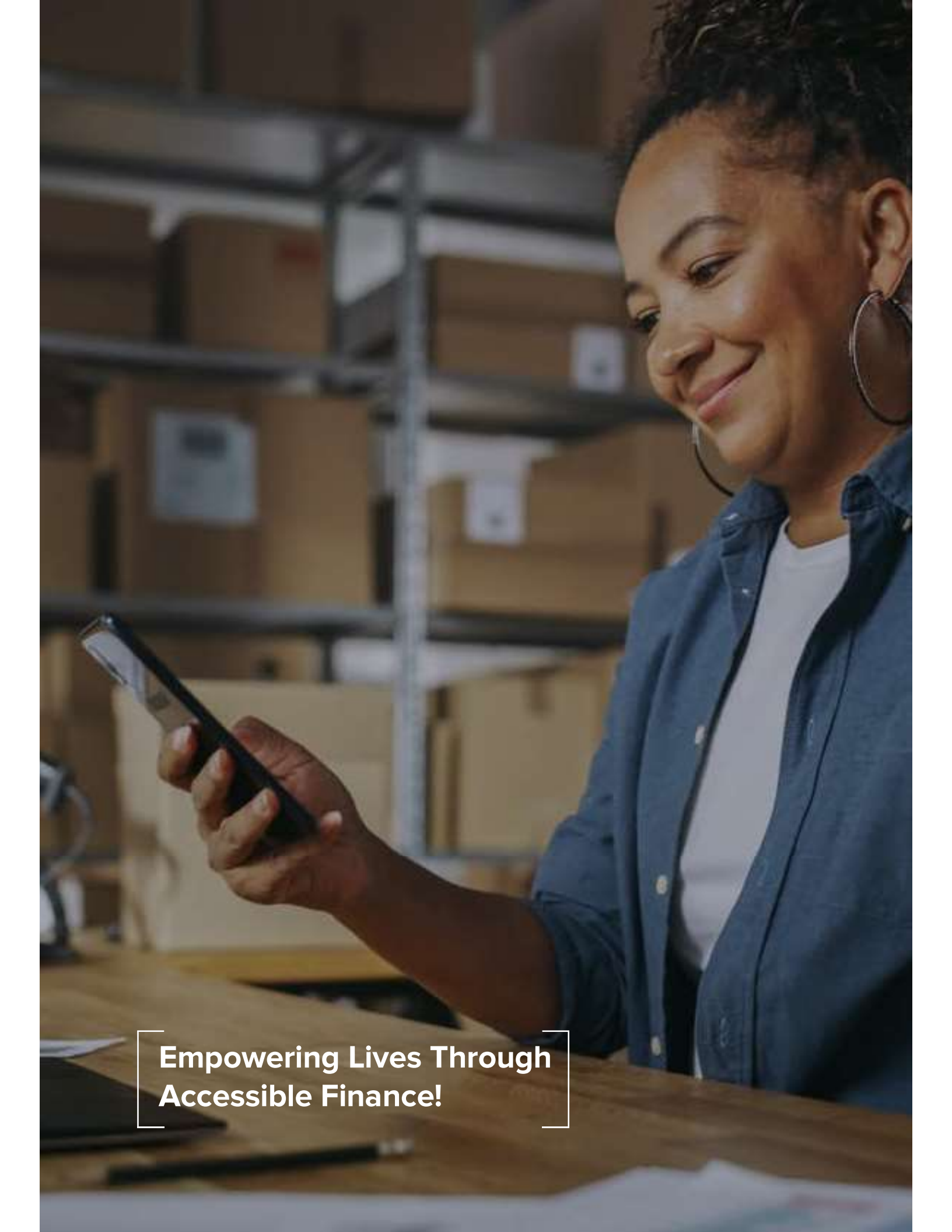
The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern, to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the company consists of debt and equity. To maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the statement of financial position less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratio at 2024 and 2023 respectively is as follows:

		2024 Shs	2023 Shs
Borrowings	22	957,722,634	1,035,373,483
Overdraft	14	201,996,641	-
Less: Cash and cash equivalents	14	(226,548,474)	(25,977,039)
At 31 December 2024		933,170,801	1,009,396,444
Total equity		403,321,062	367,788,236
Total capital		1,336,491,863	1,377,184,680
Gearing ratio (net debt / total capital)		70%	73%

A woman with dark curly hair, wearing a blue button-down shirt over a white t-shirt and large hoop earrings, is smiling while looking at a smartphone. She is standing in a warehouse with tall metal shelving units filled with cardboard boxes in the background. The scene is lit with warm, soft light.

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Notes (continued)

4. Critical accounting estimates and judgements in applying accounting policies

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Measurement of expected credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy note 1 (i) and 2 (iii).

The Company recognises loss allowance at an amount equal to either 12-month expected credit losses (ECLs) or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are within the 12 months after the reporting date.

For credit exposures where there have not been significant increases in credit risk since initial recognition, an entity is required to provide for 12-month ECLs. These are classified as Stage 1 assets.

For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis, a loss allowance is required for lifetime ECLs. These are classified as Stage 2 assets.

For credit exposures that are credit impaired and in default, similar to stage 2 assets, a loss allowance is required for lifetime ECLs however the probability of default for these assets is presumed to be 100% less any determined recovery and cure rate.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Taxation

The Company is subject to taxation laws and regulations as per Kenyan laws. Significant estimates are required in determining the provision for income taxes. There may be transactions and calculations, during the normal course of business, whose ultimate tax impact determination has an element of uncertainty. In determining the interpretation and/or application of the various tax rules, disputes may arise with the relevant tax authorities, of which the outcome may not be favourable to the Company. In such cases, the Company relies on internal management expertise and where relevant, seeks expert advice to determine whether the unfavourable outcome is probable or possible.

Where objective estimates of the potential tax liabilities that may crystallise from such tax disputes are determinable, the Company recognises provision in line with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets principles. In such cases, if the final tax determination is different from the amounts that were initially recorded, the difference will impact the current income tax and deferred income tax provisions in the period in which such determination is made.

Where payment is determined to be possible but not probable, the tax exposure is disclosed as a contingent liability.

Notes (continued)
5. Interest income

	2024 Shs	2023 Shs
Loans to customers		
– Interest income	486,850,274	451,922,034
– Credit related fees and commissions income	42,525,309	82,025,776
– Intercompany interest income	29,982,114	26,923,749
	559,357,697	560,871,559

6. Interest expense

Borrowings	203,353,419	176,956,747
Interest expense on lease liability	2,791,595	3,623,542
	206,145,014	180,580,289

7. Loan impairment provisions
Loans to customers

Increase in impairment provisions (Note 17)	20,707,512	22,054,055
Amounts written off directly	146,325,053	85,173,319
Recoveries in the year	(173,796)	(6,241,315)
	166,858,769	100,986,059

8. Net fees and commissions income
Fees and commissions income

Other fees and commissions	41,320,019	49,532,318
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Fees and commissions expense

Other fees and commissions	(49,846,269)	(47,481,839)
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Net fees and commissions income	(8,526,250)	2,050,479
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9. Other income

Other income	18,119,322	10,886,139
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Notes (continued)

10. Operating expenses

Expenses by nature

	2024 Shs	2023 Shs
Computer expenses	1,112,608	2,344,157
Bank charges	1,196,849	1,975,454
Communication	27,368,182	27,693,411
Collection costs	14,123,597	12,895,673
Consulting fees	14,210,571	13,685,283
Rental expense	11,091,067	12,503,088
Travel and training expenses	3,172,539	5,032,216
Auditors remuneration	4,068,500	3,950,000
Accommodation	778,052	3,481,137
Directors fee	3,262,392	3,262,392
Licenses	1,161,419	1,080,653
Office supplies	1,949,697	2,215,152
Withholding tax expense	29,810,968	-
Utilities	3,531,322	2,934,413
Printing and stationery	1,511,453	864,142
Repair and maintenance	322,158	405,635
Advertising	3,386,217	5,396,991
Legal fees	5,832,879	5,332,718
Other expenses	5,201,519	2,665,292
	133,091,989	107,717,807
11. Employee costs		
Salaries and wages	117,125,286	111,456,124
Commissions	16,853,810	20,968,352
Pension contribution to defined contribution plan	6,352,020	5,586,207
	140,331,116	138,010,683
12. Foreign exchange (gains)/losses		
Net foreign exchange (gains)/ losses on foreign currency denominated assets/liabilities	(186,997,329)	175,488,639

Notes (continued)
13. Taxation

	2024 Shs	2023 Shs
Current income tax	-	14,494,974
Deferred income tax charge for the year (Note 25)	54,309,896	(32,379,142)
	54,309,896	(17,884,168)

Reconciliation of the tax expense

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the parent as follows:

	2024 Shs	2023 Shs
Profit before tax	89,842,722	(144,535,083)
Tax at the applicable rate of 30%.	26,952,816	(43,360,525)
Tax impact of:		
• Non-deductible expenses	27,409,219	29,978,446
• Income not subject to tax	(52,139)	(4,716,866)
• Other	-	214,777
	54,309,896	(17,884,168)

14. Cash and bank balances
Current

	2024 Shs	2023 Shs
Bank balances	226,548,474	25,977,039
Overdraft	(201,996,641)	-
	24,551,833	25,977,039

15. Other receivables
Current

	2024 Shs	2023 Shs
Employer receivables	74,190,837	52,562,898
Prepayments	5,043,491	15,176,089
Other receivables	88,768,427	42,246,726
	168,002,755	109,985,713

Notes (continued)
16. Loans to group companies

	2024 Shs	2023 Shs
At start of year	188,723,299	130,562,126
Interest during the year	29,982,114	26,923,749
Repayments during the year	-	(8,122,295)
Foreign exchange (gains)/ loss	(34,878,567)	39,359,719
At end of year	183,826,846	188,723,299

The Loan to Fikia Finance Limited is up to a maximum principal amount of USD 1,100,000. The interest rate charged is 17% per annum and the currency of the loan is United States Dollars. The facility will be repaid in equal monthly instalments over a period of 48 months commencing on 31 January 2025.

17. Loans to customers

	2024 Shs	2023 Shs
Gross loans to customers	1,041,326,635	1,088,455,606
Less: Impairment provisions	(120,375,271)	(99,667,758)
	920,951,364	988,787,848
Current	170,175,935	148,399,368
Non-current	750,775,429	840,388,480
	920,951,364	988,787,848
Reconciliation of impairment provisions on loans to customers		
At start of year	99,667,759	77,613,703
Increase in impairment provisions (Note 7)	20,707,512	22,054,055
	120,375,271	99,667,758

Notes (continued)

17. Loans to customers (continued)

	Stage 1 Shs	Stage 2 Shs	Stage 3 Shs	Total Shs
Year ended 31 December 2024				
Gross carrying amount at 1 Jan 2024	716,421,931	140,072,637	231,961,038	1,088,455,606
Changes in the gross carrying amount				
- Transfer from stage 1 to stage 2	(15,697,876)	15,697,876	-	-
- Transfer from stage 1 to stage 3	(26,930,429)	-	26,930,429	-
- Transfer from stage 2 to stage 3	-	(26,088,558)	26,088,558	-
- Transfer from stage 3 to stage 1	10,180,539	-	(10,180,539)	-
- Transfer from stage 3 to stage 2	-	2,988,163	(2,988,163)	-
- Transfer from stage 2 to stage 1	22,999,144	(22,999,144)	-	-
Changes in static loans				
New financial assets originated or purchased	435,776,314	44,554,282	42,695,535	523,026,131
Financial assets that have been derecognised	(396,878,374)	(88,491,255)	(84,785,474)	(570,155,103)
Changes in deferred costs & accrued fees	16,693,317	-	(16,693,317)	-
Gross carrying amount at 31 Dec 2024	762,564,566	65,734,001	213,028,067	1,041,326,634

Movement in provisions for expected credit losses is as follows:

	Stage 1 Shs	Stage 2 Shs	Stage 3 Shs	Total Shs
Year ended 31 December 2024				
ECL carrying amount as at 1 Jan 2024	15,178,764	22,759,703	61,729,291	99,667,758
- Transfer from stage 1 to stage 2	(363,351)	363,351	-	-
- Transfer from stage 1 to stage 3	(1,138,259)	-	1,138,259	-
- Transfer from stage 2 to stage 3	-	(17,355,514)	17,355,514	-
- Transfer from stage 3 to stage 1	4,238,036	-	(4,238,036)	-
- Transfer from stage 3 to stage 2	-	1,033,299	(1,033,299)	-
- Transfer from stage 2 to stage 1	9,136,817	(9,136,817)	-	-
Remeasurement of ECL	(3,463,828)	27,469,565	18,591,481	42,597,218
Unwind of discount	(4,383,292)	(829,718)	-	(5,213,010)
New financial assets originated	6,463,314	14,847,940	21,985,569	43,296,823
Financial assets that have been derecognised	(13,070,036)	(15,092,547)	(31,810,935)	(59,973,518)
ECL carrying amount as at 31 Dec 2024	12,598,165	24,059,262	83,717,844	120,375,271

Notes (continued)

17. Loans to customers (continued)

	Stage 1 Shs	Stage 2 Shs	Stage 3 Shs	Total Shs
Year ended 31 December 2023				
Gross carrying amount at 1 Jan 2023	651,199,518	154,121,399	135,772,861	941,093,778
Changes in the gross carrying amount				
- Transfer from stage 1 to stage 2	(29,282,745)	29,282,745	-	-
- Transfer from stage 1 to stage 3	(43,218,870)	-	43,218,870	-
- Transfer from stage 2 to stage 3	-	(57,677,892)	57,677,892	-
- Transfer from stage 3 to stage 1	120,245	-	(120,245)	-
- Transfer from stage 3 to stage 2	-	314,047	(314,047)	-
- Transfer from stage 2 to stage 1	8,631,585	(8,631,585)	-	-
Changes in static loans	(16,318,255)	(3,612,969)	(7,898,702)	(27,829,926)
New financial assets originated or purchased	452,266,560	96,477,890	60,315,695	609,060,145
Financial assets that have been derecognised	(306,976,107)	(70,200,998)	(73,384,603)	(450,561,708)
Changes in deferred costs & accrued fees	-	-	16,693,317	16,693,317
Gross carrying amount as at 31 Dec 2023	716,421,931	140,072,637	231,961,038	1,088,455,606

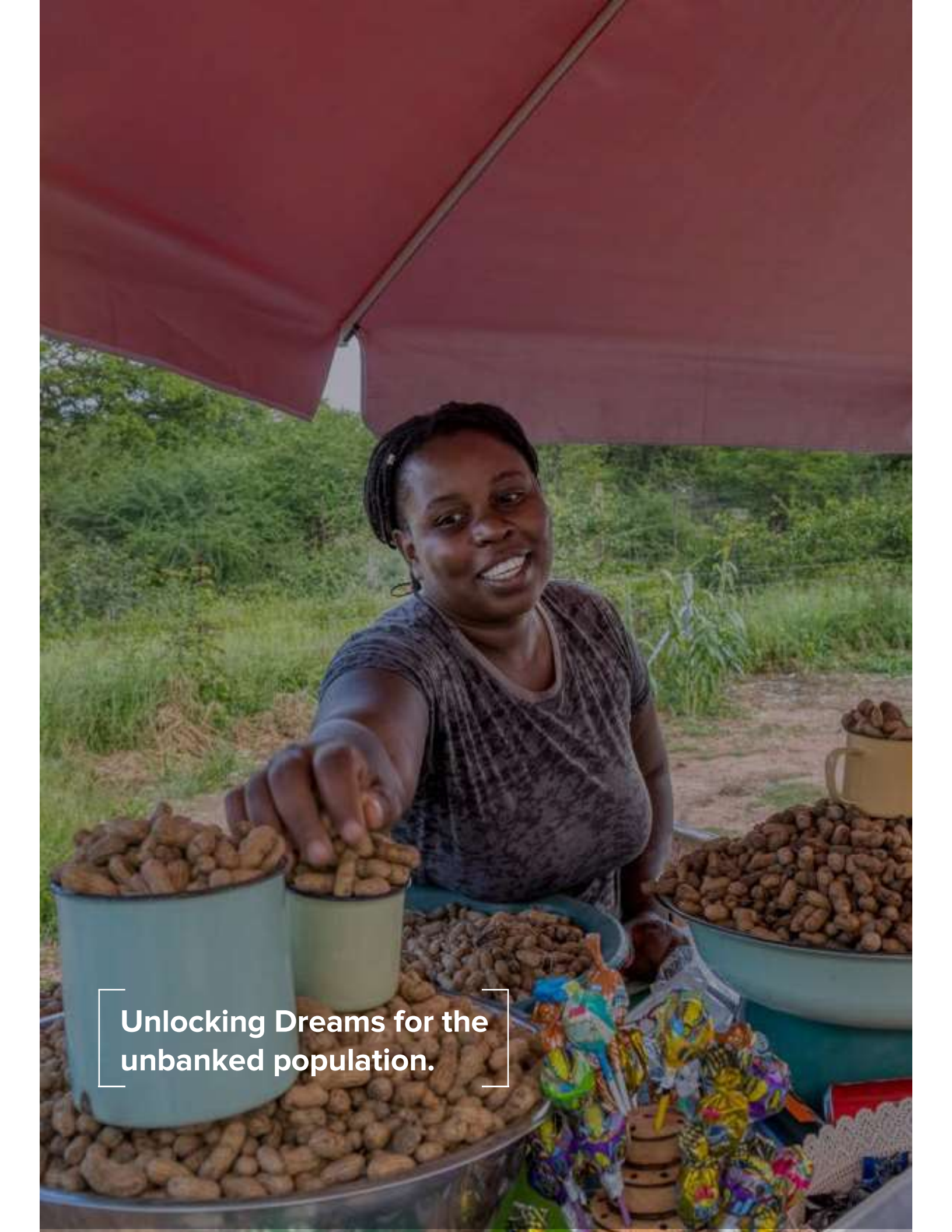
Movement in provisions for expected credit losses is as follows:

	Stage 1 Shs	Stage 2 Shs	Stage 3 Shs	Total Shs
Year ended 31 December 2023				
ECL carrying amount as at 1 Jan 2023	10,939,670	9,435,129	57,238,904	77,613,703
Changes in the gross carrying amount				
- Transfer from stage 1 to stage 2	(3,549,523)	3,549,523	-	-
- Transfer from stage 1 to stage 3	(14,886,695)	-	14,886,695	-
- Transfer from stage 2 to stage 3	-	(5,991,197)	5,991,197	-
- Transfer from stage 3 to stage 1	2,774	-	(2,774)	-
- Transfer from stage 3 to stage 2	-	126,841	(126,841)	-
- Transfer from stage 2 to stage 1	103,206	(103,206)	-	-
Remeasurement of ECL	1,175,804	195,391	(375,269)	995,926
New financial assets originated or purchased	31,279,358	21,788,725	16,388,725	69,456,808
Financial assets that have been derecognised	(9,885,830)	(6,241,503)	(32,271,346)	(48,398,679)
ECL carrying amount as at 31 Dec 2023	15,178,764	22,759,703	61,729,291	99,667,758

Notes (continued)

18. Property and equipment – Non-current

	Furniture and fixtures Shs	Office equipment Shs	IT equipment Shs	Leasehold improvements Shs	Total Shs
Year ended 31 Dec 2023					
Opening net book amount	7,210,741	4,893,967	7,850,361	12,742,114	32,697,183
Additions	336,924	80,000	2,250,200	168,587	2,835,711
Depreciation charge	(1,806,506)	(1,101,438)	(2,608,170)	(2,688,379)	(8,204,493)
Closing net book amount	5,741,159	3,872,529	7,492,391	10,222,322	27,328,401
At 31 Dec 2023					
Cost	22,029,073	11,472,779	18,901,328	23,956,798	76,359,978
Accumulated depreciation	(16,287,914)	(7,600,251)	(11,408,937)	(13,734,476)	(49,031,577)
Net book amount	5,741,159	3,872,528	7,492,391	10,222,322	27,328,401
Year ended 31 Dec 2024					
Opening net book amount	5,741,159	3,872,528	7,492,391	10,222,322	27,328,401
Additions	104,700	148,215	2,292,100	-	2,545,015
Depreciation charge	(1,695,250)	(1,595,155)	(2,346,871)	(2,443,654)	(8,080,931)
Closing net book amount	4,150,609	2,425,588	7,437,620	7,778,668	21,792,485
At 31 Dec 2024					
Cost	22,133,773	11,620,994	21,193,428	23,956,798	78,904,993
Accumulated depreciation	(17,983,164)	(9,195,406)	(13,755,808)	(16,178,130)	(57,112,508)
Net book amount	4,150,609	2,425,588	7,437,620	7,778,668	21,792,485

A woman with short dark hair, wearing a grey patterned t-shirt, is smiling and reaching out her right hand towards a large metal bowl filled with roasted peanuts. She is standing under a red awning. In the foreground, there are several more bowls and containers filled with peanuts, along with some colorful, wrapped items. The background shows a lush green field with tall grass and trees.

Unlocking Dreams for the
unbanked population.

Notes (continued)

19. Right-of-use asset – Non-current

	2024 Shs	2023 Shs
At start of year	20,109,937	26,973,350
Less: Depreciation charge	(6,883,839)	(6,863,413)
At end of year	13,226,098	20,109,937

20. Intangible assets – Computer software

Non-current

At start of year

Cost	34,563,609	4,509,794
Accumulated amortisation	(4,128,836)	(3,636,957)

Net book value	30,434,773	872,837
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Year ended

Opening net book amount	30,434,773	872,837
Additions*	33,523,930	30,053,815
Amortisation	(4,713,717)	(491,879)

Closing net book amount	59,244,986	30,434,773
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At end of year

Cost	66,135,434	34,563,609
Accumulated depreciation	(6,890,448)	(4,128,836)

Net book amount	59,244,986	30,434,773
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*Additions relate to development costs incurred in building Fin Connect, the Company's LMS and technology ecosystem that is an innovative multi-tenant platform, offering a robust architecture alongside an exceptional customer experience.

21. Payables and accrued expenses

Current

Accrued expenses	47,435,247	35,618,126
Other payables	4,735,126	3,489,113

	52,170,373	39,107,239
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Notes (continued)

22. Borrowings

The borrowings are unsecured and carry interest rates of between 9% to 14% p.a. The loans are repayable within a period of 1 to 8 years

	2024 Shs	2023 Shs
At start of year	1,035,373,483	724,529,494
Received during the year	308,695,228	613,228,932
Interest during the year	203,353,419	176,956,747
Repayments during the year	(367,823,602)	(694,190,048)
Foreign exchange (gains)/ loss	(221,875,895)	214,848,315
At end of year	957,722,634	1,035,373,483
Current	396,562,318	331,249,012
Non-current	561,160,316	704,124,471
	957,722,634	1,035,373,483

Note 2(i) includes details of the non-compliance with the NPL ratio prescribed by Ecobank Kenya Ltd.

23. Lease liabilities

At start of the year	24,626,344	30,484,373
Add: Interest expense	2,791,595	3,623,542
Less: Lease payments	(9,925,775)	(9,481,571)
	17,492,164	24,626,344

Lease liabilities can be classified as current or non-current liabilities depending on the expected date of settlement / cash outflow as per the table below:

	2024 Shs	2023 Shs
Current	7,068,550	6,587,769
Non-current	10,423,614	18,038,575
	17,492,164	24,626,344

Notes (continued)

24. Share capital

	Number of shares	Ordinary shares Shs	Ordinary shares Shs
Balance as at 1 January 2023, 31 December 2023 and, 31 December 2024	3,870,408	387,040,800	193,980,887

The total authorised number of ordinary shares is 3,884,908 with a par value of Shs 100 per share. The total number of issued ordinary shares is 3,870,408. All issued shares are fully paid.

Dividends

The directors do not recommend payment of any dividend for the year (2023: Nil).

25. Deferred income tax

Deferred income tax is calculated using the enacted tax rate of 30% (2023: 30%). The movement on the deferred income tax account is as follows:

Deferred tax movement	2024 Shs	2023 Shs
At start of year	58,785,851	26,406,709
Taxable temporary differences	(54,309,896)	32,379,142
At end of year	4,475,955	58,785,851

The deferred tax assets are recognised to the extent that realisation of the related tax benefit is probable.

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Notes (continued)

25. Deferred income tax (continued)

Deferred tax assets/(liabilities), and the deferred tax charge/(credit) in the profit or loss account are attributable to the following items:

	1 January	Charged to profit or loss	31 December
	Shs	Shs	Shs
Period ended 31 December 2024			
Property and equipment	(820,877)	(3,795,213)	(4,616,090)
Loan book impairment provisions	29,900,327	6,212,254	36,112,581
Net foreign exchange losses/(gains)	26,734,055	(82,833,254)	(56,099,199)
Other temporary differences	1,617,424	(469,593)	1,147,831
Leases	1,354,922	(75,102)	1,279,820
Tax losses	-	26,651,012	26,651,012
	58,785,851	(54,309,896)	4,475,955
Year ended 31 Dec 2023			
Property and equipment	2,069,291	(2,890,168)	(820,877)
Loan book impairment provisions	23,284,111	6,616,216	29,900,327
Net foreign exchange losses	-	26,734,055	26,734,055
Other temporary differences	-	1,617,424	1,617,424
Leases	1,053,307	301,615	1,354,922
	26,406,709	32,379,142	58,785,851

26. Cash generated from operations

	2024 Shs	2023 Shs
Accounting profit before taxation	89,842,722	(144,535,083)
Adjustments for:		
Depreciation and amortization	12,794,648	8,696,370
Depreciation of right-of-use asset	6,883,839	6,863,412
Interest expense on lease liability	2,791,595	3,623,542
Interest expense on borrowings	203,353,419	176,956,747
Interest income on related party loan	(29,982,113)	(26,923,749)
Unrealised foreign exchange gains	(186,997,329)	175,488,639
Changes in working capital		
Other receivables	(58,017,042)	(12,743,574)
Loans to customers	67,836,484	(125,307,774)
Payables and accrued expenses	13,063,136	23,969,516
	121,569,359	86,088,047

Notes (continued)

27. Related party transactions

The immediate parent company is Finclusion Africa Holding Limited (FAHL) incorporated in Mauritius. The ultimate parent company is Finclusion Group Limited (FGL) incorporated in Mauritius. The Company is related to other companies through common shareholding or common directorship.

		2024 Shs	2023 Shs
Loans to related parties:			
Fikia Finance Limited	16	183,826,846	188,723,299

Key management compensation

Key management includes directors (executive and non-executive) and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2024 Shs	2023 Shs
Salaries and other short-term employee benefits	32,781,627	31,858,536
Directors' remuneration		
Fees for services as a director	3,262,392	3,262,392
Other emoluments (included in key management compensation above)	32,781,627	31,858,536
	36,044,019	35,120,928



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