

MOGO AUTO LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

MOGO AUTO LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**CONTENTS**

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MOGO AUTO LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

GENERAL INFORMATION

Country of incorporation and domicile	Kenya
Directors	Tomas Sudnius - Chairperson Domas Miniekis - Chief Executive Officer Marius Barys - Executive Director Victor Onyango - Independent Non Executive Director Njeri Wagacha - Independent Non Executive Director
Registered office	Pine Tree Plaza, LR Number 1/443 Kaburu Drive, Kilimani P.O.Box 9971-00100 Nairobi, Kenya
Business address	Pinetree Building Kindaruma Road P.O. Box 29107-00100 Nairobi, Kenya
Bankers	NCBA Bank PLC Yaya Branch P.O.Box 30437-00100 Nairobi, Kenya I&M Bank Kenya Limited Yaya Centre Branch P.O. Box 4890-00200 Nairobi, Kenya Absa Bank Kenya PLC Absa Headquarters, Waiyaki Way P.O. Box 30120-00100 Nairobi, Kenya Stanbic Bank Kenya Limited Kenyatta Avenue Branch P.O.Box 30550-00100 Nairobi, Kenya
Secretary	Edgar Rutto Tarus Certified Public Secretary of Kenya P.O. Box 29107-00100 Nairobi
Independent auditor	BDO East Africa Kenya Certified Public Accountants of Kenya The Westwood, 8th & 9th Floor Vale Close, Off Ring Road Westlands P.O. Box 10032-00100 Nairobi, Kenya

MOGO AUTO LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

GENERAL INFORMATION

Legal advisors

Onyango Tarus & Company Advocates
4th Floor, KMA Centre
P.O. Box 29107-00100
Nairobi, Kenya

TJ Ongere & Company Advocates
Kenya Complex House, Monrovia Street
Nairobi, Kenya

Wairagu Ndungu & Company Advocates
Nairobi, Kenya

Wacira Wambugu & Company Advocates LLP
13th Floor, 4th Avenue Towers
Nairobi, Kenya

Cheboi Ouma & Associates
Block 6A, South B
Mubiru Road, Next to Elimu Sacco Headquarters
Nairobi, Kenya

Munyaga Githaiga LLPS
The Eldoret Daima Towers, 19th Floor Southern Wing
Eldoret, Kenya

Turanga Ithagi & Associates
Agip House Wing B, 1st Floor Room 101
Nairobi, Kenya

Coulson Harney LLP
5th Floor West wing, ICEA Lion Centre
Riverside Park, Chiromo Road
P.O.Box 10643-00100
Nairobi, Kenya

KOD Advocates LLP
P.O.Box 14926-00100
Mirage Building, Tower 1 Tenth Floor
Waiyaki Way, Westlands
Nairobi, Kenya

MOGO AUTO LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023
DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 31 December 2023.

1. Principal activities

The Company is a non-deposit taking micro-finance institution which mainly provides vehicle (motor cycles and cars) backed loans to individuals. It derives its income from interest on the loans advanced.

2. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015. The accounting policies have been applied consistently compared to the prior year.

3. Results for the year

Net loss for the year was KES 380.3 million (2022: KES 221.7 million profit) after a tax credit of KES 154.9 million (2022: KES 85.3 million tax charge)

4. Share capital

	2023		2022	
Authorised	Number of shares		Number of shares	
Ordinary shares	1,000		1,000	
Preference shares	10,041		10,041	
	2023	2022	2023	2022
Issued	KES '000	KES '000	Number of shares	Number of shares
Ordinary shares	1,000,000	1,000,000	1,000	1,000
Preference shares	10,041,000	10,041,000	10,041	10,041
Share Premium	994,059,000	994,059,000	-	-
	1,005,100,000	1,005,100,000	11,041	11,041

There has been no change to the authorised or issued share capital during the year.

5. Dividends

The directors do not recommend the payment of a dividend for the year (2022: Nil).

6. Directors

The directors who served the company during the year are shown on page 2.

7. Director's interests in shares

There was no director who held interest in ordinary shares during the year.

8. Directors' interests in contracts

There was no contract entered with directors or officers of the company which significantly affected the business during the year.

9. Provision protecting directors from liability

There is no contractual agreement between the company and the directors to exempt them from any liability that would otherwise attach them in connection with any gross negligence, default, breach of duty or breach of trust in relation to the company.

10. Insurance and risk management

The company follows a policy of reviewing the risks relating to assets and possible liabilities arising from business transactions with its insurers on an annual basis. There is also a continuous asset risk control programme, which is carried out in conjunction with the company's insurance providers. All risks are considered to be adequately covered.

MOGO AUTO LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023
DIRECTORS' REPORT

11. Litigation statement

The company is not currently involved in any such claims or lawsuits, which individually or in the aggregate, are expected to have a material adverse effect on the business or its assets.

12. Statement of disclosure to the company's auditors

With respect to each person who is a director on the day that this report is approved:

- there is, so far as the person is aware, no relevant audit information of which the company's auditors are unaware; and
- the person has taken all the steps that he/she ought to have taken as a director to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

13. Independent auditor

BDO East Africa Kenya have expressed their willingness to continue in office in accordance with section 719 of the Kenyan Companies Act, 2015.

By Order of the Board

DocuSigned by:

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Company Secretary

Date: 17 May 2024

MOGO AUTO LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required in terms of the Kenyan Companies Act, 2015 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

- designing, implementing and maintaining such internal controls as they determine necessary to enable the presentation of financial statements that are free of material misstatement, whether due to fraud or error;
- selecting suitable accounting policies and applying them consistently; and
- making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

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

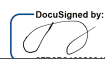
The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

The financial statements set out on pages 9 to 45, which have been prepared on the going concern basis, were approved by the directors on 17 May 2024 and were signed on their behalf by:

DocuSigned by:

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Director

DocuSigned by:

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Director



Tel: +254 709 254 000
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BDO East Africa Kenya
The Westwood, 9th Floor
Vale Close, off Ring Road
Westlands
P.O. BOX 10032 GPO
Nairobi, Kenya

INDEPENDENT AUDITOR'S REPORT

To the directors of Mogo Auto Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Mogo Auto Limited (the company) set out on pages 9 to 45, which comprise the Statement of Financial Position as at 31 December 2023, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mogo Auto Limited as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with the and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (Parts 1, 3 and 4A) (IESBA Code) and other independence requirements applicable to performing audits of Auditor's responsibilities for the audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Kenya. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Mogo Auto Limited financial statements for the year ended 31 December 2023", which includes the as required by the Kenyan Companies Act, 2015 and the supplementary information as set out on page 45. The other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and the requirements of the Kenyan 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.



INDEPENDENT AUDITOR'S REPORT

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 International Standards on Auditing 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 International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 legal and regulatory requirements

As required by the Kenyan Companies Act, 2015 we report to you based on our audit that:

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- in our opinion, proper books of account have been kept by the company, so far as appears from our examination of those company books;
- the company's Statement of Financial Position and Statement of Profit of Loss and Other Comprehensive Income are in agreement with the books of account; and
- the information in the directors' report is consistent with the financial statements.

BDO East Africa Kenya
Regulated by ICPAK, License number: PF/0015
The Westwood, 8th & 9th Floor
Vale Close, Off Ring Road
Westlands
Nairobi, Kenya

DocuSigned by:

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Signed on behalf of BDO East Africa Kenya by CPA Justus Mokua
engagement partner responsible for the independent audit
Practising certificate number: P/2565
Membership number: 23687

Date: 20 May 2024

MOGO AUTO LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023****STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	2023 KES '000	2022 KES '000
Interest income	4	6,114,213	5,626,544
Interest expense	5	(1,176,486)	(819,279)
Gross profit		4,937,727	4,807,265
Other income	6	15,686	1,722
Selling expenses	7	(517,752)	(551,973)
Impairment on loan and interest	8	(2,005,450)	(1,419,635)
Net foreign exchange	9	(874,675)	(498,668)
Operating expenses	10	(2,090,792)	(2,031,681)
(Loss)/Profit before tax		(535,256)	307,030
Taxation	11	154,895	(85,295)
(Loss)/Profit after tax		(380,361)	221,735
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		(380,361)	221,735

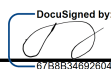
MOGO AUTO LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Notes	2023 KES '000	2022 KES '000
Assets			
Non-Current Assets			
Property, plant and equipment	13	92,476	128,176
Right-of-use assets	14	402,736	349,301
Intangible assets	15	181,580	245,619
Loans and advances	16	3,528,673	3,319,758
Deferred tax	17	644,320	414,231
		4,849,785	4,457,085
Current Assets			
Inventories	18	17,294	12,777
Amount due from related parties	19	164,752	1,307
Loans and advances	16	4,259,154	3,840,077
Trade and other receivables	20	814,846	640,132
Current tax receivable	21	17,551	3,560
Cash and cash equivalents	22	335,406	122,110
		5,609,003	4,619,963
Total Assets		10,458,788	9,077,048
Equity and Liabilities			
Equity			
Share capital	23	1,000	1,000
Preference shares		10,041	10,041
Share premium		994,059	994,059
Retained earnings		220,039	600,403
		1,225,139	1,605,503
Liabilities			
Non-Current Liabilities			
Borrowings	24	5,987,255	4,673,991
Lease liabilities	25	316,378	279,762
		6,303,633	4,953,753
Current Liabilities			
Trade and other payables	26	548,479	646,857
Amount due to related parties	27	46,427	204,100
Borrowings	24	2,228,215	1,585,050
Lease liability	25	106,895	81,785
		2,930,016	2,517,792
Total Liabilities		9,233,649	7,471,545
Total Equity and Liabilities		10,458,788	9,077,048

The financial statements and the notes on pages 9 to 45, were approved by the directors on the 17 May 2024 and were signed on its behalf by:

DocuSigned by:

 687A188E1FEE188
 Director

DocuSigned by:

 67B8B3489280450
 Director

MOGO AUTO LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

STATEMENT OF CHANGES IN EQUITY

	Share capital KES '000	Share premium KES '000	Total share capital KES '000	Retained earnings KES '000	Total equity KES '000
Balance at 1 January 2022	11,041	994,059	1,005,100	378,668	1,383,768
Profit for the year	-	-	-	221,735	221,735
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	221,735	221,735
Balance at 1 January 2023	11,041	994,059	1,005,100	600,400	1,605,500
Loss for the year	-	-	-	(380,361)	(380,361)
Other comprehensive income	-	-	-	-	-
Total comprehensive Loss for the year	-	-	-	(380,361)	(380,361)
Balance at 31 December 2023	11,041	994,059	1,005,100	220,039	1,225,139

MOGO AUTO LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023
STATEMENT OF CASH FLOWS

	Notes	2023 KES '000	2022 KES '000
Cash flows from operating activities			
Cash generated from operations	28	(588,747)	342,411
Tax paid	21	(89,185)	(668,368)
Net cash from operating activities		(677,932)	(325,957)
Cash flows from investing activities			
Purchase of equipment	13	(19,830)	(34,279)
Proceeds from sale of equipment	13	3,247	-
Receipts from loans receivable		(627,992)	(1,760,746)
Net cash from investing activities		(644,575)	(1,795,025)
Cash flows from financing activities			
Payment on related parties		(156,368)	(110,736)
Proceeds from borrowings		1,791,678	2,275,438
Payment on lease liabilities		(99,507)	(59,799)
Net cash from financing activities		1,535,803	2,104,903
Total cash movement for the year		213,296	(16,079)
Cash at the beginning of the year		122,110	138,189
Total cash at end of the year	22	335,406	122,110

MOGO AUTO LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023
ACCOUNTING POLICIES

General information

Mogo Auto Limited (the “Company”) is a limited liability company incorporated in Kenya under the Kenyan Companies Act, 2015. The ultimate parent company is Eleving Finance SA (formerly Mogo Finance SA), a company incorporated in Luxembourg. The Company is a micro-finance institution which provides loans mainly to motorcycles and car owners. It derives its income from interest on the loans advanced.

The address of its registered office is as below:

- Pine Tree Plaza, LR Number 1/443
 Kaburu Drive, Kilimani
 P.O.Box 9971-00100
 Nairobi, Kenya

1. Summary of significant accounting policies

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

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards (“IFRS”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations issued and effective at the time of preparing these financial statements and the Kenyan Companies Act, 2015.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Kenya Shillings, which is the company’s functional currency.

These accounting policies are consistent with the previous period.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the Kenyan Companies Act, 2015. For Kenyan Companies Act, 2015 reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

Basis of measurement

Unless where indicated, the financial statements are prepared under the historical cost basis.

Functional and presentation currency

The financial statements are presented in Kenya Shillings, which is the Company’s functional currency. All amounts have been rounded to the nearest thousands (KES ‘000’) except when otherwise indicated.

Use of estimates and judgements

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on the Directors’ best knowledge of current events and actions, actual results ultimately may differ from the estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation and critical judgement in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Critical accounting estimates and judgements.

MOGO AUTO LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023
ACCOUNTING POLICIES

1.2 Significant accounting policies

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expected future events that are believed to be reasonable under the circumstances.

Critical judgments in applying the entity's accounting policies

In the process of applying the Company's accounting policies, management has made judgements in determining:

- the classification of financial assets and leases;
- whether assets are impaired.

Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Income taxes

Significant judgement is required in determining the Company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Useful lives of property and equipment

The Company's management determines the estimated useful lives and related depreciation charges for its property and equipment. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down obsolete items of property and equipment that have been abandoned or sold.

Impairment testing

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations.

Provisions

Provisions for restructuring costs and legal claims are recognised when: The Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

MOGO AUTO LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023
ACCOUNTING POLICIES

1.2 Impairment of non-financial assets (continued)

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

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

- Determining criteria for significant increase in credit risk;
- Choosing the 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;
- Establishing groups of similar financial assets for the purposes of measuring ECL;
- Determining the relevant period of exposure to credit risk when measuring ECL for credit cards and revolving credit facilities; and
- Determining the appropriate business models and assessing the “solely payments of principal and interest (SPPI)” requirements for financial assets.

1.3 Revenue

Interest income and expense

Interest income and expense for all interest-bearing financial instruments, are recognised within interest income and interest expense in profit or loss on the accrual method using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

Interest income includes interest on loans and advances and is recognised in the period in which it is earned.

1.4 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Company and the reversal of temporary differences.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

MOGO AUTO LIMITED
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ACCOUNTING POLICIES

1.4 Income tax (continued)

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

1.5 Employee benefits

Post-employment benefits obligations

The Company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme to which the Company obligation's is limited to a specified contribution per employee per month. Currently, the company's contribution is limited to KES 1,080 per employee per month and is charged to profit or loss in the year to which it relates.

Provisions for employee benefits

Entitlements to annual leave are recognised when they accrue to employees. Provision is made for the estimated liability in respect of annual leave accrued on the reporting date.

1.6 Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of company at the exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss.

1.7 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the Company allocates consideration in the contract to each lease component on the basis of its relative standalone price.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;

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1.7 Leases (continued)

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in 'property and equipment' and lease liabilities are presented as a line item in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.8 Property, plant and equipment

All property and equipment used by the Company are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only 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. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation of assets is calculated using the straight line method to reduce their cost to their residual values over their estimated useful lives, as follows:

Item	Rates
Leasehold improvements	25% or expiration of lease agreement
Furniture and fixtures	20%
Motor vehicles	20%
Other property	50%
Computer equipment	33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Gains and losses on disposals are determined by comparing the net proceeds from disposal with carrying amount of the item. These are included in 'other income' in profit or loss.

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1.9 Intangible assets

Intangible assets are initially recognised at cost and subsequently at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided over the estimated useful life of the software at an annual rate of 14.3% as follows:

Item	Rate
Computer software	14.3%

1.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method and computed as the cost of purchase plus any incidental costs incurred in bringing inventory items to their present location

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Inventories mainly comprise consumables, packaging, food and beverage items.

1.11 Financial instruments

Recognition and initial measurement

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. All financial instruments are initially recognised on the trade date at which the Company becomes party to the contractual provisions of the instrument.

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, Fair value through other comprehensive Income (FVOCI) or Fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL;

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment - by - investment basis.

All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assesment

The Company evaluates the type of business model by looking at;

- How financial assets are managed to generate cash flows; and
- Based on a higher level of aggregation that reflects how groups of financial assets are managed together to achieve a particular business objective.

The Company's objective is to hold the financial asset in order to collect contractual cash flows over the instruments' lives. The Company operate 'hold to collect' business model.

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ACCOUNTING POLICIES

1.11 Financial instruments (continued)

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs as well as profit margin.

The Company has carried out SPPI test through assessment of contractual cash flow features contained in the financial assets. This testing was done on the contractual cash flow characteristics of each instrument, instead of overall portfolio or business.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

The Company classified its financial assets into loans and receivables.

Financial liabilities

Other financial liabilities are non-derivative financial liabilities that are recognized on the date the Company becomes party to the contractual provisions of the instruments. These include trade and other payables, loans and borrowings and amounts due to related parties. Financial liabilities are measured at amortized cost.

Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of:

- the consideration received (including any new asset obtained less any new liability assumed) and
- any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction like sale-and-repurchase transactions, because the Company retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Derecognition of financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

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1.11 Financial instruments (continued)

Impairment of financial assets

The Company recognizes loss allowance for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

Financial instruments that are debt instruments

The Company measures loss allowance at an amount equal to lifetime ECL, except for the following for which they are measured as 12 months ECL;

- Debt instrument that are determined credit risk to have a low credit risk at the reporting date.
- Other financial instruments in which credit risk has not increased significantly since initial recognition.
- 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments.'
- Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 1 financial instruments.' Financial instruments for which lifetime ECL are recognized and that are credit impaired are referred to as 'stage 1 financial instruments'

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Objective evidence that financial assets are impaired can include observable data that comes to the attention of the Company about the following loss events:

- Significant financial difficulty of the borrower,
- default or delinquency by a borrower,
- restructuring of a loan or advance by the company on terms that the company would not otherwise consider,
- indications that a borrower or issuer will enter bankruptcy,
- the disappearance of an active market for a security, or
- other observable data relating to a company of assets such as adverse changes in the payment status of borrowers or issuers in the company, or economic conditions that correlate with defaults in the Company.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Identified provisions are recognised for loans and receivables that are individually significant. Unidentified provision is measured and recognised on a portfolio basis where there is objective evidence that probable losses are present in components of the loan portfolio at the end of the reporting period. This is estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate.

Write offs

Financial assets measured at both amortised and FVOCI are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the company determines that the borrower does not have assets or sources of income that could generate enough cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the company's procedures for recovery of amounts due.

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ACCOUNTING POLICIES

1.11 Financial instruments (continued)

Trade and other receivables

Classification

Are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition at fair value.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The company recognises a loss allowance for expected credit losses on trade and other receivables, excluding prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The conditions at the reporting date where appropriate.

An impairment gain or loss is recognised in (loss)/profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in impairment loss on loan and interest in profit or loss as a movement in credit loss allowance.

Write off policy

The company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Receivables written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in (loss)/profit or loss.

Derivative financial instrument

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently measured at fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of recognition of gains or losses in the profit or loss will depend on the nature of the hedge relationship

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Derivatives embedded in the non-derivative host contracts are treated as separate derivatives when:

- Their risks and economic characteristics are not closely related to those of the host contract;
- A separate instrument with the same terms would meet the definition of a derivative; and
- The hybrid contract is not measured at fair value through profit or loss.

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1.11 Financial instruments (continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that some or all of the facility will be drawn-down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Trade and other payables

Classification

Trade and other payables excluding amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value.

They are subsequently measured at amortised cost using the effective interest method.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in (loss)/profit or loss in finance costs.

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk.

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Kenya Shillings equivalent using the spot rate at the end of each reporting period.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less from date of acquisition that are subject to an insignificant risk of changes in fair value. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

Derecognition

Financial assets

The company only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

Financial liabilities

The company derecognises financial liabilities when, and only when, the company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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1.11 Financial instruments (continued)

Reclassification

Financial assets

The company only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

1.12 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in (loss)/profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

1.13 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

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1.14 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.15 Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared.

1.16 Share capital

Ordinary shares are classified as share capital in equity. Any premium realised over and above par value of the shares is classified as 'share premium' in equity.

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2. Financial instruments and risk management

Categories of financial instruments

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Company has developed models to support the quantification of the credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks.

In measuring credit risk of loans and advances at a counterparty level, the Company considers three component:

- the 'Probability of Default' (PD) by the client or counterparty on its contractual obligations;
- current exposures to the counterparty and its likely future development, from which the Company derive the 'Exposure at Default' (EAD); and
- the likely recovery ratio on the defaulted obligations (the 'Loss Given Default') (LGD). The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

The Company's activities expose it to a variety of financial risks, including credit risk, liquidity risk and the effects of changes in foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. Risk management is carried out by the Finance Department under policies approved by the Board of Directors. The Finance Department identifies, evaluates and manages financial risks.

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from loans and advances to customers. Credit risk is managed by formulating credit policies in consultation with business units, covering collateral requirements, credit assessment and reporting, documentary and legal procedures, and compliance with regulatory requirements. Authorization structure for approval of credit facilities is established and limits are allocated to Credit Officers. The Company writes off a loan balance as and when management determines that the loans are uncollectible after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Credit Risk grading

The Company uses internal credit risk gradings that reflect its assessment of the probability of defaults of individual counterparties. The Company uses internal rating models tailored to the various categories of counterparty, borrower and loan specific information collected at the time of application (such as disposable income, the level of collateral for retail exposures, and turnover and industry type for wholesale exposures) is fed into this rating model.

Credit risk measurement

This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgment from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for the considerations which may not be captured as part of the other data input into the model.

Expected Credit loss (ECL) measurement

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

- A financial instrument that is not credit impaired at initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the company.
- If a significant increase in credit risk ("SICR" since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3."
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stage 1 or 2 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

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2. Financial instruments and risk management (continued)

- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 1)

The key judgements and assumptions adopted by the Company in addressing the requirements of the Standard are as follows:

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, reasonable and supportable information that is relevant and available without undue cost or effort is used. This includes both quantitative and qualitative information and analysis, based on historical experience and expert credit assessment and including forward-looking information.

Qualitative factors considered to assess significant increase in credit risk include;

- Operating performance of the borrower
- Changes to contractual terms e.g. restructured facilities.

A backstop of 30 days past due in receipt of contractual payments is also applied.

Generating the term structure of PD

Performance and default information about its credit risk exposures is collected and analysed product wise. Statistical models are then employed to analyse the data collected and generate estimates of 12- month average PD and lifetime PD.

Definition of default

Default is defined as unlikeliness to pay and is equated to days past due. For all loans default is when a borrower is more than 34 days past due.

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent or becoming probable that the borrower will enter Bankruptcy
- The borrower is in breach of financial covenants
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The above criteria have been applied to all financial instruments held by The Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) throughout The Company's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

Measuring expected credit loss - inputs, assumptions and estimation techniques

The expected credit loss (ECL) is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

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NOTES TO THE FINANCIAL STATEMENTS

2. Financial instruments and risk management (continued)

- LGD represents The Company's expectations of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is calculated on a 12-month or lifetime basis, where 12 month LGD is the percentage of loss expected to be made if the default occurs over the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month).

The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12- month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and a credit grade. This is supported by a historical analysis.

- For amortising products or bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by the borrower. Early repayments/refinance assumptions are also incorporated.
- For revolving products, the exposure at default is predicted by taking the current drawn-down balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Company's recent default data.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type:

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and prices.

Forward-looking economic information is also included in determining the 12- month and lifetime PD, EAD and LGD. These assumptions vary by product type

The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs and how collateral values change etc. - are monitored and reviewed on a quarterly basis.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward- looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument.

Forecasts of the base economic scenario and the possible scenarios along with scenario weightings are prepared by an expert economic team. The impact of these economic variables on the PD, EAD and LGD is determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within The Company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible outcomes.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

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NOTES TO THE FINANCIAL STATEMENTS

2. Financial instruments and risk management (continued)

Credit risk exposure

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Company's maximum exposure to credit risk on these assets.

The amounts in the table represent gross carrying amounts.

31 December 2023	Stage 1 KES'000	Stage 2 KES'000	Stage 3 KES'000	Total KES'000
Fully performing	3,679,254	856,475	3,294	4,539,023
Past due	1,068,385	1,438,192	2,788,817	5,295,394
Expected credit losses	(223,538)	(337,568)	(1,485,485)	(2,046,590)
	4,524,101	1,957,099	1,306,626	7,787,827

31 December 2022	Stage 1 KES'000	Stage 2 KES'000	Stage 3 KES'000	Total KES'000
Fully performing	3,721,704	900,842	2,030	4,624,576
Past due	909,993	1,188,042	1,933,856	4,031,891
Expected credit losses	(189,058)	(236,343)	(1,071,231)	(1,496,632)
	4,442,639	1,852,541	864,655	7,159,835

Most of the company's loans to customers are secured. The debt that is past due is not impaired and continues to be paid.

The following table show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

Provision for loans and advances	2023 KES'000	2022 KES'000
At the beginning of the year	1,496,632	771,347
Provision in the year	1,954,000	1,397,334
Bad debts written off	(1,404,042)	(672,049)
	2,046,590	1,496,632

Collateral and other credit enhancements

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Chattels mortgage over movable property such as motor vehicles.

Impairment and provisioning policies

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Company will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances. The Company's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by The Company since the period.

The loss allowance recognised in the period is impacted by a variety of factors as follows:

- Transfers between Stage 1 and Stage 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit impaired in the period, and the consequent "step up" or "step down" between 12-month and lifetime ECL;
- Additional allowance for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;

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NOTES TO THE FINANCIAL STATEMENTS

2. Financial instruments and risk management (continued)

- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

Concentration of risks of financial assets with credit exposure

	2023	%	2022	%
	KES'000		KES'000	
Bodaboda	3,819,921	39 %	4,356,976	51 %
Cars	5,888,352	60 %	4,299,492	49 %
Mobile phones	70,203	1 %	-	- %
	9,778,476	100 %	8,656,468	100 %

During the year, collateral held by the company was not used to determine the ECL as the collaterals are not primarily held for realization.

Modifications of financial assets

The Company sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended repayment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Company monitors the subsequent performance of modified assets. The Company may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

The Company continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets.

Market risk

The Company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices. The Company separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in Treasury department. Regular reports are submitted to the Board of Directors and heads of each business unit.

Non-trading portfolios primarily arise from the interest rate management of the entity's funding assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Company's held-to-maturity and available-for-sale financial assets.

Market risk measurement technique

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk. The Treasury department is responsible for the development of detailed risk management policies and for day-to-day implementation of those policies. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. Risk management is carried out by the Finance Department under policies approved by the Board of Directors. The Finance Department identifies, evaluates and manages financial risks.

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NOTES TO THE FINANCIAL STATEMENTS

2. Financial instruments and risk management (continued)

Capital management

The company's objective when managing capital is to

- safeguard the company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefit for other stakeholders;
- maintain a strong capital base to support the development of its business; and to
- maintain an optimal structure to reduce the cost of capital.

Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. The constitution of capital managed by the company is as shown below:

Amounts due to related parties	27	46,427	204,100
Borrowings	24	8,215,470	6,259,041
Lease liabilities	25	316,378	279,762
Trade and other payables	26	548,479	646,857
Total liabilities		9,126,754	7,389,760
Cash and cash equivalents	22	(335,406)	(122,110)
Net liabilities		8,791,348	7,267,650
Equity		1,225,135	1,605,500
Gearing ratio		718 %	453 %

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations when they fall due as a result, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Company will be unable to do so is inherent in all Companying operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

Liquidity risk management process

The Company's liquidity management process, as carried out within the Company and monitored by a Finance Department, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. The Company's Finance Department also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Funding approach

Sources of liquidity are regularly reviewed by a separate team in Treasury to maintain a wide diversification by currency, provider, product and term. The table below presents the cash flows payable by the Company under non-derivative financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flow, whereas the Company manages the liquidity risk based on a different basis, not resulting in a significantly different analysis.

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	2023 KES '000	2022 KES '000		
2. Financial instruments and risk management (continued)				
2023	Up to 12 months KES '000	1-5 years KES '000	Total KES '000	
Borrowings	2,228,215	5,987,256	8,215,471	
Lease liabilities	135,044	293,053	428,097	
Trade and other payables	543,783	-	543,783	
Amounts due to related companies	46,427	-	46,427	
	2,953,469	6,280,309	9,233,778	
2022	Up to 12 months KES '000	1-5 years KES '000	> 5 Years KES '000	Total KES '000
Borrowings	1,585,051	4,673,991	-	6,259,042
Lease liabilities	81,785	274,679	5,083	361,547
Trade and other payables	644,237	-	-	644,237
Amounts due to related companies	204,099	-	-	204,099
	2,515,172	4,948,670	5,083	7,468,925

Assets held for managing liquidity risk

The Company is exposed to the risk that it will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk is addressed through the following measures:

- The company enters into lending contracts subject to availability of funds;
- The company invests in short term liquid instruments such as call deposit and short term fixed deposit which can easily be realised when the need arises; and
- Investments in equipment are properly budgeted for and done when the company has sufficient cash flows.

Foreign currency risk

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table below summarises the Company's exposure to foreign exchange risk at 31 December 2023. Included in the table are the Company's financial instruments at carrying amounts, categorised by currency.

Exposure in Kenya shillings

The net carrying amounts, in Shillings, of the various exposures, are denominated in the following currencies. The amounts have been presented in Shillings by converting the foreign currency amounts at the closing rate at the reporting date:

	2023 USD	2023 Euro	2022 USD	2022 Euro
Closing rates per unit	156.46	173.78	123.37	131.27
Average rates per unit	139.68	151.03	117.83	124.19

US Dollar exposure:

Current assets:

Cash and cash equivalents	22	2,297	1,966
Loans and advances		3,348,524	-
Net US Dollar exposure		3,350,821	1,966

Euro exposure:

Current assets:

Cash and cash equivalents	22	48,642	-
Loans and advances		(4,992,658)	-

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023
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2. Financial instruments and risk management (continued)

Current liabilities:

Borrowings	(5,302)	(3,983)
Amount due to related party	(80,792)	(126,306)
Net Euro exposure	(5,030,110)	(130,289)
Net exposure to foreign currency in Kenya shillings	(1,679,289)	(128,323)

The sensitivity analysis below has been determined based on the exposure to changes in foreign exchange risk for non-derivative instruments at the reporting date. The table below shows the effect of an increase/decrease of 1% on average exchange rates to the profit before taxation as at 31 December.

Currency

USD	(3,791)	(20)
EUR	430,449	40,929
	426,658	40,909

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise.

The tables below summarise the Company's non-trading book fair value exposure to interest rate risks. It includes the Company's financial instruments at carrying amounts (non-derivatives), categorised by the earlier of contractual repricing and the maturity dates.

31 December 2023

	Within 1 Year KES'000	2-5 Years KES'000	Total KES'000
Loans and advances	3,528,673	4,259,154	7,787,827
	3,528,673	4,259,154	7,787,827
Borrowings from related party	-	(4,324,830)	(4,324,830)
Borrowings from peer-to peer platform	(274,148)	(237,263)	(511,411)
Other borrowing	(1,954,067)	(1,425,162)	(3,379,229)
	1,300,458	(1,728,101)	(427,643)

31 December 2022

	Within 1 Year KES'000	2-5 Years KES'000	Total KES'000
Loans and advances	3,319,758	3,840,078	7,159,836
Amounts due from related companies	1,307	-	1,307
	3,321,065	3,840,078	7,161,143
Borrowings from related party	-	(4,673,991)	(4,673,991)
Borrowings from peer-to peer platform	(628,220)	-	(628,220)
Amounts due to related companies	(204,099)	-	(204,099)
	2,488,746	(833,913)	1,654,833

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023
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2. Financial instruments and risk management (continued)

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Fair value of financial instrument

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Loans and advances to customers are net of allowance for impairment. The estimated fair value of loans and advances represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. Bank and cash balances are measured at amortized cost and their fair value approximates their carrying amount.

The carrying value of all the company's financial assets and liabilities is a reasonable approximation of fair value.

The table below sets out the carrying amounts of each class of financial assets and liabilities and their fair values:

2023- Assets	Financials assets KES '000	Total carrying amount KES '000	Fair value KES '000
Cash and cash equivalent	335,020	335,020	335,020
Loans and advances to customers	7,787,827	7,787,827	7,787,827
Other receivables	1,063,976	1,063,976	1,063,976
	9,186,823	9,186,823	9,186,823

2023- Liabilities	Other liabilities KES '000	Total carrying amount KES '000	Fair value KES '000
Lease liabilities	423,273	423,273	423,273
Trade and other payables	543,783	543,783	543,783
Amount due to related party	46,427	46,427	46,427
Borrowings	8,215,471	8,215,471	8,215,471
	9,228,954	9,228,954	9,228,954

2022- Assets	Financials assets KES '000	Total carrying amount KES '000	Fair value KES '000
Cash and cash equivalent	122,110	122,110	122,110
Loans and advances to customers	7,159,835	7,159,835	7,159,835
Amount due from related party	1,309	1,309	1,309
Other receivables	1,006,817	1,006,817	1,006,817
	8,290,071	8,290,071	8,290,071

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2022- Liabilities

	Other liabilities KES '000	Total carrying amount KES '000	Fair value KES '000
Lease liabilities	361,547	361,547	361,547
Trade and other payables	810,978	810,978	810,978
Amount due to related party	204,099	204,099	204,099
Borrowings	5,302,212	5,302,212	5,302,212
	6,678,836	6,678,836	6,678,836

3. New Standards and Interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

International tax reform - Pillar two model rules - amendments to IAS 12

The amendments incorporate into IAS 12, taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. As an exception, deferred tax assets and liabilities shall not be recognised, nor information about them disclosed related to Pillar Two income taxes. Disclosures about applying this exception to deferred tax are required. Any current tax income or expense related to Pillar Two income taxes is required to be disclosed separately. In addition, where the legislation is enacted or substantively enacted, but not yet in effect, management are required to disclose known or reasonably estimable information of the entity's exposure to Pillar Two taxes arising from that legislation.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company has adopted the amendment for the first time in the 2023 financial statements.

The impact of the amendment is not material.

Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12

The amendment adds an additional requirement for transactions which will not give rise to the recognition of a deferred tax asset or liability on initial recognition. Previously, deferred tax would not be recognised on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit or loss. The additional requirement provides that the transaction, at the time of the transaction must not give rise to equal taxable and deductible temporary differences.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company has adopted the amendment for the first time in the 2023 financial statements.

The impact of the amendment is not material.

Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company has adopted the amendment for the first time in the 2023 financial statements.

The impact of the amendment is not material.

Definition of accounting estimates: Amendments to IAS 8

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in financial statements that are subject to measurement uncertainty."

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023
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3. New Standards and Interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company has adopted the amendment for the first time in the 2023 financial statements.

The impact of the amendment is not material.

IFRS 17 Insurance Contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after 01 January 2023.

The company expects to adopt the standard for the first time in the 2023 financial statements.

The impact of the standard is not material.

3.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2024 or later periods:

- **Lack of exchangeability - amendments to IAS 21**
The effective date for the years beginning on or after 01 January 2025.
- **Supplier finance arrangements - amendments to IAS 7 and IFRS 7**
The effective date for the years beginning on or after 01 January 2024.
- **Non-current liabilities with covenants - amendments to IAS 1**
The effective date for the years beginning on or after 01 January 2024.
- **Lease liability in a sale and leaseback**
The effective date for the years beginning on or after 01 January 2024

The company is still assessing the impact of these new standards and interpretations.

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	2023 KES '000	2022 KES '000
4. Interest income		
Interest income from loans and advances to customers	5,677,868	5,243,665
Interest income from intercompany loans	102	107
Late payment interest income	123,805	118,877
Upfront interest income	312,438	263,895
	6,114,213	5,626,544
5. Interest expense		
Interest expense on peer-to-peer financing	126,218	61,538
Interest on related party loans	740,406	697,710
Interest expense on lease liabilities	35,844	21,671
Mintos service fees	15,398	7,237
Interest expense on notes	258,620	31,123
	1,176,486	819,279
6. Other income		
Insurance premium financing	9,719	498
Other income	5,967	1,224
	15,686	1,722
7. Selling expenses		
Selling expense comprise of the following:		
Advertising	80,270	81,534
Other selling expenses	353,520	410,772
Sales commissions	83,962	59,283
	517,752	551,589
8. Impairment loss on loan and interest		
Bad debts written off	1,403,844	672,050
Provision for doubtful debts	601,606	747,585
	2,005,450	1,419,635
9. Net foreign exchange		
Foreign exchange loss	1,254,753	608,186
Foreign exchange gain	(380,078)	(109,517)
	874,675	498,669

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	2023 KES '000	2022 KES '000
10. Operating expenses		
Audit fees	4,872	3,105
Bank charges	7,054	12,531
Debt collection expenses	174,737	131,941
Depreciation and amortisation	224,358	174,422
IT, telephone and internet expenses	53,342	49,181
Insurance	59,337	44,024
Legal fees	23,543	13,369
Management fees	452,714	451,354
Office maintenance	31,247	33,733
Other expenses	79,371	153,190
Other financial services	31,845	18,613
Personnel related expenses	1,648	1,524
Rent	4,752	3,675
Repossessed vehicle expenses	73,620	76,647
Salaries and wages	621,538	636,628
Tracking costs	149,517	169,791
Travel expenses	63,663	45,016
Utilities	33,634	13,320
	2,090,792	2,032,064
11. Taxation		
Major components of the tax expense		
Current tax		
Tax charge	75,194	356,134
Deferred Tax		
Deferred tax credit	(230,089)	(270,839)
	(154,895)	85,295
Reconciliation of the tax expense		
Reconciliation between accounting (loss)/profit and tax expense		
Accounting (loss)/ profit	(535,256)	307,030
Tax at the applicable tax rate of 30% (2022: 30%)	(160,577)	92,109
Expenses not deductible for tax purposes	5,682	838
Income not subject to tax	-	(7,652)
Prior year adjustments on deferred tax	-	(3,592)
	(154,895)	85,295

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	2023 KES '000	2022 KES '000
12. Employee costs		
Salaries	601,048	610,999
Other staff costs	20,490	25,629
	621,538	636,628
Number of of employees as at the year end		
Management	12	12
Non management staff	723	943
	735	955

13. Property, plant and equipment

	2023			2022		
	Cost KES '000	Accumulated depreciation KES '000	Carrying amount KES '000	Cost KES '000	Accumulated depreciation KES '000	Carrying amount KES '000
Furniture and fixtures	29,153	(12,297)	16,856	27,294	(6,626)	20,668
Motor vehicles	47,429	(21,270)	26,159	53,410	(13,359)	40,051
Computers	45,493	(28,232)	17,261	48,881	(18,867)	30,014
Leasehold improvements	56,502	(27,117)	29,385	49,489	(13,772)	35,717
Other assets	6,750	(3,935)	2,815	3,149	(1,423)	1,726
	185,327	(92,851)	92,476	182,223	(54,047)	128,176

Reconciliation of property, plant and equipment - 2023

	Opening balance KES '000	Additions KES '000	Disposals KES '000	Transfers KES '000	Write off KES '000	Depreciation KES '000	Closing balance KES '000
Furniture and fixtures	20,668	2,195	(47)	-	(217)	(5,743)	16,856
Motor vehicles	40,051	-	(3,206)	-	(268)	(10,418)	26,159
Computers	30,014	7,022	(1,673)	55	(1,183)	(16,974)	17,261
Leasehold improvements	35,717	7,012	-	(55)	-	(13,289)	29,385
Other assets	1,726	3,601	-	-	-	(2,512)	2,815
	128,176	19,830	(4,926)	-	(1,668)	(48,936)	92,476

Reconciliation of property, plant and equipment - 2022

	Opening balance KES '000	Additions KES '000	Other Movement KES '000	Write off KES '000	Depreciation KES '000	Closing balance KES '000
Furniture and fixtures	21,014	4,679	-	(24)	(5,001)	20,668
Motor vehicles	44,518	6,063	-	(421)	(10,109)	40,051
Computers	35,535	9,782	-	(974)	(14,329)	30,014
Leasehold improvements	36,899	12,165	611	(2,504)	(11,454)	35,717
Other assets	1,408	1,590	-	-	(1,272)	1,726
	139,374	34,279	611	(3,923)	(42,165)	128,176

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	2023 KES '000	2022 KES '000
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14. Right of use asset

The Company leases a number of branch and office premises. The leases typically run for a period of 2-5 years, with an option to renew the lease after that date. Some leases provide for additional rent payments that are based on estimated changes in local price indices.

Right-of-use assets relate to leased branch and office. The right-of-use assets are depreciated on a straight line basis over 2-5 years depending on the period of the leased asset. The movement in right-of-use asset during the year is summarised below:

	2023 KES '000	2022 KES '000
Cost	572,755	444,036
Accumulated depreciation	(170,019)	(94,735)
Carrying amount	402,736	349,301

2023	Opening balance KES '000	Additions KES '000	Disposals KES '000	Gain on lease modification KES '000	Amortisation KES '000	Closing balance KES '000
Building	349,301	243,415	(118,470)	3,374	(75,284)	402,737

2022	Opening balance KES '000	Additions KES '000	Disposals KES '000	Amortisation KES '000	Closing balance KES '000
Building	195,114	223,961	(1,396)	(68,378)	349,301

15. Intangible assets

	2023			2022		
	Cost KES '000	Accumulated amortisation KES '000	Carrying Amount KES '000	Cost KES '000	Accumulated amortisation KES '000	Carrying Amount KES '000
Computer software	448,275	(266,695)	181,580	448,275	(202,656)	245,619

Reconciliation of intangible assets - 2023

	Opening balance KES '000	Transfers KES '000	Amortisation KES '000	Closing balance KES '000
Computer software	245,619	(76)	(63,963)	181,580

Reconciliation of intangible assets - 2022

	Opening balance KES '000	Transfers KES '000	Amortisation KES '000	Total KES '000
Computer software	309,658	(154)	(63,885)	245,619

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	2023 KES '000	2022 KES '000
16. Loans and advances		
Loans and advances are presented at amortised cost, which is net of loss allowance, as follows:		
Cars, motorcycles and phones	7,787,827	7,159,835
Split between non-current and current portions		
Non-current assets	3,528,673	3,319,758
Current assets	4,259,154	3,840,077
	7,787,827	7,159,835

Exposure to credit risk

Loans and advances inherently exposes the company to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments when they fall due.

In order to mitigate the risk of financial loss from defaults, the company only deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained in all cases. Each customer is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the customers. The exposure to credit risk and the creditworthiness of customers is continuously monitored.

Loans and advances are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for loans and advances is calculated based on twelve month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses.

Reconciliation of loss allowances

The following tables show the movement in the loss allowances for loans receivable. The movement in the gross carrying amounts of the loans are also presented in order to assist in the explanation of movements in the loss allowance.

Opening balance in accordance with IFRS 9	1,496,632	771,347
Provision for expected credit loss	549,958	725,285
Closing balance	2,046,590	1,496,632

The significant changes in the gross carrying amount are further explained below:

Gross carrying amount at beginning of reporting period	7,159,835	5,399,090
Disbursements during the year	5,709,582	5,651,374
Payments during the year	(2,498,639)	(2,396,618)
Provision for expected credit loss	(2,046,590)	(1,496,632)
Loans written off	(614,373)	(135,215)
Foreign currency movement	78,012	137,836
	7,787,827	7,159,835

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	2023 KES '000	2022 KES '000
17. Deferred tax		
Deferred tax liability		
Accelerated capital allowances	(7,647)	(23,214)
unrealised foreign exchange gain	-	(23,211)
	(7,647)	(46,425)
Deferred tax asset		
Provision for leave days	3,156	4,287
Right of use assets	2,465	3,256
Provision for bonus	1,795	4,123
Provision for expected credit loss	629,472	448,990
unrealised foreign exchange gain	15,079	-
	651,967	460,656
Deferred tax liability	(7,647)	(46,425)
Deferred tax asset	651,967	460,656
	644,320	414,231
Reconciliation of deferred tax asset		
At beginning of year	414,231	143,393
Accelerated capital allowance	15,566	16,764
Provision for expected credit loss	180,482	218,160
Provision for bonus	(2,327)	2,274
Provision for leave days	(1,131)	(306)
Right of use assets	(791)	3,256
unrealised foreign exchange gain	38,290	30,690
	644,320	414,231
18. Inventories		
Global positioning system devices	17,294	12,777
19. Amount due from related parties		
Green Power Trading Limited (Formerly Mogo Kenya Limited)	164,752	1,307

The amounts due from related company comprises balances on current accounts. The balances are due on demand. The balances are unsecured.

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	2023 KES '000	2022 KES '000
20. Trade and other receivables		
Financial instruments:		
Prepayments	104,355	108,287
Deposits to be returned	40,242	27,919
Mintos clearing account	313,010	17,367
Advances paid	60,796	178,603
Deferred expenses	296,443	307,956
	814,846	640,132

The directors are of the opinion that the carrying amount of trade and other receivables approximates their fair value.

21. Current tax

Balance at the beginning of the year	3,560	(308,674)
Tax paid	89,185	668,368
Tax charge	(75,194)	(356,134)
	17,551	3,560

22. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6,077	4,523
Bank balances	329,329	117,587
	335,406	122,110

23. Share capital

Authorised

1,000 Ordinary shares of KES 1,000 each	1,000,000	1,000,000
10,041 preference shares of KES 1,000 each	10,041,000	10,041,000
	11,041,000	11,041,000

Issued

1,000 Ordinary shares of KES 1,000 each	1,000	1,000
10,041 preference shares of KES 1,000 each	10,041	10,041
Share premium	994,059	994,059
	1,005,100	1,005,100

All shares rank equally with regard to the Company's residual assets. the holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The preference shares are non-cumulative convertible redeemable. They are classified as equity and rank Parri Passu as regards to dividends and in all other respects within the existing share capital. Share premium is classified as equity and arises when the shares of the company are issued at a price higher than the nominal (par) value.

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NOTES TO THE FINANCIAL STATEMENTS

	2023 KES '000	2022 KES '000
24. Borrowings		
Eleving Solis AS	83,588	-
Borrowings from peer-to-peer platform	511,411	628,220
Eleving Group SA (Formerly Mogo Finance SA)	4,241,242	4,673,991
Dry associates Funds	2,284,009	956,830
Verdant Capital Hybrd Fund	1,095,220	-
	8,215,470	6,259,041

	Average rate	2023 KES '000	Average rate	2022 KES '000
Eleving Group SA (formerly Mogo Finance SA)	15.00 %	4,241,242	15.00 %	4,673,991
Borrowing from Peer to peer platform	15.27 %	511,411	14.27 %	628,220
Dry Associates Funds	13.74 %	2,284,009	13.19 %	956,830
Verdant Capital Hybrd Fund	16.56 %	1,095,220	- %	-
Eleving Solis AS	15.00 %	83,588	- %	-
	14.81 %	8,215,470	14.65 %	6,259,041

Maturing as follows:

2023	Less than 1 year KES '000	2 years to 5 years KES '000	Total KES '000
Borrowings	2,228,215	5,987,255	8,215,470
2022	Less than 1 year KES '000	2 years to 5 years KES '000	Total KES '000
Borrowings	1,585,050	4,673,991	6,259,041

Borrowings from foreign investors are denominated in Euros and US dollars. Peer-to-peer borrowings relate to agreement receivables placed on the Mintos platform. The borrowings are payable upto 5 years. The loan from Eleving Group SA is payable by 15 February 2028.

25. Lease liability

Non-current lease liability	316,378	279,762
Current lease liability	106,895	81,785
	423,273	361,547

2023	Opening balance	Other movements	Interest expense	Rent paid	Total
	KES '000	KES '000	KES '000	KES '000	KES '000
Building	361,547	161,233	35,844	(135,351)	423,273

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				2023 KES '000	2022 KES '000
25. Lease liability (continued)					
2022	Opening balance	Net Addition and disposal leases	Interest expense	Rent paid	Total
	KES '000	KES '000	KES '000	KES '000	KES '000
Building	199,371	221,975	21,671	(81,470)	361,547

Extension options

Some leases of office premises contain extension options exercisable by the Company at the end of the contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. As at 31 December 2023, the average remaining period for active leases was 5 years. The Company therefore did not assess the potential future lease payments upon exercising the option.

26. Trade and other payables

Trade payables	19,130	26,221
Accrued interest on short term borrowings	68,239	29,505
Other payables	110,860	75,422
Advance receipt from customers	43,520	48,267
Deferred income	300,511	461,384
VAT	6,219	6,058
	548,479	646,857

The directors are of the opinion that the carrying amount of trade and other payables approximates their fair value.

27. Amount due to related parties

Mogo Africa UAB	-	80,793
Green Power Trading Limited (formerly Mogo Kenya Limited)	-	407
	-	81,200

28. Cash (used in)/generated from operations

Profit before taxation	(535,256)	307,030
Adjustments for:		
Depreciation and amortisation	112,899	106,050
Amortisation of right-of-use assets	111,378	68,378
Losses on disposal of asset	1,679	-
Assets written off	1,668	3,923
Other non-cash movements	(58)	(1,044)
Gain on lease termination	(3,448)	-
Changes in working capital:		
Inventories	(4,517)	36,468
Trade and other receivables	(174,714)	(123,216)
Trade and other payables	(98,378)	(55,178)
	(588,747)	342,411

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	2023 KES '000	2022 KES '000
29. Related parties		
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.		
In the normal course of business, a number of transactions are entered into with related parties which are mainly directors and companies under common control and key management personnel. These include short term advances, interest on the advances and expenses settled on behalf of the directors and the related companies in the ordinary course of business.		
Related party balances		
Amount due from related parties		
Green Power Trading Limited (formerly Mogo Kenya Limited)	164,752	1,307
Amount due to related parties		
Eleving group SA	36,129	122,900
Mogo Africa UAB	-	80,792
Green Power Trading Limited (formerly Mogo Kenya Limited)	-	406
	36,129	204,098
Compensation to directors and other key management		
Salaries and other short term benefits	18,353	10,814

The amounts due from related company comprises balances on current accounts. The balances are due on demand and are unsecured.

30. Contingent liabilities

The Company is a defendant in legal cases pending in various courts in Kenya involving customers. In the opinion of the directors, after taking appropriate legal advice, the resolution of these legal proceedings are unlikely to result in any significant liability and hence no provision has been made in the financial statements.

The directors are not aware of any other pending or threatened litigation, proceedings, hearings or claims negotiations which may result in a material misstatement of the financial statements.

31. Comparative figures

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

32. Capital Commitments

The Company had no capital commitments as at 31 December 2023 (2022: Nil).

33. Events after the reporting period

No material events or circumstances have arisen between the accounting date and the date of this report which would cause the Company to adjust its financial statements.