

Company registration number 11472232 (England and Wales)

KUDA TECHNOLOGIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

KUDA TECHNOLOGIES LIMITED

COMPANY INFORMATION

Directors

B Ogundeyi
Dr R Schaefer
A McCormack (Appointed 24 February 2021)
M Mustapha (Appointed 7 July 2021)

Secretary

Taylor Wessing Secretaries Limited

Company number

11472232

Registered office

5 New Street Square
London
EC4A 3TW

Auditor

Azets Audit Services
2nd Floor Regis House
45 King William Street
London
EC4R 9AN

KUDA TECHNOLOGIES LIMITED

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KUDA TECHNOLOGIES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their report and audited financial statement for the year ended 31 December 2021 (the "period") for Kuda Technologies Limited (Incorporated in United Kingdom) (the "company").

Principal activities

Kuda Group (Comprising Kuda Technologies "company" and its subsidiaries) is a fintech on a mission to make financial services accessible, affordable and rewarding for every African on the planet.

The company's principal activity is to perform Head Office activities for the group, including strategic direction and development of Technology used by its operating entities.

The company operates a branch in South Africa, the results of which are incorporated in the company's Financial Statements.

In 2021, the company incorporated three new legal entities Kuda EMI Ltd, Kuda Ghana Ltd, and Kuda Financial Services Limited, in the UK, Ghana and Uganda, respectively.

The company's wholly owned subsidiary operating in Nigeria, Kuda Microfinance Bank ("Kuda MFB"), operates a digital-only bank, providing retail banking services. On 31 December 2021, Kuda MFB had circa 2.4m registered users on the Kuda App. Following the year-end, Kuda MFB continued to grow. At the time of signing the company's financial statements, Kuda MFB had in excess of 4.6m registered users.

There have not been any significant changes in company's principal activity in the year, and no substantial change in company's principal activity is expected.

Overview of 2021 performance

The company reported a loss of £2.03m in the period compared to £0.34m in 2020. It is mainly driven by an increase in staff cost amounting to £1.17m and IT costs of £0.72m. This operating cost incurred in the early years paves the way for profitable growth to follow. The company's total net assets as of 31 December 2021 amounted to £62.88m (2020: £6.38m). Following the two rounds of funding in 2021, Series A £17.73m (\$25m) in February 2021 and Series B £40.22m (\$55m) in July 2021, the cash balance reported at the year-end increased by £47.02m.

During the year, the company also focused on building a strong and stable business environment by investing further in the underlying Technology, products and services provided to the customers of Kuda Group. The company also initiated its expansion to other African countries.

Escalation of War in Ukraine

The company has limited or no direct exposure to Russia and Ukraine. There may be adverse effects on the global economy due to the current disruption to the financial market, global trade payment system, and capital flows as well from the impact of sanctions. The extent to which the impact on the global economy affects the company will depend on future developments that are highly uncertain and unpredictable.

Going Concern

The directors consider it appropriate to prepare the company's financial statements on the basis that they are able to continue in operational existence for a period of at least 12 months from the signing of these financial statements.

The directors have prepared forecasts which consider the expected expenditure level over the review period and the anticipated revenue across the Kuda Group. The directors remain satisfied that the assumptions used in the forecasts are reasonable and justified.

As the Kuda group's growth has accelerated, it has been investing to scale its operations, product suite, customer services, and technological infrastructure. The company completed two rounds of fundraising via equity in 2021, and the directors are confident that should further funding be required it can be obtained.

KUDA TECHNOLOGIES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Results and dividends

The results for the year are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

B Ogundeyi

Dr R Schaefer

H Aswani

(Resigned 24 February 2021)

A McCormack

(Appointed 24 February 2021)

M Mustapha

(Appointed 7 July 2021)

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

B Ogundeyi

Director

17 November 2022

KUDA TECHNOLOGIES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KUDA TECHNOLOGIES LIMITED

Opinion

We have audited the financial statements of Kuda Technologies Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

KUDA TECHNOLOGIES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) **TO THE MEMBERS OF KUDA TECHNOLOGIES LIMITED**

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

KUDA TECHNOLOGIES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF KUDA TECHNOLOGIES LIMITED

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we 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. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. 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.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Howard (Senior Statutory Auditor)
For and on behalf of
Azets Audit Services
Chartered Accountants
Statutory Auditor

17 November 2022

KUDA TECHNOLOGIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

		2021 £	2020 £
	Notes		
Administrative expenses		(2,196,551)	(366,620)
Other operating income		163,327	23,683
Operating loss	3	(2,033,224)	(342,937)
Finance income		390	-
Loss before taxation		(2,032,834)	(342,937)
Tax on loss		-	-
Loss and total comprehensive income for the financial year		(2,032,834)	(342,937)

The notes on pages 9 to 21 form part of these financial statements.

KUDA TECHNOLOGIES LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Non-current assets					
Intangible assets	6	679,361		175,438	
Property, plant and equipment	7	937,698		10,873	
Investments	8	1,343,956		211,547	
			2,961,015		397,858
Current assets					
Trade and other receivables	10	17,492,192		6,736,551	
Cash and cash equivalents		47,031,430		11,416	
				6,747,967	
Current liabilities	11	(1,641,776)		(368,198)	
Net current assets			62,881,846		6,379,769
Total assets less current liabilities			65,842,861		6,777,627
Non-current liabilities	11	(852,375)			-
Provisions for liabilities					
Other provisions		(10,024)			-
Net assets			64,980,462		6,777,627
Equity					
Called up share capital	14	25,735		17,344	
Share premium account	15	66,171,816		7,106,144	
Other reserves		1,161,606		-	
Retained earnings		(2,378,695)		(345,861)	
Total equity			64,980,462		6,777,627

The notes on pages 9 to 21 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 17 November 2022 and are signed on its behalf by:

B. Ogundeyi
Director

Company registration number 11472232

KUDA TECHNOLOGIES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital £	Share premium account £	Other reserve £	Retained earnings £	Total £
Balance at 1 January 2020		10,000	-	-	(2,924)	7,076
Year ended 31 December 2020:						
Loss and total comprehensive income for the year		-	-	-	(342,937)	(342,937)
Transactions with owners in their capacity as owners:						
Issue of share capital	14	7,344	7,106,144	-	-	7,113,488
Balance at 31 December 2020		17,344	7,106,144	-	(345,861)	6,777,627
Year ended 31 December 2021:						
Loss and total comprehensive income for the year		-	-	-	(2,032,834)	(2,032,834)
Transactions with owners in their capacity as owners:						
Issue of share capital	14	11,245	59,065,672	-	-	59,076,917
Credit to equity for equity settled share-based payments		-	-	1,161,606	-	1,161,606
Conversion of shares	14	(2,854)	-	-	-	(2,854)
Balance at 31 December 2021		25,735	66,171,816	1,161,606	(2,378,695)	64,980,462

The notes on pages 9 to 21 form part of these financial statements.

KUDA TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Kuda Technologies Limited is a private company limited by shares incorporated in England and Wales. The registered office is 5 New Street Square, London, EC4A 3TW. The company's principal activities and nature of its operations are disclosed in the directors' report.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions from the requirements of IFRS:

- inclusion of an explicit and unreserved statement of compliance with IFRS;
- presentation of a statement of cash flows and related notes;
- disclosure of the objectives, policies and processes for managing capital;
- disclosure of key management personnel compensation;
- disclosure of the categories of financial instrument and the nature and extent of risks arising on these financial instruments;
- the effect of financial instruments on the statement of comprehensive income;
- comparative period reconciliations for the number of shares outstanding and the carrying amounts of property, plant and equipment, intangible assets, investment property and biological assets;
- disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- a reconciliation of the number and weighted average exercise prices of share options, how the fair value of share-based payments was determined and their effect on profit or loss and the financial position;
- comparative narrative information;
- related party disclosures for transactions with wholly owned members of the group.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

1.2 Going concern

The directors consider it appropriate to prepare the company's financial statements on the basis that they are able to continue in operational existence for a period of at least 12 months from the signing of these financial statements.

The directors have prepared forecasts which consider the expected expenditure level over the review period and the anticipated revenue across the Kuda Group. The directors remain satisfied that the assumptions used in the forecasts are reasonable and justified.

As the Kuda group's growth has accelerated, it has been investing to scale its operations, product suite, customer services, and technological infrastructure. The company completed two rounds of fundraising via equity in 2021, and the directors are confident that should further funding be required it can be obtained.

KUDA TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.3 Intangible assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

- Website domain - 10 years straight line
- Software development - 10 years straight line

1.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	3 year straight line
Computers & IT equipment	3 year straight line
Right-of-use Asset	Over the lease term

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.5 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

KUDA TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

Impairment of financial assets

Financial assets carried at amortised cost are assessed for indicators of impairment at each reporting end date.

The expected credit losses associated with these assets are estimated on a forward-looking basis. A broad range of information is considered when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.8 Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

KUDA TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event and it is probable that the company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

KUDA TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.13 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the black-scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

1.14 Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. 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. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property.

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 and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. 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 unpaid 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. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

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; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. 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 has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

KUDA TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.15 Grants

Government grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants will be received.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 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.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Carrying value of investment and amounts owed by group companies

Determine whether there are indicators of impairment of the company's assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance.

3 Operating loss

	2021	2020
	£	£
Operating loss for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(958,964)	75,000
Government grants	(163,081)	(23,683)
Fees payable to the company's auditor for the audit of the company's financial statements	14,400	14,400
Depreciation of property, plant and equipment	6,831	276
Amortisation of intangible assets (included within administrative expenses)	50,005	10,047
Share-based payments	81,682	-
	<u> </u>	<u> </u>

KUDA TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

2021 Number	2020 Number
17	4
<u>17</u>	<u>4</u>

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	1,145,037	64,471
Social security costs	87,180	6,102
Pension costs	3,380	-
	<u>1,235,597</u>	<u>70,573</u>

5 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	<u>171,229</u>	<u>45,600</u>

In addition to the above, £31,070 (2020: £8,900) relating to directors remuneration has been capitalised within software development costs.

KUDA TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

6 Intangible fixed assets

	Website domain	Software development costs	Total
	£	£	£
Cost			
At 31 December 2020	-	185,485	185,485
Additions	49,801	504,127	553,928
At 31 December 2021	49,801	689,612	739,413
Amortisation and impairment			
At 31 December 2020	-	10,047	10,047
Charge for the year	4,150	45,855	50,005
At 31 December 2021	4,150	55,902	60,052
Carrying amount			
At 31 December 2021	45,651	633,710	679,361
At 31 December 2020	-	175,438	175,438

7 Property, plant and equipment

	Fixtures and fittings	Computers & IT equipment	Right-of-use Asset	Total
	£	£	£	£
Cost				
At 1 January 2021	-	11,149	-	11,149
Additions	2,234	34,986	896,436	933,656
At 31 December 2021	2,234	46,135	896,436	944,805
Accumulated depreciation and impairment				
At 1 January 2021	-	276	-	276
Charge for the year	285	6,546	-	6,831
At 31 December 2021	285	6,822	-	7,107
Carrying amount				
At 31 December 2021	1,949	39,313	896,436	937,698
At 31 December 2020	-	10,873	-	10,873

KUDA TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

8 Investments

	Current 2021 £	2020 £	Non-current 2021 £	2020 £
Investments in subsidiaries	-	-	1,343,956	211,547

Fair value of financial assets carried at amortised cost

The directors consider that the carrying amounts of financial assets carried at amortised cost in the financial statements approximate to their fair values.

Movements in non-current investments

	Shares in subsidiaries £
Cost or valuation	
At 1 January 2021	211,547
Additions	1,132,409
At 31 December 2021	1,343,956
Carrying amount	
At 31 December 2021	1,343,956
At 31 December 2020	211,547

9 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Kuda Microfinance Bank Limited	151 Herbert Macaulay Way, Yaba, Lagos State, Nigeria	Ordinary	100.00
Kuda Ghana Ltd	8th Floor, One Airport Square, Airport City, Accra, Ghana	Ordinary	70.00
Kuda Financial Services Limited	House 42, Plot 54, Kanjoya Street, Kampala, Uganda	Ordinary	95.00
Kuda EMI Ltd	5 New Street Square, London, EC4A 3TW	Ordinary	100.00

KUDA TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

10 Trade and other receivables

	2021 £	2020 £
Amounts owed by subsidiary undertakings	17,135,911	6,711,952
Other receivables	288,870	24,599
Prepayments and accrued income	67,411	-
	<u>17,492,192</u>	<u>6,736,551</u>

Within, amounts owed by subsidiary undertakings a balance of £16,834,069 represents funds transferred to Kuda MFB, a company registered in Nigeria. This funding is a deposit for share capital and is showing as Deposit for Shares in the accounts of Kuda MFB pending approval from the Central Bank of Nigeria to issue the shares. When approval is obtained the amounts will be reclassified as Investment in the Subsidiary.

11 Liabilities

		Current		Non-current	
	Notes	2021 £	2020 £	2021 £	2020 £
Trade and other payables	12	1,479,580	359,157	-	-
Taxation and social security		74,984	9,041	-	-
Lease liabilities	13	87,212	-	852,375	-
		<u>1,641,776</u>	<u>368,198</u>	<u>852,375</u>	<u>-</u>

12 Trade and other payables

	2021 £	2020 £
Amounts owed to subsidiary undertakings	754,233	250,428
Accruals and deferred income	587,455	83,129
Other payables	137,892	25,600
	<u>1,479,580</u>	<u>359,157</u>

KUDA TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

13 Lease liabilities

	2021 £	2020 £
Maturity analysis		
Within one year	135,944	-
In two to five years	963,468	-
In over five years	22,274	-
	<u>1,121,686</u>	<u>-</u>
Total undiscounted liabilities	1,121,686	-
Future finance charges and other adjustments	(182,099)	-
	<u>939,587</u>	<u>-</u>
Lease liabilities in the financial statements	<u>939,587</u>	<u>-</u>

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2021 £	2020 £
Current liabilities	87,212	-
Non-current liabilities	852,375	-
	<u>939,587</u>	<u>-</u>

14 Share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital Issued and fully paid				
Ordinary shares of 1p each	942,820	956,814	9,428	9,568
	<u>942,820</u>	<u>956,814</u>	<u>9,428</u>	<u>9,568</u>
Preference share capital Issued and fully paid				
Seed Preferred shares of 1p each	506,176	777,613	5,062	7,776
Series A shares of 1p each	738,323	-	7,383	-
Series B shares of 1p each	386,252	-	3,862	-
	<u>1,630,751</u>	<u>777,613</u>	<u>16,307</u>	<u>7,776</u>
Preference shares classified as equity			<u>16,307</u>	<u>7,776</u>
Total equity share capital			<u>25,735</u>	<u>17,344</u>

KUDA TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

14 Share capital

(Continued)

Reconciliation of movements during the year:

	Ordinary shares	Seed preferred shares	Series A shares	Series B shares
	Number	Number	Number	Number
At 1 January 2021	956,814	777,613	-	-
Issue of fully paid shares	-	-	527,819	311,325
Conversion of shares	(13,994)	(271,437)	210,504	74,927
At 31 December 2021	942,820	506,176	738,323	386,252

On 24 February 2021, the company issued 94,843 Series A shares at nominal value of 1p per share for total consideration of £1,418,138 (\$2,000,000) prior to expenses that have been deducted from the premium (note 15).

The company also issued 432,976 Series A shares at nominal value of 1p per share for total consideration of £17,726,749 (\$25,000,034) prior to expenses that have been deducted from the premium (note 15).

Between the 25 February 2021 and 21 July 2021, the company converted 13,994 Ordinary shares and 271,437 Preferred seed shares into 210,504 Series A shares and 74,927 Series B shares at the same nominal value of 1p per share.

Between the 21 July 2021 and 9 August 2021, the company issued 311,325 Series B shares at nominal value of 1p per share for total consideration of £40,219,191 (\$54,999,744) prior to expenses that have been deducted from the premium (note 15).

15 Share premium account

	2021 £	2020 £
At the beginning of the year	7,106,144	-
Issue of new shares	59,355,687	7,336,782
Share issue expenses	(290,015)	(230,638)
At the end of the year	66,171,816	7,106,144

KUDA TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

16 Events after the reporting date

During the year 2022, the company invested £16.06m as deposit for shares in Kuda MFB, pending approval from the Central Bank of Nigeria, after which they will be classified as Investment in Subsidiary.

The company incorporated/acquired the below subsidiaries post balance sheet date; details are as follows:

Name of Undertaking	Place	Class of shares held	% Held direct	Date
Kuda Tanzania Limited	Tanzania	Ordinary	99%	8 April 2022
Kuda Technologies Canada Limited	Canada	Ordinary	100%	24 August 2022
Kuda Nominees Limited	Nigeria	Ordinary	100%	29 August 2022
Kuda Retail Limited	Nigeria	Ordinary	100%	20 October 2022

In 2022, the company further invested £0.52m towards the shares in Kuda Financial Services Limited and £0.17m towards the shares in Kuda Ghana Ltd.

17 Directors' transactions

During the prior year a director of the company, Mr B Ogundeyi, paid certain expenses on behalf of the company and at the year end the company owes him £Nil (2020: £25,600).

Included within accruals, are amounts payable of £206,748 (2020: £54,500) in respect of directors remuneration.

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