

SPICE VAS KENYA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

Spice Vas Kenya Limited
Annual report and financial statements
For the year ended 31 March 2021

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CORPORATE INFORMATION

Board of Directors	Arun Nagar Stephen Ndungu Boro
Registered office	Spice VAS Kenya Limited L.R. No. 209/65/19 6 Ojijo Close Ojijo Road, Parklands P.O. Box 46683 - 00100, Nairobi.
Independent auditor	Baker Tilly Merali's Certified Public Accountants New Rehema House P.O. Box 67486 - 00200, Nairobi.
Company secretary	Equatorial Secretaries and Registrars Kalamu house Grevillea Grove, Westlands P.O. Box 47323 - 00100, Nairobi.
Principal banker	Standard Chartered Bank Limited P. O. Box 72833 - 00200, Nairobi.

Spice Vas Kenya Limited
Annual report and financial statements
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REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31st March 2021.

Incorporation

The company is incorporated in Kenya under the Kenyan Companies Act as a private company limited by shares, and is domiciled in Kenya. The address of the registered office is set out on page 1.

Principal activities

The principal activity of the company is that of provision of mobile value added services in telecommunications.

Results	2021	2020
	Kshs	Kshs
Profit before tax	26,282,932	12,987,088
Tax charge	<u>(7,913,970)</u>	<u>(4,056,373)</u>
Profit for the year transferred to retained earnings	<u>18,368,962</u>	<u>8,930,714</u>

Dividends

The directors do not recommend the declaration of a dividend for the year.(2020:Nil)

Statement as to disclosure to the company's auditor

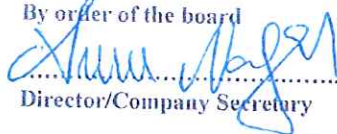
With respect to each director at the time this report was approved:

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

Terms of appointment of the auditor

Baker Tilly Meralis' continues in office in accordance with the company's Articles of Association and Section 719 of the Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

By order of the board


.....
Director/Company Secretary

Nairobi07th June 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company maintains proper accounting records that are sufficient to show and explain the transactions of the company; disclose, with reasonable accuracy, the financial position of the company; and enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

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

- i) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- ii) selecting and applying appropriate accounting policies; and
- iii) making accounting estimates and judgements that are reasonable in the circumstances.

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

Approved by the board of directors on07th June..... 2021 and signed on its behalf by:

ARUN NAGAR
Director name


Director signature

.....
Director name

.....
Director signature

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF SPICE VAS KENYA LIMITED**

Opinion

We have audited the financial statements of Spice Vas Kenya Limited, set out on pages 6 to 19 which comprise the statement of financial position as at 31 March 2021, and the statement of profit or loss account, statements of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the company as at 31 March 2021 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty on going concern

We draw attention to Note 18 to the financial statements, which indicates that as of that date, the Company had a deficit on shareholders' funds of Kshs 2,064,824 (2020 Kshs: 20,186,543). As stated in Note 18, these events or conditions, along with other matters as set forth in note 19 indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter

Other Information

The directors are responsible for the other information. Other information comprises the information included in the Annual Report, but 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 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 on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards Small and Medium-sized Entities 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

**REPORT OF THE INDEPENDENT AUDITOR (continued)
TO THE MEMBERS OF SPICE VAS KENYA LIMITED**

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other matters prescribed by the Kenyan Companies Act, 2015

In our opinion the information given in the report of the directors on page 2 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Madhav Bhandari P/No. 1213.


Baker Tilly Merali's
Certified Public Accountants
P.O. Box 67486 - 00200, Nairobi

Date:07/06/2021.....

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STATEMENT OF PROFIT OR LOSS ACCOUNT

	Note	2021 Kshs	2020 Kshs
Revenue	4	131,937,228	152,815,060
Direct costs	Appendix (i)	<u>(71,362,070)</u>	<u>(58,054,951)</u>
Gross profit		60,575,158	94,760,109
Other income	5	2,681,452	86,122
Administrative expenses	Appendix (ii)	(10,835,849)	(38,219,228)
Other operating expenses	Appendix (iii)	<u>(22,920,085)</u>	<u>(40,888,341)</u>
Operating profit		29,500,676	15,738,662
Finance cost	Appendix (iv)	<u>(3,217,744)</u>	<u>(2,751,574)</u>
Profit before tax		26,282,932	12,987,088
Tax credit	7	<u>(7,913,970)</u>	<u>(4,056,373)</u>
Net profit for the year		<u><u>18,368,962</u></u>	<u><u>8,930,715</u></u>

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STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

Assets	Note	2021 Kshs	2020 Kshs
Non current assets			
Property, plant and equipment	8	3,586,182	6,931,060
Intangible assets	9	1,009,438	1,523,836
Deferred tax	10	1,640,961	8,728,117
		<u>6,236,581</u>	<u>17,183,013</u>
Current assets			
Trade and other receivables	11	19,240,684	22,426,818
Cash and cash equivalents	12	487,331	5,555,104
Tax recoverable	13	42,216,148	35,818,089
		<u>61,944,163</u>	<u>63,800,013</u>
Total assets		<u>68,180,744</u>	<u>80,983,025</u>
Equity and Liabilities			
Capital and reserves			
Issued capital	14	100,000	100,000
Accumulated losses		<u>(1,917,581)</u>	<u>(20,286,543)</u>
		<u>(1,817,581)</u>	<u>(20,186,543)</u>
Non-current liabilities			
Due to related parties	17	<u>25,836,844</u>	<u>44,860,053</u>
		<u>25,836,844</u>	<u>44,860,053</u>
Current liabilities			
Trade and other payables	16	<u>44,161,481</u>	<u>56,309,516</u>
		<u>44,161,481</u>	<u>56,309,516</u>
Total equity and liabilities		<u>68,180,744</u>	<u>80,983,025</u>

The financial statements on pages 6 to 19 were approved and authorised for issue by the board of Directors on07th June... 2021 and were signed on its behalf by:

.....
 Director


 Director

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STATEMENT OF CHANGES IN EQUITY

	Share capital Kshs	Accumulated losses Kshs	Total Kshs
Year ended 31 March 2020			
At 1 April 2019	100,000	(29,217,258)	(29,117,258)
Profit for the year	<u>-</u>	<u>8,930,715</u>	<u>8,930,715</u>
At 31 March 2020	<u>100,000</u>	<u>(20,286,543)</u>	<u>(20,186,543)</u>
Year ended 31 March 2021			
At 1 April 2020	100,000	(20,286,543)	(20,186,543)
Profit for the year	<u>-</u>	<u>18,368,962</u>	<u>18,368,962</u>
At 31 March 2021	<u>100,000</u>	<u>(1,917,581)</u>	<u>(1,817,581)</u>

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STATEMENT OF CASH FLOWS

	Note	2021 Kshs	2020 Kshs
Reconciliation of operating profit in operating activities			
Profit before taxation		26,282,932	12,987,087
Add Back:			
Depreciation of property, plant and equipment		3,303,190	3,429,110
Amortization of intangible asset		514,398	514,398
Loss on disposal of assets		5,391	12,423
Operating profit before working capital changes		<u>30,105,911</u>	<u>16,943,018</u>
Changes in working capital			
Decrease in trade and other receivables		3,186,134	2,129,075
Increase in trade and other payables		<u>(12,148,035)</u>	<u>(16,282,870)</u>
Cash used in operating activities		<u>21,144,011</u>	<u>2,789,223</u>
Income taxes paid		<u>(7,224,876)</u>	<u>(7,659,552)</u>
Net cash generated from/(used in) operating activities		<u>13,919,135</u>	<u>(4,870,329)</u>
Cash from investing activities			
Purchase of property, plant and equipment		-	(813,612)
Proceeds from disposal of assets		36,300	57,400
Net cash generated from/(used in) investing activities		<u>36,300</u>	<u>(756,212)</u>
Cash from financing activities			
Proceeds to related parties		<u>(19,023,209)</u>	<u>10,617,018</u>
Net cash (used in)/generated from financing activities		<u>(19,023,209)</u>	<u>10,617,018</u>
Net (decrease)/increase in cash and cash equivalents		<u>(5,067,774)</u>	<u>4,990,477</u>
Movement in cash and cash equivalents			
At start of the year		5,555,104	564,627
Movement during the year		<u>(5,067,774)</u>	<u>4,990,477</u>
End of year	12	<u>487,330</u>	<u>5,555,104</u>

NOTES TO THE FINANCIAL STATEMENTS

1 Significant accounting policies

The significant accounting policies adopted in the preparation of these general purpose financial statements are set out below

a) Basis of preparation

The financial statements are prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. They are presented in Kenya Shillings, which is also the functional currency

The financial statements comprise a profit and loss account (income statement), balance sheet (statement of financial position), statement of changes in equity, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the profit and loss account. Transactions with the owners of the company in their capacity as owners are recognised in the statement of changes in equity.

Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies. For those assets and liabilities measured at fair value, 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. When measuring the fair value of an asset or a liability, the company uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the company using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are recognised by the company at the end of the reporting period during which the change occurred.

b) New and revised standards

i) Adoption of new and revised standards

The following new and revised standards and interpretations have become effective for the first time in the financial year beginning 1st April 2020 and have been adopted by the company where relevant to its operations:

Conceptual Framework for Financial Reporting issued on 29 March 2018

The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the company.

Amendments to IAS 1 and IAS 8 Definition of Material (issued in October 2018)

The amendments, applicable to annual periods beginning on or after 1 January 2020, clarify the definition of material and how it should be applied by including in the definition guidance that previously featured elsewhere in IFRS

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform (issued in September 2019)

The amendments, applicable to annual periods beginning on or after 1 January 2020, provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the company as it does not have any interest rate hedge relationships.

Amendments to IFRS 16 Covid-19 Related Rent Concessions (issued on 28 May 2020)

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the company.

NOTES TO THE FINANCIAL STATEMENTS

1. Significant accounting policies (continued)

b) New and revised standards (continued)

ii) New and revised standards and interpretations which have been issued but are not effective

- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current' (issued in January 2020), effective for annual periods beginning on or after 1 January 2023, clarify a criterion for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement for at least 12 months after the reporting date.

- Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendment to IFRS 9 Financial Instruments 'Fees in the '10 percent' test for derecognition of financial liabilities' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the entity and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The Directors have assessed the potential impact of the above and expect that they will not have a significant impact on the company's financial statements for 2020.

c) Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the company operates), which is Kenya Shillings.

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

d) Revenue recognition

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the company's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The company bases its estimates on historical results, taking into consideration the type of customer, type of transaction and specifics of each arrangement. Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of business and is stated net of Value Added Tax (VAT), rebates and discounts.

Service of goods are recognised upon delivery of products and customer acceptance.

Service charges are levied based on an approved budget and recognised within the financial year to which they relate. Service charges represent the amount levied to the members of the association for their share of expenses in maintaining the common use of the facilities. Service charges are a recovery of expenses by the association in connection with the management, administration, maintenance, service provision and control of the common use of the facilities of the association.

e) Property, plant and equipment

All categories of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment.

Subsequent costs are included in the asset's carrying amount or 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. Repairs and maintenance expenses are charged to the profit and loss account in the year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

1. Significant accounting policies (continued)

e) Property, plant and equipment (continued)

Depreciation is calculated using the straight line method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life using the following rates:

	<u>Rate - years</u>
Furniture, fittings and fixtures	7
IT equipment	3
IT equipment on site	5
Office equipment	7
Motor vehicle	10

As no parts of items of property, plant and equipment have a cost that is significant in relation to the total cost of the item, the same rate of depreciation is applied to the whole item.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus reserve relating to that asset are transferred to retained earnings.

f) Borrowings

All borrowing costs are recognised in the profit or loss in the year in which they are incurred.

g) Off setting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

h) Intangible assets

Software license costs and computer software that is not an integral part of the related hardware are initially recognized at cost, and subsequently carried at cost less accumulated amortization and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the company are recognized as intangible assets. Amortization is calculated using the straight line method to write down the cost of each license or item of software to its residual value over its estimated useful life using an annual rate of 20%.

i) Trade and other receivables

Trade receivables are carried at original invoiced amount less specific provision for all known doubtful debtors based on a review of all outstanding amounts at the year end. Bad debts are written off in the year in which they are identified when all the reasonable steps to recover them have been taken without success.

j) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. In the balance sheet, bank overdrafts are included as borrowings under current liabilities.

k) Share capital

Ordinary shares are recognised at par value and classified as share capital in equity.

NOTES TO THE FINANCIAL STATEMENTS

1. Significant accounting policies (continued)

l) Retirement benefit obligations.

Defined contribution

The company and the employees contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the company's contributions are charged to the profit and loss account in the year to which they relate.

m) Income taxes

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

Current tax

Current income tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Fiscal Laws of Kenya.

Deferred income tax

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

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

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

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

n) Payables

Payables are recorded at their undiscounted amount of cash and cash equivalents expected to be paid or the fair value of the consideration received in exchange of the obligation.

2 Risk management objectives and policies

a) Financial risk management

The company's activities expose it to a variety of financial risks including credit, liquidity and market risks. The company's overall risk management policies are set out by the board and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the company's performance by setting acceptable levels of risk. The company does not hedge against any risks.

NOTES TO THE FINANCIAL STATEMENTS

2 Risk management objectives and policies (continued)

a) Financial risk management (continued)

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a company-wide basis. The company does not grade the credit quality of financial assets that are neither past due nor impaired.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting the credit limit and the credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis.

The maximum exposure of the company to credit risk as at the balance sheet date is as follows:

	Fully performing Kshs	Past due but not impaired Kshs	Past due and impaired Kshs	Total Kshs
31 March 2021				
Trade receivables	17,452,627	-	(924,787)	16,527,840
Other receivables	2,712,844	-	-	2,712,844
Cash at bank	487,331	-	-	487,331
	<u>20,652,802</u>	<u>-</u>	<u>(924,787)</u>	<u>19,728,015</u>
31 March 2020				
Trade receivables	13,566,635	897,279	(797,230)	13,666,684
Other receivables	8,760,135	-	-	8,760,135
Cash at bank	5,555,104	-	-	5,555,104
	<u>27,881,874</u>	<u>897,279</u>	<u>(797,230)</u>	<u>27,981,923</u>

ii) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk, interest rate risk and other price risk.

Currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is exposed to currency risk on inter-company balances that are denominated in currency other than its functional currency, primarily the Kenya Shillings (Kshs).

NOTES TO THE FINANCIAL STATEMENTS

2. Risk management objectives and policies (continued)

b) Interest rate risk

The company is exposed to cash flow interest risk on its variable rate borrowings because of changes in market

iii) Liquidity risk

Liquidity risk, is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the company's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The company manages liquidity risk by continuously reviewing forecasts and actual cash flows, and maintaining banking facilities to cover any shortfalls.

The table below summarises the maturity analysis for financial liabilities to their remaining contractual maturities. The amounts disclosed are the contractual undiscounted cash flows.

	Less than one month Kshs	Between 1-3 months Kshs	Between 3-12 months Kshs	Total Kshs
31 March 2021				
Trade payables	28,922,532	-	-	28,922,532
Other trade payables	15,238,949	-	-	15,238,949
Payable to related party	25,836,844	-	-	25,836,844
	<u>69,998,325</u>	<u>-</u>	<u>-</u>	<u>69,998,325</u>
31 March 2020				
Trade payables	37,191,551	-	-	37,191,551
Other trade payables	19,117,965	-	-	19,117,965
Payable to related party	44,860,053	-	-	44,860,053
	<u>101,169,569</u>	<u>-</u>	<u>-</u>	<u>101,169,569</u>

3 Critical accounting estimates and judgements

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

i) Impairment losses:

Estimates made in determining the impairment losses on investments and receivables. Such estimates include the determination of the net realisable value or the recoverable amount of the asset. Moreover, in determining whether an impairment loss should be recognised in the profit and loss account for receivables or financial assets, judgement is made as to whether there is a measurable decrease in the estimated future cash flows of any receivable or financial asset.

4 Revenue	2021 Kshs	2020 Kshs
Revenue from Services	<u>131,937,228</u>	<u>152,815,060</u>
5 Other income		
Liabilities written off	2,681,452	86,122
Gain on disposal of Fixed Assets	-	-
	<u>2,681,452</u>	<u>86,122</u>

NOTES TO THE FINANCIAL STATEMENTS

6 Operating loss	2021	2020
a) Items charged	Kshs	Kshs
The following items have been charged in arriving at operating loss:		
Staff costs	10,835,849	38,219,228
Depreciation of property, plant and equipment	3,303,190	3,429,110
Audit fees	<u>353,205</u>	<u>308,500</u>
b) Employee benefits expense		
The following items are included in employee benefits expense:		
National Social Security Fund	<u>52,920</u>	<u>121,879</u>
7 Tax credit		
Current income tax	826,814	-
Deferred tax (Note 10)	<u>7,087,156</u>	<u>4,056,373</u>
Income tax credit	<u>7,913,970</u>	<u>4,056,373</u>
The tax on the company's profit/(loss) before tax differs from the theoretical amount that would arise using the corporation tax rate as follows:		
Profit before tax expense	<u>26,282,932</u>	<u>12,987,088</u>
Tax calculated at a tax rate of 30%	7,884,880	3,896,126
Tax effect of:		
- Expenses not deductible for tax purposes	<u>29,090</u>	<u>160,247</u>
Income tax credit	<u>7,913,970</u>	<u>4,056,373</u>

8 Property, plant and equipment

	Office equipment Kshs	Furniture & fittings Kshs	IT Equipment Kshs	IT site equipment Kshs	Total Kshs
Year ended 31 March 2020					
Cost / Valuation					
At 1 April 2020	485,850	327,746	1,905,359	46,553,016	49,271,971
Disposal	<u>-</u>	<u>(202,086)</u>	<u>-</u>	<u>-</u>	<u>(202,086)</u>
At 31 March 2020	<u>485,850</u>	<u>125,660</u>	<u>1,905,359</u>	<u>46,553,016</u>	<u>49,069,885</u>
Depreciation					
At 1 April 2020	(378,684)	(235,244)	(1,871,478)	(39,855,505)	(42,340,911)
Elimination on disposal	-	160,398	-	-	160,398
Depreciation charge	<u>(23,677)</u>	<u>(16,661)</u>	<u>(5,516)</u>	<u>(3,257,336)</u>	<u>(3,303,190)</u>
At 31 March 2020	<u>(402,361)</u>	<u>(91,507)</u>	<u>(1,876,994)</u>	<u>(43,112,841)</u>	<u>(45,483,703)</u>
Net book value	<u>83,489</u>	<u>34,153</u>	<u>28,365</u>	<u>3,440,175</u>	<u>3,586,182</u>
Year ended 31 March 2020					
Cost / Valuation					
At 1 April 2019	611,850	407,746	1,821,359	45,823,404	48,664,359
Additions	-	-	84,000	729,612	813,612
Disposal	<u>(126,000)</u>	<u>(80,000)</u>	<u>-</u>	<u>-</u>	<u>(206,000)</u>
At 31 March 2020	<u>485,850</u>	<u>327,746</u>	<u>1,905,359</u>	<u>46,553,016</u>	<u>49,271,971</u>
Depreciation					
At 1 April 2019	(405,590)	(289,055)	(1,738,711)	(36,614,626)	(39,047,982)
Elimination on disposal	56,178	80,000	-	3	136,181
Depreciation charge	<u>(29,272)</u>	<u>(26,187)</u>	<u>(132,769)</u>	<u>(3,240,882)</u>	<u>(3,429,110)</u>
At 31 March 2020	<u>(378,684)</u>	<u>(235,242)</u>	<u>(1,871,480)</u>	<u>(39,855,505)</u>	<u>(42,340,911)</u>
Net book value	<u>107,166</u>	<u>92,504</u>	<u>33,879</u>	<u>6,697,511</u>	<u>6,931,060</u>

NOTES TO THE FINANCIAL STATEMENTS

	2021 Kshs	2020 Kshs
9 Intangible assets		
Cost		
As at start and end of year	<u>2,571,991</u>	<u>2,571,991</u>
Amortisation		
As at 1 April	1,048,155	533,757
Charge for the year	<u>514,398</u>	<u>514,398</u>
At 31st March	<u>1,562,553</u>	<u>1,048,155</u>
Net carrying value	<u><u>1,009,438</u></u>	<u><u>1,523,836</u></u>

Accounting software licenses, purchased in year 2018 amortised on straight line basis at the rate of 20% to write down cost to residual value over a period of five years.

10 Deferred tax

Deferred tax is calculated using the currently enacted corporation rate of 30%. The movement on the deferred tax account is as follows:

At 1 April	8,728,117	12,784,490
Charge to income statement	<u>(7,087,156)</u>	<u>(4,056,373)</u>
At 31 March	<u>1,640,961</u>	<u>8,728,117</u>

Deferred tax assets and liabilities, deferred tax charge in the income statement, account are attributable to the following items;

	At 1 April 2020 Kshs	Charged to Profit & loss Kshs	At 31 March 2020 Kshs
Year ended 31 March 2021			
Deferred tax asset			
Tax losses carried forward	7,698,576	(7,698,576)	-
Unrealised exchange gain	825,475	139,848	965,323
Provision for impairment	239,169	38,267	277,436
Property plant and equipment	<u>(35,103)</u>	<u>433,305</u>	<u>398,202</u>
Net deferred tax asset	<u>8,728,117</u>	<u>(7,087,156)</u>	<u>1,640,961</u>
Year ended 31 March 2020			
Deferred tax asset			
Tax losses carried forward	12,544,602	(4,846,025)	7,698,576
Unrealised exchange gain	168,354	657,118	825,475
Provision for impairment	232,055	7,114	239,169
Property plant and equipment	<u>(160,522)</u>	<u>125,419</u>	<u>(35,103)</u>
Net deferred tax asset	<u>12,784,488</u>	<u>(4,056,373)</u>	<u>8,728,117</u>

Spice Vas Kenya Limited
Annual report and financial statements
For the year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

11 Trade and other receivables	2021	2020
	Kshs	Kshs
Trade receivables	17,452,627	14,463,914
Less: Provision for impairment losses	<u>(924,787)</u>	<u>(797,230)</u>
Net trade receivables	16,527,840	13,666,684
Other receivables	<u>2,712,844</u>	<u>8,760,135</u>
	<u><u>19,240,684</u></u>	<u><u>22,426,818</u></u>

The carrying amount of trade and other receivables approximate to their fair value

12 Cash and cash equivalents		
Bank balance	472,445	5,521,656
Cash in hand	<u>14,886</u>	<u>33,448</u>
	<u><u>487,331</u></u>	<u><u>5,555,104</u></u>

13 Tax Recoverable		
Balance brought forward	(35,818,089)	(28,158,537)
Tax Charge	826,814	-
Tax paid	<u>(7,224,873)</u>	<u>(7,659,552)</u>
Balance carried forward	<u><u>(42,216,148)</u></u>	<u><u>(35,818,089)</u></u>

14 Capital and reserves		
Issued and fully paid:	No. of ordinary shares	Issued and paid up capital
		Kshs
At 31 March 2021	<u>100</u>	<u>100,000</u>
At 31 March 2020	<u>100</u>	<u>100,000</u>

The total number of authorised ordinary shares is 100 (2020: 100) with a par value of Shs 1,000 each.

15 Non-current liabilities	2021	2020
	Kshs	Kshs
Payables to related party (note 17)	<u>25,836,844</u>	<u>44,860,053</u>

Payables to related party are long-term, unsecured, interest free and with no fixed repayment terms.

16 Trade and other payables		
Trade payables	28,922,532	37,191,551
Other payables	<u>15,238,949</u>	<u>19,117,965</u>
	<u><u>44,161,481</u></u>	<u><u>56,309,516</u></u>

The carrying amounts of trade and other payables approximate to their fair value.

NOTES TO THE FINANCIAL STATEMENTS

17 Related parties transactions

The company is related to other companies which are related through common shareholding or common directorships.

i) Outstanding balances arising from dealing with related parties (note 15)

	2021 Kshs	2020 Kshs
<u>Account receivables</u>		
SVK-Rwanda Branch	<u>17,256</u>	<u>16,421</u>
<u>Account payables</u>		
DigiSpice Technologies Limited	-	1,074,860
Spice Vas (Africa) Pte Limited	25,699,789	43,785,665
SVK-Rwanda Branch	<u>154,311</u>	<u>15,950</u>
	<u>25,854,100</u>	<u>44,876,474</u>
Net amount due to related party	<u>(25,836,844)</u>	<u>(44,860,053)</u>

18 Going concern

As at 31st March 2021, the Company had a deficit on shareholders' funds of Kshs 2,064,824 (2020 Kshs: 20,186,543). These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. However, the financial statements have been prepared on a going concern basis on the assumption that continued financial support will be made available by the shareholders. In the absence of such, this basis would be inappropriate. Provisions would then have to be made for any adjustments that might be necessary if the company's assets were realised at amounts different from those in the financial statements.

19 Covid - 19

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain. Preliminary measures and business continuity plans to mitigate adverse impact are being activated and will be closely monitored and the Company will continually assess them on an ongoing basis and adopt changes as events unfold. These financial statements have not been adjusted for potential impacts of the COVID-19 pandemic.

20 Comparatives

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

21 Incorporation

Spice Vas Kenya Limited is incorporated in Kenya under the Companies Act as a private limited liability company and is domiciled in Kenya.

SCHEDULE OF EXPENDITURE

	2021	2020
	Kshs	Kshs
i. Direct costs		
Content royalty	61,793,066	53,304,409
Bulk SMS charges	100,000	258,700
Content Expenses	123,000	100,000
Airtel-CRBT	2,356,912	-
Prompt Recording Charges	115,750	58,720
Content Expenses Streaming	5,606,150	1,689,400
Domain Expenses	2,479	-
Licences and permits	1,264,713	2,643,721
	<u>71,362,070</u>	<u>58,054,951</u>
ii. Administration expenses		
Employment:		
Salaries and wages	10,810,981	37,021,166
Other staff costs	24,868	1,198,062
	<u>10,835,849</u>	<u>38,219,228</u>
iii. Other operating expenses		
Depreciation of property, plant and equipment	3,303,190	3,429,110
Amortization of intangible asset	514,398	514,398
Advertisement expenses	3,948,766	1,489,657
Bank charges	122,808	286,185
Legal and professional fees	294,550	3,189,086
Clearing and forwarding	197,592	-
Courier charges	-	132,631
Electricity expenses	17,273	90,143
Interest and penalty	59,835	136,275
Provision for Bad Debt	127,557	23,714
Internet charge	466,818	399,891
Industrial training levy	3,400	4,800
General expenses	2,380	(28,719)
Telephone expenses	123,729	371,293
Auditors' remuneration	353,205	308,500
Insurance	453,697	879,540
Office expenses	33,414	212,072
Printing and stationery	180	49,341
Rent	1,192,901	4,350,465
Travel expenses	1,250	8,990,748
Newspapers and Periodicals	-	15,960
Rates and Taxes	4,400	38,840
Loss on disposal	5,391	12,423
Communication - AWS	11,583,741	15,120,033
Office Renovation and maintenance Expenses	-	715,858
Repairs and maintenance	43,910	152,598
Business meeting expenses	65,700	3,500
	<u>22,920,085</u>	<u>40,888,341</u>
iv. Finance cost		
Unrealised exchange loss	3,217,744	2,751,574
Interest on lease	-	-
	<u>3,217,744</u>	<u>2,751,574</u>

SPICE VAS KENYA LIMITED
INCOME TAX COMPUTATION
YEAR OF INCOME: 2021
PIN. P051151619H

1. Tax Computation				Total
				Kshs
Net profit before tax				26,282,932
<u>Add</u>				
Depreciation of property plant and equipment	3,303,190			
Amortization of intangible asset	514,398			
Provision for Bad Debt	127,557			
Interest and penalty	59,835			
Unrealised exchange loss	3,217,744			
Loss on disposal	5,391			
Telephone Expenses(30%)	37,119			
				<u>7,265,234</u>
				33,548,166
Less:				
Wear and tear				(2,121,426)
Intangible asset allowance				(257,199)
Unrealised foreign exchange loss - 2020				<u>(2,751,574)</u>
Adjusted taxable profit				28,417,966
Taxable losses brought forward				<u>(25,661,920)</u>
Taxable loss carried forward				<u>2,756,046</u>
Tax there on at 30%				<u>826,814</u>
2. Tax account				
Tax recoverable balance brought forward				(35,818,089)
Charge for the year				826,814
Instalments paid during the year				-
Withholding tax paid				<u>(7,224,873)</u>
Tax recoverable balance carried forward				<u>(42,216,148)</u>
3. Wear and tear schedule	Grade A	Grade B		
	30%	12.5%		
	Kshs	Kshs		
W.D.V 1 April 2020	6,927,586	381,502	7,309,088	
Additions		-	-	
Disposals proceeds	-	(36,300)	(36,300)	
	<u>6,927,586</u>	<u>345,202</u>	<u>7,272,788</u>	
Allowance	<u>(2,078,276)</u>	<u>(43,150)</u>	<u>(2,121,426)</u>	
W.D.V 31 March 2021	<u>4,849,310</u>	<u>302,052</u>	<u>5,151,362</u>	
4 Intangible assets	Opening NBV	Allowance @	Net carrying	
Software	Kshs	25%	value	
	Kshs	Kshs	Kshs	
W.D.V 31 March 2021	<u>1,028,796</u>	<u>(257,199)</u>	<u>771,597</u>	