# DIGISPICE UGANDA LIMITED

## (FORMERLY KNOWN AS SPICE VAS UGANDA LIMITED)

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

DATIVA & ASSOCIATES

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## TABLE OF CONTENTS

## LIST OF ACRONYMS

| | | |
|---|---|---|
| CBRT | - | Call Back Ring Tone |
| DSVU | - | Digispice Vas Uganda Limited |
| MOD | - | Music on Demand |
| NSSF | - | National Social Security Fund |
| PAYE | - | Pay As You Earn |
| PLI | - | Performance Link Incentives |
| PSMS | - | Prayer Submission Service |
| SVU | - | Spice VAS Uganda |
| VAS | - | Value Added Services |
| VAT | - | Value Added Tax |
| USD | - | United States Dollar |
| UGX | - | Ugandan Shillings |
| WCF | - | Workers Compensation Fund |

## CORPORATE INFORMATION

| | | |
|---|---|---|
| **BOARD OF DIRECTORS** | : | Mr. Arun Nagar |
| | : | Mr. Patrick Bitature |
| **Registered office** | : | Plot No. 1 B, Kira Road,<br>P. O. Box No. 24544,<br>Kampala,<br>Uganda. |
| **Principal place of business** | : | C/O Dativa & Associates<br>Kampala,<br>Uganda. |
| **Independent auditor** | : | Dativa & Associates,<br>Certified Public Accountants,<br>P.O. Box 1239,<br>Kampala,<br>Uganda. |
| **Company secretary** | : | Equatorial Secretaries and Registrars Ltd,<br>Plot No. 1 B, Kira Road,<br>P. O. Box No. 24544,<br>Kampala,<br>Uganda. |
| **Principal Bankers** | : | Stanbic Bank,<br>Corporate Branch,<br>Kampala, Uganda. |
| **Parent Company** | : | Spice VAS (Africa) Pte. Ltd,<br>152 UBI Avenue 4,<br>Singapore 408826. |
| **Ultimate Holding Company** | : | Smart Global Corporate Holding Private Limited,<br>A-10, Street No. 2,<br>North Chhajupur Shahdara<br>New Delhi – 110093. |

## REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended March 31, 2021, which disclose the state of affairs of the company.

### Incorporation

The company is incorporated in Uganda under the Ugandan Companies Act as a private limited company and is domiciled in Uganda. It is a Subsidiary of Spice VAS (Africa) Pte. Ltd., a private limited company domiciled in Singapore.

### Company's Vision

To cater to the need of best quality music, entertainment and information to the mobile users of Uganda at affordable prices and best experience.

### Company's Mission

To become the number one company in the space of digital music and entertainment in Uganda.

### Principal activities

The principal activities of the company is to carry on the business of providing various technological applications platform and value added services (VAS).

### Composition of the Board of Directors

The directors who held office during the year and at the date of this report are shown below:

| Name | Age | Position | Nationality | Date of appointment |
|---|---|---|---|---|
| Mr. Arun Nagar | 57 | Director | Indian | 11/11/2010 |
| Mr. Patrick Bitature | 61 | Director | Ugandan | 11/11/2010 |

| Results | 2021<br>UGX,000 | 2020<br>UGX,000 |
|---|---|---|
| (Loss)/profit before tax | (80,419) | (144,536) |
| Tax credit/(charge) | (210,988) | - |
| (Loss) for the year | **(291,407)** | **(144,536)** |

### Corporate Governance

The Board of DigiSpice Uganda Limited (Formerly known as Spice VAS Uganda Limited) consists of two directors. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring significant investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The board delegates the day to day management of the business to the General Manager assisted by senior management.

## REPORT OF THE DIRECTORS (CONTINUED)

The company is committed to the principles of effective corporate governance. The directors also recognize the importance of integrity, transparency and accountability to ensure high standards of corporate governance throughout the company.

### Share Capital

The authorized share capital of the company is Uganda Shillings 1,000,000 divided into 1,000 ordinary shares of Uganda Shillings 1,000 each. The paid up share capital of the company is UGX 1,000,000. Divided into 1,000 ordinary shares of Uganda shilling 1,000 each.

### Shareholders of the Company

The shareholders of the company with their respective shareholdings is as follows:

| Name of shareholders | % shareholding | No of shares held |
|---|---|---|
| Spice VAS (Africa) Pte. Ltd. | 75.% | 750 |
| Chapter One Ltd | 22.% | 220 |
| Eric Van Veen | 3.% | 30 |
| | **100%** | **1,000** |

### Dividend

The directors do not recommend the declaration of a dividend for the year (2020/21).

### Risk Management and Internal Control

The board accepts final responsibility for the risk management and internal control systems of the company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviors towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the company's system is designed to provide the board with reasonable assurance that the procedures in place are operating effectively.

The board assessed the internal control systems throughout the financial year ended March 31, 2021 and is of the opinion that they met the accepted criteria.

## REPORT OF THE DIRECTORS (CONTINUED)

### Solvency

The board of directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. Despite the disruption caused by covid 19, the board of directors has reasonable expectation that DigiSpice Uganda Limited (Formerly known as Spice VAS Uganda Limited) has adequate resources to continue in operational existence for the foreseeable future.

### Stock exchange information

DigiSpice Uganda Limited (Formerly known as Spice VAS Uganda Limited) is not listed on the Uganda stock exchange. The ultimate holding company - Smart Global Corporate Holding Private Limited is a private company incorporated in India and not listed on any stock exchange.

### Training facilities

Staff are trained on the job in order to improve employee's technical skills and hence effectiveness. Training programs have been and are continually being developed to ensure employees are adequately trained at all levels. All employees have some form of annual training to upgrade skills and enhance development.

### Medical assistance

Staff are availed medical insurance guaranteed by the board. However, no expenditure has been incurred under insurance during the year of audit since the company had suspended its operations due to Covid 19 pandemic.

### Health and safety

The company has a strong health and safety program which ensures that a strong culture of safety prevails at all times. A safe working environment is ensured for all employees and contractors by providing adequate and proper personal protective equipment, training and supervision as necessary.

### Financial assistance to staff

Loans are available to confirmed employees depending on the assessment of and the discretion of management as to the need and circumstances.

### Persons with disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and appropriate training is arranged. It is the policy of the company that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### Employee benefit plan

The company's employment terms are reviewed annually to ensure that they meet statutory and market conditions. The company contributes 10% of the employee's salary to the National Social Security Fund (NSSF).

### Gender parity

The company had no employee in Uganda.

### Management

The Management of the Company is under the Board of Directors and is organized in the following departments:

- Finance Department
- Sales and Operations Department
- Marketing Department

**Corporate Social Responsibility**

The company pays due respect to its macro and micro environment through ensuring the following:

- An equal opportunity employer aiming to ensure that everyone working for us is treated fairly and given the maximum opportunity to fulfill their potential and that all our workplaces are safe and healthy.
- Minimize the use of papers and energy with consideration given to the effects of global warming.
- Ensuring that customers get value for money services by providing efficient and effective service.
- Improve the locality through fair and honest treatment towards all stakeholders in an effort to uphold economic and social standards of the country.

**Independent Auditor**

Dativa and Associates, certified public accountants were appointed during the year and have expressed their willingness to continue in office in accordance with Section 167 (2) of the Companies Act 2012 and are eligible for re-appointment. A resolution proposing the re-appointment as auditors of the company for the year ended March 31, 2021 will be tabled in the Annual General Meeting

**BY ORDER OF THE BOARD**

| | |
|---|---|
| **Mr. Arun Nagar** | **Mr. Patrick Bitature** |
| **Director** | **Director** |
| 07th June **2021** | 7th June **2021** |

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required in terms of the Companies Act of 2012 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial period and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards and the requirements of the Companies Act of 2012. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of 2012, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

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

The external auditors are responsible for independently reviewing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 10 to 12.

The financial statements set out on pages 13 to 16 were authorized and approved by the board of Directors on 07th June 2021 and were signed on its behalf by:

| | |
|---|---|
| ................................ | ................................ |
| **Mr. Arun Nagar** | **Mr. Patrick Bitature** |
| **Director** | **Director** |

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIGISPICE UGANDA LIMITED

## (FORMERLY KNOWN AS SPICE VAS UGANDA LIMITED)

### Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of DigiSpice Uganda Limited (Formerly known as Spice VAS Uganda Limited) which comprise the statement of financial position as at March 31, 2021, the statement of Profit or Loss and other comprehensive income, statement of changes in Equity and statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of DigiSpice Uganda Limited (Formerly known as Spice VAS Uganda Limited) as at March 31, 2021, its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs) and the Uganda Companies Act 2012.

### Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Guidelines issued by the Institute of Certified Public Accountants of Uganda. 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 Uganda, and we have fulfilled our other 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.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Responsibilities of Directors and those charged with Governance for the Financial Statements.

Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditors' Responsibilities for the Audit of the Project Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 management.

Conclude on the appropriateness of management's 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, then we are required to draw attention in our auditors' report to the related disclosures in the Company 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL REQUIREMENTS

As required by the companies Act, 2012; we report to you based on our audit, that:

I. We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purposes of the audit;

II. In our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and

III. The Company's statement of financial position and statement of comprehensive income are in agreement with the books of accounts.

The Engagement Partner on the audit resulting in this independent auditor's report is CPA Dativa Nabimanya – P0123.

**Dativa Nabimanya**

**DATIVA & ASSOCIATES**
Certified Public Accountants,
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Ntinda Complex 3rd floor,
P. O. Box 1239,
Kampala.
Telephone: +256 312 104 097
Email: admin@dativaassociates.com

DATIVA & ASSOCIATES CERTIFIED PUBLIC ACCOUNTANT
07 JUN 2021
P. O. Box 1239, Kampala

Date: 7th June 2021

## STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2021

| ASSETS | Notes | 31-Mar-21 UGX | 31-Mar-20 UGX |
|---|---|---|---|
| Non-Current assets | | - | - |
| Intercompany loans receivable | 2 | 20,019,490 | 123,860,315 |
| Total | | **20,019,490** | **123,860,315** |
| **Current Assets** | | | |
| Other receivables | 3 | 3,414,514 | 210,987,595 |
| Accounts receivable / Trade Debtors | 4 | - | 145,330,648 |
| Prepayments | 5 | 124,216,992 | 19,868,434 |
| Cash and bank | 6 | 12,698,153 | 31,391,458 |
| **Total current assets** | | **140,329,659** | **407,578,135** |
| **Total assets** | | **160,349,149** | **531,438,450** |
| **EQUITY AND LIABILITIES** | | | |
| Share Capital | 7 | 1,000,000 | 1,000,000 |
| Retained Earnings | | 26,084,191 | 317,490,769 |
| **Total equity** | | **27,084,191** | **318,490,769** |
| **Non - Current Liabilities** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 8 | 133,264,958 | 212,947,681 |
| **Total current liabilities** | | **133,264,958** | **212,947,681** |
| **Total liabilities** | | **133,264,958** | **212,947,681** |
| **Total Equity and liabilities** | | **160,349,145** | **531,438,450** |

The financial statements which appear on page 12 to 15 were approved by the Directors on ...07th June 2021... and were signed on its behalf by:

............................
**Director**

............................
**Director**

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED MARCH 31, 2021

| | Notes | 31-Mar-21 | 31-Mar-20 |
|---|---|---|---|
| **Particulars** | | UGX | UGX |
| Gross Sales/Income from operations | 9 | (50,376,352) | 157,991,095 |
| **Total income** | | **(50,376,352)** | **157,991,095** |
| **Expenditure:** | | | |
| Reversal of income | | | - |
| Operating Expenses | 10 | 28,042,630 | 221,062,468 |
| Personnel expenses | 11 | - | 3,227,008 |
| Depreciation | | | 722,694 |
| Legal and Professional fees | 12 | 2,000,000 | 77,514,600 |
| **Total expenditure** | | **30,042,630** | **302,526,770** |
| **Profit from operations before other income, Interest and taxes** | | **(80,418,982)** | **(144,535,675)** |
| **Other income** | | | |
| Foreign exchange gain | | - | - |
| Liabilities written off | | - | - |
| Gain on Disposal | | - | - |
| Short and Excess | | - | - |
| **Profit/(loss) before Interests and taxes** | | **(80,418,982)** | **(144,535,675)** |
| Interest | | - | - |
| **Profit & loss after interest but before Tax** | | (80,418,982) | (144,535,675) |
| Provision for Income tax | | (210,987,596) | - |
| Decrease in provision | | - | - |
| **Net profit/Loss from ordinary activities after Tax** | | - | - |
| **Net profit/Loss from ordinary activities after Tax** | | **(291,406,578)** | **(144,535,675)** |
| Extraordinary Items(Net of Tax) | | - | - |
| **Net Profit/Loss after Tax** | | **(291,406,578)** | **(144,535,675)** |
| Number of shares | | **1,000** | **1,000** |
| Reserves | | - | - |
| Basic & Diluted EPS | | **(291,407)** | **(144,536)** |

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2021

| | Capital<br>UGX | Retained earnings<br>UGX | Total<br>UGX |
|---|---|---|---|
| Balance as at April 01,19 | 1,000,000 | 462,026,444 | 463,026,444 |
| Profit for the period | - | **(144,535,675)** | (144,535,675) |
| Balance as at March 31, 2020 | **1,000,000** | **317,490,769** | **318,490,769** |
| Balance as at April 01,20 | 1,000,000 | 317,490,769 | 318,490,769 |
| **Profit/(Loss) for the year** | **-** | **(291,406,578)** | **(26,084,191)** |
| **Balance as at March 31, 2021** | **1,000,000** | **26,084,191** | **27,084,191** |

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2021

| | 31-Mar-21<br>UGX | 31-Mar-20<br>UGX |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit before tax | (291,406,578) | (144,535,675) |
| Add: Depreciation | - | 722,694 |
| **Cash out flow from operations before working capital adjustments** | **(107,830,756)** | **(143,812,981)** |
| **Working Capital adjustments** | | |
| Decrease in Other receivables | 207,573,081 | (7,976,581) |
| Decrease in prepayments and Advances | (104,348,558) | 2,405,849 |
| Increase in trade receivables | 145,330,648 | (19,967,248) |
| Decrease in related party Receivable | 103,840,825 | 42,950,501 |
| Decrease in trade & Other payables | (79,682,723) | 141,550,706 |
| | **272,713,273** | **158,963,227** |
| **Net Cash inflow from operations** | **(18,693,305)** | **15,150,246** |
| **Cash flow from Investment activities** | | |
| Purchase of property, plant & equipment | - | - |
| **Net Cash in/out flow from Investment activities** | - | - |
| **Cash flow from financing activities** | - | - |
| **Net Increase in Cash and Cash equivalents** | (18,693,305) | 15,150,246 |
| **Cash and Cash equivalents b/f** | 31,391,458 | 16,241,212 |
| **Cash and Cash equivalents c/f** | **12,698,153** | **31,391,458** |

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED MARCH 31, 2021

### 1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

**a) Basis of preparation**

**Going concern**

The Profit or Loss and other comprehensive income of the company is set out in the Director's report and in the statement of comprehensive income. The financial position of the company is set out in the statement of financial position. Disclosures in respect of risk management are set out in note "n").

Based on the financial performance and position of the company and its risk management policies, the directors are of the opinion that the company is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

These financial statements comply with the requirements of the Uganda Companies Act 2012.
The statement of Profit or Loss and other comprehensive income represents the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

**New standards adopted by the company**

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Changes resulting from the following new or revised standards and interpretations, amendments to existing standards and interpretations and improvements to IFRS that were effective for the current reporting period and did not have any impact on the accounting policies, financial position or performance of the Company.

The new standards or amendments are listed below:

- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- IFRS 14 Regulatory Deferral Accounts
- 
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
- Amendments to IAS 1 Disclosure Initiative
- Annual Improvements 2012-2014 Cycle
  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
  - IFRS 7 Financial Instruments: Disclosures
  - o Servicing contracts
  - o Applicability of the amendments to IFRS 7 to condensed interim financial statements
  - IAS 19 Employee Benefits
  - IAS 34 Interim Financial Reporting

### b) Key sources of estimation uncertainty

In the application of the accounting policies, the directors are required to make judgments, 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 relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

**(i) Useful life of equipment and intangible asset** - Management reviews the useful lives and residual values of the items of equipment and intangible on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

**(ii) Impairment of trade receivables -** the company reviews the portfolio of trade receivables on an annual basis. In determining whether receivables are impaired, management makes judgment as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cash flows expected.

**(iii) Revenue recognition**

In making their judgment, the directors considered the detailed criteria for the recognition of revenue from the performance of services set out in IAS 18.

**(vi) Impairment of non - financial assets**

The company reviews its non-financial assets to assess the likelihood of impairment on an annual basis. In determining whether such assets are impaired, management makes judgments as to whether there are any conditions that indicate potential impairment of such assets.

**(v) Taxes**

The Company is subjected to several taxes and levies by various government and quasi- government regulatory bodies. As a rule of thumb, the Company recognizes liabilities for the anticipated tax/levies payable with utmost care and diligence. However, significant judgment is usually required in the interpretation and applicability of those taxes/levies. Should it come to the attention of management, in one way or the other, that the initially recorded liability was erroneous, such differences will impact on the income and liabilities in the period in which such differences are determined.

### c) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and performance of services, in the ordinary course of business and is stated net of Value Added Tax (VAT), rebates and discounts.

The company recognizes 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 of the company's activities. The company bases its estimates on results, taking into consideration the type of customer, type of transaction and specifics of each arrangement. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

Revenue from services for ring back tones, SMS revenue and other revenues is recognized on completion of provision of services on accrual basis. However, Revenue from these services is billed in the subsequent month when the services provided are confirmed by the operator. Any amount of services provided remaining unconfirmed on reporting date is treated as unbilled revenue.

**d) Translation of foreign currencies**

Transactions in foreign currencies during the year are converted into Uganda Shillings (the functional currency), at the rates ruling at the transaction dates.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated using the exchange rate at the date of transaction.

The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise except for:

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

**e) Equipment**

All equipment are initially recorded at cost and thereafter stated at historical cost less accumulated depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized 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 can be reliably measured. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

An assets carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.
Depreciation is calculated on the straight line method to write down the cost of each asset, to its residual value over its estimated useful life using the following annual rates:

| **Item** | **Rates %** |
|---|---|
| I.T equipment | 33.33 |
| I.T. On Site | 20.00 |

The assets residual values and useful lives are reviewed and adjusted if appropriate, at the statement of financial position date.

Gains and losses on disposal of equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating loss.

**f) Intangible asset**

Computer software licenses are capitalized on the basis of the costs incurred to acquire. These costs are amortized over their estimated useful lives.

Computer software licenses are amortized on a straight line basis over a 5 year period.

**g) Financial instruments**

**Classification**

The company classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortized cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition.

**Financial assets**

The company's financial assets which include trade and other receivables and cash and cash equivalents fall in the following category:

**Loans and receivables:** financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the statement of financial position date. All assets with maturities greater than 12 months after the statement of financial position date are classified as non-current assets. Changes in the carrying amount are recognized in the statement of comprehensive income.

Management classify the fair values of financial assets based on the qualitative characteristics of the fair valuation as at the financial year end. The three hierarchy levels used by management are:

**Level 1:** where fair values are based on non-adjusted quoted prices in active markets for identical financial assets.

**Level 2:** where fair values are based on adjusted quoted prices and observable prices of similar financial assets.

**Level 3:** where fair values are not based on observable market data.

**Financial liabilities**

The company's financial liabilities which include trade and other payables and current tax fall into the following category:

**Financial liabilities measured at amortized cost:** These include trade and other payables and current tax. These are initially measured at fair value and subsequently measured at amortized cost, using the effective interest rate method.

Trade and other payables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash payments over the short credit period is not considered to be material.

All financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

**Initial recognition and measurement**

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are recognised in profit or loss.

**Subsequent measurement**

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

**Offsetting financial instruments**

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.

**Derecognition**

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled or expired.

**Impairment of financial assets**

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in the statement of comprehensive income.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in the statement of comprehensive income except for equity investments classified as available for-sale.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in the statement of comprehensive income within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

**Loans to/(from) group companies**

These include loans to and from holding companies and fellow subsidiaries and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

**Trade and other receivables**

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss. Trade and other receivables are classified as loans and receivables.

**Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, net of bank overdrafts. These are initially and subsequently recorded at fair value.

Restricted cash balances are those balances that the company cannot use for working capital purposes as they have been placed as a lien to secure borrowings.

In the statement of financial position, bank overdrafts are included within borrowings in current liabilities. Cash and cash equivalents are classified as loans and receivables.

**h) Share capital**

Ordinary shares are classified as equity.

### i) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in the comprehensive income or in equity. In this case, the tax is also recognised in other comprehensive income and equity.

**Current tax assets and liabilities**

Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

**Deferred tax**

Deferred tax is provided using the liability method for all temporary timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Currently enacted tax rates are used to determine deferred tax.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary timing differences can be utilised.

### j) Accounting for leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

**Operating Lease**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

### k) Provisions

A provision for impairment is established when there is objective evidence that the company will not be able to collect the amounts due according to the original terms of the original receivable. Allowances for impairment are recorded in the year in which they are identified.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

The amount recognised as a provision is the best estimate of the present value of expenditures expected to be incurred to settle the obligation using a pre - tax rate that reflects the current market assessments of time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense in profit or loss under finance costs.

### l) Employee entitlements

**Short term employee benefits**

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

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

**Retirement benefit obligations**

The company and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The company's contributions to the defined contribution scheme are charged to the statement of comprehensive income in the year to which they relate.

**Workers compensation fund (WCF)**

Workers compensation fund (WCF) is a social security scheme established by the government responsible for compensating workers who suffer occupational injuries or contract occupational diseases arising out of and in the course of their employment.

Private entities are statutorily required to contribute 1% of monthly employees' earnings (wage bill) to the Fund. Monthly employees' earnings (wage bill) include basic salaries plus all fixed allowances which are regularly paid along with basic salaries. The contributions are part of Company's costs and are not deducted from salaries of the employees.

Once the payment has been effected by the Company to the Fund, there is no further obligation to the Company for any claim from the employee out of the occupational injuries suffered by them.

**m) Comparatives**

Comparative figures have been indicated as a requirement of IAS 1

**n) Risk management objectives and policies**

**Financial risk management**

The company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, and interest rate risk), credit risk and liquidity risk.

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance. Risk management is carried out by the management under policies approved by the board of directors.

**(i) Market risk**

***- Foreign exchange risk***

The company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. Foreign exchange risk arises from future transactions, assets and liabilities in the statement of financial position. The company does not hedge foreign exchange fluctuations.

**(ii) Credit risk**

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions as well as credit exposures to customers including outstanding receivables.

Management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

**(iii) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasting is performed by the finance department of the company by monitoring the company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the company does not breach borrowing limits on any of its borrowing facilities.

## o) Capital management

**Internally imposed capital requirements**

The company's objectives when managing capital are:

- to provide an adequate return to shareholders by pricing products commensurate with the level of risk;
  to comply with the capital requirements set out by the company's banker
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain a strong asset base to support the development of business and;
- to maintain an optimal capital structure to reduce the cost of capital.

The company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustment to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## p) Incorporation

Spice VAS Uganda Limited is incorporated in Uganda under the Companies Act 2012 as a private limited liability company and is domiciled in with Certificate of Incorporation number 89447.

## q) Presentation currency

These financial statements are presented in Uganda shillings

## 2. Intercompany loan receivable

| | 31-Mar-21 | 31-Mar-20 |
|---|---|---|
| | UGX | UGX |
| Spice VAS Africa Pte. Ltd | 20,019,490 | 123,860,315 |
| **Total** | **20,019,490** | **123,860,315** |

## 3 .Other receivable

| | 31-Mar-21 | 31-Mar-20 |
|---|---|---|
| | UGX | UGX |
| Withholding Tax | 95,154,153 | 91,739,639 |
| Income Tax refundable- March 2013 | 119,247,956 | 119,247,956 |
| Withholding Tax receivable expense off | (210,987,595) | - |
| **Total** | **3,414,514** | **210,987,595** |

## 4. Accounts receivable / Trade Debtors

These are the outstanding amounts of the services to Airtel and MTN in the period under consideration

| | 31-Mar-21 | 31-Mar-20 |
|---|---|---|
| | UGX | UGX |
| Airtel Uganda | - | 93,577,015 |
| MTN Uganda Limited | - | 1,377,281 |
| MTN CBRT unbilled | - | 2,295,263 |
| Airtel Unbilled | 27,802,197 | 48,081,089 |
| provision for impairment | (27,802,197) | - |
| **Total** | **-** | **145,330,648** |

## 5. Prepayments

This Refers to advances to musicians for exclusive content rights through mobile telephony and digital. Channel including but not limited to internet (less amounts utilized) and rent paid in advance. It also includes funds advanced to Varun for company activities and outstanding at close of the year.

| | 31-Mar-21 | 31-Mar-20 |
|---|---|---|
| | UGX | UGX |
| Other Advances | 7,42,708 | 19,868,434 |
| Advance Royalty fees | 121,186,149 | - |
| VAT receivable | 2,288,135 | - |
| **Total** | **124,216,992** | **19,868,434** |

## 6. Cash and Bank

This represents cash held at hand and in the bank as at Mar/31/2021

| | 31-Mar-21 | 31-Mar-20 |
|---|---|---|
| | UGX | UGX |
| Stanbic bank A/C USD | 2,257 | 2,336 |
| Stanbic bank UGX | 12,695,896 | 31,389,122 |
| **Total** | **12,698,153** | **31,391,458** |

## 7. Share capital

No of shares issued Ordinary shares issued and fully paid Balance at beginning and end of the financial year.

| | No of shares issued | No of shares issued |
|---|---|---|
| No of Shares | **1,000** | **1,000** |

The holders of ordinary shares are entitled to receive dividends as and when declared by the company. All ordinary shares carry one vote per share without restriction.

| **8. Trade and other payables** | **31-Mar-21** | **31-Mar-20** |
|---|---|---|
| | **UGX** | **UGX** |
| VAT Payable | - | 12,697,890 |
| Audit fees Payable | 15,000,000 | 19,506,498 |
| Expenses payable | 92,840,600 | 98,245,217 |
| Other payables | - | 6,920,505 |
| Royalties payables | 25,424,358 | 75,577,571 |
| **Total** | **133,264,958** | **212,947,681** |

| **9. Sales Income** | **31-Mar-21** | **31-Mar-20** |
|---|---|---|
| | **UGX** | **UGX** |
| Airtel Revenue | (48,081,090) | 145,828,925 |
| Call Back Ring Tone (CBRT) | (2,295,263) | 12,300,751 |
| MTN Radio(MOD) | - | (138,581) |
| | (50,376,353) | **157,991,095** |

**Note:- Debit balance of Revenue due to, reversal of unbilled revenue of last year more than 180 days and also no billing during the year.**

| **10. Operating Expenses** | **31-Mar-21 UGX** | **31-Mar-20 UGX** |
|---|---|---|
| **Direct Expenses** | | |
| Content Share | (25,443,715) | 121,668,973 |
| **Subtotal (A)** | **(25,443,715)** | **121,668,973** |
| **Operating Expenses** | | |
| Administration costs | 44,574,480 | 79,886,997 |
| Provision for audit fees | 8,911,865 | 19,506,498 |
| **Subtotal (B)** | **53,486,345** | **99,393,495** |
| **Total Operating Expenses (A+B)** | **28,042,630** | **221,062,468** |

| **11. Personnel Expenses** | **31-Mar-21** | **31-Mar-20** |
|---|---|---|
| PLI | - | 2,606,700 |
| Staff Welfare | - | 184,475 |
| Daily allowance | - | 435,833 |
| **Total** | **-** | **3,227,008** |

| **12. Legal & Professional Exp.** | **31-Mar-21 UGX** | **31-Mar-20 UGX** |
|---|---|---|
| Legal and professional expenses | 2,000,000 | 77,514,600 |
| **Total** | **2,000,000** | **77,514,600** |