SPICE VAS KENYA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

CONTENTS

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.

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31st March 2020.

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	**2020**	**2019**
	Kshs	**Kshs**
Profit/(loss) before tax	12,987,088	(46,136,302)
Tax charge	(4,056,373)	12,354,035
Profit for the year transferred to retained earnings	8,930,714	(33,782,267)

Dividends
The directors do not recommend the declaration of a dividend for the year.(2019 : 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

Nairobi ………………………………….. 2020

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 on ………………………………….. 2020 and signed on its behalf by:

……………………………………	……………………………………
Director name	**Director signature**
……………………………………	……………………………………
Director name	**Director signature**

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 2020, 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 2020 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.

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.

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

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

…………………………….2020

STATEMENT OF PROFIT OR LOSS ACCOUNT

	Note	2020 Kshs	2019 Kshs
Revenue	4	152,815,060	182,179,730
Direct costs	Appendix (i)	(58,054,951)	(101,600,462)
Gross profit		94,760,109	80,579,268
Other income	5	86,122	223,745
Expenditure			
Administrative expenses	Appendix (ii)	(38,219,228)	(32,379,104)
Other operating expenses	Appendix (iii)	(40,888,341)	(93,999,031)
Operating profit/(loss)		15,738,662	(45,575,122)
Finance cost	Appendix (iv)	(2,751,574)	(561,180)
Profit/(loss) before tax		12,987,088	(46,136,302)
Tax (credit)/expense	10	(4,056,373)	12,354,035
Net profit/(loss) for the year		8,930,715	(33,782,267)

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

		2020	2019
Assets	Note	**Kshs**	**Kshs**
Non current assets			
Property, plant and equipment	8	6,931,059	9,616,377
Intangible assets	9	1,523,836	2,038,234
Deferred tax	10	8,728,117	12,784,490
		17,183,012	24,439,101
Current assets			
Trade and other receivables	11	22,426,820	24,555,898
Cash and cash equivalents	12	5,555,104	564,627
Tax recoverable	13	35,818,089	28,158,537
		63,800,013	53,279,062
Total assets		**80,983,025**	**77,718,162**
Equity and Liabilities			
Capital and reserves			
Issued capital	14	100,000	100,000
Accumulated losses		(20,286,543)	(29,217,258)
		(20,186,543)	(29,117,258)
Non-current liabilities			
Due to related parties	17	44,860,053	34,243,036
		44,860,053	34,243,036
Current liabilities			
Trade and other payables	16	56,309,515	72,592,384
		56,309,515	72,592,384
Total equity and liabilities		**80,983,025**	**77,718,162**

The financial statements on pages 6 to 19 were approved and authorised for issue by the board of Directors on ……………………………… 2020 and were signed on its behalf by:

…………………………………… **Director**

…………………………………… **Director**

STATEMENT OF CHANGES IN EQUITY

	Share capital Kshs	Accumulated losses Kshs	Total Kshs
Year ended 31 March 2019			
At 1 April 2018	100,000	4,565,010	4,665,010
Loss for the year	-	(33,782,267)	(33,782,267)
At 31 March 2019	**100,000**	**(29,217,258)**	**(29,117,258)**
Year ended 31 March 2020			
At 1 April 2019	100,000	(29,217,258)	(29,117,258)
Profit for the year	-	8,930,715	8,930,715
At 31 March 2020	**100,000**	**(20,286,543)**	**(20,186,543)**

STATEMENT OF CASH FLOWS

		2020	**2019**
Reconciliation of operating profit	**Note**	**Kshs**	**Kshs**
in operating activities			
Profit/(loss) before taxation		12,987,088	(46,136,302)
Add Back:			
Interest paid on lease liabilities		-	-
Amortisation of Right of use asset		-	-
Depreciation of property, plant and equipment		3,429,110	3,442,388
Amortization of intangible asset		514,398	514,398
Loss/(gain) on disposal of assets		12,423	(69,500)
Operating profit/(loss) before working capital changes		16,943,018	(42,249,016)
Changes in working capital			
Decrease/ (increase) in trade and other receivables		2,129,075	(18,531,924)
(Increase)/decrease in trade and other payables		(16,282,870)	22,795,275
Cash generated from/(used in) operating activities		2,789,224	(37,985,664)
Income taxes paid		(7,659,552)	(8,517,717)
Net cash used in operating activities		(4,870,328)	(46,503,382)
Cash from investing activities			
Purchase of property, plant and equipment		(813,612)	(181,777)
Proceeds from disposal of assets		57,400	69,500
Net cash used in investing activities		(756,212)	(112,277)
Cash from financing activities			
Proceeds to related parties		10,617,018	24,956,367
Net cash generated from financing activities		10,617,018	24,956,367
Net increase/(decrease) in cash and cash equivalents		4,990,477	(21,659,291)
Movement in cash and cash equivalents			
At start of the year		564,627	22,223,918
Movement during the year		4,990,477	(21,659,291)
End of year	12	**5,555,104**	**564,627**

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:

• Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017. The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

• IFRIC 23 Uncertainty over Income Tax Treatment s (issued in June 2018) - The Interpretation, applicable to annual periods beginning on or after 1 January 2019, clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty over income tax treatments.

IFRS 16: Leases: On 13 January 2016 the IASB issued IFRS 16 Leases which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration.

A company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.

The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model. All leases are treated in a similar way to finance leases.

(a) Assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A Company recognizes the present value of the unavoidable lease payments and shows them either as lease assets (right- of-use assets) or together with property, plant and equipment. If lease payments are made over time, a Company also recognizes a financial liability representing its obligation to make future lease payments.

(b) depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and

(c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, compared to IAS 17, IFRS 16 requires a lessor to disclose additional information about how it manages the risks related to its residual interest in assets subject to leases.

NOTES TO THE FINANCIAL STATEMENTS

1. Significant accounting policies (continued)

b) New and revised standards (continued)

i) Adoption of new and revised standards (continued)

The new Standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted insofar as the recently issued Standard, IFRS 15 Revenue from Contracts with Customers is also applied.

The standard does not require the Group and Company to recognizes assets and liabilities for:

(a) short-term leases (i.e. leases of 12 months or less) and;

(b) leases of low-value assets

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

The following revised standards and interpretations have been published but are not yet effective for the year beginning 1 April 2019.

• Amendments to IFRS 3 titled Definition of a Business (issued in October 2018). The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

• Amendments to IAS 1 and IAS 8 titled Definition of Material (issued in October 2018). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS.

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 2019.

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 charge represent the amount levied to the members of the association for their share of expenses in maintaining the common use of the facilities. Service charge 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:

	Rate - years
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.

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:

31 March 2020	**Fully performing Kshs**	**Past due but not impaired Kshs**	**Past due and impaired Kshs**	**Total Kshs**
Trade receivables	14,463,913	-	(797,230)	13,666,683
Other receivables	8,760,137	-	-	8,760,137
Cash at bank	5,555,104	-	-	5,555,104
	28,779,154	-	(797,230)	27,981,924
31 March 2019				
Trade receivables	12,731,119	897,279	(773,516)	12,854,882
Other receivables	11,701,017	-	-	11,701,017
Cash at bank	564,627	-	-	564,627
	24,996,762	897,279	(773,516)	25,120,525

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).

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 interest rates. The company manages this exposure by maintaining a high interest cover ratio, which is the extent to which profits are available to service borrowing costs.

i) 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	Between 1-3 months	Between 3-12 months	Total
31 March 2020	**Kshs**	**Kshs**	**Kshs**	**Kshs**
Trade payables	37,191,551	-	-	37,191,551
Other trade payables	19,117,964	-	-	19,117,964
Payable to related party	44,860,053	-	-	44,860,053
	101,169,568	-	-	101,169,568
31 March 2019				
Trade payables	42,858,527	-	-	42,858,527
Other trade payables	29,733,857	-	-	29,733,857
Payable to related party	34,243,036	-	-	34,243,036
	106,835,420	-	-	106,835,420

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	**2020 Kshs**	**2019 Kshs**
Revenue from Services	152,815,060	182,179,730

5 Other income		
Liabilities written off	86,122	153,051
Cinema Revenue	-	741
Gain on disposal of Fixed Assets	-	69,500
Short & Excess Write/Off	-	452
	86,122	223,745

NOTES TO THE FINANCIAL STATEMENTS

		2020	2019
6	**Operating loss**	**2020**	**2019**
	a) Items charged	**Kshs**	**Kshs**
	The following items have been charged in arriving at operating loss:		
	Staff costs	38,219,228	32,379,104
	Depreciation of property, plant and equipment	3,429,110	3,442,388
	Audit fees	308,500	330,095
	b) Employee benefits expense		
	The following items are included in employee benefits expense:		
	National Social Security Fund	121,879	99,781
7	**Tax expense/(credit)**		
	Current income tax	-	-
	Deferred tax (Note 10)	4,056,373	(12,354,035)
	Income tax charge/(credit)	4,056,373	(12,354,035)

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:

	2020	2019
Profit before tax expense	12,987,088	(46,136,302)
Tax calculated at a tax rate of 30%	3,896,126	(13,840,891)
Tax effect of:		
- Expenses not deductible for tax purposes	160,247	1,486,856
Income tax charge/(credit)	4,056,374	(12,354,035)

8 Property, plant and equipment

Year ended 31 March 2020	**Office equipment Kshs**	**Furniture & fittings Kshs**	**IT Equipment Kshs**	**IT site equipment Kshs**	**Total Kshs**
Cost / Valuation					
At 1 April 2019	611,850	407,746	1,821,359	45,823,404	48,664,358
Additions	-	-	84,000	729,612	813,612
Disposal	(126,000)	(80,000)	-		(206,000)
At 31 March 2020	485,850	327,746	1,905,359	46,553,016	49,271,971
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	136,180
Depreciation charge	(29,272)	(26,187)	(132,769)	(3,240,882)	(3,429,110)
At 31 March 2020	(378,684)	(235,242)	(1,871,480)	(39,855,506)	(42,340,912)
Net book value	**107,165**	**92,504**	**33,879**	**6,697,510**	**6,931,059**
Year ended 31 March 2019					
Cost / Valuation					
At 1 April 2018	613,074	454,246	2,652,618	45,764,020	49,483,957
Additions	10,776	-	87,241	83,759	181,777
Disposal	(12,000)	(46,500)	(918,500)	(24,375)	(1,001,375)
At 31 March 2019	611,850	407,746	1,821,359	45,823,404	48,664,359
Depreciation					
At 1 April 2018	(372,730)	(305,048)	(2,448,821)	(33,480,369)	(36,606,969)
Elimination on disposal	12,000	46,500	918,500	24,375	1,001,375
Depreciation charge	(44,860)	(30,505)	(208,391)	(3,158,632)	(3,442,388)
At 31 March 2019	(405,590)	(289,053)	(1,738,713)	(36,614,626)	(39,047,982)
Net book value	**206,259**	**118,693**	**82,647**	**9,208,778**	**9,616,377**

NOTES TO THE FINANCIAL STATEMENTS

	2020	2019
9 Intangible assets	**Kshs**	**Kshs**
Cost		
As at start and end of year	2,571,991	2,571,991
Amortisation		
As at 1 April	533,757	19,359
Charge for the year	514,398	514,398
At 31st March	1,048,156	533,757
Net carrying value	**1,523,836**	**2,038,234**

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% (2019: 30%). The movement on the deferred tax account is as follows:

At 1 April	12,784,490	430,455
Charge to income statement	(4,056,373)	12,354,035
At 31 March	8,728,117	12,784,490

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

	At 1 April	Charged to	At 31 March
Year ended 31 March 2020	**2019**	**Profit & loss**	**2020**
Deferred tax asset	**Kshs**	**Kshs**	**Kshs**
Tax losses carried forward	12,544,602	(4,846,025)	7,698,576
Unrealised exchange gain	168,354	657,118	825,472
Provision for impairment	232,055	7,114	239,169
Property plant and equipment	(160,522)	125,419	(35,103)
Net deferred tax asset	12,784,488	(4,056,373)	8,728,114

	At 1 April	Charged to	At 31 March
Year ended 31 March 2019	**2018**	**Profit & loss**	**2019**
Deferred tax asset	**Kshs**	**Kshs**	**Kshs**
Tax losses carried forward	-	12,544,602	12,544,602
Unrealised exchange gain	181,220	(12,866)	168,354
Provision for impairment	232,670	(615)	232,055
Property plant and equipment	16,563	(177,086)	(160,522)
Net deferred tax asset	430,453	12,354,035	12,784,488

NOTES TO THE FINANCIAL STATEMENTS

	2020	**2019**
11 Trade and other receivables	**Kshs**	**Kshs**
Trade receivables	14,463,913	13,628,398
Less: Provision for impairment losses	(797,230)	(773,516)
Net trade receivables	13,666,683	12,854,882
Other receivables	8,760,137	11,701,017
	22,426,820	24,555,898

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

12 Cash and cash equivalents

Bank balance	5,521,656	547,354
Cash in hand	33,448	17,273
	5,555,104	564,627

13 Tax Recoverable

Balance brought forward	(28,158,537)	(19,640,819)
Tax paid	(7,659,552)	(8,517,717)
Balance carried forward	(35,818,089)	(28,158,537)

14 Capital and reserves

Issued and fully paid:	**No. of ordinary shares**	**Issued and paid up capital Kshs**
At 31 March 2020	100	100,000
At 31 March 2019	100	100,000

The total number of authorised ordinary shares is 100 (2019: 100) with a par value of Kshs 1,000 each.

15 Non-current liabilities	**2020 Kshs**	**2019 Kshs**
Payables to related party (note 17)	44,860,053	34,243,036

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

16 Trade and other payables

Trade payables	37,191,551	42,858,527
Other payables	19,117,964	29,733,857
	56,309,515	72,592,384

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

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)

	2020 Kshs	2019 Kshs
Account receivables		
SVK-Rwanda Branch	16,421	15,898
Account payables		
DigiSpice Technologies Limited	1,074,860	-
Spice Vas (Africa) Pte Limited	43,785,665	34,122,415
Spice Labs Pvt. Ltd.	-	120,733
SVK-Rwanda Branch	15,950	15,786
	44,876,474	34,258,934
Net amount due to related party	(44,860,053)	(34,243,036)

18 Subsequent events

The company's operations have been affected by Covid-19 subsequent to the financial year end. The Kenyan Government has taken significant measures to control the spread of the virus, including nationwide curfews and partial lockdowns. The extent of which the virus impacts the company's operation will depend on future developments, which are highly uncertain and cannot be predicted with certainty at this time.

19 Comparatives

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

20 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

		2020	2019
		Kshs	**Kshs**
i.	**Direct costs**		
	Content royalty	53,304,409	61,454,271
	Bulk SMS charges	258,700	3,448
	Content Expenses	100,000	15,548,663
	Mod expenses	-	187,000
	Product testing expense	-	2,050
	Prompt Recording Charges	58,720	3,061,242
	Content Expenses Streaming	1,689,400	18,855,506
	Domain Expenses	-	1,998
	Karaoke Expense	-	740,556
	Licences and permits	2,643,721	1,745,729
		58,054,951	101,600,462
ii.	**Administration expenses**		
	Employment:		
	Salaries and wages	37,021,166	31,755,851
	Other staff costs	1,198,062	623,253
		38,219,228	32,379,104
iii.	**Other operating expenses**		
	Depreciation of property, plant and equipment	3,429,110	3,442,388
	Amortization of intangible asset	514,398	514,398
	Advertisement expenses	1,489,657	3,604,705
	Bank charges	286,185	347,236
	Legal and professional fees	3,189,086	7,479,832
	Clearing and forwarding	-	94,869
	Courier charges	132,631	27,515
	Fuel expenses	-	3,800
	Electricity expenses	90,143	125,130
	Fines and penalties	-	16,029
	Interest and penalty	136,275	79,103
	Sundry balances written off	-	63,538
	Training fees	-	28,000
	Provision for Bad Debt	23,714	-
	Internet charge	399,891	214,677
	Industrial training levy	4,800	4,800
	General expenses	(28,719)	297,531
	Telephone expenses	371,293	335,541
	Shared support services	-	52,271,545
	Auditors' remuneration	308,500	330,095
	Insurance	879,540	680,080
	Office expenses	212,072	108,419
	Printing and stationery	49,341	40,440
	Amortisation of Right of use asset	-	-
	Rent	4,350,465	2,718,000
	Travel expenses	8,990,748	6,956,859
	Newspapers and Periodicals	15,960	-
	Rates and Taxes	38,840	700
	Loss on disposal	12,423	-
	Amazon and Wowza Charges	-	354,375
	Communication - AWS	15,120,033	13,700,116
	Office Renovation and maintenance Expenses	715,858	-
	Repairs and maintenance	152,598	13,230
	Business meeting expenses	3,500	146,079
		40,888,341	93,999,031
iv.	**Finance cost**		
	Unrealised exchange loss	2,751,574	561,180
	Interest on lease	-	-
		2,751,574	561,180

SPICE VAS KENYA LIMITED
INCOME TAX COMPUTATION
YEAR OF INCOME: 2020
PIN. P051151619H

1. Tax Computation

		Total Kshs
Net profit before tax		12,987,088
Add		
Interest on lease	-	
Amortisation of Right of use asset	-	
Depreciation of property plant and equipment	3,429,110	
Amortization of intangible asset	514,398	
Provision for Bad Debt	23,714	
Interest and penalty	136,275	
Performance linked incentive	289,888	
Leave days encashment (provision)	(3,396)	
Unrealised exchange loss	2,751,574	
Loss on disposal	12,423	
Telephone Expenses(30%)	111,388	7,265,374
		20,252,462
Less:		
Wear and tear		(3,023,466)
Intangible asset allowance		(514,398)
Unrealised foreign exchange loss - **2019**		(561,180)
Adjusted taxable profit		16,153,418
Taxable losses brought forward		(41,815,338)
Taxable loss carried forward		(25,661,920)
Tax there on at 30%		-

2. Tax account

Tax recoverable balance brought forward	(28,158,537)
Withholding tax paid	(7,659,552)
Tax recoverable balance carried forward	(35,818,089)

3. Wear and tear schedule

	Class II 30% Kshs	Class IV 12.5% Kshs	Total Kshs
W.D.V 1 April 2019	9,082,940	493,402	9,576,341
Additions	813,612	-	813,612
Disposals proceeds	-	(57,400)	(57,400)
	9,896,552	436,002	10,332,554
Allowance	(2,968,966)	(54,500)	(3,023,466)
W.D.V 31 March 2020	**6,927,586**	**381,502**	**7,309,088**

4 Intangible assets

Software	**Cost Kshs**	**Allowance Kshs**	**Net carrying value Kshs**
W.D.V 1 April 2019	1,543,195	(514,398.22)	1,028,796
W.D.V 31 March 2020	1,543,195	(514,398)	1,028,796