

SPICE VAS KENYA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

Spice VAS Kenya Limited
Annual report and financial statements
For the year ended 31 March 2017

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CORPORATE INFORMATION

Board of Directors	Arun Nagar Rodah Mutindi Mwanza Stephen Ndungu Boro Ashish Mittal Vishwa Deepak Tripathi	Indian Kenyan (appointed w.e.f. 21 June, 2016) Kenyan (appointed w.e.f. 21 June, 2016) Indian (appointed w.e.f. 22 December, 2016) Indian (appointed w.e.f. 22 December, 2016)
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	Commercial Registrars Hill View Estate Hill View Crescent P.O. Box 49925 - 00100, Nairobi.	
Legal Adviser	Gitonga Kinyanjui & Company Advocates and Commissioners of Oaths Golf Course Commercial Centre 2nd Floor, Room 2.13 P.O. Box 26128 - 00100, Nairobi.	
Principal banker	Standard Chartered Bank Limited P. O. Box 72833 - 00200, Nairobi.	

Spice VAS Kenya Limited
Annual report and financial statements
For the year ended 31 March 2017

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31st March 2017. In accordance with Section 42 of the Sixth Schedule, Transitional and Saving Provisions, of the Companies Act, 2015 this report has been prepared in accordance with Section 157 of the repealed Companies Act, as if that repeal had not taken effect.

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	2017	2016
	Kshs	Kshs
Profit before tax	9,661,653	45,864,691
Tax credit/(charge)	<u>(383,929)</u>	<u>(16,960,869)</u>
Profit for the year transferred to retained earnings	<u>9,277,724</u>	<u>28,903,822</u>

Dividends

The directors do not recommend the declaration of a dividend for the year.(2015:Nil)

Directors

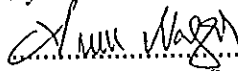
The directors who held office during the year and to the date of this report are set out on page 1.

In accordance with the company's Articles of Association, directors are not subject to retirement by rotation.

Independent Auditor

The company's auditor, Baker Tilly Merali's, has expressed willingness to continue in office in accordance with Section 717 of the Kenyan Companies Act, 2015

By order of the board


.....
Director/Company Secretary

Nairobi 2017



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 and disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities

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:

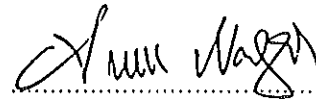
- i) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- ii) selecting and applying appropriate accounting policies; and
- iii) making accounting estimates and judgements that are reasonable in the circumstances.

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

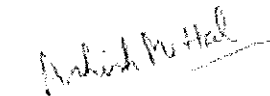
The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities


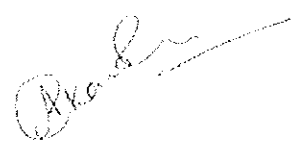
Approved by the board of directors on 2017 and signed on its behalf by:

.....
Director name


.....
Director signature

.....
Director name


.....
Director signature

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

Opinion

We have audited the financial statements of Spice VAS Limited, set out on pages 6 to 19 which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and other comprehensive income, 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 2017 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 and those charged with Governance for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Companies Act, 2015, 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, 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

We also provided 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 they may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements

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

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit
- 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 balance sheet and the income statement are in agreement with the books of account.

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

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

18/5/2017

Spice VAS Kenya Limited
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For the year ended 31 March 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

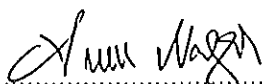
	Note	2017 Kshs	2016 Kshs
Revenue	4	130,521,274	101,483,059
Direct costs	Appendix (i)	<u>(49,371,656)</u>	<u>(24,503,677)</u>
Net revenue		81,149,618	76,979,382
Other income	5	1,344,065	677,763
Expenditure			
Administrative expenses	Appendix (ii)	(12,812,093)	(8,642,127)
Other operating expenses	Appendix (iii)	<u>(60,738,430)</u>	<u>(14,925,018)</u>
Operating profit for the year		8,943,160	54,090,000
Finance cost	Appendix (iv)	<u>718,494</u>	<u>(8,225,309)</u>
Profit before tax		9,661,653	45,864,691
Tax expense	10	<u>(383,929)</u>	<u>(16,960,869)</u>
Net profit for the year		9,277,724	28,903,822
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive profit for the year		<u><u>9,277,724</u></u>	<u><u>28,903,822</u></u>

Spice VAS Kenya Limited
 Financial statements
 For the year ended 31 March 2017

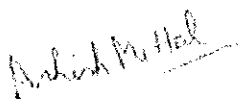
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

Assets	Note	2017 Kshs	2016 Kshs
Non current assets			
Property, plant and equipment	8	3,352,357	1,548,835
Work in progress	9	2,427,952	-
Deferred tax	10	2,334,274	2,718,203
		<u>8,114,583</u>	<u>4,267,038</u>
Current assets			
Trade and other receivables	11	6,208,649	20,745,824
Cash and cash equivalents	12	17,745,153	2,683,985
Tax recoverable	13	16,372,130	10,008,913
		<u>40,325,932</u>	<u>33,438,722</u>
Total assets		<u><u>48,440,515</u></u>	<u><u>37,705,760</u></u>
Equity and Liabilities			
Capital and reserves			
Issued capital	14	100,000	100,000
Retained earnings		<u>(11,810,692)</u>	<u>(21,088,416)</u>
		<u>(11,710,692)</u>	<u>(20,988,416)</u>
Non-current liabilities			
Due to related parties	17	<u>27,536,232</u>	<u>30,702,345</u>
Current liabilities			
Trade and other payables	16	<u>32,614,975</u>	<u>27,991,831</u>
Total equity and liabilities		<u><u>48,440,515</u></u>	<u><u>37,705,760</u></u>

The financial statements on pages 6 to 19 were approved and authorised for issue by the board of Directors on 2017 and were signed on its behalf by:



 Director



 Director

Spice VAS Kenya Limited
Financial statements
For the year ended 31 March 2017

STATEMENT OF CHANGES IN EQUITY

	Share Capital Kshs	Retained Earnings Kshs	Total Kshs
Year ended 31 March 2016			
At 1 April 2015	100,000	(49,992,238)	(49,892,238)
Profit for the year	<u>-</u>	<u>28,903,822</u>	<u>28,903,822</u>
At 31 March 2016	<u><u>100,000</u></u>	<u><u>(21,088,416)</u></u>	<u><u>(20,988,416)</u></u>
Year ended 31 March 2017			
At 1 April 2016	100,000	(21,088,416)	(20,988,416)
Profit for the year	<u>-</u>	<u>9,277,724</u>	<u>9,277,724</u>
At 31 March 2017	<u><u>100,000</u></u>	<u><u>(11,810,692)</u></u>	<u><u>(11,710,692)</u></u>

Spice VAS Kenya Limited
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STATEMENT OF CASH FLOWS

	Note	2017 Kshs	2016 Kshs
Reconciliation of operating profit to net cash outflow in operating activities			
Operating profit before taxation		9,661,653	45,864,691
Add Back:			
Depreciation of property, plant and equipment		1,854,462	4,488,589
Loss on disposal of assets		-	325,283
Operating profit before working capital changes		<u>11,516,116</u>	<u>50,678,563</u>
Working capital changes			
Decrease/ (increase) in trade and other receivables		14,537,175	(5,201,946)
(Decrease) iIncrease/in trade and other payables		4,623,145	13,334,809
Cash generated from operating activities		<u>30,676,436</u>	<u>58,811,426</u>
Tax paid		<u>(6,363,217)</u>	<u>(4,388,611)</u>
Net cash from operating activities		<u>24,313,218</u>	<u>54,422,815</u>
Investing activities			
Purchase of property, plant and equipment		(6,085,935)	(86,206)
Proceeds from disposal of assets		-	390,000
Net cash (used in)/generated from investing activities		<u>(6,085,935)</u>	<u>303,794</u>
Financing activities			
Proceeds to related parties		<u>(3,166,114)</u>	<u>(66,235,496)</u>
Net cash used in financing activities		<u>(3,166,114)</u>	<u>(66,235,496)</u>
Net increase/(decrease) in cash and cash equivalents		<u>15,061,169</u>	<u>(11,508,886)</u>
Movement in cash and cash equivalents			
At start of the year		2,683,985	14,192,871
Movement during the year		<u>15,061,169</u>	<u>(11,508,886)</u>
End of year	12	<u><u>17,745,153</u></u>	<u><u>2,683,985</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1 Significant accounting policies

The significant accounting policies adopted in the preparation of these 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 statement of profit and loss account and other comprehensive income, 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. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expense (including reclassification adjustments) that are not recognised in the profit and loss account as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to the profit and loss account in the current period that were recognised in other comprehensive income in the current or previous periods. 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

b) New and revised standards

i) Adoption of new and revised standards

The following new and revised standards and interpretations have also become effective for the first time and have been adopted by the group where relevant to its operations:

- Amendments to IAS 16 and IAS 38 titled Clarification of Acceptable Methods of Depreciation and Amortization (issued in May 2014) – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances. They are prospectively effective for annual periods beginning on or after 1 January 2016.
- Amendments to IAS 27 titled Equity Method in Separate Financial Statements (issued in August 2014) – The amendments, applicable to annual periods beginning on or after 1 January 2016, reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendment to IFRS 5 (Annual Improvements to IFRSs 2012–2014 Cycle, issued in September 2014) - The amendment, applicable prospectively to annual periods beginning on or after 1 January 2016, adds specific guidance when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners, or vice versa, and for cases where held-for-distribution accounting is discontinued.
- Amendments to IAS 1 titled Disclosure Initiative (issued in December 2014) – The amendments, applicable to annual periods beginning on or after 1 January 2016, clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

1. Significant accounting policies

b) New and revised standards (continued)

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 January 2016. The company has not early adopted any of these amendments or interpretations.

- IFRS 15 Revenue from Contracts with Customers (issued in May 2014) - The new standard, effective for annual periods beginning on or after 1 January 2018, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.

- Amendments to IAS 12 titled Recognition of Deferred Tax Assets (issued in January 2016) – The amendments, applicable to annual periods beginning on or after 1 January 2017, provide additional guidance on the estimation of future taxable profits when considering the recoverability of deferred tax assets.

- Amendments to IAS 7 titled Disclosure Initiative (issued in January 2016) – The amendments, applicable to annual periods beginning on or after 1 January 2017, require enhanced disclosure concerning changes in liabilities arising from financing activities.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

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, except for differences arising on translation of non-monetary available-for-sale financial assets, which are recognised in other comprehensive income.

d) Revenue recognition

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.

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.

Sales 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

Rental income from operating leases is recognised on a straight line basis over the period of the lease.

Dividend income is recognised when the right to receive the payment is established.

Interest income is recognised on a time proportion basis using the effective interest method.

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

e) Property, plant and equipment (continued)

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the profit and loss account.

Annually, the difference between depreciation charge based on the revalued carrying amount of the asset charged to the profit and loss account and depreciation based on the asset's original cost is transferred from the revaluation surplus reserve to retained earnings.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the profit and loss account. Annually, the difference between depreciation charge based on the revalued carrying amount of the asset charged to the profit and loss account and depreciation based on the asset's original cost is transferred from the revaluation surplus reserve to retained earnings.

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

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

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

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

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

f) Borrowings

Borrowing costs, net of any temporary investment income on those borrowings, that are attributable to acquisition, construction or production of a qualifying asset are capitalised as part of the asset. The net borrowing cost capitalised is either the actual borrowing cost incurred on the amount borrowed specifically to finance the asset; or in the case of general borrowings, the borrowing cost is determined using the overall weighted average cost of the borrowings on all outstanding borrowings during the year less any specific borrowings directly attributable to the asset and applying this rate to the borrowing attributable to the asset. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Significant accounting policies

h) 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.

i) 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.

j) Share capital

Ordinary shares are recognised at par value and classified as share capital in equity. Any amounts received in excess of the par value of the shares issued are classified as share premium in equity.

k) 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.

l) 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 income tax is provided in full on all temporary differences except those arising on the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss. Deferred income tax is determined using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred income 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.

m) 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

i) Credit risk

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

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

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

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

	Fully performing	Past due but not impaired	Past due and impaired	Total
	Kshs	Kshs	Kshs	Kshs
31 March 2017				
Trade receivables	3,871,078	897,279	(776,025)	3,992,332
Other receivables	4,010,875	-	-	4,010,875
Receivables from related party	18,763,475	-	-	18,763,475
Cash at bank	17,734,081	-	-	17,734,081
	<u>44,379,508</u>	<u>897,279</u>	<u>(776,025)</u>	<u>44,500,762</u>
31 March 2016				
Trade receivables	9,415,724	9,279,581	(1,586,025)	17,109,280
Other receivables	3,636,544	-	-	3,636,544
Receivables from related party	10,239,503	-	-	10,239,503
Cash at bank	2,658,990	-	-	2,658,990
	<u>25,950,761</u>	<u>9,279,581</u>	<u>(1,586,025)</u>	<u>33,644,317</u>

ii) Market risk

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

iii) Currency risk:

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

NOTES TO THE FINANCIAL STATEMENTS

2. Risk management objectives and policies (continued)

iv) Liquidity risk

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

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

	Less than one month Kshs	Between 1-3 months Kshs	Between 3-12 months Kshs	Total Kshs
31 March 2017				
Trade payables	13,615,540	-	-	13,615,540
Other trade payables	18,999,435	-	-	18,999,435
Payable to related party	46,299,707	-	-	46,299,707
	<u>78,914,681</u>	<u>-</u>	<u>-</u>	<u>78,914,681</u>
31 March 2016				
Trade payables	23,681,276	-	-	23,681,276
Other trade payables	4,310,555	-	-	4,310,555
Payable to related party	40,941,849	-	-	40,941,849
	<u>68,933,680</u>	<u>-</u>	<u>-</u>	<u>68,933,680</u>

3 Critical accounting estimates and judgements

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

i) Impairment losses:

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

4 Revenue	2017 Kshs	2016 Kshs
Short code rental income	-	151,118
Short code revenue share	-	10,389,732
SMS application development	115,497,628	39,417,585
MOD revenue share	15,023,646	43,299,144
Devotional	-	485,540
Content allocation revenue	-	7,739,940
	<u>130,521,274</u>	<u>101,483,059</u>
5 Other income		
Sundry Balances Written Off	518,000	677,763
Foreign Exchange Gain/ Loss	-	-
Sundry Balances Written Off	16,065	-
Provision for Bad Debts	810,000	-
Miscellaneous income	<u>1,344,065</u>	<u>677,763</u>

NOTES TO THE FINANCIAL STATEMENTS

6	Operating loss	2017	2016
	a) Items charged	Kshs	Kshs
	The following items have been charged in arriving at operating loss:		
	Staff costs	12,812,093	8,642,127
	Depreciation of property, plant and equipment	1,854,462	4,488,589
	Audit fees	<u>308,500</u>	<u>308,500</u>
	b) Employee benefits expense		
	The following items are included in employee benefits expense:		
	National Social Security Fund	<u>91,800</u>	<u>68,020</u>
7	Tax (credit) / expense		
	Current income tax	-	-
	Deferred tax (Note 9)	<u>383,929</u>	<u>16,960,869</u>
	Income tax (credit)	<u>383,929</u>	<u>16,960,869</u>
	The tax on the company's profit before tax differs from the theoretical amount that would arise using the corporation tax rate as follows:		
	Profit before tax expense	<u>9,661,653</u>	<u>45,864,691</u>
	Tax calculated at a tax rate of 30%	2,898,496	13,759,407
	Tax effect of:		
	- Expenses not deductible for tax purposes	490,650	227,931
	- Income not subject to tax	-	-
	- Underprovision of deferred tax in prior years	<u>(3,005,217)</u>	<u>2,973,531</u>
	Income tax expense	<u>383,929</u>	<u>16,960,869</u>

8 Property, plant and equipment

	Office equipment	Furniture & fittings	IT Equipment	IT site equipment	Motor vehicle	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Year ended 31 March 2017						
Cost / Valuation						
At 1 April 2016	346,395	332,937	2,243,457	30,290,950	-	33,213,739
Additions	<u>143,495</u>	<u>183,309</u>	<u>295,709</u>	<u>3,035,470</u>	-	<u>3,657,983</u>
At 31 March 2017	<u>489,890</u>	<u>516,246</u>	<u>2,539,166</u>	<u>33,326,420</u>	-	<u>36,871,722</u>
Depreciation						
At 1 April 2016	(285,716)	(286,634)	(2,183,409)	(28,909,145)	-	(31,664,904)
Depreciation charge	<u>(48,556)</u>	<u>(32,588)</u>	<u>(121,770)</u>	<u>(1,651,548)</u>	-	<u>(1,854,462)</u>
At 31 March 2017	<u>(334,272)</u>	<u>(319,222)</u>	<u>(2,305,179)</u>	<u>(30,560,693)</u>	-	<u>(33,519,366)</u>
Net book value	<u>155,618</u>	<u>197,024</u>	<u>233,987</u>	<u>2,765,727</u>	-	<u>3,352,357</u>
Year ended 31 March 2016						
Cost / Valuation						
At 1 April 2015	340,361	332,937	2,163,285	30,763,553	630,000	34,230,136
Additions	6,034	-	80,172	-	-	86,206
Disposal	-	-	-	(472,603)	(630,000)	(1,102,603)
At 31 March 2016	<u>346,395</u>	<u>332,937</u>	<u>2,243,457</u>	<u>30,290,950</u>	-	<u>33,213,739</u>
Depreciation						
At 1 April 2015	(237,506)	(241,009)	(2,118,639)	(24,777,480)	(189,000)	(27,563,634)
Elimination on disposal	-	-	-	172,069	215,250	387,319
Depreciation charge	<u>(48,210)</u>	<u>(45,625)</u>	<u>(64,770)</u>	<u>(4,303,734)</u>	<u>(26,250)</u>	<u>(4,488,589)</u>
At 31 March 2016	<u>(285,716)</u>	<u>(286,634)</u>	<u>(2,183,409)</u>	<u>(28,909,145)</u>	-	<u>(31,664,904)</u>
Net book value	<u>60,679</u>	<u>46,303</u>	<u>60,048</u>	<u>1,381,805</u>	-	<u>1,548,835</u>

Spice VAS Kenya Limited
Financial statements
For the year ended 31 March 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 Kshs	2016 Kshs	
9 Work in progress	<u>2,427,952</u>	<u>-</u>	
This relates to software development being built on site which is not complete.			
10 Deferred tax			
Deferred tax is calculated using the currently enacted corporation rate of 30% (2016: 30%). The movement on the deferred tax account is as follows:			
At 1 April	2,718,203	19,679,072	
Charge to income statement	<u>(383,929)</u>	<u>(16,960,869)</u>	
At 31 March	<u>2,334,274</u>	<u>2,718,203</u>	
Deferred tax assets and liabilities, deferred tax charge in the income statement, account are attributable to the following items;			
	At 1 April 2016 Kshs	Charged to Profit & loss Kshs	At 31 March 2017 Kshs
Year ended 31 March 2017			
Deferred tax asset	1,744,787	(295,592)	1,449,195
Tax losses carried forward	(608,174)	362,398	(245,776)
Unrealised exchange gain	475,808	(243,000)	232,808
Provision for impairment	1,105,782	(207,735)	898,047
Property plant and equipment	<u>2,718,203</u>	<u>(383,929)</u>	<u>2,334,273</u>
Net deferred tax asset			
	At 1 April 2015 Kshs	Charged to Profit & loss Kshs	At 31 March 2016 Kshs
Year ended 31 March 2016			
Deferred tax asset	19,245,233	(17,500,446)	1,744,787
Tax losses carried forward	-	(608,174)	(608,174)
Unrealised exchange gain	247,388	228,420	475,808
Provision for impairment	186,451	919,331	1,105,782
Property plant and equipment	<u>19,679,072</u>	<u>(16,960,870)</u>	<u>2,718,203</u>
Net deferred tax asset			
11 Trade and other receivables	2017 Kshs	2016 Kshs	
Trade receivables	2,973,799	18,695,305	
Less: Provision for impairment losses	<u>(776,025)</u>	<u>(1,586,025)</u>	
Net trade receivables	2,197,774	17,109,280	
Other receivables	4,010,875	3,636,544	
	<u>6,208,649</u>	<u>20,745,824</u>	
The carrying amount of trade and other receivables approximate to their fair value			
12 Cash and cash equivalents			
Bank balance	17,734,081	2,658,990	
Cash in hand	<u>11,073</u>	<u>24,995</u>	
	<u>17,745,153</u>	<u>2,683,985</u>	

Spice VAS Kenya Limited
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 For the year ended 31 March 2017

NOTES TO THE FINANCIAL STATEMENTS

13 Tax Recoverable	2017 Kshs	2016 Kshs
Balance brought forward	(10,008,913)	(5,620,303)
Tax paid	<u>(6,363,217)</u>	<u>(4,388,610)</u>
Balance carried forward	<u>(16,372,130)</u>	<u>(10,008,913)</u>

14 Capital and reserves	No. of ordinary shares	Issued and paid up capital Kshs
Issued and fully paid:		
At 31 March 2017	<u>100</u>	<u>100,000</u>
At 31 March 2016	<u>100</u>	<u>100,000</u>

The total number of authorised ordinary shares is 100 (2016: 100) with a par value of Shs 1,000 each.

15 Non-current liabilities	2017 Kshs	2016 Kshs
Payables to related party (note 16)	<u>27,536,232</u>	<u>30,702,345</u>

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

16 Trade and other payables		
Trade payables	13,615,540	23,681,276
Other payables	<u>18,999,435</u>	<u>4,310,555</u>
	<u>32,614,975</u>	<u>27,991,831</u>

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 14)

<u>Account receivables</u>		
Spice Digital Nigeria Limited	10,300,000	10,133,390
Spice Vas Uganda Limited	-	106,113
SVN-Rwanda Branch Usd A/c	5,393,648	-
SVK-Rwanda Branch Usd A/c	<u>3,069,826</u>	<u>-</u>
	<u>18,763,475</u>	<u>10,239,503</u>
<u>Account payables</u>		
Spice Vas (Africa) Pte Limited	43,200,853	38,861,869
SVK-Rwanda Branch	3,098,854	-
Spice Vas Tanzania Limited	<u>-</u>	<u>2,079,980</u>
	<u>46,299,707</u>	<u>40,941,849</u>
Net amount due to related party	<u>(27,536,232)</u>	<u>(30,702,345)</u>

NOTES TO THE FINANCIAL STATEMENTS

18 Currency

The financial statements are presented in Kenya Shillings (Kshs) and rounded off to the nearest one shilling.

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.

21 Commitments

As at 31 March 2017, the company had not committed to make payment within the next financial year in respect of non cancellable operating leases

22 Going concern

As at 31st March 2017, the company had deficiency in the shareholders funds amounting to Kshs. 15,331,290 (2016: Kshs. 20,988,416). However, these financial statements have been prepared on a going concern basis on continued financial support assurance from the directors and shareholders. The directors have confirmed the going concern of organisation as the company has turned a large profit in the year ended 31st March 2017. In absence of such support, this basis would be appropriate, provision would then be made for any adjustment that might be necessary if the company's assets were realised at the amount different from these in the financial statements.

SCHEDULE OF EXPENDITURE

	2017	2016
	Kshs	Kshs
i. Direct costs		
Content royalty	36,475,696	23,084,395
Promote recording and bulk SMS charges	800,000	173,865
Content Expense- CMO	799,998	-
Content Expenses	10,192,174	-
Mod expenses	97,000	19,000
Minimum guarantee expense	-	500,000
Product testing expense	-	2,200
Content Sign Up Charges	52,632	-
Muziki fees	-	70,000
Prizes	-	50,000
Licences and permits	943,362	259,140
Server expenses	10,794	59,814
Sponsorship fee	-	105,263
PRS short code fees	-	180,000
	<u>49,371,656</u>	<u>24,503,677</u>
ii. Administration expenses		
Employment:		
Salaries and wages	12,534,273	8,343,799
Other staff costs	277,820	298,328
	<u>12,812,093</u>	<u>8,642,127</u>
iii. Other operating expenses		
Depreciation of property, plant and equipment	1,854,462	4,488,589
Advertisement expenses	5,441,103	758,631
Bank charges	198,109	248,549
Boarding and lodging	-	228,000
Legal and professional fees	987,399	1,070,305
Courier charges	46,521	88,716
Fuel expenses	3,500	-
Electricity expenses	108,609	126,441
Entertainment	110,229	97,895
Bad debts	-	609,819
Internet charge	75,675	29,666
Industrial Training Levy	4,800	28,000
General expenses	23,268	36,960
Telephone expenses	373,636	371,301
Management Fees	45,682,446	-
Provision for bad debts	-	759,770
Auditors' remuneration: Current year	308,500	308,500
Overprovision in prior year		(216,500)
Insurance	543,394	412,602
Motor vehicle running expenses	-	16,850
Office expenses	86,895	50,530
Printing and stationery	46,425	40,070
Rent	1,159,400	1,103,409
Travel expenses	2,487,774	2,002,978
Rates & Taxes	40,800	-
Loss on disposal	-	24,750
Muziki- brand partnership	-	1,139,450
Repairs and maintenance	387,752	39,575
Business meeting expenses	767,732	959,244
Fines and penalty	-	100,918
	<u>60,738,430</u>	<u>14,925,018</u>
iv. Finance cost		
Unrealised exchange gain	(857,839)	(608,174)
Realised exchange	100,759	235,167
Unrealised exchange loss	38,586	8,598,316
	<u>(718,494)</u>	<u>8,225,309</u>

SPICE VAS KENYA LIMITED
 INCOME TAX COMPUTATION
 YEAR OF INCOME: 2017
 PIN. P051151619H

1. Tax Computation	Total Kshs
Net profit before tax	9,661,653
<u>Add</u>	
Depreciation of property plant and equipment	1,854,462
Performance linked incentive	1,523,409
Unrealised exchange loss	38,586
Unrealised exchange gain - 2016	608,174
Telephone Expenses(30%)	112,091
	<u>4,136,722</u>
	13,798,376
Less:	
Wear and tear	(2,546,913)
Unrealised foreign exchange loss - 2016	(8,598,316)
Unrealised foreign exchange gain	(857,839)
Decrease in provisions for impairment	(810,000)
Adjusted taxable loss	<u>985,308</u>
Taxable losses brought forward	<u>(5,815,957)</u>
Taxable loss	<u>(4,830,649)</u>
Tax there on at 30%	<u><u>-</u></u>

2. Tax account	Kshs
Tax recoverable balance brought forward	(10,008,913)
Withholding tax paid	<u>(6,363,217)</u>
Tax recoverable balance carried forward	<u><u>(16,372,130)</u></u>

3. Wear and tear schedule	Class II 30% Kshs	Class IV 12.5% Kshs	Total Kshs
W.D.V 1 April 2016	4,870,640	364,136	5,234,776
Additions	<u>3,331,179</u>	<u>326,804</u>	<u>3,657,983</u>
	8,201,819	690,940	8,892,759
Allowance	<u>(2,460,546)</u>	<u>(86,368)</u>	<u>(2,546,913)</u>
W.D.V 31 March 2017	<u><u>5,741,273</u></u>	<u><u>604,573</u></u>	<u><u>6,345,846</u></u>