BAKER TILLY MERALI'S
CERTIFIED PUBLIC ACCOUNTANTS (K)

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SPICE VAS KENYA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

CONTENTS

CORPORATE INFORMATION

Board of Directors	Arun Nagar Rodah Mutindi Mwanza Stephen Ndungu Boro Ashish Mittal Vishwa Deepak Tripathi
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 2018.

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	2018 Kshs	2017 Kshs
Profit before tax	24,407,465	9,661,653
Tax charge	(8,031,764)	(383,929)
Profit for the year transferred to retained earnings	16,375,701	9,277,724

Dividends
The directors do not recommend the declaration of a dividend for the year.(2017: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 2018

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 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.

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 .... 2018 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 2018, 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 2018 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 mistatement 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 over seeing 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.

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 and 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.
P/No. 1213

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

15.MAY 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2018 Kshs	2017 Kshs
Revenue	4	178,872,817	130,521,274
Direct costs	Appendix (i)	(76,611,521)	(49,371,656)
Gross profit		102,261,295	81,149,618
Other income	5	20,983	1,344,065
Expenditure			
Administrative expenses	Appendix (ii)	(15,159,615)	(12,812,093)
Other operating expenses	Appendix (iii)	(62,293,362)	(60,738,430)
Operating profit for the year		24,829,301	8,943,159
Finance cost	Appendix (iv)	(421,836)	718,494
Profit before tax		24,407,465	9,661,653
Tax expense	11	(8,031,764)	(383,929)
Net profit for the year attibutable to owners		16,375,701	9,277,724
Other comprehensive income		-	-
Total comprehensive profit for the year		16,375,701	9,277,724

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

		2018	2017
Assets	Note	**Kshs**	**Kshs**
Non current assets			
Property, plant and equipment	8	12,876,989	3,352,356
Intangible assets	9	2,552,632	-
Work in progress	10	-	2,427,952
Deferred tax	11	430,454	2,334,274
		15,860,075	8,114,582
Current assets			
Trade and other receivables	12	6,023,975	6,208,649
Cash and cash equivalents	13	22,223,918	17,745,153
Tax recoverable	14	19,640,819	16,372,130
		47,888,712	40,325,933
Total assets		**63,748,788**	**48,440,515**
Equity and Liabilities			
Capital and reserves			
Issued capital	15	100,000	100,000
Retained earnings		4,565,009	(11,810,692)
		4,665,009	(11,710,692)
Non-current liabilities			
Due to related parties	18	9,286,670	27,536,232
		9,286,670	27,536,232
Current liabilities			
Trade and other payables	17	49,797,109	32,614,975
Total equity and liabilities		**63,748,788**	**48,440,515**

The financial statements on pages 6 to 19 were approved and authorised for issue by the board of Directors on .... 2018 and were signed on its behalf by:

....
Director **Director**

STATEMENT OF CHANGES IN EQUITY

	Share Capital Kshs	Retained Earnings Kshs	Total Kshs
Year ended 31 March 2017			
At 1 April 2016	100,000	(21,088,416)	(20,988,416)
Profit for the year	-	9,277,724	9,277,724
At 31 March 2017	**100,000**	**(11,810,692)**	**(11,710,692)**
Year ended 31 March 2018			
At 1 April 2017	100,000	(11,810,691.54)	(11,710,692)
Profit for the year	-	16,375,701	16,375,701
At 31 March 2018	**100,000**	**4,565,009**	**4,665,009**

STATEMENT OF CASH FLOWS

	Note	2018 Kshs	2017 Kshs
Reconciliation of operating profit to net cash outflow in operating activities			
Operating profit before taxation		24,407,465	9,661,653
Add Back:			
Depreciation of property, plant and equipment		3,149,603	1,854,462
Amortization of intangible asset		19,359	-
Gain on disposal of assets		(16,200)	-
Operating profit before working capital changes		27,560,227	11,516,115
Working capital changes			
Decrease/ (increase) in trade and other receivables		184,674	14,537,175
Increase in trade and other payables		17,182,134	4,623,145
Cash generated from operating activities		44,927,035	30,676,435
Tax paid		(9,396,633)	(6,363,217)
Net cash from operating activities		35,530,402	24,313,218
Investing activities			
Purchase of property, plant and equipment		(12,818,274)	(6,085,935)
Proceeds from disposal of assets		16,200	-
Net cash used in investing activities		(12,802,074)	(6,085,935)
Financing activities			
Proceeds to related parties		(18,249,562)	(3,166,114)
Net cash used in financing activities		(18,249,562)	(3,166,113)
Net increase in cash and cash equivalents		4,478,765	15,061,169
Movement in cash and cash equivalents			
At start of the year		17,745,153	2,683,985
Movement during the year		4,478,765	15,061,169
End of year	13	**22,223,918**	**17,745,153**

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), statement of 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 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 also become effective for the first time in the financial year beginning 1st January 2017 and have been adopted by the company where relevant to its operations:

• Amendments to IAS12 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.

• Amendment to IFRS 12 (Annual Improvements to IFRSs 2014 – 2016 Cycle, issued in December 2016) -The amendment, applicable to annual periods beginning on or after 1 January 2017, clarifies the scope of the standard.

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 2017.

• 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.

• IFRIC 22 titled Foreign Currency Transactions and Advance Consideration (issued in December2016) – The Interpretation, applicable to annual periods beginning on or after 1 January 2018, clarifiesthat the exchange rate to use in transactions that involve advance consideration paid or received inforeign currency is the one at the date of initial

• IFRIC 23 Uncertainty over Income Tax Treatment s (issued in June 2017) - The Interpretation,applicable to annual periods beginning on or after 1 January 2019, clarifies how to apply the recognitionand measurement requirements of IAS 12 when there is uncertainty over income tax treatments.

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.

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

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.

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:

	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**

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.

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%.

NOTES TO THE FINANCIAL STATEMENTS

1. Significant accounting policies

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. Any amounts received in excess of the par value of the shares issued are classified as share premium in equity.

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 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.

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.

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
31 March 2018	**Kshs**	**Kshs**	**Kshs**	**Kshs**
Trade receivables	1,706,014	-	(775,567)	930,447
Other receivables	5,093,529	-	-	5,093,529
Receivables from related party	16,263,492	-	-	16,263,492
Cash at bank	22,087,811	-	-	22,087,811
	45,150,846	-	(775,567)	44,375,279
31 March 2017	**Kshs**	**Kshs**	**Kshs**	**Kshs**
Trade receivables	2,076,520	897,279	(776,025)	2,197,774
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
	42,584,951	897,279	(776,025)	42,706,205

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)*

iii) Liquidity risk

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

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

	Less than one month	Between 1-3 months	Between 3-12 months	Total
31 March 2018	**Kshs**	**Kshs**	**Kshs**	**Kshs**
Trade payables	34,513,612	-	-	34,513,612
Other trade payables	15,283,497	-	-	15,283,497
Payable to related party	25,550,162	-	-	25,550,162
	75,347,271	-	-	75,347,271
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
	78,914,681	-	-	78,914,681

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

	2018	2017
	Kshs	Kshs
Revenue from Services	178,872,817	130,521,274

5 Other income

	2018	2017
Sundry Balances Written Off	-	518,000
Discount Received	4,325	-
Gain on disposal of Fixed Assets	16,200	-
Sundry Balances Written Off	-	16,065
Provision for Bad Debts	458	810,000
	20,983	1,344,065

	2018 Kshs	2017 Kshs
6 Operating loss		
a) Items charged		
The following items have been charged in arriving at operating loss:		
Staff costs	15,159,615	12,812,093
Depreciation of property, plant and equipment	3,149,603	1,854,462
Audit fees	308,500	308,500
b) Employee benefits expense		
The following items are included in employee benefits expense:		
National Social Security Fund	90,720	91,800
7 Tax (credit) / expense		
Current income tax	6,127,944	-
Deferred tax (Note 9)	1,903,820	383,929
Income tax (credit)	8,031,764	383,929

The tax on the company's profit before tax differs from the theoretical amount that would arise using the corporation tax rate as follows:

	2018 Kshs	2017 Kshs
Profit before tax expense	24,407,465	9,661,653
Tax calculated at a tax rate of 30%	7,322,239	2,898,496
Tax effect of:		
- Expenses not deductible for tax purposes	709,524	227,931
- Underprovision of deferred tax in prior years	-	(2,742,498)
Income tax expense	8,031,764	383,929

8 Property, plant and equipment

	Office equipment Kshs	Furniture & fittings Kshs	IT Equipment Kshs	IT site equipment Kshs	Total Kshs
Year ended 31 March 2018					
Cost / Valuation					
At 1 April 2017	489,890	516,246	2,539,166	33,326,420	36,871,722
Additions	123,184	-	113,452	12,437,600	12,674,235
Disposal	-	(62,000)	-	-	(62,000)
At 31 March 2018	613,074	454,246	2,652,618	45,764,020	49,483,957
Depreciation					
At 1 April 2017	(334,272)	(319,222)	(2,305,179)	(30,560,693)	(33,519,366)
Elimination on disposal	-	62,000	-	-	62,000
Depreciation charge	(38,458)	(47,826)	(143,642)	(2,919,676)	(3,149,603)
At 31 March 2018	(372,730)	(305,048)	(2,448,821)	(33,480,369)	(36,606,969)
Net book value	**240,344**	**149,198**	**203,797**	**12,283,650**	**12,876,989**
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	143,495	183,309	295,709	3,035,470	3,657,983
At 31 March 2017	489,890	516,246	2,539,166	33,326,420	36,871,722
Depreciation					
At 1 April 2016	(285,716)	(286,634)	(2,183,409)	(28,909,145)	(31,664,904)
Depreciation charge	(48,556)	(32,588)	(121,770)	(1,651,548)	(1,854,462)
At 31 March 2017	(334,272)	(319,222)	(2,305,179)	(30,560,693)	(33,519,366)
Net book value	**155,618**	**197,024**	**233,987**	**2,765,727**	**3,352,356**

		2018 Kshs	2017 Kshs
9	**Intangible assets**		
	As at 1 April	-	-
	Additions	2,571,991	-
	At 31 March	2,571,991	-
	Amortisation		
	As at 1 January	-	-
	Charge for the year	19,359	-
	At 31 March	19,359	-
	Net carrying value	**2,552,632**	-

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

		2018 Kshs	2017 Kshs
10	**Work in progress**	-	2,427,952

This relates to software development being built on site which is not complete.Completed in 2018 and transferred to intangible assets.

11 Deferred tax

Deferred tax is calculated using the currently enacted corporation rate of 30% (2017: 30%). The movement on the deferred tax account is as follows:

	2018 Kshs	2017 Kshs
At 1 April	2,334,274	2,718,203
Charge to income statement	(1,903,820)	(383,929)
At 31 March	430,454	2,334,274

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

Year ended 31 March 2018	**At 1 April 2017**	**Charged to Profit & loss**	**At 31 March 2018**
Deferred tax asset	**Kshs**	**Kshs**	**Kshs**
Tax losses carried forward	1,449,195	(1,449,195)	-
Unrealised exchange gain	(245,776)	426,995	181,220
Provision for impairment	232,808	(137)	232,670
Property plant and equipment	898,047	(881,483)	16,563
Net deferred tax asset	2,334,273	(1,903,820)	430,453

Year ended 31 March 2017	**At 1 April 2016**	**Charged to Profit & loss**	**At 31 March 2017**
Deferred tax asset	**Kshs**	**Kshs**	**Kshs**
Tax losses carried forward	1,744,787	(295,592)	1,449,195
Unrealised exchange gain	(608,174)	362,398	(245,776)
Provision for impairment	475,808	(243,000)	232,808
Property plant and equipment	1,105,782	(207,735)	898,047
Net deferred tax asset	2,718,203	(383,929)	2,334,273

NOTES TO THE FINANCIAL STATEMENTS

12 Trade and other receivables

	2018 Kshs	2017 Kshs
Trade receivables	1,706,014	2,973,799
Less: Provision for impairment losses	(775,567)	(776,025)
Net trade receivables	930,447	2,197,774
Other receivables	5,093,529	4,010,875
	6,023,975	6,208,649

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

13 Cash and cash equivalents

Bank balance	22,087,811	17,734,081
Cash in hand	136,107	11,073
	22,223,918	17,745,153

14 Tax Recoverable

Balance brought forward	(16,372,130)	(10,008,913)
Tax provision for the year	6,127,944	-
Tax paid	(9,396,633)	(6,363,217)
Balance carried forward	(19,640,819)	(16,372,130)

15 Capital and reserves

Issued and fully paid:	**No. of ordinary shares**	**Issued and paid up capital Kshs**
At 31 March 2018	100	100,000
At 31 March 2017	100	100,000

The total number of authorised ordinary shares is 100 (2017: 100) with a par value of Shs 1,000 each.

16 Non-current liabilities

	2018 Kshs	2017 Kshs
Payables to related party (note 18)	9,286,670	27,536,232

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

17 Trade and other payables

Trade payables	34,513,612	13,615,540
Other payables	15,283,497	18,999,435
	49,797,109	32,614,975

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

18 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 16)

Account receivables		
Spice Digital Nigeria Limited	9,891,820	10,300,000
Spice Vas Tanzania Ltd	976,798	-
SVN-Rwanda Branch	2,266,246	5,393,648
SVK-Rwanda Branch	3,085,842	3,069,826
SVK-Rwanda Branch	42,786	-
	16,263,492	18,763,475
Account payables		
Spice Vas (Africa) Pte Limited	25,550,162	43,200,853
SVK-Rwanda Branch	-	3,098,854
	25,550,162	46,299,707
Net amount due to related party	(9,286,670)	(27,536,232)

19 Currency

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

20 Comparatives

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

21 Incorporation

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

22 Commitments

As at 31 March 2018, the company had not committed to make payment within the next financial year in respect of non cancellable operating leases

SCHEDULE OF EXPENDITURE

	2018	2017
i. Direct costs	**Kshs**	**Kshs**
Content royalty	56,324,331	36,475,696
Promote recording and bulk SMS charges	350,000	800,000
Content Expense- CMO	-	799,998
Content Expenses	15,463,920	10,192,174
Mod expenses	-	97,000
Product testing expense	300	-
Content Sign Up Charges	-	52,632
Content_Expenses_Streaming	2,256,347	-
Licences and permits	2,216,623	943,362
Server expenses	-	10,794
Sponsorship fee	-	-
PRS short code fees	-	-
	76,611,521	49,371,656
ii. Administration expenses		
Employment:		
Salaries and wages	14,871,415	12,534,273
Other staff costs	288,200	277,820
	15,159,615	12,812,093
iii. Other operating expenses		
Depreciation of property, plant and equipment	3,149,603	1,854,462
Amortization of intangible asset	19,359	-
Advertisement expenses	6,949,707	5,441,103
Bank charges	271,995	198,109
Legal and professional fees	10,497,924	987,399
Courier charges	33,825	46,521
Fuel expenses	8,600	3,500
Electricity expenses	110,594	108,609
Entertainment	-	110,229
Bad debts	459	-
Internet charge	159,928	75,675
Industrial Training Levy	4,800	4,800
General expenses	1,451	23,268
Telephone expenses	321,339	373,636
Shared Support Services	28,475,063	45,682,446
Auditors' remuneration: Current year	308,500	308,500
Insurance	595,641	543,394
Office expenses	154,419	86,895
Printing and stationery	33,723	46,425
Rent	1,274,800	1,159,400
Travel expenses	3,451,479	2,487,774
Rates and Taxes	1,641	40,800
Amazon and Wowza Charges	555,618	-
Communication - AWS	5,835,520	-
Repairs and maintenance	21,900	387,752
Business meeting expenses	55,475	767,732
	62,293,362	60,738,430
iv. Finance cost		
Unrealised exchange gain	(480,611)	(857,839)
Realised exchange(Gain)/loss	(182,229)	100,759
Unrealised exchange loss	1,084,676	38,586
	421,836	(718,494)

SPICE VAS KENYA LIMITED
INCOME TAX COMPUTATION
YEAR OF INCOME: 2018
PIN. P051151619H

1. Tax Computation

			Total Kshs
Net profit before tax			24,407,465
Add			
Depreciation of property plant and equipment		3,149,603	
Amortization of intangible asset		19,359	
Performance linked incentive		1,675,603	
Leave days encashment (Provision)		593,077	
Unrealised exchange loss		1,084,676	
Unrealised exchange gain - **2017**		857,839	
Telephone Expenses(30%)		96,402	7,476,559
			31,884,023
Less:			
Wear and tear			(5,576,642)
Intangible asset allowance			(514,398)
Unrealised foreign exchange loss - **2017**			(38,586)
Unrealised foreign exchange gain			(480,611)
Gain on disposal			(16,200)
Decrease in provisions for impairement			(458)
Adjusted taxable loss			25,257,128
Taxable losses brought forward			(4,830,649)
Taxable profit			20,426,479
Tax there on at 30%			**6,127,944**

2. Tax account

Tax recoverable balance brought forward	(16,372,130)
Tax provision for the year	6,127,944
Withholding tax paid	(9,396,633)
Tax recoverable balance carried forward	(19,640,819)

3. Wear and tear schedule

	Class II 30% Kshs	Class IV 12.5% Kshs	Total Kshs
W.D.V 1 April 2017	5,741,273	604,573	6,345,846
Additions	12,551,052	123,184	12,674,235
Disposals proceeds	-	(16,200)	(16,200)
	18,292,325	711,556	19,003,881
Allowance	(5,487,698)	(88,945)	(5,576,642)
W.D.V 31 March 2018	**12,804,628**	**622,612**	**13,427,239**

4 Intangible assets

Software	Cost Kshs	Allowance Kshs	Net carrying value Kshs
As at 1 April	-		-
Additions	2,571,991	(514,398)	2,057,593
At 31 March	2,571,991	(514,398)	2,057,593