SPICE VAS TANZANIA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

CONTENTS **PAGE**

COMPANY INFORMATION

BOARD OF DIRECTORS	: Mr. Arun Nagar - Indian : Ms. Zaydar Mohammed Mansour - Tanzanian
REGISTERED OFFICE	: Amverton Tower, Plot no. 1127 Chole Road P.O. Box 11442 Dar es Salaam Tanzania.
PRINCIPAL PLACE OF BUSINESS	: Plot No. 300 Msasani Kwa Mwalimu, Mikocheni A P.O. Box 6256 Dar es Salaam Tanzania.
INDEPENDENT AUDITOR	: Nexia SJ Tanzania Certified Public Accountants 1st Floor, Oyster Plaza, Haile Selassie Road P.O. Box 12729 Dar es Salaam Tanzania.
COMPANY SECRETARY	: Mr. Ashish Mittal Level-8, 159 Rivonia Road Sinosteel Building, Sandton Johannesburg South Africa
PRINCIPAL BANKERS	: Bank of Baroda (T) Limited Plot No.104, Ohio/Sokoine Drive P.O.Box 5356 Dar es Salaam Tanzania.
	: Exim Bank (T) Limited Exim Tower P.O. Box 1431 Dar es Salaam Tanzania.
PARENT COMPANY	: Spice VAS (Africa) Pte Limited 152 UBI Avenue 4 Singapore 408826
ULTIMATE HOLDING COMPANY	: Smart Global Corporate Holding Private Limited 60-D, Street No. C-5 Sainik Farms New Delhi - 110062

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REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 March 2018, which disclose the state of affairs of the company.

INCORPORATION

The company was incorporated on 2nd June 2009 under the Tanzania Companies Act as a private company limited by shares. The Company's Certificate of Change of name from Mobimavens Tanzania Limited to Cellucom MVAS Limited was granted by the Registrar on 10th August 2009 and from Cellucom MVAS Limited to Spice VAS Tanzania Limited was granted by the Registrar on 13th July 2010.

COMPANY'S VISION

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

COMPANY'S MISSION

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

PRINCIPAL ACTIVITIES

The principal activities of the company are to provide mobile value added services like premium SMS services, ring back tone service, music on demand & other additional services in the same line.

COMPOSITION OF THE BOARD OF DIRECTORS

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

Name	Age	Position	Nationality	Date of appointment
Mr. Arun Nagar	54	Director	Indian	02/June/09
Ms. Zaydar Mohammed Mansour	58	Director	Tanzanian	01/October/15

In accordance with the company's Articles of Association, no director is due for retirement by rotation.

RESULTS	2018 TShs '000	2017 TShs '000
Loss before tax	(96,380)	(130,271)
Tax (charge)	(243,020)	(550,071)
Loss for the year	**(339,400)**	**(680,342)**

CORPORATE GOVERNANCE

The board of Spice VAS Tanzania Limited consists of two directors of which none hold executive position in the company. The board takes overall responsibility for the company, including responsibility for identifying key risk areas, considering and monitoring significant investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The board is required to meet at least four times a year. The board delegates the day to day management of the business to the General Manager - Marketing assisted by senior management. Senior management is invited to attend board meetings and facilitates the effective control of all the company's operational activities, acting as a medium of communication and coordination between all the various business units.

REPORT OF THE DIRECTORS (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

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

SHARE CAPITAL

The authorised share capital of the company is Tanzanian Shillings 200,000,000 divided into 1,000 ordinary shares of Tanzanian Shillings 200,000 each. The paid up share capital of the company is TShs 200,000,000.

SHAREHOLDERS OF THE COMPANY

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

Name of shareholders	% shareholding	No of shares held
Spice VAS (Africa) Pte Limited	99.90%	999
Jointly by Spice VAS (Africa) Pte Limited and Mr. Arun Nagar	0.10%	1
	100%	**1,000**

FUTURE DEVELOPMENT PLANS

The company has got plans to launch new range of Mobile Value Added Services of Video on Demand & Music App (D2C Model) in Tanzania.

DIVIDEND

The directors does not recommend the declaration of a dividend for the year (2017: Nil).

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

The board assessed the internal control systems throughout the financial year ended 31 March 2018 and is of the opinion that they met the accepted criteria.

SOLVENCY

The board of directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The board of directors has reasonable expectation that Spice VAS Tanzania Limited has adequate resources and support from shareholders to continue in operational existence for the foreseeable future.

REPORT OF THE DIRECTORS (CONTINUED)

STOCK EXCHANGE INFORMATION

Spice VAS Tanzania Limited is not listed on the Dar es Salaam stock exchange. The ultimate holding company - Smart Global Corporate Holding Private Limited is a private company incorporated in India and not listed on any stock exchange.

EMPLOYEES' WELFARE

Management and employees' relationship

There was continued good relationship between employees and management for the year ending 31 March 2018. There were no unresolved complaints received by management from the employees during the year.

The company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties.

Training facilities

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

Medical assistance

All members of staff were availed medical insurance guaranteed by the board. Currently these services are provided by Jubilee Insurance.

Health and safety

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

Financial assistance to staff

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

Persons with disabilities

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

Employee benefit plan

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

GENDER PARITY

The company had 4 employees, out of which 2 were female and 2 were male (2017: 6 employees, 2 female and 4 male).

REPORT OF THE DIRECTORS (CONTINUED)

MANAGEMENT

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

- Finance Department
- Sales and Operations Department
- Marketing Department

RELATED PARTY TRANSACTIONS

Details of transactions and balances with related parties are included in Note 15 of the financial statements.

CORPORATE SOCIAL RESPONSIBILITY

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act, 2002 requires the directors to prepare financial statements for each financial year that gives a true and fair view of the state of affairs 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 disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

INDEPENDENT AUDITOR

Company's auditor's Nexia SJ Tanzania have expressed their willingness to continue in office in accordance with Section 170 of the Companies Act 2002 and are eligible for re-appointment. A resolution proposing the re-appointment as auditor of the company for the year ended 31 March 2019 will be tabled in the Annual General Meeting.

BY ORDER OF THE BOARD

Mr. Arun Nagar
Director
_____________ **2018**

Ms. Zaydar Mohammed Mansour
Director
28 / 09 / **2018**

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required in terms of the Companies Act of 2002 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial period and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act of 2002. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act of 2002, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

The directors acknowledge that they are responsible for establishing appropriate policies and procedures to prevent non - compliance with laws and regulation (NOCLAR), including whistleblowing procedures as a necessary part of good internal governance

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

The directors have reviewed the company's cash flow forecast for the year to 31 March 2019 and, in the light of this review and the current financial position, they are satisfied that the company has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 8 to 10.

The financial statements set out on pages 11 to 33 were authorized and approved by the board of directors on 28 /09/ 2018 and were signed on its behalf by:

Mr. Arun Nagar
Director

Ms. Zaydar Mohammed Mansour
Director

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Corporate & Management Consultants Limited

DECLARATION OF THE HEAD OF FINANCE/ACCOUNTING OF SPICE VAS TANZANIA LIMITED

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance/Accounting responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Financial Reporting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under Statement of directors' responsibilities as described on page 7.

I Yagna .H. Solanki on behalf of Corporate & Management Consultants Limited being given the Power of Attorney to review the financial statements of Spice VAS Tanzania Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31st March 2018 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements give a true and fair view position of Spice VAS Tanzania Limited as on that date and that they have been prepared based on properly maintained financial records.

Signed by: Solanki ....

Name: Yagna H. Solanki

Position: Head of Finance/Accounting *by virtue of Power of Attorney

NBAA Membership No: ACPA 2853

Date: 28/09/ 2018.

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Physical Address
1st Floor, Oyster Plaza, Oysterbay
Haile Selassie Road,
P.O. Box 12729
Dar es Salaam

Telephones
022 2926252 /53

Mobile Number
0713 444 254 tiGO
0756 444 254 Vodacom

E-mail
info@nexiasj.co.tz
www.nexiasj.co.tz

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SPICE VAS TANZANIA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Spice VAS Tanzania Limited , which comprise the statement of financial position as at 31 March, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Tanzanian Companies Act 2002.

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 ethical requirements that are relevant to our audit of the financial statements in Tanzania and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred loss before tax of TShs. 96,379,809 during the year ended 31 March 2018 and as of that date the shareholders' deficit amounted to TShs. 1,042,256,289 and the current liability exceeds its current assets by TShs. 516,618,556. As stated in note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) and the Tanzanian Companies Act 2002, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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1st Floor, Oyster Plaza, Haile Selassie Road P.O. Box 12729 Dar es Salaam, Tanzania
T : +255 22 2926252 / 53 M: 0713 444254 / 0756 444 254 E: info@nexiasj.co.tz W: www.nexiasj.co.tz

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF SPICE VAS TANZANIA LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

Except for the matters described in the Material Uncertainty Relating to Going Concern paragraph, we have determined that there are no other key audit matters to communicate in our audit report.

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 International Standards on Auditing (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.

A further description of the auditor's responsibilities for the audit of the financial is given in the Appendix to Independent Auditor's report. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

This report, including the opinion, has been prepared for, and only for, the company's members as a body in accordance with Tanzanian Companies Act and for no other purpose.

As required by the Companies Act 2002 we report to you, based on our audit, except for the matters referred to in the Material Uncertainty Related to Going Concern paragraph 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 statement of financial position and statement of comprehensive income are in agreement with the books of account.

Nexia S.J.

Nexia SJ Tanzania
Certified Public Accountants
1st Floor, Oyster Plaza, Haile Selassie Road
P.O. Box 12729, Dar es Salaam, Tanzania.

S. Jaffer

Sujata Jaffer
Engagement Partner
NBAA registration number: ACPA 718
Dar es Salaam
Ref: NSJ/29/2018

Date: 28/09/**2018**

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF SPICE VAS TANZANIA LIMITED

Report on the Audit of the Financial Statements (continued)

Appendix to Independent Auditor's Report

As part of an audit in accordance with International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, 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.

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.

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2018 TShs '000	2017 TShs '000
Revenue	2.	1,075,729	1,131,478
Cost of sales		(343,385)	(356,637)
Gross profit		**732,343**	**774,841**
Other income	3.	5,525	-
Administrative expenses	4.	(442,012)	(400,326)
Other operating expenses	4.	(360,997)	(560,833)
Selling and distribution expenses	4.	(12,798)	(39,882)
Operating loss		**(77,938)**	**(226,200)**
Finance (costs)/income	5.	(18,442)	95,929
Loss before tax		**(96,380)**	**(130,271)**
Tax (charge)	6.	(243,020)	(550,071)
Loss for the year		**(339,400)**	**(680,342)**
Total comprehensive loss for the year		**(339,400)**	**(680,342)**

The significant accounting policies on pages 15 to 22 and the notes on pages 23 to 33 form an integral part of these financial statements.

Report of the independent auditor - pages 8 to 10.

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STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 March 2018 TShs '000	As at 31 March 2017 TShs '000
Assets			
Non current assets			
Equipment	8.	17,074	43,386
Intangible asset	9.	79,546	112,348
Deferred tax	10.	83,803	179,930
Trade and other receivables	11.	136,579	138,095
		317,001	**473,760**
Current assets			
Trade and other receivables	11.	211,216	559,725
Cash and cash equivalents	12.	318,802	105,609
Tax recoverable	6.	132,862	-
		662,880	**665,334**
Total assets		**979,881**	**1,139,093**
Equity and Liabilities			
Equity			
Share capital	7.	200,000	200,000
Accumulated loss		(1,242,256)	(902,856)
Shareholders' deficit		**(1,042,256)**	**(702,856)**
Non current liabilities			
Trade and other payables	13.	842,639	684,869
		842,639	**684,869**
Current liabilities			
Trade and other payables	13.	1,179,498	1,068,175
Current tax	6.	-	88,906
		1,179,498	**1,157,081**
Total equity and liabilities		**979,881**	**1,139,093**

The financial statements on pages 11 to 33 were authorized and approved for issue by the Board of Directors on ......28.../09../........2018 and were signed on its behalf by:

	[signature]
Mr. Arun Nagar	**Ms. Zaydar Mohammed Mansour**
Director	**Director**

The significant accounting policies on pages 15 to 22 and the notes on pages 23 to 33 form an integral part of these financial statements.

Report of the independent auditor - pages 8 to 10.

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STATEMENT OF CHANGES IN EQUITY

	Share capital TShs '000	Accumulated loss TShs '000	Total TShs '000
Year ended 31 March 2018			
At start of year	200,000	(902,856)	(702,856)
Total comprehensive loss for the year	-	(339,400)	(339,400)
At end of year	**200,000**	**(1,242,256)**	**(1,042,256)**
Year ended 31 March 2017			
At start of year	200,000	(222,514)	(22,514)
Total comprehensive loss for the year	-	(680,342)	(680,342)
At end of year	**200,000**	**(902,856)**	**(702,856)**

The significant accounting policies on pages 15 to 22 and the notes on pages 23 to 33 form an integral part of these financial statements.

Report of the independent auditor - pages 8 to 10.

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STATEMENT OF CASH FLOWS

	Notes	2018 TShs '000	2017 TShs '000
Operating activities			
Net cash generated from operations	14.	578,161	747,128
Tax paid	6.	(368,660)	(635,804)
Net cash generated from operating activities		**209,501**	**111,324**
Investing activities			
Purchase of equipments	8.	(5,607)	(12,341)
Sale of equipments		9,300	-
Net cash used in investing activities		**3,693**	**(12,341)**
Increase in cash and cash equivalents		**213,194**	**98,982**
Movement in cash and cash equivalents			
At start of year		105,609	6,627
Increase		213,194	98,982
At end of year	12.	**318,802**	**105,609**

The significant accounting policies on pages 15 to 22 and the notes on pages 23 to 33 form an integral part of these financial statements.

Report of the independent auditor - pages 8 to 10.

SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

Going concern

The financial performance of the company is set out in the Director's report and in the statement of comprehensive income. The financial position of the company is set out in the statement of financial position. Disclosures in respect of risk management are set out in Note 16.

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

These financial statements comply with the requirements of the Tanzania Companies Act 2002. The statement of comprehensive income represents the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(i) Adoption of new and revised standards

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year except for the adoption of new standards and interpretations which were effective for annual periods beginning on or after 1 April 2017. The company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

The new standards or amendments are listed below:
a) IFRS 12 - Amendments resulting from annual improvements 2014 - 2016 cycle
b) IAS 7 Amendments as a result of the Disclosure initative Annual periods beginning on or after January 2017
c) IAS 12 Amendments regarding the recognition of deferred tax asset for unrealised loss

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when applicable as they become effective.

The Company expects that adoption of these standards, amendments and interpretations in most cases not to have any significant impact on the Company's financial position or performance in the period of initial application. In cases where it will have an impact, the Company is still assessing the possible impact.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standard issued but not effective	Effective date on or before
IFRS 15 Revenue from Contracts with Customers	1-Jan-18
IFRS 9 Financial Instruments	1-Jan-18
IFRS 4 Applying IFRS 9 Financial Instruments with IFR 4 Insurance	1-Jan-18
IFRS 2 Classification and Measurment of Share-Based Payment Transactions (Amendments to IFRS 2)	1-Jan-18
IFRS 16 Leases	1-Jan-19
IAS 12 Amendments resulting from Annual Improvements 2015 - 2017 cycle (Income to consequences of dividends	1-Jan-19
IFRS 11 Amendments resulting from Annual Improvement 2015 - 2017 cycle (remeasurment of previously held interest)	1-Jan-19
IAS 19 Amendments regarding plan amendments be retirements or settlements	1-Jan-19
IAS 23 Amendments resulting from improvements 2015 - 2017 cycle (borrowing costs eligible for capitalisation	1-Jan-19
IAS 28 Amendments regarding long term interests in associated joint ventures	1-Jan-19
IFRS 3 Amendments resulting from annual improvements 2015 - 2017 cycle (remeasurment of previously held interest)	1-Jan-19
IFRS 9 Amendments regarding prepayment features with negative compensation and modification of financial liabilities	1-Jan-19

b) Key sources of estimation uncertainty

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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

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

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

(iii) Operating lease commitment

The company has entered in to leases over its office premises. Management has determined that the company has not obtained substantially all the risks and rewards of ownership of the property, therefore the leases have been classified as operating leases and accounted for accordingly.

(iv) Revenue recognition

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

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

(v) Impairment of non - financial assets

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Key sources of estimation uncertainty (continued)

(vi) Taxes

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

c) Revenue recognition

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

The company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met of the company's activities. The company bases its estimates on results, taking into consideration the type of customer, type of transaction and specifics of each arrangement. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

d) Translation of foreign currencies

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

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

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

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

e) Equipment

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

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

An asset carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Equipment (continued)

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

Item	Rates %
Furniture and fittings	14.28
Motor vehicles	10.00
Office machines & equipments	14.28
I.T equipments	33.33
I.T. On Site	20.00

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

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

f) Intangible asset

Computer software licences are capitalised on the basis of the costs incurred to acquire. These costs are amortised over their estimated useful lives.

Computer software licences are amortised on a straight line basis over a 5 year period.

g) Financial instruments

Classification
The company classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Financial liabilities measured at amortised cost

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

Financial assets

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

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

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial instruments (continued)

Financial liabilities

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

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

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

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

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

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

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

Offsetting financial instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial instruments (continued)

Derecognition (continued)

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled or expired.

Impairment of financial assets

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

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

Impairment losses are recognised in the statement of comprehensive income.

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

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

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

Loans to/(from) group companies

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

Loans to group companies are classified as loans and receivables.

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

Trade and other receivables

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

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

Trade and other receivables are classified as loans and receivables.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial instruments (continued)

Cash and cash equivalents

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

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

Cash and cash equivalents are classified as current assets.

h) Share capital

Ordinary shares are classified as equity.

i) Taxation

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

Current tax assets and liabilities

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

Deferred tax

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

Currently enacted tax rates are used to determine deferred tax.

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

j) Accounting for leases

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

Operating Lease

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Provisions

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

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

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

l) Employee entitlements

Short term employee benefits

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

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

Retirement benefit obligations

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

Workers compensation fund (WCF)

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

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

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

m) Comparatives

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

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparing the financial statements

As at 31 March 2018, the company has reported a net current liability amounting to TShs 516,618,556 (2017: TShs 491,747,236) and loss before tax TShs 96,379,809 (2017: TShs 130,270,706). The shareholders deficit amounts to TShs 1,042,256,289 (2017: TShs 702,855,900).

The parent company and majority shareholder, Spice VAS Africa Pte. Limited, has confirmed that it is committed to the Tanzanian market and will ensure the company is adequately funded to meet its working capital requirements. On this basis, the directors consider it appropriate to prepare the financial statements on a going concern basis, which assumes that the company will be in operational existence for the foreseeable future.

	2018 TShs '000	2017 TShs '000
2. Revenue		
Telecom	(37,958)	193,200
Content	1,113,687	938,278
	1,075,729	**1,131,478**
3. Other income		
Interest on fixed deposits	**5,525**	**-**
4. Operating loss		
The following items have been charged in arriving at the operating loss:		
Administrative expenses	**442,012**	**400,326**
Other operating expenses	**360,997**	**560,833**
Selling and distribution expenses	**12,798**	**39,882**
5. Finance costs/(income)		
Bank charges	10,069	9,558
Net foreign exchange loss/(gain)	8,373	(105,487)
	18,442	**(95,929)**
6. Tax		
Current tax	-	16,922
Penalties	-	7,896
Prior year tax assessment 2012-2014	146,892	581,256
Deferred tax charge/(credit) (Note 10)	96,128	(56,003)
	243,020	**550,071**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2018 TShs '000	2017 TShs '000
6. Tax (continued)		
The tax on the company's loss before tax differs from the theoretical amount that would arise using the basic rate as follows:		
Loss before tax	(96,380)	(130,271)
Tax calculated at a rate of 30% (2017: 30%)	(28,914)	(39,080)
Tax effect of:		
- prior year tax assessments 2012-2014	146,892	581,256
- expenses disallowable for tax purposes	29,827	-
- penalties	-	7,896
- Under provision of deferred tax of prior years	95,215	-
	243,020	**550,071**

Tax movement - (recoverable)/payable

	2018	2017
At start of year	88,906	118,636
Charge for the year	-	16,922
Penalties	(43)	7,896
Prior year tax assessment provision	146,892	581,256
Withholding tax suffered	(2,393)	(2,199)
Tax paid for prior year	(22,576)	(40,670)
Provisional tax paid	(10,000)	(155,000)
Tax paid on TRA assessments	(333,648)	(437,935)
	(132,862)	**88,906**

The normal procedure for agreeing final income tax liability in Tanzania involves the company filing its final income tax returns with the Tanzania Revenue Authority (TRA) followed by TRA performing their own review of the company's submissions and issuing their notice of income tax assessments to the company. The final income tax liability as determined by TRA after their review may differ from the liability determined by the company and procedures are in place for the company to object and appeal against such assessments. It is common that a timeframe from the company's own submission of its final tax returns and for TRA performing their review and issuing of notice of final tax assessment may take several months or years.

	2018 TShs '000	2017 TShs '000
7. Share capital		
Authorized share capital: 1,000 shares of TShs 200,000 each	**200,000**	**200,000**
Issued and fully paid: 1,000 shares of TShs 200,000 each	**200,000**	**200,000**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Equipment

Year ended 31 March 2018	Furniture & fittings TShs '000	Motor vehicles TShs '000	Office equipments TShs '000	IT equipments TShs '000	IT on Site TShs '000	Total TShs '000
Cost						
At start of year	24,088	13,950	20,728	40,678	990,481	1,089,925
Additions	-	-	3,023	2,584	-	5,607
Disposal	(246)	(9,000)	(4,844)	(6,672)	-	(20,762)
At end of year	23,842	4,950	18,907	36,590	990,481	1,074,770
Depreciation						
At start of year	18,740	4,540	16,126	34,468	972,665	1,046,539
Charge for the year	1,075	1,095	1,358	3,705	11,877	19,110
Disposal	(246)	(2,178)	(2,271)	(3,258)	-	(7,953)
At end of year	19,569	3,457	15,213	34,915	984,542	1,057,696
Net book value	**4,273**	**1,493**	**3,694**	**1,675**	**5,939**	**17,074**

The cost of fully depreciated equipments are as follows:

	2018 TShs '000	2017 TShs '000
Furniture & fittings	18,062	15,104
Office equipments	11,016	11,778
IT equipments	31,832	29,294
IT on Site	931,094	931,094
	992,004	**987,269**

In the opinion of directors, there is no impairment in the value of equipment.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Equipment (continued)

	Furniture & fittings TShs '000	Motor vehicles TShs '000	Office equipments TShs '000	IT equipments TShs '000	IT on Site TShs '000	Total TShs '000
Year ended 31 March 2017						
Cost						
At start of year	19,968	13,950	18,297	34,888	990,481	1,077,584
Additions	4,120	-	2,431	5,790	-	12,341
At end of year	24,088	13,950	20,728	40,678	990,481	1,089,925
Depreciation						
At start of year	17,064	3,145	14,493	30,907	909,276	974,886
Charge for the year	1,676	1,395	1,633	3,561	63,389	71,653
At end of year	18,740	4,540	16,126	34,468	972,665	1,046,539
Net book value	**5,348**	**9,410**	**4,602**	**6,210**	**17,816**	**43,386**

The cost of fully depreciated equipments are as follows:

	2017 TShs '000	2016 TShs '000
Furniture & fittings	15,104	-
Office equipments	11,778	-
IT equipments	29,294	28,494
IT on Site	931,094	609,164
	987,269	**637,658**

In the opinion of directors, there is no impairment in the value of equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Intangible asset	**2018 TShs '000**	**2017 TShs '000**
Cost		
At start of year	164,012	164,012
Depreciation		
At start of year	51,664	18,862
Charge for the year	32,802	32,802
At end of year	84,466	51,664
Net book value	**79,546**	**112,348**

Intangible asset relates to SIP license capitalised on the basis of the costs incurred to acquire. These costs are amortised over their estimated useful lives.

Computer software licences are amortised on a straight line basis over a 5 year period.

10. Deferred tax

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30%. The movement on the deferred tax account is as follows:

	2018 TShs '000	**2017 TShs '000**
At start of year	(179,930)	(123,927)
(Credit)/charge to statement of comprehensive income (Note 6)	96,128	(56,003)
At end of year	**(83,803)**	**(179,930)**

Deferred tax asset and deferred tax charge/(credit) are attributable to the following items:

Year ended 31 March 2018	**At start of period TShs '000**	**Charge/ (credit) to SCI TShs '000**	**At end of period TShs '000**
Deferred tax asset			
Provision for bad debt	(89,186)	69,792	(19,394)
Loss carried forward	-	(62,037)	(62,037)
Exchange difference	-	(2,512)	(2,512)
	(89,186)	**5,244**	**(83,942)**
Deferred tax liability			
Excess depreciation and amortization over capital allowances	(90,744)	90,884	140
	(90,744)	**90,884**	**140**
Net deferred tax asset	**(179,930)**	**96,128**	**(83,803)**
Year ended 31 March 2017			
Deferred tax asset			
Provision for bad debt	(56,896)	(32,289)	(89,186)
Loss carried forward	(3,832)	3,832	-
Excess depreciation and amortization over capital allowances	(63,198)	(27,546)	(90,744)
Net deferred tax asset	**(123,927)**	**(56,003)**	**(179,930)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2018	2017
11.	**Trade and other receivables**	**TShs '000**	**TShs '000**
	Non current assets		
	Amount due from related parties {Note 15(i)}	**136,579**	**138,095**
	Current assets		
	Trade receivables	126,686	686,910
	Less: provision for impairment {Note 11(a)}	(64,645)	(297,285)
	Net trade receivables	62,041	389,625
	Deposits	4,212	4,212
	Salary advances	-	6,600
	Other receivables	14,648	5,425
	Staff imprest	2,307	-
	Advance content charges	97,790	110,009
	Prepayments	30,218	43,854
		211,216	**559,726**
	Trade and other receivables	**347,794**	**697,821**
11(a)	**Movement in provision for impairment**		
	At start of year	297,285	189,655
	(Decrease)/increase	(232,640)	107,631
	At end of year (Note 11)	**64,645**	**297,285**

The company's credit risk arises primarily from trade receivables. The directors are of the opinion that the company's exposure is limited because the debt is widely held.

The carrying amounts of trade and other receivables are denominated in the following currencies:

Tanzanian Shillings	207,004	555,513
US Dollars	140,791	142,307
	347,794	**697,821**

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The company does not hold any collateral as security.

Trade receivables that are aged past 30 days are considered to be past due.

Individually impaired receivables mainly relate to customers, who are in unexpectedly difficult economic situations. These have been fully provided for as stated above.

The ageing analysis of these net trade receivables (excluding from its related parties) is as follows:

30 to 180 days	70,383	341,441
Over 180 to 360 days	-	12,058
Over 360 days	(8,342)	36,126
	62,041	**389,625**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Cash and cash equivalents	**2018 TShs '000**	**2017 TShs '000**
Cash at bank	**318,802**	**105,609**

For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise the above.

The company is not exposed to credit risk on cash and bank balances as these are held with sound financial institutions.

The carrying amounts of the company's cash and cash equivalents are denominated in the following currencies:

Tanzanian Shillings	318,743	37,041
US Dollars	59	68,568
	318,802	**105,609**

13. Trade and other payables

Non current liability		
Amounts due to related parties {Note 15(ii)}	**842,639**	**684,869**
Current liability		
Trade payables	754,069	801,532
Statutory payables	246,139	78,877
Provision for leave encashment	21,840	13,345
Staff imprest	1,769	6,149
Performance linked incentives payable	35,689	34,442
Accruals	119,992	133,830
	1,179,497	**1,068,175**
	2,022,137	**1,753,044**

In the opinion of the directors, the carrying amounts of trade and other payables approximate to their fair value.

The carrying amounts of trade and other payables are denominated in the following currencies:

Tanzanian Shillings	1,179,497	1,068,175
US Dollars	842,639	684,869
	2,022,137	**1,753,044**

The maturity analysis based on ageing of trade and other payables is as follows:

	1 to 3 months TShs	**4 to 12 months TShs**	**> 12 months TShs**	**Total 2018 TShs**
Trade payables	-	754,069	-	754,069
Statutory payables	246,139	-	-	246,139
Provision for leave encashment	21,840	-	-	21,840
Staff imprest	1,769	-	-	1,769
Performance linked incentives payable	-	35,689	-	35,689
Accruals	-	119,992	-	119,992
Amounts due to related parties {Note 15(ii)}	-	-	842,639	842,639
	269,748	**909,750**	**842,639**	**2,022,137**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Cash generated from operations

	2018 TShs '000	2017 TShs '000
Reconciliation of loss before tax to cash generated from operations:		
Loss before tax	(96,380)	(130,271)
Adjustments for:		
Depreciation on equipment (Note 8)	19,110	71,653
Amortization of intangible assets (Note 9)	32,802	32,802
Loss on sale of equipment	3,510	-
Changes in working capital:		
- Trade and other receivable	350,025	698,429
- Trade and other payables	269,093	74,514
Cash generated from operations	**578,161**	**747,128**

15. Related party transactions and balances

The company is controlled by Spice VAS (Africa) Pte Limited incorporated in Singapore, which owns 99.90% of the company's shares. The remaining 0.1% of the shares are held by jointly by Spice VAS (Africa) Pte Limited and Mr. Arun Nagar.

The following balances arose out of transactions carried out with related parties:

	2018 TShs '000	2017 TShs '000
(i) Amounts due from related parties (Note 11)		
Spice VAS Zambia Limited	4,496	4,545
Spice Digital Nigeria Limited	130,701	132,152
Spice VAS Uganda Limited	1,382	1,398
	136,579	**138,095**
(ii) Amounts due to related parties (Note 13)		
Spice Digital South Africa Pty Limited	10,730	6,970
Spice VAS (Africa) Pte Limited	706,045	572,699
Spice VAS Kenya Limited	21,779	-
Spice VAS Ghana Limited	104,084	105,200
	842,639	**684,869**
(iii) Director remuneration		
Ms. Zaydar Mohammed Mansour	**13,556**	**16,350**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Related party transactions and balances (continued)

(iv) Outstanding balances arising from related parties (payable)/receivable

	Spice Digital South Africa Pty Limited TShs '000	Spice VAS (Africa) Pte Limited TShs '000	Spice VAS Ghana Limited TShs '000	Spice VAS Zambia Limited TShs '000	Spice Digital Nigeria Limited TShs '000	Spice VAS Uganda Limited TShs '000	Spice VAS Kenya Limited TShs '000	Total TShs '000
At the start of the year	(6,970)	(572,699)	(105,200)	4,545	132,152	1,398	-	**(546,774)**
Content cost	(3,789)	-	-	-	-	-	-	**(3,789)**
Content partner payout	-	270,089	-	-	-	-	-	**270,089**
Received during the year	-	(399,242)	-	-	-	-	(21,824)	**(421,067)**
Exchange difference	29	(4,193)	1,116	(50)	(1,451)	(15)	45	**(4,519)**
At the end of the year	**(10,730)**	**(706,045)**	**(104,084)**	**4,496**	**130,701**	**1,382**	**(21,779)**	**(706,059)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Risk management objectives and policies

Financial risk management

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

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

(i) Market risk

- Foreign exchange risk

The company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. Foreign exchange risk arises from future transactions, assets and liabilities in the statement of financial position.

The company does not hedge foreign exchange fluctuations.

The table below summarises the effect on post-tax profit had the Tanzanian Shilling weakened by 10% against the US Dollar, with all other variables held constant. If the Tanzanian Shilling strengthened against the US Dollar, the effect would have been the opposite.

	2018	2017
	TShs '000	TShs '000
Effect on loss before tax - increase	70,120	47,399

(ii) Credit risk

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

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

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

(iii) Liquidity risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Capital management

Internally imposed capital requirements

The company's objectives when managing capital are:

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

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

18. Incorporation

Spice VAS Tanzania Limited is incorporated in Tanzania under the Companies Act 2002 as a private limited liability company and is domiciled in with Certificate of Incorporation number 71266

19. Presentation currency

These financial statements are presented in thousands of Tanzanian Shillings (TShs '000).

SCHEDULE OF EXPENDITURE

	2018 TShs '000	2017 TShs '000
1. Cost of sales		
Short code annual maintenance	11,000	55,000
Voice recording charges	1,100	4,100
Content partner share	327,496	274,083
Content cost	3,789	5,756
Diamond label launch (WCB)	-	6,697
Dizzim online radio	-	11,000
Total cost of sales	**343,385**	**356,637**
2. Administrative expenses		
Salaries	328,937	315,971
Pension contributions	39,111	33,249
Skill development levy	17,600	15,689
Performance linked incentive	45,214	24,893
Staff medical insurance	4,885	5,064
Reward	2,480	-
Workers' compensation fund	3,784	5,460
Total administrative expenses	**442,012**	**400,326**
3. Other operating expenses		
Amortization of intangible assets (Note 9)	32,802	32,802
Annual Operating Levy (AOL)	193,059	-
Audit fees	25,507	22,050
City service levy	3,227	3,394
Computer consumable	373	644
Depreciation on equipment (Note 8)	19,110	71,653
Director remuneration (Note 15(iii))	13,556	16,350
Gaming board tax	-	230
Insurance	205	494
Interest and penalties	95,914	-
Leave encashment	15,152	20,734
Medical expense	-	1,180
Motor vehicle expenses	124	846
Office expenses	1,923	8,637
Postage and courier	3,029	413
Printing and stationery	467	577
Professional fees	43,276	62,798
Provision for doubtful debts (Note 11(a))	(232,640)	107,631
Rates and taxes	50	372
Rent	46,480	54,241
Repairs and maintanance	910	22,072
Revenue license charges	300	419
Staff visiting charges	11,159	27,316
Staff welfare expenses	3,860	6,376
Stamp duty	194	-
Telephone expenses	19,517	11,909
Transport expenses	15,449	23,757
Travelling expenses	22,869	39,794
Utilities	4,114	3,836
Visa/work permit fee	11,749	18,307
Mziiki app design expense	5,753	-
Loss on sale of equipments	3,510	-
Website expense	-	2,000
Total other operating expenses	**360,997**	**560,833**

The above schedule does not form an integral part of these financial statements.

SCHEDULE OF EXPENDITURE (CONTINUED)

	2018 TShs '000	2017 TShs '000
4. Selling and distribution expenses		
Business promotion expenses	7,338	9,007
Mziiki marketing cost	5,460	30,875
Total selling and distribution expenses	**12,798**	**39,882**

	2018 TShs '000	2017 TShs '000
5. Finance costs/(gain)		
Bank charges	10,069	9,558
Net foreign exchange loss/(gain)	8,373	(105,487)
Total finance costs/(gain)	**18,442**	**(95,929)**

The above schedule does not form an integral part of these financial statements.