NZMOBILE KENYA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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COMPANY INFORMATION

Board of directors	Mr. Chirag Shah
Company secretary	Commercial Registrars P.O. Box 49925-00100 Nairobi. Kenya.
Registered office	L.R. No. 1870/VI/260 New Rehema House, 1st Floor, Rhapta Road P.O. Box 67486-00200 Nairobi. Kenya.
Independent auditor	Baker Tilly Merali's Certified Public Accountants New Rehema House P.O. Box 6748-00200 Nairobi. Kenya.
Principal bankers	NIC Bank ABC Branch P.O. Box 44599-00100 Nairobi. Kenya. Standard chartered bank Ltd Westlands Branch, P. O. Box 14438 - 00800, Nairobi, Kenya Bank of India, Westlands Branch, Nairobi, Kenya

REPORT OF THE DIRECTORS

DIRECTORS' REPORT

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

Incorporation

The company is domiciled in Kenya where it is incorporated as a private company limited by shares under the Kenyan Companies Act, 2015.The address of the registered office is set out on page 1.

Directorate

The directors who held office during the year and to the date of this report are set out on page 1.In accordance with the company's Articles of Association, no director is due for retirement by rotation.

Principle Activities

The company is primarily engaged in providing mobile value added services (VAS) through telecom consumer base in Kenya including game download and subscription based services .

Results

The results for the year are shown on page 6

Dividend

The directors do not recommend the declaration of dividend for the year. (2020-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.. 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of its profit or loss for that year. It also requires the Directors to ensure that the Company maintains proper accounting records that are sufficient to show and explain the transactions of the Company and disclose, with reasonable accuracy, the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities

The Directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

i) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
ii) selecting and applying appropriate accounting policies; and
iii) making accounting estimates and judgments 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 ………………………………2021 and signed on its behalf by:

Director's name: Chirag Shah **Signature:**

Director's name:……………………………… **Signature:…………………………..**

Opinion

We have audited the financial statements of NZmobile Kenya Limited, set out on pages 6 to 20 which comprise the statement of financial position as at 31 March 2021, and the statement of profit or loss account, statements of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the Company as at 31 March 2021 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 other wise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of 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.

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.

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

Report on other matters prescribed by the Kenyan Companies Act, 2015

In our opinion the information given in the report of the directors on page 2 is consistent with the financial statements.

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

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

24/05/2021

STATEMENT OF PROFIT OR LOSS ACCOUNT

	Notes	2021 Kshs	2020 Kshs
Sales	4	54,896,696	86,935,133
Cost of sales	5	(34,104,322)	(54,982,735)
Gross profit		20,792,374	31,952,398
Other income	6	7,649,059	13,737,740
Administrative expenses	8	(8,427,341)	(13,036,239)
		20,014,093	32,653,899
Finance costs	7	(6,851,741)	(7,343,310)
Profit before tax		13,162,351	25,310,589
Income tax charge	11	(4,009,126)	(7,532,784)
Profit for the year		**9,153,225**	**17,777,805**

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Notes	2021 Kshs.	2020 Kshs.
ASSETS			
Non current asset			
Property, plant and equipment	12	2,388	3,412
Intangible assets	16	8,699,476	9,263,750
Trade and other receivables	13	202,217,889	124,658,386
Deferred tax assets	19	2,137,901	2,314,618
		213,057,654	136,240,166
Current assets			
Trade and other receivables	13	31,879,878	37,625,688
Cash and cash equivalents	14	153,920,031	212,168,966
		185,799,909	249,794,654
TOTAL ASSETS		**398,857,564**	**386,034,820**
REPRESENTED BY			
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	100,000	100,000
Retained earnings		195,561,102	186,407,876
Total equity		195,661,102	186,507,876
Non current liabilities			
Trade and other payables	17	178,813,844	153,839,975
		178,813,844	153,839,975
Current liabilities			
Trade and other payables	17	22,075,562	41,334,527
Tax payable	11	2,307,056	4,352,441
		24,382,618	45,686,967
TOTAL EQUITY AND LIABILITIES		**398,857,564**	**386,034,820**

The financial statements on pages 6 to 20 were approved and authorized for issue by the Board of Directors on__________________________2021 and were signed on its behalf by:

Director

STATEMENT OF CHANGES IN EQUITY

	Share Capital Kshs	Retained earnings Kshs	Total Kshs
Year ended 31 March 2020			
As at 1 April 2019	100,000	168,630,071	168,730,071
Profit for the year	-	17,777,805	17,777,805
As at 31 March 2020	**100,000**	**186,407,876**	**186,507,877**
Year ended 31 March 2021			
As at 1 April 2020	100,000	186,407,876	186,507,876
Profit for the year	-	9,153,225	9,153,225
As at 31 March 2021	**100,000**	**195,561,102**	**195,661,102**

STATEMENT OF CASH FLOWS

	Notes	2021 Kshs	2020 Kshs
Operating activities			
Cash used in operations	15	(50,077,341)	(11,706,523)
Tax paid		(5,877,794)	(10,312,903)
Net cash used in operating activities		(55,955,135)	(22,019,426)
Cash flows from investing activities			
Purchase of software		(2,293,800)	-
Net cash used in investing activities		(2,293,800)	-
Decrease in cash and cash equivalents		(58,248,934)	(22,019,426)
Movement in cash and cash equivalents			
At start of year		212,168,965	234,188,391
Decrease in cash and cash equivalents		(58,248,934)	(22,019,426)
At end of year	14	**153,920,031**	**212,168,965**

NOTES TO THE FINANCIAL STATEMENTS

1 Significant accounting policies

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

a) Basis of preparation

The financial statements are prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. They are presented in Kenya Shillings, which is also the functional currency

The financial statements comprise a statement of or profit and loss account and other comprehensive income, balance sheet (statement of financial position), statement of changes in equity, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the profit and loss account. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expense (including reclassification adjustments) that are not recognised in the profit and loss account as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to the profit and loss account in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the company in their capacity as owners are recognised in the statement of changes in equity.

Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies. For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the company uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the company using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

• Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the company at the end of the reporting period during which the change occurred.

b) **New and revised standards**

i) **Adoption of new and revised standards**

The following new and revised standards and interpretations have become effective for the first time in the financial year beginning 1st January 2020 and have been adopted by the company where relevant to its operations. The Company has not early adopted anyother standard, interpretation or amendment that has been issued but is not yet effective.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the company.

Amendments to IAS 1 and IAS 8 Definition of Material (issued in October 2018)

The amendments, applicable to annual periods beginning on or after 1 January 2020, clarify the definition of material and how it should be applied by including in the definition guidance that previously featured elsewhere in IFRS

NOTES TO THE FINANCIAL STATEMENTS

i) Adoption of new and revised standards(continued)

Amendments to IFRS 3: Definition of a Business (issued in October 2018)

The amendments, applicable to business combinations for which the acquisition date is on orafter the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, clarify the definition ofa business, with the objective of assisting entities to determine whether a transaction should beaccounted for as a business combination or an asset acquisition. These amendments had no impact on the consolidated financial statements of the company, but may impact future periods should the company enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform (issued in September 2019)

The amendments, applicable to annual periods beginning on or after 1 January 2020, provide anumber of reliefs, which apply to all hedging relationships that are directly affected by interestrate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or thehedging instrument. These amendments have no impact on the consolidated financial statements of the company as it does not have any interest rate hedge relationships.

Amendments to IFRS 16 Covid-19 Related Rent Concessions (issued on 28 May 2020)

The amendments provide relief to lessees from applying IFRS 16 guidance on leasemodification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same

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 2020.

Amendments to IAS 1 'Classification of Liabilities as Current or Non-current (issued in January2020), effective for annual periods beginning or after 1 January 2023, clarify a criterion for classifying a liability as non-current: the requirement for an entity to have the right to defersettlement for at least 12 months after the reporting date.

Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use' (issuedin May 2020), effective for annual reporting periods beginning on or after 1 January 2022 prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognisesthe proceeds from selling such items, and the costs of producing those items, in profit or loss.

Amendments to IAS 37 'Onerous Contracts – Costs of Fulfilling a Contract' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022, specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

Amendment to IAS 41 Agriculture 'Taxation in fair value measurements' (issued in May 2020), effective for annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted, removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards 'Subsidiary as a first-time adopter' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, permits a subsidiarythat elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

Amendments to IFRS 3 Business Combinations - The amendments added an exception to thethe recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising forfor liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies,if incurred separately. The amendments also clarify that contingent assets do not qualify forrecognition at the acquisition date. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

i) **Adoption of new and revised standards (continued)**

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

Amendment to IFRS 9 Financial Instruments 'Fees in the '10 per cent' test for derecognition of financial liabilities' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, clarifies the fees that an entity includes whenassessing whether the terms of a new or modified financial liability are substantially different fromthe terms of the original financial liability. These fees include only those paid or received betweenthe and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and itsAssociate or Joint Venture' (issued in September 2014), applicable from a date yet to bedetermined, address a current conflict between the two standards and clarify that a gain or lossshould be recognized fully when the transaction involves a business, and partially if it involvesassets that do not constitute a business. information in a way thatfaithfully represents those contracts. The company does not issue insurance contracts.

IFRS 17 'Insurance Contracts' (issued in May 2017), effective for annual periods beginning on orafter 1 January 2023, establishes the principles for the recognition, measurement, presentationand disclosure of insurance contracts issued. It also requires similar principles to be applied toreinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant

The Directors have assessed the potential impact of the above and expect that they will not have a significant impact on the company's financial statements for 2020.

c) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings (functional currency), at rates ruling at the transaction dates. Assets and liabilities at the statement of financial position date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

d) Revenue recognition

The company recognizes revenue as and when it satisfies a performance obligation by transferring control of product or service to a customer. The amount of revenue recognized is the amount the company expects to receive in accordance with the terms of the contract and excludes amounts collected on behalf of third party, such as Value Added Tax.

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.

Sale of services are recognised upon performance of the services rendered by reference to the stage of completion of the service contract.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 Significant accounting policies (Continued)

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.

Subsequent costs are included in the asset's carrying value 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 is charged to the profit and loss account in the year to which it relates.

Depreciation is calculated using the reducing balance 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 annual rates:

The annual depreciation rates in use are:	Rate
Computer & Office Equipment	30.00%

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

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit/loss. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings in the statement of changes in equity.

f) Share capital

Ordinary shares are recognised at par value and classified as share capital in equity.

g) Income taxes

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in the profit and loss account except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current tax

Current income tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Fiscal Laws of Kenya.

Deferred income tax

Deferred tax is determined for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the asset is recovered or the liability is settled.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities. However, for investment property that is measured using the fair value model, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.

Deferred tax liabilities are recognised for all taxable temporary differences except those arising on the initial recognition of an asset or liability, other than through a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 Significant accounting policies (Continued)

g) Income taxes continued)

Deferred income tax (continued)

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.

h) Intangible assets

Software licence costs and computer software that is not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the company are recognised as intangible assets. Amortisation is calculated using the straight line method to write down the cost of each licence or item of software to its residual value over its estimated useful life using an annual rate of 20%.

i) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks, net of bank overdrafts. In the statement of financial position, bank overdrafts are included within borrowings in current liabilities.

j) 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.

A provision for impairment is recognized in the profit and loss account in the year when the recoverability of the amount as per the original terms is considered doubtful. The provision is based on the difference between the carrying amount and the present value of the expected cash flows, discounted at the effective interest rate.

Receivables not collectable are written off against related provisions. Subsequent recoveries of amounts previously written off are credited to the profit and loss account in the year of recovery.

k) Trade and other payables

Payables are recorded at their undiscounted amount of cash and cash equivalents expected to be paid or the fair value of the consideration received in exchange of the obligation.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 Significant accounting policies (Continued)

l) Borrowing cost.

All borrowing costs are recognised in the profit or loss in the year in which they are incurred.

m) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions for future operating losses are not recognised.

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.

2 Significant judgement and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the company, the directors make certain judgements and estimates that may affect the amounts recognised in the financial statements. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. However, actual results may differ from those estimates. The judgements and estimates are reviewed at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available, and any revisions to such judgements and estimates are recognised in the year in which the revision is made.

Significant judgements made in applying the company's accounting policies

The judgements made by the directors in the process of applying the company's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

i) Whether it is probable that future taxable profits will be available against which temporary differences can be utilised; and

ii) Whether the company has the ability to hold 'held-to maturity' investments until they mature. If the company were to sell other than an insignificant amount of such investments before maturity, it would be required to classify the entire class as 'available-for-sale' and measure them at fair value.

3 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 minimize the potential adverse effects of such risks on the company's performance by setting acceptable levels of risk. The company does not

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3 Risk management objectives and policies (continued)

a) Financial risk management (continued)

i) Credit risk (continued)

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 utilization of the credit limits and the credit period is monitored by management on a monthly basis.

The credit exposure of the company as at the statement of financial position date is as follows:

Year ended 31st March 2021	Fully performing Kshs	Past due but not impaired Kshs	Past due and impaired Kshs	Total Kshs
Trade receivables	1,384,606	-	-	1,384,606
Other receivables	30,495,272	-	-	30,495,272
Cash and bank balance	153,920,031	-	-	153,920,031
	185,799,909	**-**	**-**	**185,799,909**
Year ended 31st March 2020				
Trade receivables	5,829,750	-	-	5,829,750
Other receivables	31,795,938	-	-	31,795,938
Cash and bank balance	212,168,966	-	-	212,168,966
	249,794,654	**-**	**-**	**249,794,654**

ii) 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 summarizes the maturity analysis for financial liabilities to their remaining contractual maturities.

Year ended 31st March 2021	Under 3 months Kshs	Between 3-12 months Kshs	Over 1 year Kshs	Total Kshs
Trade payables	4,366,750		-	4,366,750
Other payables	7,224,824	-	-	7,224,824
Related party payable	2,858,074	-	-	2,858,074
	14,449,648	**-**	**-**	**14,449,648**
Year ended 31st March 2020				
Trade payables	19,014,220	-	-	19,014,220
Other payables	4,199,033	-	-	4,199,033
Related party payable	18,121,274	-	-	18,121,274
	41,334,527	**-**	**-**	**41,334,527**

3 Risk management objectives and policies (continued)

iii) 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.

Interest rate risk: The Company has no interest bearing assets and as a result its cash flows are substantially independent of changes in market interest rates.

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 financial instruments that are denominated in currency other than its functional currency, primarily the Kenya Shillings (Kshs). The Company does not normally enter into forward foreign exchange contracts for the conversion of foreign currency into local currency.

The sensitivity analysis relates to outstanding foreign currency denominated monetary items at the year end only and is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Price risks: The Company does not hold any financial instruments subject to price risk.

b) Capital management

The company's objective in managing its capital is to ensure that it supports the development of its business and is able to continue as a going concern, while at the same time maximize the return to its shareholders.

The company manages its capital by evaluating the working capital requirements and investment in non-current assets before borrowings and based on this requirement, setting an internal debt to equity ratio of which it monitors on a regular basis.

The company had no net borrowings at the end of the reporting period, therefore a gearing ratio is not appropriate.

	2021 Kshs	2020 Kshs
4 Revenue		
Sales	54,896,696	86,935,133
5 Cost of sales		
Direct cost	3,005,273	19,028,702
Advertising costs	31,099,048	35,954,033
	34,104,322	54,982,735
6 Other income		
Interest income	7,639,600	13,337,333
Miscellaneous Income	9,459	400,407
	7,649,059	13,737,740

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

		2021	2020
7	**Finance (income) /Cost**	**Kshs**	**Kshs**
	Unrealized exchange	7,562,653	8,054,222
	Realized exchange (gain) /loss	(710,912)	(710,912)
		6,851,741	7,343,310

8	**Administrative expenses**		
	Audit fees	468,147	389,280
	Legal Professional fees	2,559,996	6,184,886
	Travel and conveyance	-	664,506
	Insurance expenses	1,324,424	1,782,883
	Business promotion	-	960,525
	Office expenses	9	3,235
	Rates& Taxes	249,949	80,000
	Telephone Expenses	-	33,955
	Bank charges	167,161	209,406
	Bandwidth expenses	798,558	-
	Depreciation	1,024	1,462
	Amortisation of intangible assets	2,858,074	2,726,100
	Total administrative expenses	8,427,341	13,036,239

9 Operating profit

The following items have been charged in arriving at operating profit:

Audit fees	468,147	389,280

10 Share capital
Issued and fully paid

At 31 March	100,000	100,000

The total number of authorized ordinary shares is 1,000 with a par value of Kshs 100 each.

11 Tax
(a) Tax expense

Current tax	3,832,409	10,498,858
Deferred income tax charge (Note 19)	176,717	(2,966,073)
Current tax	4,009,126	7,532,784

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11 Tax (continued)
(a) Tax expense (continued)

The tax on the company's profit/(loss) before tax differs from the theoretical amount that would arise using the basic rate as follows:

	2021 Kshs	2020 Kshs
Profit before tax	13,162,351	25,310,589
Tax calculated at a tax rate	3,948,705	7,593,177
Tax effect of:		
- expenses not deductible for tax purposes	60,420	(60,393)
	4,009,126	**7,532,784**

b) Tax payable

	2021 Kshs	2020 Kshs
Tax payable b/fwd.	4,352,441	4,166,486
Tax charge	3,832,409	10,498,858
Tax paid - Withholding tax	(5,835,880)	(5,716,390)
- Advance tax	(41,914)	(4,596,513)
Tax recoverable c/fwd.	**2,307,056**	**4,352,441**

12 Property, plant and equipment

<u>**Year ended 31 March 2020**</u>	**Computers**	**Total**
Cost	**Kshs**	**Kshs**
As at 1st April 2019 and 31st March 2020	29,000	29,000
Depreciation		
As at 1st April 2019	24,126	24,126
Charge for the year	1,462	1,462
As at 31st March 2020	25,588	25,588
Net book value	**3,412**	**3,412**
<u>**Year ended 31 March 2021**</u>		
Cost		
As at 1st April 2020 and 31st March 2021	29,000	29,000
Depreciation		
As at 1st April 2020	25,588	25,588
Charge for the year	1,024	1,024
As at 31 March 2021	26,612	26,612
Net book value	**2,388**	**2,388**

	2021	**2020**
13 Trade and other receivables	**Kshs**	**Kshs**
Non Current		
Receivable from related party (Note 18)	202,217,889	124,658,386

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13 Trade and other receivables (continued)

	2021	2020
Current	**Kshs**	**Kshs**
Trade receivables	1,384,606	5,829,750
Other receivables*	30,495,272	31,795,938
	31,879,878	37,625,688

Trade and other receivables
*Included in other receivable is an amount of Kshs 70,000 representing amount paid for shares in Nzworld Limited. As at 31 March 2021, the shares had not been alloted to the company.

14 Cash and cash equivalents

Cash at bank	67,245,221	33,245,012
Short term fixed deposit - NIC Bank	-	36,273,954
Short term fixed deposit - Bank of India	86,674,810	132,650,000
Short term fixed deposit - Standard Chartered Bank	-	10,000,000
	153,920,031	212,168,966

15 Cash from operations
Reconciliation of profit before tax to cash from operations:

Profit before tax	13,162,351	25,310,589
Add Back : Depreciation	1,024	512
:Amortisation	2,858,074	2,726,100
Operating profit before working capital changes	16,021,449	28,037,201
Adjustments for:		
Changes in working capital		
- Increase in trade and other receivables	(71,813,693)	(55,976,842)
- Increase/(Decrease) in trade and other payables	5,714,904	(206,611,701)
Cash generated from operations	(50,077,341)	(234,551,342)

16 Intangible assets

	2021	2020
Cost	**Kshs**	**Kshs**
At start of year	13,630,500	13,630,500
Additions	2,293,800	-
At end of year	15,924,300	13,630,500
Amortisation		
At start of year	4,366,750	1,640,650
Charge for the period	2,858,074	2,726,100
At end of year	7,224,824	4,366,750
Net book value	8,699,476	9,263,750

17 Trade and other payables

Non current trade and other payable		
Payable to related party (Note 18)	178,813,844	153,839,975
Current trade and other payable		
Trade payables	4,722,255	19,014,220
Payable to related party (Note 18)	6,326,639	18,121,274
Other payables	11,026,668	4,199,033
	22,075,562	41,334,527
Total trade and other payables	**200,889,406**	**195,174,502**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18 Related parties transactions

The company is related to other companies which is the parent company and also are related through common shareholding or common directorships.

	2021 Kshs	2020 Kshs
(i) Payable to related party (Note 17)		
Nazara Technologies (Mauritius)	178,813,844	153,839,975
Nazara Technologies Limited (India)	687,759	18,121,274
Nazara Pte Ltd	5,638,880	-
	185,140,483	171,961,249
(ii) Receivables from related party (Note 13)		
NZ World Kenya Limited	202,217,889	124,658,386
(ii) Purchases from Related parties		
Nazara Technologies Limited, India -Royalty charges	-	12,816,864
Nazara Technologies Limited, India -Admin&business expenses	3,005,273	6,211,838
Nazara Technologies Limited, India -Digital marketing services	597,865	805,168
Nazara Technologies Mauritius -Advertising expenses	1,481,622	15,641,305
Nazara Pte limited -Advertising expenses	7,020,000	-
Nazara Technologies Limited, India -Technologies services	7,989,336	-
Direct cost	20,094,096	35,475,175

19 Deferred tax asset /(liability)

The deferred tax liability is attributable to the following items :		
Balance b/fwd	2,314,618	(651,455)
(Charge)/credit to the Statement of Comprehensive Income (Note 11)	(176,717)	2,966,073
Deferred tax asset /(liability)	2,137,901	2,314,618

Deferred income tax is calculated using the enacted tax rate of 30%. Deferred tax assets and liabilities, and the deferred tax charge/(credit) in the profit and loss are attributable to the following items:

Year ended 31 March 2021	**At 01 April**	**Credit for the year**	**At 31 December**
Deferred tax asset /(liability)	**Kshs**	**Kshs**	**Kshs**
Excess of depreciation over capital allowances	(162,069)	31,174	(130,895)
Exchange difference	2,476,687	(207,891)	2,268,796
	2,314,618	**(176,717)**	**2,137,901**

Year ended 31 March 2020	**At 01 April**	**Credit for the year**	**At 31 March**
Deferred tax asset /(liability)	**Kshs**	**Kshs**	**Kshs**
Excess of depreciation over capital allowances	(325,635)	163,566	(162,069)
Exchange difference	(325,820)	2,802,507	2,476,687
	(651,455)	**2,966,073**	**2,314,618**

20 Currency

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

21 Comparatives

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

22 Covid 19

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

NZMOBILE KENYA LIMITED

PIN: P051431543Q

INCOME TAX COMPUTATION

FOR THE YEAR ENDED 31ST MARCH 2021

	Business income Kshs	Interest income Kshs	Total income Kshs
a) Tax computation			
Net profit before tax	5,513,292	7,649,059	13,162,351
Add Back:			
Depreciation	1,024	-	1,024
Amortisation of intangible assets	2,858,074	-	2,858,074
Unrealized exchange loss current year 2020	7,562,653		7,562,653
Less :			
Unrealised exchange loss for prior years now deemed realised	(8,054,222)	-	(8,054,222)
Wear And Tear Allowance	(2,755,183)	-	(2,755,183)
Adjusted taxable profit	5,125,638	7,649,059	12,774,697
Current tax on adjusted taxable profits	**1,537,691**	**2,294,718**	**3,832,409**

b) Tax payable /(recoverable)	
Tax (recoverable)/payable brought forward	4,352,441
Add: Tax charge for the year	3,832,409
Less: Installment Tax paid - Payment	(41,914)
Withholding tax paid	(5,835,880)
Tax payable	**2,307,055**

c) Wear and Tear schedule	**Grade A Kshs**	**Total Total**
As at 1st April 2020	8,726,932	8,726,932
Additions	2,293,800	2,293,800
	11,020,731	11,020,731
Charge for the year	(2,755,183)	(2,755,183)
As 31st March 2021	8,265,549	8,265,549