NZMOBILE KENYA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

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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 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 2022.

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. (2021-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 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 12th May **…………..……………………... 2022**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company maintains proper accounting records that are sufficient to show and explain the transactions of the company: disclose, with reasonable accuracy, the financial position of the company: and enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

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

i) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
ii) selecting and applying appropriate accounting policies; and
iii) making accounting estimates and 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 …………………………………2022 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 2022, 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 2022 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
Certified Public Accountants
P.O. Box 67486 - 00200, Nairobi

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STATEMENT OF PROFIT OR LOSS ACCOUNT

	Notes	2022 Kshs	2021 Kshs
Sales	4	87,061,968	54,896,696
Cost of sales	5	(49,554,096)	(34,104,322)
Gross profit		37,507,872	20,792,374
Other income	6	4,830,090	7,649,059
Administrative expenses	8	(7,338,779)	(8,427,341)
		34,999,183	20,014,092
Finance costs	7	(9,371,586)	(6,851,741)
Profit before tax		25,627,597	13,162,351
Income tax charge	11	(12,225,871)	(4,009,126)
Profit for the year		**13,401,726**	**9,153,225**

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

	Notes	2022 Kshs.	2021 Kshs.
ASSETS			
Non current asset			
Property, plant and equipment	12	1,672	2,388
Intangible assets	15	5,514,613	8,699,476
Trade and other receivables	13	232,948,631	202,217,890
Deferred tax assets	18	3,016,338	2,137,901
		241,481,254	213,057,655
Current assets			
Trade and other receivables	13	21,589,604	31,879,878
Cash and cash equivalents	14	183,328,030	153,920,031
		204,917,634	185,799,909
TOTAL ASSETS		**446,398,888**	**398,857,564**
REPRESENTED BY			
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	100,000	100,000
Retained earnings		208,962,828	195,561,102
Total equity		209,062,828	195,661,102
Non current liabilities			
Trade and other payables	16	185,199,930	178,813,844
		185,199,930	178,813,844
Current liabilities			
Trade and other payables	16	42,642,406	22,075,562
Tax payable	11	9,493,724	2,307,055
		52,136,130	24,382,617
TOTAL EQUITY AND LIABILITIES		**446,398,888**	**398,857,564**

The financial statements on pages 6 to 20 were approved and authorized for issue by the Board of Directors on___________________________2022 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 2021			
As at 1 April 2020	100,000	186,407,877	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**
Year ended 31 March 2022			
As at 1 April 2021	100,000	195,561,102	195,661,102
Profit for the year	-	13,401,726	13,401,726
As at 31 March 2022	**100,000**	**208,962,828**	**209,062,828**

STATEMENT OF CASH FLOWS

	Notes	2022 Kshs	2021 Kshs
Operating activities			
Profit before tax		25,627,597	13,162,351
Add Back : Depreciation		716	1,024
:Amortisation		3,184,863	2,858,074
Operating profit before working capital changes		28,813,176	16,021,449
Adjustments for:			
Changes in working capital			
- Increase in trade and other receivables		(20,440,467)	(71,813,693)
- Increase/(Decrease) in trade and other payables		26,952,931	5,714,904
Cash generated from operations		35,325,640	(50,077,341)
Tax paid		(5,917,641)	(5,877,794)
Net cash used in operating activities		29,407,999	(55,955,135)
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		29,407,999	(58,248,934)
Movement in cash and cash equivalents			
At start of year		153,920,031	212,168,965
Decrease in cash and cash equivalents		29,407,999	(58,248,934)
At end of year	14	**183,328,030**	**153,920,031**

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.

Going concern

The financial performance of the company is set out in the report of the directors and in the statementof profit or loss and the other comprehensive income. The financial position of the company is set out in the statement of financial position. Disclosures in respect of risk management and capitalmanagement are set out in notes 3(a) and (b) respectively.

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 foreseeable future and as a result the financial statements are prepared on a going concern basis.

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 2021 and have been adopted by the company where relevant to its operations. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1: Disclosure of Accounting Policies (issued in February 2021)

The amendments require entities to disclose their material accounting policy information rather than their significant accounting policies.

i) Adoption of new and revised standards(continued)

Amendments to IFRS 16 titled Covid-19-Related Rent Concessions Beyond 30th June 2021 (issued in March 2021)

The previous amendment to IFRS 16 permitted the practical expedient to be applied only to reductions in lease payments that did not extend beyond 30th June 2021. This amendment allows the practical expedient to be applied to reductions in lease payments that do not extend beyond 30th June 2022.

Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)

The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The early application of these amendments has not had a material effect on the entity and therefore no prior period adjustment has been required.

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 2021. 'The Company has not applied the following new and revised standards and interpretations that have been published but are not yet effective for the year beginning 1st January 2021. [Tailor as appropriate: IAS 8-30(b) requires that the entity discloses known or reasonably estimable information relevant to assessing the possible impact that the application will have on the financial statements in the period of initial application.]

Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.

Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)

The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendment to IFRS 1 titled Subsidiary as a First-time Adopter (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)

The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.

Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)

The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)

The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS Standards.

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

Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)
The amendments, applicable to annual periods beginning on or after 1 January 2023, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

Amendments to IAS 8 titled Definition of Accounting Estimates (issued in February 2021)
The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.

Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)
The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.

Amendments to IFRS 16 titled Covid-19-Related Rent Concessions Beyond 30th June 2021 (issued in March 2021)
The previous amendment to IFRS 16 permitted the practical expedient to be applied only to reductions in lease payments that did not extend beyond 30th June 2021. This amendment, applicable to annual periods beginning on or after 1st April 2021 allows the practical expedient to be applied to reductions in lease payments that do not extend beyond 30th June 2022.

Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single
The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Amendments to IFRS 10 and IAS 28 titled Sale or Contribution of Assets between an Investor and its
The amendments, applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

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 2022.

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.

Under IFRS 15 (applicable from 1 January 2019), the Company recognises revenue in accordance with that core principle by applying the following five steps:

Step 1: Identify the contract(s) with a customer;
Step 2: Identify the performance obligations in the contract;
Step 3: Determine the transaction price;
Step 4: Allocate the transaction price to the performance obligations in the contract;
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Direct ales of goods are recognised upon delivery of products and customer acceptance. Having accepted the goods, customers do not have the right to return them.

1 Significant accounting policies (Continued)

e) Property, plant and equipment

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less 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 profit or loss during the financial period in which they are incurred.

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

Depreciation on other assets is calculated on the reducing balance/ straight line basis to write down the cost 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%

Each part of an item of property,plant and equipment with a cost that is significant in relation to the total cost of the item, is depreciated separately.

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

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) 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%.

g) Share capital

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

h) Taxation

The tax expense for the year comprises current and deferred tax. Tax expense is recognised in the profit or loss for the year.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 Significant accounting policies (Continued)

Deferred tax

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

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

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.

l) Borrowing cost.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

m) Financial instruments

Financial assets

Financial assets are initially recognised at fair value plus transaction costs for all the company's financial assets.

The company's financial assets which include unquoted shares, cash and bank balances, tax recoverable and trade and other receivables fall into the following category:

- **Available-for-sale**: financial assets that are held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rate. Such assets are classified as non-current assets except where the management intends to dispose the assets within 12 months of the reporting date and are carried at fair value where fair value gains or losses are recognised in equity, net of deferred tax.

- **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 reporting date.

All assets with maturities greater than 12 months after the reporting date are classified as non-current assets and are carried at amortised cost using the effective interest rate method. Changes in the carrying amount are recognised in the profit or loss.

Purchases and sales of financial assets are recognised on the trade date i.e. the date on which the company commits to purchase or sell the asset.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated at the difference between the assets carrying amount and the present values of expected future cash flows, discounted at the financial instrument's effective interest rate. Impairment losses are taken into account for determining operating profit.

The amount of the impairment loss is calculated at the difference between the assets carrying amount and the present values of expected future cash flows, discounted at the financial instrument's effective interest rate.

Subsequent recoveries of amounts previously written off/impaired are credited to profit or loss in the year in which they occur.

Financial liabilities

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

Other Financial Liabilities

These are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method.

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in the profit or loss under finance costs.

Fees associated with the acquisition of borrowing facilities are recognised as transaction costs of the borrowing to the extent that it is probable that some or all of the facilities will be acquired. In this case the fees are deferred until the drawn down occurs. If it is not probable that some or all of the facilities will be acquired the fees are accounted for as prepayments under trade and other receivables and amortised over the period of the facility.

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 reporting date.

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

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 Significant accounting policies (Continued)

n) 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.

b) Key sources of estimation uncertainty

The directors have made no assumptions and there are, in their opinion, no other sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

3 Financial risk and business risk management

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 hedge against any risks.

3 Risk management objectives and policies

i) Credit risk

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

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

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

	Fully performing	Past due but not impaired	Past due and impaired	Total
Year ended 31st March 2022	**Kshs**	**Kshs**	**Kshs**	**Kshs**
Trade receivables	4,082,607	-	-	4,082,607
Other receivables	17,506,997	-	-	17,506,997
Cash and bank balance	183,328,030	-	-	183,328,030
	204,917,634	-	-	**204,917,634**
Year ended 31st March 2021				
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**

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.

	Under 3 months	Between 3-12 months	Over 1 year	Total
Year ended 31st March 2022	**Kshs**	**Kshs**	**Kshs**	**Kshs**
Trade payables	7,224,824		-	7,224,824
Other payables	10,409,687	-	-	10,409,687
Related party payable	3,184,863	-	-	3,184,863
	20,819,373	-	-	**20,819,373**
Year ended 31st March 2021				
Trade payables	4,722,255	-	-	4,722,255
Other payables	11,026,668	-	-	11,026,668
Related party payable	6,326,639	-	-	6,326,639
	22,075,562	-	-	**22,075,562**

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.

Price risks: Price risk arises from the fluctuation in the prices of the commodities that the company deals in. Sale and purchase prices are determined by the market forces and other factors that are not within the control of the company. The company does not anticipate that its products prices will decline significantly in the foreseeable future and therefore has not entered into derivative or other contracts to manage the risk of a decline in the prices. The company reviews its outlook for its products prices regularly in considering the need for active financial risk management.

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.

	2022 Kshs	2021 Kshs
4 Revenue		
Sales	87,061,968	54,896,696
5 Cost of sales		
Direct cost	7,701,704	3,005,273
Advertising costs	41,852,392	31,099,048
	49,554,096	34,104,322
6 Other income		
Interest income	4,713,689	7,639,600
Miscellaneous Income	116,401	9,459
	4,830,090	7,649,059

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2022	2021
7 Finance (income) /Cost	**Kshs**	**Kshs**
Unrealized exchange	9,371,586	7,562,653
Realized exchange (gain) /loss		(710,912)
	9,371,586	6,851,741
8 Administrative expenses		
Audit fees	459,404	468,147
Legal Professional fees	346,531	2,559,996
Insurance expenses	756,665	1,324,424
Office expenses	5,081	9
Rates& Taxes	43,667	249,949
Short Code Services	808,856	-
Bank charges	148,553	167,161
Bandwidth expenses	1,584,443	798,558
Depreciation	716	1,024
Amortisation of intangible assets	3,184,863	2,858,074
Total administrative expenses	7,338,779	8,427,341

9 Operating profit

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

Audit fees	459,404	468,147

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	13,104,308	3,832,409
Deferred income tax charge (Note 19)	(878,437)	176,717
Current tax	12,225,871	4,009,126

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:

	2022 Kshs	2021 Kshs
Profit before tax	25,627,597	13,162,351
Tax calculated at a tax rate	7,688,279	3,948,705
Tax effect of:		
- expenses not deductible for tax purposes	4,537,592	60,420
	12,225,871	**4,009,126**

b) Tax payable

	2022 Kshs	2021 Kshs
Tax payable b/fwd.	2,307,055	4,352,441
Tax charge	13,104,308	3,832,409
Tax paid - Withholding tax	(5,073,441)	(5,835,880)
- Advance tax	(844,199)	(41,914)
Tax recoverable c/fwd.	**9,493,724**	**2,307,055**

12 Property, plant and equipment

<u>**Year ended 31 March 2021**</u>	**Computers**	**Total**
Cost	**Kshs**	**Kshs**
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 31st March 2021	26,612	26,612
Net book value	**2,388**	**2,388**
<u>**Year ended 31 March 2022**</u>		
Cost		
As at 1st April 2021 and 31st March 2022	29,000	29,000
Depreciation		
As at 1st April 2021	26,612	26,612
Charge for the year	716	716
As at 31 March 2022	27,328	27,328
Net book value	**1,672**	**1,672**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2022	2021
13 Trade and other receivables	**Kshs**	**Kshs**
Non Current		
Receivable from related party (Note 17)	232,948,631	202,217,890
Current		
Trade receivables	4,082,607	1,384,606
Other receivables*	17,506,997	30,495,272
	21,589,604	31,879,878

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 2022, the shares had not been alloted to the company.

14 Cash and cash equivalents		
Cash at bank	9,630,530	67,245,221
Short term fixed deposit - Bank of India	173,697,500	86,674,810
	183,328,030	153,920,031

15 Intangible assets	**2022**	**2021**
Cost	**Kshs**	**Kshs**
At start of year	15,924,300	13,630,500
Additions	-	2,293,800
At end of year	15,924,300	15,924,300
Amortisation		
At start of year	7,224,824	4,366,750
Charge for the period	3,184,863	2,858,074
At end of year	10,409,687	7,224,824
Net book value	5,514,613	8,699,476

16 Trade and other payables		
Non current trade and other payable		
Payable to related party (Note 17)	185,199,930	178,813,844
Current trade and other payable		
Trade payables	4,749,109	4,722,255
Payable to related party (Note 17)	7,387,876	6,326,639
Other payables	30,505,421	11,026,668
	42,642,406	22,075,562
Total trade and other payables	**227,842,336**	**200,889,406**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17 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.

	2022 Kshs	2021 Kshs
(i) Payable to related party (Note 16)		
Non Current		
Nazara Technologies (Mauritius)	185,199,930	178,813,844
Current		
Nazara Technologies Limited (India)	1,469,236	687,759
Nazara Pte Ltd	5,918,640	5,638,880
	7,387,876	6,326,639
	192,587,806	185,140,483
(ii) Receivables from related party (Note 13)		
NZ World Kenya Limited*	232,948,631	202,217,890

* No impairment provision has been provided against amount receivable from NZ World Kenya Limited as modalities of recovery are being considered in light of plans to wind down the company.

(ii) Purchases from Related parties		
Nazara Technologies Limited, India -Royalty charges	-	-
Nazara Technologies Limited, India -Adminastration & business expenses	7,701,704	3,005,273
Nazara Technologies Limited, India -Digital marketing services	988,998	597,865
Nazara Technologies Mauritius -Advertising expenses	37,341	1,481,622
Nazara Pte limited -Advertising expenses	15,836,800	7,020,000
Nazara Technologies Limited, India -Technologies services	11,317,207	7,989,336
Direct cost	35,882,051	35,475,175

18 Deferred tax asset /(liability)

The deferred tax liability is attributable to the following items :		
Balance b/fwd.	2,137,901	2,314,618
(Charge)/credit to the Statement of Comprehensive Income (Note 11)	878,437	(176,717)
Deferred tax asset /(liability)	3,016,338	2,137,901

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 2022	**At 01 April**	**Credit for the year**	**At 31 December**
Deferred tax asset /(liability)	**Kshs**	**Kshs**	**Kshs**
Excess of depreciation over capital allowances	(130,895)	335,758	204,863
Exchange difference	2,268,796	542,680	2,811,476
	2,137,901	**878,437**	**3,016,338**

Year ended 31 March 2021	**At 01 April**	**Credit for the year**	**At 31 March**
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**

19 Currency

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

20 Comparatives

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

NZMOBILE KENYA LIMITED

PIN: P051431543Q

INCOME TAX COMPUTATION

FOR THE YEAR ENDED 31ST MARCH 2022

	Business income Kshs	Interest income Kshs	Total income Kshs
a) Tax computation			
Net profit before tax	20,797,507	4,830,090	25,627,597
Add Back:			
Depreciation	716	-	716
Amortisation of intangible assets	3,184,863	-	3,184,863
Unrealized exchange loss current year	9,371,586		9,371,586
Less :			
Unrealised exchange loss for prior years now deemed realised	7,562,653	-	7,562,653
Wear And Tear Allowance	(2,066,387)	-	(2,066,387)
Adjusted taxable profit	38,850,938	4,830,090	43,681,028
Current tax on adjusted taxable profits	**11,655,281**	**1,449,027**	**13,104,308**

b) Tax payable /(recoverable)	
Tax (recoverable)/payable brought forward	2,307,055
Add: Tax charge for the year	13,104,308
Less: Installment Tax paid - Payment	(844,199)
Withholding tax paid	(5,073,441)
Tax payable	**9,493,724**

c) Wear and Tear schedule	**Grade A Kshs**	**Total Total**
As at 1st April 2021	8,265,549	8,265,549
Additions	-	-
	8,265,549	8,265,549
Charge for the year	(2,066,387)	(2,066,387)
As 31st March 2022	6,199,161	6,199,161