CONTENTS **PAGE**

COMPANY INFORMATION

BOARD OF DIRECTORS	:	Quick Heal Technologies Limited (Incorporated in India)
	:	Kailash Katkar - Indian
	:	Sanjay Katkar - Indian
REGISTERED OFFICE	:	Plot No. Msa/Block/XIX/75,
	:	1st Floor, Pereira Building,
	:	Pramukh Swami Maharaj Road,
	:	P. O. Box 90553 - 80100
	:	Mombasa
PRINCIPAL PLACE OF BUSINESS	:	Quick heal Technologies Africa Limited
	:	Muthithi Place, 3rd Floor, Office 3B
	:	Muthithi Road, Westlands,
	:	P. O. Box 38606 - 00623
	:	Nairobi
INDEPENDENT AUDITOR	:	PKF Kenya
	:	Certified Public Accountants
	:	P. O. Box 90553 - 80100
	:	Mombasa
COMPANY SECRETARIES	:	Equatorial Secretaries and Registrars
	:	Certified Public Secretaries
	:	P. O. Box 90553 - 80100
	:	Mombasa
PRINCIPAL BANKERS	:	Bank of India
	:	Mombasa

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 March 2017, which disclose the state of affairs of the company.

In accordance with Section 42 of the Sixth Schedule of the Kenyan Companies Act, 2015, Transitional and Savings Provisions, this report has been prepared in accordance with Section 157 of the repealed Companies Act, as if that repeal had not taken effect.

PRINCIPAL ACTIVITY

The principal activity of the company is that of buying and selling of anti-virus and internet security software products.

RESULTS	2017 Shs	2016 Shs
Loss before tax	(172,72,114)	(40,60,881)
Tax credit	48,80,409	12,05,562
Loss for the year	(123,91,705)	(28,55,319)

SHARE CAPITAL

The authorised share capital of the company was increased on 8 July 2016 from Shs 25,000,000 representing 2,500,000 ordinary shares of Shs 10 each to Shs 125,000,000 representing 12,500,000 ordinary shares of Shs 10 each.

The issued and paid up share capital of the company was increased on 2 December 2016 from Shs 17,800,000 to Shs 113,675,000 by the issuance of 9,587,500 ordinary shares of Shs 10 each.

DIVIDEND

The directors do not recommend the declaration of a dividend for the year (2016: Shs Nil).

DIRECTORS

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

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

INDEPENDENT AUDITOR

The company's auditor, PKF Kenya, has indicated its willingness to continue in office in accordance with the Kenyan Companies Act, 2015.

BY ORDER OF THE BOARD

DIRECTOR

4 MAY **2017**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company keeps proper accounting records that are sufficient to show and explain the transactions of the company; and that disclose, with reasonable accuracy, the financial position of the company and that enables them to prepare financial statements of the company that comply with the International Financial Reporting Standards (IFRSs) and the requirements of the Kenyan Companies Act, 2015. 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 fair presentation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

i. Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
ii. Selecting and applying appropriate accounting policies; and
iii. Making accounting estimates and judgements that are reasonable in the circumstances;

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the company as at 31 March 2017 and of its financial performance and cash flows for the period then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Kenyan Companies Act, 2015.

In preparing these financial statements the directors have assessed the company's ability to continue as a going concern. Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement

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

So far as each of the directors is aware, there is no relevant audit information which the auditor is unaware of, and each of the directors has taken all the steps that ought to have been taken in order to become aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by the board of directors on 4 MAY 2017 signed on its behalf by:

DIRECTOR **DIRECTOR**

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF QUICK HEAL TECHNOLOGIES AFRICA LIMITED

Opinion

We have audited the financial statements of Quick Heal Technologies Africa Limited,set out on pages 6 to 18, which comprise the statement of financial position as at 31 March 2017, the statement of profit or loss, the statement of changes in equity and the statement of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) and 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 other 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 directors' report and the schedule of cost of sales expenditure but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover 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 other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 of the financial statements that give a true and fair view in accordance with IFRS for SMEs, and the requirements of the Kenyan Companies Act, 2015, for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material mistatement, 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 for accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

..................continued on page 5

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF QUICK HEAL TECHNOLOGIES AFRICA LIMITED (CONTINUED)

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

Report on Other Legal and Regulatory Requirements

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and

iii) the company's statement of financial position and statement of profit or loss are in agreement with the books of account.

Certified Public Accountants
Mombasa

________________2017

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Piyush Ramesh Devchand Shah P/No. 1521.

162/2017

STATEMENT OF PROFIT OR LOSS

	Notes	2017 Shs	2016 Shs
Revenue	4	322,04,032	304,01,296
Cost of sales		(442,61,912)	(288,49,303)
Gross (loss)/profit		(120,57,880)	15,51,993
Other operating income	5	65,71,360	33,78,985
Administrative expenses		(74,30,327)	(73,55,110)
Other operating expenses		(43,55,267)	(16,36,749)
Loss before tax	6	(172,72,114)	(40,60,881)
Tax credit	7	48,80,409	12,05,562
Loss for the year		(123,91,705)	(28,55,319)

The notes on pages 10 to 18 form an integral part of the financial statements.

Report of the independent auditor - pages 4 - 5.

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 March 2017 Shs	2016 Shs
EQUITY			
Share capital	8	1136,75,000	178,00,000
Retained earnings		(257,26,434)	(133,34,729)
Equity attributable to owners of the company		879,48,566	44,65,271
REPRESENTED BY			
Non-current assets			
Plant and equipment	10	5,06,177	4,76,293
Deferred tax	9	103,45,876	54,65,467
		108,52,053	59,41,760
Current assets			
Inventories	11	38,45,785	112,89,654
Trade and other receivables	12	411,01,632	374,14,187
Cash and cash equivalents	13	406,01,204	49,34,896
		855,48,621	536,38,737
Current liabilities			
Trade and other payables	14	84,52,108	551,15,226
Net current assets/(liabilities)		770,96,513	(14,76,489)
		879,48,566	44,65,271

The financial statements on pages 6 to 18 were approved and authorised for issue by the Board of Directors on ________________2017 and were signed on its behalf by:

______________________**DIRECTOR** ______________________**DIRECTOR**

The notes on pages 10 to 18 form an integral part of the financial statements.

Report of the independent auditor - pages 4 - 5.

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital Shs	Retained earnings Shs	Total Shs
Year ended 31 March 2017				
At start of year		178,00,000	(133,34,729)	44,65,271
Loss for the year		-	(123,91,705)	(123,91,705)
Issue of ordinary share capital	8	958,75,000	-	958,75,000
At end of year		1136,75,000	(257,26,434)	879,48,566
Year ended 31 March 2016				
At start of year		178,00,000	(104,79,410)	73,20,590
Loss for the year		-	(28,55,319)	(28,55,319)
At end of year		178,00,000	(133,34,729)	44,65,271

The notes on pages 10 to 18 form an integral part of the financial statements.

Report of the independent auditor - pages 4 - 5.

STATEMENT OF CASH FLOWS

	Notes	2017 Shs	2016 Shs
Cash flows from operating activities			
Loss before tax		(172,72,114)	(40,60,881)
Adjustments for:			
Depreciation on plant and equipment	10	2,65,992	1,43,635
Gain on sale of plant and equipment		(17,349)	(1,493)
Exchange losses on foreign currency balances and transactions		22,79,225	-
Changes in working capital:			
- trade and other receivables		(36,87,445)	(257,35,235)
- inventories		74,43,869	3,77,133
- trade and other payables		(466,63,118)	275,52,669
Net cash used in operating activities		(576,50,940)	(17,24,172)
Cash flows from investing activities			
Cash paid for purchase of plant and equipment	10	(3,18,529)	(61,500)
Proceeds from sale of plant and equipment		40,002	15,000
Net cash ued in investing activities		(2,78,527)	(46,500)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	8	958,75,000	-
Net cash from financing activities		958,75,000	-
Increase/(decrease) in cash and cash equivalents		379,45,533	(17,70,672)
Movement in cash and cash equivalents			
At start of year		49,34,896	67,05,568
Increase/(decrease)		379,45,533	(17,70,672)
Effect of exchange rate changes		(22,79,225)	-
At end of year	13	406,01,204	49,34,896

The notes on pages 10 to 18 form an integral part of the financial statements.

Report of the independent auditor - pages 4 - 5.

NOTES: SIGNIFICANT ACCOUNTING POLICIES

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

1. General Information

Quick Heal Technologies Africa Limited is a limited liability company incorporated in Kenya. The address of its registered office is in Mombasa and its principal place of business is in Nairobi, Kenya.

The principal activity of the company is that of buying and selling of anti-virus and internet security software products.

2. a) Basis of preparation

The financial statements of Quick Heal Technologies Africa Limited have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs). They have been prepared under the historical cost convention except where otherwise stated in the accounting policies below.

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

Going concern

The financial performance of the company is set out in the directors' report and in the statement of profit or loss. The financial position of the company is set out in the statement of financial position.

As disclosed in Note 3, 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) Use of estimates

The company makes judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the end of reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

c) Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of internet security software products

Revenue from sale of internet security software products is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on dispatch of the goods to its customers. The Company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the Company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

d) Plant and equipment

All 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.

NOTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) **Plant and equipment (continued)**

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 profit or loss during the financial period in which they are incurred.

Depreciation on fixed assets is calculated on a Written Down Value (WDV) basis using the rates arrived at based on the useful lives estimated by the management. The Company has used the following rates to provide depreciation on its plant and equipment:

Type of assets	**Useful lives estimated by the management (years)**	**Rates (WDV)**
Buildings	60	4.87%
Computers	3	63.16%
Electrical installations	10	25.89%
Furniture and fixtures	10	25.89%
Office equipment	5	45.07%
Servers	6	39.30%
Vehicle	8	31.23%

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

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

Gains and losses on disposal of plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit/loss.

e) **Impairment of assets**

At each reporting date, plant and equipment is reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or a group of similar items) with its selling price less costs to complete and sell. If an item of inventory (or a group of similar items) is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount(selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised immediately in profit or loss.

f) **Financial assets**

Trade and other receivables are initially recognised at the transaction price. Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortised cost using the effective interest method.

NOTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) **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, and financial assets with maturities of less than 91 days, net of bank overdrafts.

h) **Inventories**

Raw materials are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost of the finished product in which they will be incorporated are expected to be sold at. Cost of raw material is determined on a weighted average basis.

Finished goods are valued at lower of cost and net realisable value. Cost includes direct material and labour and a proportion of manufacturing overhead based on normal operating capacity. Cost of finished goods includes excise duty, whenever applicable. Cost is determined on a weighted average basis.

Traded goods are valued at lower of cost and net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to present location and condition. Cost is determined on weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

i) **Financial liabilities**

Financial liabilities are initially recognised at the transaction price (less transaction costs). Trade payables are obligations on the basis of normal credit terms and do not bear interest. Interest bearing liabilities are subsequently measured at amortised cost using the effective interest method.

j) **Translation of foreign currencies**

(i) **Initial recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) **Conversion**

Foreign currency monetary items are re-translated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rates at the date when the values were determined.

(iii) **Exchange differences**

Transactions in foreign currencies during the year are converted into Kenya Shillings 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.

NOTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) **Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

l) **Current and deferred income tax**

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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.

Offsetting

An entity shall offset current tax assets and current tax liabilities, or offset deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off the amounts and the entity can demonstrate without undue cost or effort that it plans either to settle on a net basis or to realise the asset and settle the liability simultaneously

m) **Share capital**

Ordinary shares are classified as equity.

n) **Employee benefit obligations**

Pension obligations

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

o) **Comparatives**

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

3. Basis of preparation

The directors and management are pursuing a number of strategies to ensure turn around of the company to profitability.The company also benefits from extended credit facilities from its parent company which is the sole supplier of its trade products. Continued operations are thus dependent upon the company continuing to receive adequate financial support from its parent company.

In view of the forgoing and based on the written letter of support from the parent company, the directors consider it appropriate to prepare the financial statements on a going concern basis.

4. Revenue

	2017 Shs	2016 Shs
Sale of antivirus software:		
- export	228,14,184	244,02,163
- local	93,89,848	59,99,133
	322,04,032	304,01,296

5. Other operating income

Gain on sale of plant and equipment	17,349	1,493
Miscellaneous income	-	14,601
Purchase inward	29,01,983	-
Bad debts recovered	36,52,028	10,10,890
Exchange gain on foreign currency balances and transactions	-	23,52,001
	65,71,360	33,78,985

6. Loss before tax

The following items have been charged in arriving at loss before tax:

Audit fees	8,00,000	7,50,000
Depreciation on plant and equipment (Note 10)	2,65,992	1,43,635
Post employment benefits - NSSF	12,800	11,000
Operating lease rentals	17,64,000	13,22,400
Cost of inventories recognised as an expense	438,22,369	288,34,303

7. Tax

	2017 Shs	2016 Shs
Current tax	-	-
Deferred tax credit (Note 9)	(48,80,409)	(12,05,562)
Tax credit	(48,80,409)	(12,05,562)

The tax on the loss before tax arise using the basic tax rate as follows:

	2017 Shs	2016 Shs
Loss before tax	(172,72,114)	(93,09,948)
Tax calculated at a tax rate of 30% (2016: 30%)	(51,81,634)	(27,92,984)
Tax effect of:-		
- expenses not deductible for tax purposes	3,01,225	12,702
Tax credit	(48,80,409)	(26,85,107)

No current tax arises due to accumulated losses.

The tax losses carried forward at the reporting date expire as follows:

Arising in	Tax losses Shs	Expiring
2014	53,04,429	31 March 2023
2015	50,02,492	31 March 2024
2016	41,85,072	31 March 2025
2017	176,53,565	31 March 2026
	321,45,558	

8. Share capital

	2016 Shs	2015 Shs
Authorised:		
12,500,000 (2016: 2,500,000) ordinary shares of Shs 10 each	1250,00,000	250,00,000
Issued and fully paid:		
At start of year		
1,780,000 (2016: 1,780,000) ordinary shares of Shs 10 each	178,00,000	178,00,000
Issued during the year		
9,587,500 (2016: Nil) shares	958,75,000	-
At end of year		
11,367,500 (2016: 1,780,000) ordinary shares of Shs 10 each	1136,75,000	178,00,000

9. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2016: 30%). The movement on the deferred tax account is as follows:

	2016 Shs	2015 Shs
At start of year	(54,65,467)	(42,59,905)
Credit to profit or loss (Note 7)	(48,80,409)	(12,05,562)
At end of year	(103,45,876)	(54,65,467)

Deferred tax (assets)/liabilities and deferred tax charge/(credit) in profit or loss is attributable to the following items:

	At start of year Shs	Charge/(credit) to profit or loss Shs	At end of year Shs
Deferred tax liabilities			
Plant and equipment	12,097	(1,86,679)	(1,74,582)
Deferred tax assets			
Other temporary differences	(11,29,966)	6,02,340	(5,27,626)
Tax losses carried forward	(43,47,598)	(52,96,070)	(96,43,668)
	(54,77,564)	(46,93,730)	(101,71,294)
Net deferred tax asset	(54,65,467)	(48,80,409)	(103,45,876)

Deferred tax assets on tax losses carried forward are only recognised to the extent of certainty of availability of sufficient future taxable profits to utilise such losses against. Deferred income tax asset has been recognised on the total losses carried forward as the directors are of the opinion that the company will generate sufficient taxable profits to utilise such losses within the expiry period of 10 years as stipulated in the Income Tax Act.

10. Plant and equipment

	Computer equipment Shs	Motor vehicles Shs	Furniture, fittings and equipment Shs	Total Shs
Cost				
At start of year	2,08,700	6,50,000	1,02,488	9,61,188
Additions	79,400	-	2,39,129	3,18,529
Disposal	(39,800)	-	-	(39,800)
At end of year	2,48,300	6,50,000	3,41,617	12,39,917
Depreciation				
At start of year	1,01,376	3,53,035	30,484	4,84,895
Disposal	(17,147)	-	-	(17,147)
Charge for the year	93,363	92,741	79,888	2,65,992
At end of year	1,77,592	4,45,776	1,10,372	7,33,740
Net book value				
As at 31 March 2017	70,708	2,04,224	2,31,245	5,06,177
As at 31 March 2016	1,07,324	2,96,965	72,004	4,76,293

11. **Inventories**

	2017 Shs	2016 Shs
Antivirus software	15,83,327	73,55,982
Packing materials, sealing stickers, user manuals and CDs	22,62,458	39,33,672
	38,45,785	112,89,654

Inventories comprise non-perishable items and in the opinion of the directors any old inventory items will be re-packaged and sold hence a write-down of inventories was not required.

12. **Trade and other receivables**

	2017 Shs	2016 Shs
Trade receivables	399,95,637	412,71,659
Less: impairment provision	-	(43,48,493)
Net trade receivables	399,95,637	369,23,166
Prepayments	1,58,012	1,160
Other receivables	9,47,983	4,89,861
	411,01,632	374,14,187
Movement in impairment provisions		
At start of year	43,48,493	49,07,546
Recoveries	(36,52,028)	(10,10,890)
Effect of exchange differences	(6,96,465)	4,51,837
At end of year	-	43,48,493

The company's credit risk arises primarily from trade receivables. 73% of the outstanding trade receivables is held by one customers. This represents a significant concentration of credit risk. This customer has no recent history of default and in the opinion of the directors supported by reasonable assurance from the customer, no impairment provision is required.

Trade receivables that are aged past 180 days are considered past due. As at 31 March 2017, trade receivables amounting to Shs 15,360,264 (2016: Shs 15,767,958) were past due but not impaired. The company does not hold any collateral as security.

The ageing analysis of these trade receivables is as follows:

	2017 Shs	2016 Shs
6 to 12 months	24,38,084	102,69,102
Over 12 months	129,22,180	98,47,349
	153,60,264	201,16,451
Impairment provision	-	(43,48,493)
	153,60,264	157,67,958

13. **Cash and cash equivalents**

	2017	2016
Cash at bank and in hand	406,01,204	49,34,896

14. Trade and other payables

	2017 Shs	2016 Shs
Trade payables	1,39,332	72,798
Accruals	12,76,312	7,68,671
Trade payable to related party (Note 15 (ii))	70,36,464	532,15,829
Advances from related party (Note 15 (iii))	-	10,57,928
	84,52,108	551,15,226

15. Related party transactions

The company is controlled by Quick Heal Technologies Limited incorporated in India which owns 100% of the company's shares.

The following transactions were carried out with related parties:

	2017 Shs	2016 Shs
i) **Purchase of goods**		
Parent	240,70,133	277,51,314

ii) **Outstanding balances arising from purchase of goods**

Trade payables - parent (Note 14)	70,36,464	532,15,829

The amounts due to related party are unsecured and interest free.

iii) **Advances from related party - Parent**

At start of year	-10,57,928	12,79,309
Repayments	10,57,928	(2,21,381)
At end of year (Note 14)	-	10,57,928

The advances from related party are unsecured and interest free.

16. Commitments

Operating lease commitments - as a lessee

The company leases property under cancellable operating lease. To terminate this lease, the company must give a notice of 3 months. The expenditure to lease this property amounted to Shs 1,764,000 (2016: Shs 1,322,400) and is included under establishment expenses.

The lease term is for 6 years and it is renewable at the end of the tenure of the lease.

17. Presentation currency

These financial statements are presented in Kenya Shillings (Shs).

SCHEDULE OF COST OF SALES AND EXPENDITURE

1. COST OF SALES

	2017 Shs	2016 Shs
Cost of antivirus software and packing materials consumed (1.1)	438,22,369	288,34,303
Labour charges	-	15,000
Other direct cost	4,39,543	-
	442,61,912	288,49,303

1.1 COST OF ANTIVIRUS SOFTWARE AND PACKING MATERIALS CONSUMED

	2017 Shs	2016 Shs
Opening stock	112,89,654	116,66,787
Purchases:		
- licence keys	240,70,133	277,51,314
- raw material	4,48,850	4,47,656
- packing material	8,33,255	2,58,200
- return inwards	110,26,262	-
Closing stock	(38,45,785)	(112,89,654)
	438,22,369	288,34,303

2. ADMINISTRATIVE EXPENSES

	2017 Shs	2016 Shs
Employment:		
Salaries and wages	32,92,080	40,67,484
Staff welfare	57,263	1,29,233
Total employment costs	33,49,343	41,96,717
Other administration expenses:		
Postage and telephone	3,34,989	2,20,566
Business promotion	19,280	9,32,929
Vehicle running	7,573	9,385
Entertainment and travel	1,55,724	4,31,236
Printing and stationery	61,227	9,617
Audit fees:		
- current year	8,00,000	7,50,000
- overprovision in prior year	1,06,500	-
Legal and professional fees	11,59,454	4,80,568
Secretarial fees	11,49,340	-
Bank charges and commissions	1,16,873	40,952
Miscellaneous	45,524	90,180
Transportation and freight	1,24,500	1,50,620
Fines and penalties	-	42,341
Total other administration expenses	40,80,984	31,58,393
Total administrative expenses	74,30,327	73,55,110

3. OTHER OPERATING EXPENSES

	2017 Shs	2016 Shs
Establishment		
Rent and rates	17,64,000	13,22,400
Electricity	27,860	-
Repairs and maintenance	18,190	1,70,714
Exchange losses on foreign currency balances and transactions	22,79,225	-
Depreciation on plant and equipment	2,65,992	1,43,635
Total other operating expenses	43,55,267	16,36,749

QUICK HEAL TECHNOLOGIES AFRICA LIMITED

PIN. P051422453X

TAX COMPUTATION - 2017

		Shs	Shs
Loss as per financial statements			-172,72,114
Add:	Depreciation	2,65,992	
	Exchange losses on foreign currency balances and transactions	22,79,225	
	Unrealised exchange gain - prior year	5,81,940	
	Stamp duty	10,00,110	
	Interest on withholding tax	3,978	
			41,31,245
Less:	Wear and tear allowance	1,46,854	
	Gain on disposal of plant and equipment	17,349	
	Provision for bad debt recovered	43,48,493	
			-45,12,696
Trading loss for the year			-176,53,565

Summary	**Trade Shs**
Loss brought forward	(144,91,993)
Loss for the year	(176,53,565)
Taxable loss carried forward	(321,45,558)

Wear and tear allowance schedule	**Class (ii) 30% Shs**	**Class (iii) 25% Shs**	**Class (iv) 12.5% Shs**	**Total allowance Shs**
Written down value brought forward	93,540	2,74,219	68,214	
Additions	79,400	-	2,39,129	
	1,72,940	2,74,219	3,07,343	
Disposal proceeds	(40,002)	-	-	
	1,32,938	2,74,219	3,07,343	
Wear and tear allowance	(39,881)	(68,555)	(38,418)	(1,46,854)
Written down values carried forward	93,057	2,05,664	2,68,925	