HESTER BIOSCIENCES AFRICA LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

CONTENTS	**PAGE**

The following page does not form an integral part of these financial statements

COMPANY INFORMATION

BOARD OF DIRECTORS	:	Rajiv Gandhi	Indian
	:	Darayus Lakdawalla	Indian
REGISTERED OFFICE	:	Jacksi Plaza, 1st Floor, Plot No. 29A	
	:	Nyerere Road	
	:	P.O. Box 75512	
	:	Dar es Salaam	
	:	Tanzania	
PRINCIPAL PLACE OF BUSINESS	:	Manufacturing Plant	
	:	Plot No. 11 & 12	
	:	Tamco Industrial Estate	
	:	Kibaha - Coast Region	
	:	Tanzania	
INDEPENDENT AUDITOR	:	PKF Associates Tanzania	
	:	P. O. Box 7323	
	:	Dar es Salaam	
	:	Tanzania	
COMPANY SECRETARY	:	PKF Advisory Limited	
	:	P. O. Box 7323	
	:	Dar es Salaam	
	:	Tanzania	
PRINCIPAL BANKERS	:	Standard Chartered Bank Tanzania Limited	
	:	2nd Floor, International House Property	
	:	Garden Avenue, Shaaban Robert Street	
	:	P.O. Box 9011	
	:	Dar es Salaam	
	:	Tanzania	

REPORT OF THE DIRECTORS

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

INCORPORATION

The company was incorporated in Tanzania on 11 August 2016 and is yet to commence trading.

PRINCIPAL ACTIVITY

The principal activities of the company is manufacture and sale of poultry and animal vaccines.

RESULTS

	2018	
	Tshs	**USD (Memo)**
Loss before tax	(89,360,244)	(39,975)
Tax credit	26,403,937	11,812
Loss for the year	(62,956,307)	(28,163)

DIRECTORS

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

INDEPENDENT AUDITOR

The company's Auditor, PKF Associates Tanzania was appointed during the period and has expressed willingness to continue in office and are eligible for re-appointment. A resolution to re-appoint PKF Associates Tanzania, as auditor will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

DIRECTOR
DAR ES SALAAM

17 April 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Tanzania Companies Act, 2002 requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of its profit or loss for that period. It also requires the directors to ensure that the company keeps proper accounting records that are sufficient to show and explain the transactions the company; that disclose, with reasonable accuracy, the financial position of the company and that enable them to prepare financial statements of the group and the company that comply with the International Financial Reporting Standards and the requirements of the Tanzania Companies Act, 2002. 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 these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Tanzania Companies Act, 2002. 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;
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 2018 and of the company’s financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act, 2002.

During the period ended 31 March 2018 the company realised a net loss of Tshs 62,956,307 (USD 28,163).
`

The holding company has given an undertaking to continue to provide financial support to the company for the foreseeable future based on which the directors have considered it appropriate to prepare the financial statements on the going concern basis.

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 17 April 2018 and signed on its behalf by:

HESTER BIOSCIENCES AFRICA LIMITED

Director **Director**

DECLARATION OF THE HEAD OF FINANCE OF HESTER BIOSCIENCES AFRICA LIMITED

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

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing a true and fair view of the entity's position and performance in accordance with International Financial Reporting Standards (IFRS) and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as stated under the Directors Responsibility statement on page 3.

In regard thereof, I KIZIKI MESSA being the Head of Finance/Accounting of Hester Biosciences Africa Limited hereby acknowledge my responsibility of ensuring that the company's financial statements for the period ended 31 March 2018 have been prepared in compliance with applicable accounting standards and statutory requirements.

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

Signed by: ....

Position: OUTSOURCED ACCOUNTANT

NBAA Membership No. ACPA 2062

Date: 17 APRIL 2018

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF HESTER BIOSCIENCES AFRICA LIMITED FOR GROUP REPORTING PURPOSE

Opinion

We have audited the financial statements of Hester Biosciences Africa Limited set out on pages 7 to 18 which comprise the statement of financial position for the year ended 31 March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 March 2018, and of its financial performance and cash flows for the year ended 31 March 2018 in accordance with International Financial Reporting Standards (IFRSs) and the Tanzania Companies Act, 2002.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the 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 Tanzania, 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.

Emphasis of matter

We draw attention to Note 17 to the financial statements on the going concern preparation basis of these financial statements.

Other information

The company has prepared a separate set of financials for the period ended 31 December 2017 in accordance with the International Financial Reporting Standards on which we issued a separate auditors report to the shareholders of Hester Biosciences Africa Limited dated 20 April 2018.

Responsibilities of Directors and those Charged with Governance for the Financial Statements

The directors are responsible for the preparation of the company financial statements is that give a true and fair view in accordance with IFRS and the requirements of the Tanzania companies Act, 2002, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the company 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.

Tel +255 022 215 2501 • +255 022 215 2503 • +255 022 215 2504 • Fax: +255 022 213 9353 • Email: info@tz.pkfea.com • www.pkfea.com

PKF ASSOCIATES TANZANIA • Girl Guides Building • 1st Floor, Kibasila Street • P.O. Box 7323 • Dar es salaam • Tanzania

Partners: Mustansir Gulamhussein, Rajan Shah

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF HESTER BIOSCIENCES AFRICA LIMITED FOR GROUP REPORTING PURPOSE (CONTINUED)

As part of an audit carried out in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

The engagement partner responsible for the audit resulting in this independent auditor's report is :

Certified Public Accountants
Dar es Salaam

Mustansir Gulamhussein
PKF Associates Tanzania
PKF/A/H013/A/041/18/mg

Date: 20 April. 2018

STATEMENT OF PROFIT OR LOSS

	Notes	2018 Tshs	2018 USD (Memo)
Revenue	2	-	-
Administrative expenses		(79,564,646)	(35,593)
Depreciation on plant and equipment		(3,803,542)	(1,702)
Operating loss	3	(83,368,188)	(37,295)
Finance costs	4	(5,992,056)	(2,681)
Loss before tax		(89,360,244)	(39,975)
Tax credit	5	26,403,937	11,812
Loss for the year		(62,956,307)	(28,163)

The notes on pages 11 to 18 form an integral part of these financial statements.

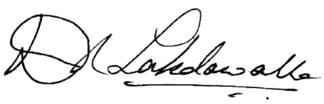
Report of the independent auditor - page 5 and 6.

STATEMENT OF FINANCIAL POSITION

	Notes	2018 Tshs	2018 USD (Memo)
EQUITY			
Share capital	6	1,120,322,000	499,976
Retained earnings		(62,956,307)	(29,986)
Equity attributable to owners of the company		1,057,365,693	469,990
REPRESENTED BY:			
Non- current assets			
Plant and equipments	8	473,242,026	209,218
Deferred tax	7	26,403,937	11,812
		499,645,963	221,029
Current assets			
Other receivables	9	203,181,239	90,358
Tax recoverable		300,000	134
Cash and cash equivalents	10	454,325,571	203,242
		657,806,810	293,735
Current liabilities			
Trade and other payables	11	35,959,618	16,087
Loans and advances	12	64,127,462	28,687
		100,087,080	44,774
Net current assets		557,719,730	248,961
		1,057,365,693	469,990

The financial statements on pages 7 to 19 were approved and authorised for issue by the Board of Directors on 17 April 2018 and were signed on its behalf by:

Director



Director

The notes on pages 11 to 18 form an integral part of these financial statements.

Report of the independent auditor - page 5 and 6.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018	**Share capital**	**Retained earnings**	**Total**
	Tshs	**Tshs**	**Tshs**
At start of the year	-	-	-
Loss for the year	-	(62,956,307)	(62,956,307)
Transaction with owners:			
Issue of share capital	1,120,322,000	-	1,120,322,000
At end of the year	1,120,322,000	(62,956,307)	1,057,365,693

Year ended 31 March 2018	**Share capital**	**Retained earnings**	**Total**
Memo - US Dollars	**USD**	**USD**	**USD**
At start of the year	-	-	-
Loss for the year	-	(28,163)	(28,163)
Effect of foreign exchange translation	-	(1,822)	(1,822)
Transaction with owners:			
Issue of share capital	499,976	-	499,976
At end of the year	499,976	(29,986)	469,990

The notes on pages 11 to 18 form an integral part of these financial statements.

Report of the independent auditor - page 5 and 6.

STATEMENT OF CASH FLOWS

		2018	
	Notes	**Tshs**	**USD (Memo)**
Operating activities			
Cash used in operations	13	(252,778,323)	(112,650)
Tax paid		(300,000)	(134)
Net cash used in operating activities		(253,078,323)	(112,784)
Investing activities			
Cash paid for purchase of plant and equipments	8	(477,045,568)	(210,909)
Net cash used in investing activities		(477,045,568)	(210,909)
Financing activities			
Proceed from issue of shares	6	1,120,322,000	499,976
Proceed from loan	12	64,127,462	28,519
Net cash from financing activities		1,184,449,462	528,495
Increase in cash and cash equivalents		454,325,571	204,801
Movement in cash and cash equivalents			
At start of period		-	-
Effect of exchange rate changes		-	-
Increase		454,325,571	204,801
At end of period	10	454,325,571	204,801

The notes on pages 11 to 18 form an integral part of these financial statements.

Report of the independent auditor - page 5 and 6.

NOTES

1. 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 periods presented, unless otherwise stated.

a) Basis of preparation

The financial statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with International Financial Reporting Standards (IFRS).
The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Going concern

The financial performance of the company is set out in the Director's report and in the statement of 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 and capital management are set out in note 11 and 12.

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.

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

i) New standards, amendments and interpretations issued but not effective

At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective for the period presented:

- Amendments issued in June 2016 to IFRS 2 ' Share - based Payment ' which are effective for annual periods beginning on or after 1 January 2018 clarify the effects of vesting conditions on cash settled schemes, treatment of net settled schemes and modifications for equity settled schemes.
- IFRS 9 'Financial Instruments'(Issued in July 2014) will replace IAS 39 and will be effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and de-recognition.
- IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.
- In respect of financial liabilities, the most significant effect of IFRS 9 where the fair value option is taken will be in respect of the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is at is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.
- In respect of impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract.
- In respect of hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risks.

NOTES (CONTINUED)

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

a) **Basis of preparation (continued)**

i) **New standards, amendments and interpretations issued but not effective (continued)**

- IFRS 15 ‘Revenue from Contracts with Customers’ (issued in May 2014) effective for annual periods beginning on or after 1 January 2018, replaces IAS 11 ‘Construction Contracts’, IAS 18 ‘Revenue’ and their interpretations (SIC-31 and IFRIC 13,15 and 18).It establishes a single and comprehensive framework for revenue recognition based on a five-step model to be applied to all contracts with customers, enhanced disclosures, and new or improved guidance.

- IFRS 16 ‘Leases’ (issued in January 2016) effective for annual periods beginning on or after 1 January 2019, replaces IAS 17 ‘Leases’, IFRIC 4 ‘Determining whether an Arrangement Contains a Lease’ and their interpretations (SIC-15 and SIC-27). IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

- The directors expect that the future adoption of IFRS 9, IFRS 15 and IFRS 16 may have a material impact on the amounts reported. However, it is not practicable to provide a reliable estimate of the effects of the above until a detailed review has been completed. The directors do not expect that adoption of the other Standards and Interpretations will have a material impact on the financial statements in future periods. The entity plans to apply the changes above from their effective dates noted above.

- IFRS 17 ‘Insurance Contracts’ (issued May 2018) effective for annual periods beginning on or after 1 January 2021 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.

b) **Revenue recognition**

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

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

Sales of services are recognised upon performance of the services rendered by reference to the stage of completion of the service contract;

c) **Plant and equipment**

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

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the reducing balance method to write down the cost of each asset to its residual

	Rate %
Motor vehicles	37.5
Furniture and fittings	12.5

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

NOTES (CONTINUED)

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

d) **Translation of foreign currencies**

These financial statements are presented in Tanzania shillings, which is also the functional currency of the Company. Transactions in currencies other than the Company’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated using the closing rates. Exchange differences are recognized in profit or loss in the period in which they arise.

e) **Taxation**

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

Current tax

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

Deferred tax

Deferred tax is provided using the liability method for all temporary timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary timing differences can be utilised.

f) **Financial instruments**

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Management determines all classification of financial assets at initial recognition.

- Financial assets

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss.

The company's financial assets which comprise cash and bank balances and trade and other receivables fall into the following category:

Loans and receivables: financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the date of this report. All assets with maturities greater than 12 months after the date of this report are classified as non-current assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method. Changes in the carrying amount are recognised in 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.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. Impairment of financial assets is recognised in profit or loss under administrative expenses when there is objective evidence that the company will not be able to collect all amounts due per the original terms of the contract. Significant financial difficulties of the issuer, probability that the issuer will enter bankruptcy or financial reorganisation, default in payments and a prolonged decline in fair value of the asset are considered indicators that the asset is impaired.

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.

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

f) **Financial instruments (continued)**

- Financial assets (continued)

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

Gains and losses on disposal of assets whose changes in fair value were initially recognised in profit or loss are determined by reference to their carrying amount and are taken into account in determining operating profit/(loss). On disposal of assets whose changes in fair value were initially recognised in equity, the gains/losses are recognised in the reserve, where the fair values were initially recognised. Any resultant surplus/deficit after the transfer of the gains/losses are transferred to retained earnings.

Management classifies financial assets as follows:

Cash in hand and balances with financial institutions and trade and other receivables are classified as loans and receivables and are carried at amortised cost.

- Financial liabilities

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

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

Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in 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.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially completed for their intended use or sale.

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

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 date of this report.

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 ability simultaneously.

g) **Provisions**

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

h) **Comparatives**

These are the company's first statutory accounts hence there are no comparative figures included in these financial statements.

NOTES (CONTINUED)

		2018 Tshs	2018 USD (Memo)
2.	**Revenue**		
	Income	-	-
3.	**Loss before tax**		
	The following items have been charged in arriving at the loss before tax		
	Auditor's remuneration	4,470,780	1,988
4.	**Finance costs**		
	Net foreign exchange loss	5,992,056	2,681
5.	**Tax**		
	Current tax	-	-
	Deferred tax credit (Note 7)	(26,403,937)	(11,812)
	Tax credit	(26,403,937)	(11,812)
	The tax on the company's loss before tax differs from the theoretical amount that would arise using the basic rate as follows:		
	Loss before tax	(89,360,244)	(39,975)
	Tax calculated at a tax rate of 30%	(26,808,073)	(11,993)
	Tax effect of:		
	- expenses not deductible for tax purposes	404,136	181
	Tax credit	(26,403,937)	(11,812)
6.	**Share capital**		
	Authorised:		
	10,100,000 ordinary shares of Tshs 1,000	10,100,000,000	4,507,416
	Issued and fully paid:		
	1,120,322 ordinary shares of Tshs 1,000	1,120,322,000	499,976

7. **Deferred tax**

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

	2018 Tshs	2018 USD (Memo)
At start of the year	-	-
Credit to profit or loss (Note 5)	(26,403,937)	(11,812)
At end of the year	(26,403,937)	(11,812)

Deferred tax assets, deferred tax credit in profit or loss are attributable to the following items:

	At start of the period Tshs	Credit to profit or loss Tshs	At end of period Tshs
Deferred tax asset			
Plant and equipment			
- accelerated capital allowance	-	383,687	383,687
Unrealised exchange differences	-	(1,798,217)	(1,798,217)
Tax losses	-	(24,989,407)	(24,989,407)
Net deferred tax asset	-	(26,403,937)	(26,403,937)

8. **Plant and equipments**

	Motor vehicles Tshs	Furniture and fittings Tshs	Work in-progress Tshs	Totals Tshs
Cost				
Additions	13,500,000	160,000	463,385,568	477,045,568
Depreciation				
Charge for the year	3,796,875	6,667	-	3,803,542
Net book value				
As at 31 March 2018	9,703,125	153,333	463,385,568	473,242,026

	Motor vehicles USD (Memo)	Furniture and fittings USD (Memo)	Work in-progress USD (Memo)	Totals USD (Memo)
Cost				
Additions	6,004	71	204,834	210,909
Depreciation				
Charge for the year	1,689	3	-	1,692
Net book value				
As at 31 March 2018	4,315	68	204,834	209,218

Work in progress amounts incurred relate to factory set up and other works.

	2018 Tshs	2018 USD (Memo)
9. **Other receivables**		
Deposits and prepayments	203,181,239	90,358
10. **Cash and cash equivalents**		
Cash at bank	454,325,571	202,046
11. **Trade and other payables**		
Other payables	35,959,618	15,992

The carrying amounts of other payables approximate to their fair values.

The carrying amounts of the company's other payables are denominated in Tanzanian Shillings.

The maturity analysis of the trade and other payables is two to three months period.

12. **Loan and advances**		
Hester Biosciences Limited (Note 14)	64,127,462	28,519

NOTES (CONTINUED)

13. **Cash used in operations**

	2018 Tshs	2018 USD (Memo)
Reconciliation of loss before tax to cash used in operations:		
Loss before tax	(89,360,244)	(39,975)
Adjustments for:		
Depreciation on plant and equipment (Note 8)	3,803,542	1,692
Changes in working capital		
- trade and other payables	35,959,618	15,992
- prepayments	(203,181,239)	(90,358)
Cash used in operations	(252,778,323)	(112,650)

14. **Related party transactions and balances**

The company is controlled by Hester Biosciences Limited a company incorporated in India, which owns 98% of the company's shares. The remaining 2% of the company's shares are held by Darayus Lakdawalla and Rajiv Gandhi .

The following balances arose from transactions with related parties.

	2018 Tshs	2018 USD (Memo)
Loans and advances from related parties (Note 12)		
- Hester Biosciences Limited	64,127,462	28,519

The loans and advances from related parties are subject to interest free, have no specific dates of repayment and are unsecured.

15. **Risk management objectives and policies**

Financial risk management

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

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by the management.

(a) **Market risk**

Foreign exchange risk
The company is exposed to foreign exchange risk arising primarily with respect to the US Dollar.

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

15. **Risk management objectives and policies (continued)**

(a) **Market risk (continued)**

The carrying amount of the company's material foreign currency denominated monetary assets and liabilities that will have an impact on profit or loss when exchange rates change, at the end of the reporting period as follows:

	2018
	Tshs
Liabilities	
Trade and other payables	35,959,618
Pre tax effect on loss	3,595,962
Tax	1,078,789
Increase	2,517,173

(b) **Credit risk**

Credit risk arises from cash and cash equivalents and trade and other receivables.

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

Individual limits are set based on internal or external information in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

None of the financial assets that are fully performing has been renegotiated in the last period.

(c) **Liquidity risk**

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

16. **Capital management**

The company's objectives when managing capital are:

- to safeguard the entity’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders or adjust the amount of capital expenditure.

17. **Going concern**

During the period ended 31 March 2018 the company realised a net loss of Tshs 62,956,307 (USD 28,163).
The holding company has given an undertaking to continue to provide financial support to the company for the foreseeable future based on which the directors have considered it appropriate to prepare the financial statements on the going concern basis.

18. **Presentation currency**

These financial statements are presented in Tanzania Shillings (Tshs) and United State Dollars (USD) as the reporting functional currency.

SCHEDULE OF EXPENDITURE

1. **ADMINISTRATIVE EXPENSES**	**2018** **Tshs**	**USD (Memo)**
Audit fees	4,470,780	2,000
Bank charges	3,186,430	1,425
Professional and consulting fees	63,886,627	28,580
Stamp duty	1,347,123	603
Service charges	6,673,686	2,985
Total administrative expenses	79,564,646	35,593