

HESTER BIOSCIENCES KENYA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

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COMPANY INFORMATION

BOARD OF DIRECTORS	: Rajiv Gandhi (India) : Darayus Lakdawalla (India)
REGISTERED OFFICE	: Plot L.R No 7158/602 : Kalamu House, Grevillea Groove, Westlands : P.O. Box 47323, 00100 : NAIROBI
INDEPENDENT AUDITOR	: PKF Kenya LLP : Certified Public Accountants : P.O. Box 14077, 00800 : NAIROBI
COMPANY SECRETARY	: Equatorial Secretaries and Registrars : Certified Public Secretaries : P.O. Box 47323, 00100 : NAIROBI
PRINCIPAL BANKER	: Standard Chartered Bank of Kenya Limited : NAIROBI

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparation of 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. The directors are responsible for maintaining proper accounting records that disclose, with reasonable accuracy, the financial position of the company and that enable them to prepare financial statements of the company that comply with the International Financial Reporting Standard for Small and Medium-sized Entities. 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. 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 2022 and of the company's financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.

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 10/05/2022 and signed on its behalf by:



DIRECTOR



DIRECTOR

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF HESTER BIOSCIENCES KENYA LIMITED**

Opinion

We have audited the financial statements of Hester Biosciences Kenya Limited set out on pages 6 to 15 which comprise the statement of financial position as at 31 March 2022, statement of profit or loss and retained earnings, 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 Hester Biosciences Kenya Limited as at 31 March 2022, 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.

Basis of 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.

Restriction on use

We draw attention to note 1(a) of the financial statements which describes the basis of preparation. The financial statements have been prepared to assist the parent company prepare combined financial statements and as a result may not be suitable for any purpose. Our report is intended solely for management of Hester Biosciences Kenya Limited and should not be used by parties other than these. Our report is not modified in that aspect

Other information

The directors are responsible for the other information. The other information comprises the report of the directors, statement of directors responsibilities and the schedule of other expenditure 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.

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF HESTER BIOSCIENCES KENYA LIMITED (CONTINUED)**

Other information (continued)

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 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 International Financial Reporting Standard for Small and Medium-sized Entities, 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgement 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 the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.


**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF HESTER BIOSCIENCES KENYA LIMITED (CONTINUED)**

Auditor's responsibilities for the audit of the financial statements (continued)

- 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 CPA Mike Njuguna Kimundu, Practising certificate No. 2235



**For and on behalf of PKF Kenya LLP
Certified Public Accountants
Nairobi, Kenya**

18 May 2022

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STATEMENT OF PROFIT OR LOSS AND RETAINED EARNINGS

	Notes	2022 Shs	2021 Shs
Other operating income	4	-	-
Administrative expenses		(1,088,200)	(1,166,729)
Other operating expenses		-	-
Finance income	6	<u>2,825,908</u>	<u>2,307,413</u>
Profit before tax	5	1,737,708	1,140,684
Tax	7	<u>-</u>	<u>-</u>
Profit for the year		<u><u>1,737,708</u></u>	<u><u>1,140,684</u></u>
Accumulated losses at start of year	16	<u><u>(9,647,399)</u></u>	<u><u>(10,788,083)</u></u>
Accumulated losses at end of year	16	<u><u>(7,909,691)</u></u>	<u><u>(9,647,399)</u></u>

The notes on pages 9 to 15 form an integral part of these financial statements.

Report of the independent auditor - pages 3 to 5.

STATEMENT OF CASH FLOWS

		2022	2021
Cash (used in) operations	Note	Shs	Shs
Profit before tax		1,737,708	1,140,684
Adjustments for:			
Depreciation on equipment	10	-	-
Changes in working capital:			
- trade and other receivables	12	(2,795,355)	(2,179,838)
- trade and other payables	14	<u>(100,000)</u>	<u>33,593</u>
Net cash (used in) operating activities		<u>(1,157,647)</u>	<u>(1,005,561)</u>
(Decrease) in cash and cash equivalents		<u>(1,157,647)</u>	<u>(1,005,561)</u>
Investing Activities			
Purchase of shares		<u>1,078,501</u>	<u>-</u>
Net cash from Investing activities		<u>1,078,501</u>	<u>-</u>
(Decrease) in cash and cash and equivalents		<u>(2,236,148)</u>	<u>(1,005,561)</u>
Movement in cash and cash equivalents			
At start of year		3,447,695	4,453,256
(Decrease)		<u>(2,236,148)</u>	<u>(1,005,561)</u>
At end of year	13	<u>1,211,547</u>	<u>3,447,695</u>

The notes on pages 9 to 15 form an integral part of these financial statements.

Report of the independent auditor - pages 3 to 5.

NOTES

1. General information

Hester Biosciences Kenya Limited (the Company) is incorporated in Kenya under the Companies Act, 2015 as a private company limited by shares, and is domiciled in Kenya. The address of its registered office and principal place of business is as shown on page 2. The principal activity of the company is that of manufacturing, distribution and supply of animal health products, diagnostic platforms and animal vaccine.

2. Basis of preparation

The financial statements are prepared on a historical cost basis in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.

The financial statements have been prepared under the historical cost convention.

The financial statements have been presented in Kenya Shillings.

The preparation of financial statements in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimations are significant to the financial statements, are disclosed in note 3.

These financial statements have been prepared for the year 1 April 2021 to 31 March 2022 for the purpose of assisting the group in preparing combined financial statements. Separate general purpose financial statements will be prepared for the period 1 July 2020 to 30 June 2021

Going concern

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

The company has not had started activities since incorporation and has not made any sale. The directors are of the opinion that the company will remain a going concern for the foreseeable future. This opinion is based on the assumption that continued financial support will be made available to the company by its parent company.

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.

3. 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 the periods presented.

a) Key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

NOTES (CONTINUED)

3. Significant accounting policies (continued)

a) Key sources of estimation uncertainty(continued)

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

The directors have made the following judgement that is considered to have the significant effect on the amounts recognised in the financial statements.

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

b) Critical accounting estimates and judgements

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

There are no critical accounting estimates and judgements that could result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

c) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of business and is stated net of Value Added Tax (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 the company's activity. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The company bases its estimates on historical results, taking into consideration the type of customer, type of transaction and specifics of each arrangement.

Donation income is accounted for on accrual basis

d) Equipment

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

NOTES (CONTINUED)

3. Summary of significant accounting policies (continued)

d) Equipment (continued)

Depreciation is calculated on all assets on a reducing balance basis to write down the cost of each asset, to its residual value over its estimated useful life using the following annual rates:

	<u>Rate %</u>
Telephone	30

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

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 equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit.

e) Share capital

Ordinary shares are classified as equity.

f) Financial assets

Financial assets comprise trade and other receivables.

Trade 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. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit and loss.

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.

h) Financial liabilities

Financial liabilities comprise trade and other payables.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

i) Taxation

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

Current tax

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

NOTES (CONTINUED)

3. Summary of significant accounting policies (continued)

i) Taxation (continued)

Deferred tax

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

j) Translation of foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

k) Capital grant

These represents grants received for the purpose of capital expenditure including investments

Grants received for investments are classified as part of capital employed if there are no specific conditions on disposal. Where there are conditions in the event of disposal the same is classified as non-current liabilities.

l) Comparatives

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

NOTES (CONTINUED)

	2022 Shs	2021 Shs
4. Other operating income		
Capital grant released on disposal	-	-
Related party balances	-	-
	<u>-</u>	<u>-</u>
5. Profit before tax		
The following items have been charged in arriving at (loss)/profit before tax		
Depreciation on equipment (Note 10)	-	-
Audit fees	691,700	732,700
	<u>691,700</u>	<u>732,700</u>
6. Finance income		
Foreign exchange gain	2,825,908	2,307,413
	<u>2,825,908</u>	<u>2,307,413</u>
7. Tax		
Current tax	-	-
	<u>-</u>	<u>-</u>
The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic rate as follows:		
Profit before tax	1,737,708	1,140,684
Tax calculated at a tax rate of 30% (2020: 30%)	521,312	342,205
Tax effect of:		
- expenses not deductible for tax purposes	326,460	350,019
- income not subject to tax	847,772	(692,224)
	<u>847,772</u>	<u>(692,224)</u>
Tax	<u>-</u>	<u>-</u>
8. Share capital		
Authorised:		
151,000 (2020: 151,000) ordinary shares of Shs. 100 each	15,100,000	15,100,000
	<u>15,100,000</u>	<u>15,100,000</u>
Issued and fully paid:		
150,603 (2020: 150,603) ordinary shares of Shs. 100 each	15,060,300	15,060,300
	<u>15,060,300</u>	<u>15,060,300</u>
9. Capital grant		
Capital grant	56,169,606	56,169,606
	<u>56,169,606</u>	<u>56,169,606</u>
The capital grant were funds received specifically for purpose of purchasing shares in Hester Biosciences Tanzania Limited.		

NOTES (CONTINUED)

10. Equipment - telephone	2022 Shs	2021 Shs
Cost		
At start of year	<u>17,500</u>	<u>17,500</u>
Depreciation		
At start of year	17,500	17,500
Charge for the year	<u>-</u>	<u>0</u>
At end of year	<u>17,500</u>	<u>17,500</u>
Net book value	<u>-</u>	<u>-</u>
11. Investment in subsidiary	% Holding	
Hester Biosciences Tanzania Limited	100% (2020: 98%)	<u>57,248,107</u> <u>56,169,606</u>
The movement on investment in subsidiary was as follows:		
At start of year		56,169,606 56,169,606
Additions		<u>1,078,501</u> <u>-</u>
At end of year		<u>57,248,107</u> <u>56,169,606</u>
12. Trade and other receivables		
Prepayments and deposits	171,121	163,320
Deposit for vaccine (Note 16)	55,636,429	52,848,875
Amount receivable from shareholders (Note 16)	<u>300</u>	<u>300</u>
	<u>55,807,850</u>	<u>53,012,495</u>
13. Cash and cash equivalents		
Cash at bank and in hand	<u>1,211,547</u>	<u>3,447,695</u>
For the purposes of the statement of cash flows, the year end cash and cash equivalents comprise the above.		
14. Trade and other payables		
Trade payables	68,340	68,340
Other payables and accruals	<u>203,000</u>	<u>303,000</u>
	<u>271,340</u>	<u>371,340</u>
15. Capital contribution		
At start of year	<u>50,675,949</u>	<u>50,675,949</u>
At the end of the year	<u>50,675,949</u>	<u>50,675,949</u>

Capital contribution relates to expenses paid on behalf of the Kenyan entity which was not reimbursed to them and therefore classified as a capital contribution.

NOTES (CONTINUED)

16 Receivable from related party

The company is controlled by Hester Biosciences Limited incorporated in India which 100% of the company shares.

	2022	2021
	Shs	Shs
Outstanding balances:		
Receivable from Shareholders (Note 12)	<u>300</u>	<u>300</u>
Deposit for vaccine	<u>55,636,429</u>	<u>52,848,875</u>

17. Deferred tax

No provision for deferred tax has been made in these financial statements as there are no material temporary differences.

SCHEDULE OF EXPENDITURE

1. ADMINISTRATIVE EXPENSES	2022 Shs	2021 Shs
Other administrative expenses		
Legal and professional fees	307,400	274,800
Secretarial fees	-	87,000
Audit fees	691,700	732,700
Bank charges	19,500	16,684
Printing and stationery	69,600	25,545
Loss on disposal of investment in subsidiary	-	-
Miscellaneous expenses	-	-
Fines and penalties	-	30,000
	<u>1,088,200</u>	<u>1,166,729</u>
Total other administrative expenses	<u>1,088,200</u>	<u>1,166,729</u>
Total administrative expenses	<u>1,088,200</u>	<u>1,166,729</u>
2. OTHER OPERATING EXPENSES		
Depreciation on equipment	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
3. FINANCE INCOME		
Foreign exchange gain	<u>(2,825,908)</u>	<u>(2,307,413)</u>
	<u>(2,825,908)</u>	<u>2,307,413</u>