

HESTER BIOSCIENCES KENYA LIMITED
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

Hester Biosciences Kenya Limited
Report and consolidated financial statements
For the year ended 31 March 2020

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

Consolidated and company schedule of expenditure

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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
SUBSIDIARY	:	Hester Biosciences Tanzania Limited
	:	TANZANIA



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 group and 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 group and the company and that enable them to prepare financial statements of the group and 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.

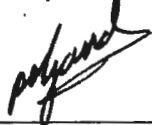
The directors are of the opinion that the financial statements give a true and fair view of the financial position of the group and the company as at 31 March 2020 and of the group and company's financial performance and cash flows for the year then ended in accordance with the International Financial 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 _____ 2020 and signed on its behalf by:




Rajiv Gandhi
Director





Darayus Lakdawalla
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 and its subsidiaries (the group) set out on pages 6 to 17, which comprise the consolidated and company statements of financial position as at 31 March 2020, consolidated and company statement of profit or loss and other comprehensive income, consolidated and company statement of changes in equity, consolidated and company 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 2020, 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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated 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 matters

The holding company's year end is 30 June, hence the last general purpose financial statements were 30 June 2019. This is the second set of special purpose financial statements prepared for the company as at 31 March 2020. The comparative are derived from the management accounts as at 31 March 2019 and partly from audited accounts from 30 June 2019.

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

Other information

The directors are responsible for the other information. The other information comprises group information, report of the directors, statement of directors responsibilities, consolidated and company manufacturing account and consolidated and company schedule of 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.

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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.

**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 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 group'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 group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

PKF Kenya LLP
**Certified Public Accountants
Nairobi**

22 June, 2020

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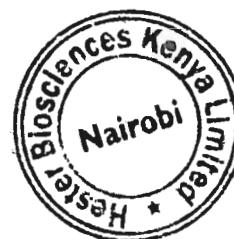
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	GROUP		COMPANY	
		2020 Shs	2019 Shs	2020 Shs	2019 Shs
Revenue	4	39,344,029	3,197,393	-	-
Cost of sales		<u>(30,138,743)</u>	<u>(2,796,424)</u>	<u>-</u>	<u>-</u>
Gross profit		9,205,286	400,969	-	-
Other operating income	5	3,075,395	-	3,075,395	-
Administrative expenses		(12,372,968)	(4,152,996)	(1,711,033)	(1,018,229)
Other operating expenses		<u>(3,573,806)</u>	<u>(3,138,817)</u>	<u>(1,750)</u>	<u>(457,948)</u>
Operating (loss)		(3,666,093)	(6,890,844)	1,362,612	(1,476,177)
Finance income		1,129,045	168,686	-	-
(Loss) before tax		(2,537,048)	(6,722,158)	1,362,612	(1,476,177)
Tax		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Loss) for the year		<u><u>(2,537,048)</u></u>	<u><u>(6,722,158)</u></u>	<u><u>1,362,612</u></u>	<u><u>(1,476,177)</u></u>
Other comprehensive income					
Currency translation		<u>3,022,138</u>	<u>(2,827,477)</u>	<u>-</u>	<u>-</u>
Total other comprehensive income		<u><u>485,090</u></u>	<u><u>(9,549,635)</u></u>	<u><u>1,362,612</u></u>	<u><u>(1,476,177)</u></u>

The notes on pages 10 to 17 form an integral part of these financial statements.

Report of the independent auditor - pages 3 to 5.




Hester Biosciences Kenya Limited
Report and consolidated financial statements
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STATEMENT OF FINANCIAL POSITION


	Notes	GROUP As at 31 March		COMPANY As at 31 March	
		2020 Shs	2019 Shs	2020 Shs	2019 Shs
CAPITAL EMPLOYED					
Share capital	9	15,060,300	15,060,300	15,060,300	15,060,300
Capital grant	10	56,169,607	57,232,375	56,169,607	57,232,375
Translation reserve		(279,822)	(3,301,960)	-	-
Retained earnings		27,750,812	30,287,860	39,887,866	38,525,254
Shareholders' funds		<u>98,700,897</u>	<u>99,278,575</u>	<u>111,117,773</u>	<u>110,817,929</u>
REPRESENTED BY					
Non-current assets					
Property and equipment	11	805,438	523,233	-	3,062
Investment in subsidiary	12	-	-	56,169,607	57,232,375
		<u>805,438</u>	<u>523,233</u>	<u>56,169,607</u>	<u>57,235,437</u>
Current assets					
Inventories	13	8,934,371	6,626,938	-	-
Trade and other receivables	14	101,955,060	96,043,225	50,832,657	48,913,653
Cash and cash equivalents	15	8,311,329	7,707,346	4,453,256	5,680,533
		<u>119,200,760</u>	<u>110,377,509</u>	<u>55,285,913</u>	<u>54,594,186</u>
Current liabilities					
Trade and other payables	16	21,305,301	11,622,167	337,747	1,011,694
Net current assets		<u>97,895,459</u>	<u>98,755,342</u>	<u>54,948,166</u>	<u>53,582,492</u>
		<u>98,700,897</u>	<u>99,278,575</u>	<u>111,117,773</u>	<u>110,817,929</u>

The financial statements on pages 6 to 17 were authorised and approved for issue by the Board of Directors on _____ 2020 and were signed on its behalf by:


Rajiv Gandhi
Director




Darayus Lakdawalla
Director



The notes on pages 10 to 17 form an integral part of these financial statements.

Report of the independent auditor - pages 3 to 5.

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STATEMENT OF CHANGES IN EQUITY

GROUP

	Share capital Shs	Capital grant Shs	Translation reserve Shs	Retained earnings Shs	Total Shs
Year ended 31 March 2019					
At start of year	300	57,232,375	(474,483)	37,010,018	93,768,210
Total other comprehensive (loss)	-	-	(2,827,477)	(6,722,158)	(9,549,635)
Issue of shares	15,060,000	-	-	-	15,060,000
At end of year	<u>15,060,300</u>	<u>57,232,375</u>	<u>(3,301,960)</u>	<u>30,287,860</u>	<u>99,278,575</u>
Year ended 31 March 2020					
At start of year	15,060,300	57,232,375	(3,301,960)	30,287,860	99,278,575
Capital grant released on disposal	-	(1,062,768)	-	-	(1,062,768)
Total other comprehensive (loss)	-	-	3,022,138	(2,537,048)	485,090
At end of year	<u>15,060,300</u>	<u>56,169,607</u>	<u>(279,822)</u>	<u>27,750,812</u>	<u>98,700,897</u>

COMPANY

	Share capital Shs	Capital grant Shs	Retained earnings Shs	Total Shs
Year ended 31 March 2019				
At start of year	300	57,232,375	40,001,431	97,234,106
Total other comprehensive (loss)	-	-	(1,476,177)	(1,476,177)
Issue of shares	15,060,000	-	-	15,060,000
At end of year	<u>15,060,300</u>	<u>57,232,375</u>	<u>38,525,254</u>	<u>110,817,929</u>
Year ended 31 March 2020				
At start of year	15,060,300	57,232,375	38,525,254	110,817,929
Capital grant released on disposal	-	(1,062,768)	-	(1,062,768)
Total other comprehensive (loss)	-	-	1,362,612	1,362,612
At end of year	<u>15,060,300</u>	<u>56,169,607</u>	<u>39,887,866</u>	<u>111,117,773</u>

The notes on pages 10 to 17 form an integral part of these financial statements.

Report of the independent auditor - pages 3 to 5.



Hester Biosciences Kenya Limited
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STATEMENT OF CASH FLOWS

	Notes	GROUP		COMPANY	
		As at 31 March		As at 31 March	
Cash (used in) operations		2020 Shs	2019 Shs	2020 Shs	2019 Shs
(Loss) before tax		(2,537,048)	(6,722,158)	1,362,612	(1,476,177)
Adjustments for:					
Depreciation on property and equipment	11	109,146	641,478	3,062	5,250
Changes in working capital:					
- Inventory	13	(2,307,433)	3,045,946	-	-
- trade and other receivables	14	(5,911,835)	(13,542,484)	(1,919,004)	(9,223,061)
- being disposal of shares	12	(1,062,768)	-	-	-
- trade and other payables	16	9,683,134	951,941	(673,947)	(884,306)
Net cash (used in) operating activities		<u>(2,026,804)</u>	<u>(15,625,277)</u>	<u>(1,227,277)</u>	<u>(11,578,294)</u>
Investing activities					
Cash used in purchase of equipment	11	(360,642)	(84,305)	-	-
Proceeds from disposal of assets	11	-	1,167,943	-	-
Share capital	7	-	15,060,000	-	15,060,000
Net cash from/(used in) operating activities		<u>(360,642)</u>	<u>16,143,638</u>	<u>-</u>	<u>15,060,000</u>
Financing activities					
Proceeds from loans and advances	17	-	-	-	-
(Decrease)/increase in cash and cash equivalents		<u>(2,387,446)</u>	<u>518,361</u>	<u>(1,227,277)</u>	<u>3,481,706</u>
Movement in cash and cash equivalents					
At start of year		7,707,346	10,015,531	5,680,533	2,198,827
Translation adjustment		2,991,429	(2,826,546)	-	-
(Decrease)/increase		<u>(2,387,446)</u>	<u>518,361</u>	<u>(1,227,277)</u>	<u>3,481,706</u>
At end of year	15	<u>8,311,329</u>	<u>7,707,346</u>	<u>4,453,256</u>	<u>5,680,533</u>

The notes on pages 10 to 17 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 consolidated financial statements are prepared on a historical cost basis in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.

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

The consolidated financial statements have been presented in Kenya Shillings.

The preparation of consolidated 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 2019 to 31 March 2020 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 2019 to 30 June 2020

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.

During the year ended 31 March 2020 the group incurred a loss of Shs. 3,599,815 (2019: Shs. 6,722,158). The directors are of the opinion that the group 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 group and its risk management policies, the directors are of the opinion that the group 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

In the application of the accounting policies, the directors are required to make the judgments, 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.

Management have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.



NOTES (CONTINUED)

3. Significant accounting policies (continued)

Key sources of estimation uncertainty (continued)

- **Useful lives of property equipment** - Management reviews the useful lives and residual values of the items of property and equipment on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.
- **Impairment of trade receivables** - the group 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) Significant judgements made by management in applying the company's accounting policies

Directors have made the following judgements that are considered to have the most significant effect on the amounts recognised in the financial statements:

- **Control of subsidiaries** - The directors assess whether or not the group has control over any entity based on whether or not the group has the practical ability to direct the relevant activities of the entity unilaterally. In making their judgement, the directors considered the groups absolute size of holding in the entity and the relative size of dispersion of the shareholdings owned by the other shareholders.

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 group 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 group's activities. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, type of transaction and specifics of each arrangement.

Sales of goods are recognised upon delivery of products and customer acceptance.

d) Consolidation

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies. Control is achieved when the group has power over the investee; is exposed or has right to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

The purchase method of accounting is used to account for the acquisition of a subsidiary by the company. The cost of an acquisition is measured at the fair value of consideration given (i.e. the fair values of assets given, equity instruments issued and liabilities incurred or assumed, plus costs that can directly attributed to the acquisition) at the date of exchange. Identifiable assets acquired, liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the company's share of the identifiable net assets acquired is recorded as goodwill. Goodwill generated on the acquisition of a subsidiary is subject to annual impairment review. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference (negative goodwill) is recognised directly in profit or loss as income.



NOTES (CONTINUED)

3. Summary of significant accounting policies (continued)

d) Consolidation (continued)

Subsidiaries are fully consolidated from the date at which the company starts controlling them and are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between the group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the group.

e) 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. 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.

f) Property and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured.

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

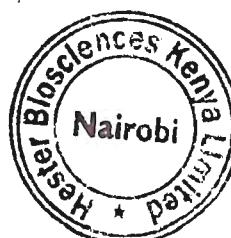
	Rate %
Motor vehicles	25.00%
Furniture and fittings	12.50%
Computers and equipment	12.50%

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.

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

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining deficit for the year.

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



NOTES (CONTINUED)

3. Significant accounting policies (continued)

f) Property and equipment (continued)

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

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating (loss).

g) Financial assets

Financial assets comprise trade and other receivables.

Trade and other receivables are initially recognised at the transaction price.

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.

h) Financial liabilities

Financial liabilities comprise of borrowings and trade and other payables.

Borrowings are initially recognised at transaction price, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in the profit or loss under finance costs. Borrowings are classified as current liabilities unless the foundation has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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

i) Capital grant

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

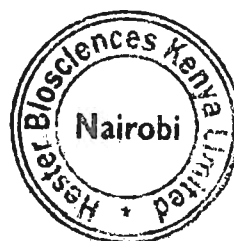
Grants received for investments are classified as part of capital employed if there are no specific conditions on disposal. Where there are conditions in the event of disposal the same is classified as non-current liabilities.

j) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts.

k) Accounting for leases

Leases of property, plant and equipment, where the group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at cost. Each lease payment is allocated between the liability and finance charges. The interest element is charged to profit or loss over the lease period and is included under finance costs. Such property, plant and equipment is depreciated over its useful life.



NOTES (CONTINUED)

3. Significant accounting policies (continued)

k) Accounting for leases (continued)

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of raw materials, packaging materials, consumables and finished goods comprises raw materials, direct labour, other direct costs and related production overheads, attributable to bringing the inventory to its present location and condition but excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

m) Retirement benefit obligations

Employee entitlements to leave gratuity and long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date.

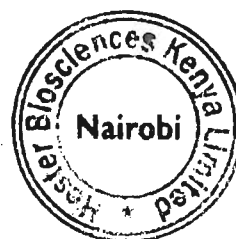
The group and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The group's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate they relate.

n) Share capital

Ordinary shares are classified as equity.

o) Comparatives

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



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NOTES (CONTINUED)

	GROUP		COMPANY	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
4. Revenue				
Revenue from sale of goods	<u>39,344,029</u>	<u>3,197,393</u>	<u>-</u>	<u>-</u>
5. Other operating income				
Foreign exchange gain	1,663,268	-	1,663,268	-
Capital grant released on disposal	1,062,768	-	1,062,768	-
Related party balances	<u>349,359</u>	<u>-</u>	<u>349,359</u>	<u>-</u>
	<u>3,075,395</u>	<u>-</u>	<u>3,075,395</u>	<u>-</u>
6. Operating (loss)				
The following items have been charged in arriving at the operating (loss):				
Depreciation on property and equipment (Note 11)	110,010	640,166	1,750	3,938
Audit fees	535,944	935,552	332,000	332,000
Rent and rates	2,676,742	2,213,244	-	354,010
Repairs and maintenance	9,656	79,065	-	-
Staff costs (Note 8)	<u>-</u>	<u>889,825</u>	<u>-</u>	<u>-</u>
7. Tax				
Current tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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	<u>(2,537,048)</u>	<u>(6,722,158)</u>	<u>1,362,612</u>	<u>(1,476,177)</u>
Tax calculated at a tax rate of 30% (2019: 30%)	<u>(761,114)</u>	<u>(2,016,647)</u>	<u>408,784</u>	<u>(442,853)</u>
Tax effect of:				
- expenses not deductible for tax purposes	<u>761,114</u>	<u>2,016,647</u>	<u>(408,784)</u>	<u>442,853</u>
Tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8. Staff costs				
Salaries and wages	5,134,739	800,812	-	-
Pension costs:				
- National Social Security Fund	180,344	80,081	-	-
- Other staff expenses	1,924	924	-	-
- W.C.F Expenses	<u>51,105</u>	<u>8,008</u>	<u>-</u>	<u>-</u>
	<u>5,368,113</u>	<u>889,825</u>	<u>-</u>	<u>-</u>
9. Share capital				
Authorised:				
151,000 (2019: 151,000 ordinary shares of Shs. 100 each)	<u>15,100,000</u>	<u>15,100,000</u>	<u>15,100,000</u>	<u>15,100,000</u>
Issued and fully paid:				
150,603 (2019: 150,603) ordinary shares of Shs. 100 each	<u>15,060,300</u>	<u>15,060,300</u>	<u>15,060,300</u>	<u>15,060,300</u>
10. Capital grant				
Capital grant	<u>56,169,606</u>	<u>57,232,375</u>	<u>56,169,606</u>	<u>57,232,375</u>

The capital grant were funds received specifically for purpose of purchasing shares in Hester Biosciences Tanzania Limited. During the year, the shareholders of Hester Biosciences Kenya Limited gifted 230 shares amounting to Sh: 1,062,768 (or 10,000 United States Dollars) to Henry Ernest Mbwili. This gift has been treated as a disposal for purposes of these financial statements.



NOTES (CONTINUED)

11. Property and equipment

GROUP	Furniture and fittings Shs	Computers and equipment Shs	Total Shs
Cost			
At start of year	326,732	302,939	629,671
Additions	13,019	347,623	360,642
Disposals	-	-	-
Transfer adjustments	13,486	25,066	38,552
At end of year	<u>353,237</u>	<u>675,628</u>	<u>1,028,865</u>
Depreciation			
At start of year	47,936	58,502	106,438
Charge for the year	40,656	68,490	109,146
Transfer adjustments	3,509	4,334	7,843
At end of year	<u>92,101</u>	<u>131,326</u>	<u>223,427</u>
Net book value			
As at 31 March 2020	<u>261,136</u>	<u>544,302</u>	<u>805,438</u>
As at 31 March 2019	<u>278,796</u>	<u>244,437</u>	<u>523,233</u>

COMPANY

Equipment - telephone	2020 Shs	2019 Shs
Cost		
At start and end of year	<u>17,500</u>	<u>17,500</u>
Depreciation		
At start of year	14,438	9,188
Charge for the year	<u>3,062</u>	<u>5,250</u>
At end of year	<u>17,500</u>	<u>14,438</u>
Net book value	<u>-</u>	<u>3,062</u>



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NOTES (CONTINUED)

	% Holding	GROUP		COMPANY	
		2020 Shs	2019 Shs	2020 Shs	2019 Shs
12 Investment in subsidiary					
Hester Biosciences Tanzania Limited	98% (2019: 100%)	-	-	57,232,375	57,232,375
The movement on investment in subsidiary was as follows:					
At start of year		-	-	57,232,375	57,232,375
Disposal		-	-	(1,062,768)	-
At end of year				56,169,607	57,232,375

During the year, the shareholders of Hester Biosciences Kenya Limited gifted 230 shares amounting to Shs 1,062,768 (or 10,000 United States Dollars) to Henry Ernest Mbwile. This gift has been treated as a disposal for purposes of these financial statements.

13 Inventory

Finished goods	8,934,371	6,626,938	-	-
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14 Trade and other receivables

Trade receivables	1,042,176	1,455,125	-	-
Other receivables and prepayments	1,831,463	616,940	156,408	150,353
Receivable from related parties (Note 17)	99,081,422	93,971,161	50,676,249	48,763,300
	101,955,060	96,043,225	50,832,657	48,913,653

15 Cash and cash equivalents

Cash at bank and in hand	8,311,329	7,707,346	4,453,256	5,680,533
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For the purposes of the statement of cash flows, the year end cash and cash equivalents comprise the above.

16 Trade and other payables

Trade payables	130,997	364,220	130,997	364,220
Other payables and accruals	758,793	1,023,894	206,750	300,000
Amount payable to related party (Note 17)	20,415,512	10,234,053	-	347,474
	21,305,301	11,622,167	337,747	1,011,694

17 Related party balances

Outstanding balances:

- Receivable from related parties (Note 14)	99,081,422	93,971,161	48,763,300	99,081,422
- Payable to related parties - short term (Note 16)	20,415,512	347,474	-	347,474
- Payable to related parties - long term (Note 16)		9,886,579	-	-
	20,415,512	10,234,053	-	347,474

18 Deferred tax

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



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SCHEDULE OF EXPENDITURE

1. ADMINISTRATIVE EXPENSES	GROUP		COMPANY	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
Employment:				
Salaries and wages	5,134,739	800,812	-	-
N.S.S.F expenses	180,344	80,081	-	-
W.C.F expenses	51,105	8,008	-	-
Other staff expenses	1,924	924	-	-
	<u>5,368,113</u>	<u>889,826</u>	<u>-</u>	<u>-</u>
Other administrative expenses				
Legal and professional fees	3,445,245	573,730	197,200	98,600
Secretarial fees	93,407	496,288	93,407	496,288
Audit fees	535,944	935,552	332,000	332,000
Bank charges	120,298	78,450	13,378	12,674
Printing and stationery	40,934	18,718	3,000	15,660
Loss on disposal of investment in subsidia	1,062,768	-	1,062,768	-
Foreign exchange loss	9,280	59,527	9,280	59,527
Miscellaneous expenses	-	3,480	-	3,480
Transport expenses	29,372	71,721	-	-
Stamp duty	66,380	22,369	-	-
Other duty	-	15,377	-	-
Business promotion expense	865,646	-	-	-
Office expense	394,814	41,017	-	-
Vehicle running expense	6,221	61,148	-	-
Labour expense	5,199	46,720	-	-
Telephone & internet	48,879	48,533	-	-
Other expenses	280,467	56,761	-	-
Reimbursement expense	-	347,808	-	-
Marketing & promotion services	-	385,971	-	-
	<u>7,004,855</u>	<u>3,263,170</u>	<u>1,711,033</u>	<u>1,018,229</u>
Total other administrative expenses	<u>7,004,855</u>	<u>3,263,170</u>	<u>1,711,033</u>	<u>1,018,229</u>
Total administrative expenses	<u>12,372,968</u>	<u>4,152,996</u>	<u>1,711,033</u>	<u>1,018,229</u>
2. OTHER OPERATING EXPENSES				
Rent and rates	2,676,742	2,213,244	-	354,010
Licenses	442,060	155,441	-	100,000
Electricity and water	297,717	24,292	-	-
Insurance	37,621	26,609	-	-
Repai & Maintenance	9,656	79,065	-	-
Depreciation on PPE	110,010	640,166	1,750	3,938
	<u>3,573,806</u>	<u>3,138,817</u>	<u>1,750</u>	<u>457,948</u>
3. FINANCE COSTS				
Foreign exchange (gain)	<u>(1,129,045)</u>	<u>(168,686)</u>	<u>-</u>	<u>-</u>

