

HESTER BIOSCIENCES AFRICA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020
(FOR GROUP REPORTING PURPOSES ONLY)

Hester Biosciences Africa Limited
Annual report and financial statements
For the year ended 31 March 2020 for group reporting purpose only

CONTENTS	PAGE
Company information	1
Report of the directors	2
Statement of directors' responsibilities	3
Declaration of the head of finance	4
Report of the independent auditor	5 - 6
Financial statements:	
Statement of profit or loss and other comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash flows	10
Notes: Significant accounting policies	11 - 20
Notes	21 - 29
The following page does not form an integral part of these financial statements	
Schedule of expenditure	30



Hester Biosciences Africa Limited
Annual report and financial statements
For the year ended 31 March 2020 for group reporting purpose only
COMPANY INFORMATION

BOARD OF DIRECTORS	: Rajiv Gandhi : Darayus Lakdawalla	Indian Indian
REGISTERED OFFICE	: Palm Residency Shop No. 9 : Plot No. 45/46 Chimara Street, Kivukoni : P.O. Box 75512 : Dar-es-Salaam : Tanzania	
PRINCIPAL PLACE OF BUSINESS	: Manufacturing Plant : Plot No. 647 & 648 : 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 BANKER	: Standard Chartered Bank Tanzania Limited : 2nd Floor, International House Property : Garden Avenue, Shaaban Robert Street : P.O. Box 9011 : Dar-es-Salaam : Tanzania	



Hester Biosciences Africa Limited
Annual report and financial statements
For the year ended 31 March 2020 for group reporting purpose only
REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 March 2020, 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 activity of the company is manufacture and sale of poultry and animal vaccines for export.

RESULTS

	2020		2019	
	Tshs	USD (Memo)	Tshs	USD (Memo)
Loss before tax	(487,025,966)	(212,684)	-	-
Tax charge	-	-	(26,403,937)	(11,812)
Loss for the year	<u>(487,025,966)</u>	<u>(212,684)</u>	<u>(26,403,937)</u>	<u>(11,812)</u>


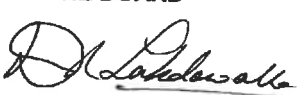
DIRECTORS

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

INDEPENDENT AUDITOR

PKF Associates Tanzania, has expressed willingness to continue in office and is 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

24/06/ 2020



Hester Biosciences Africa Limited
Annual report and financial statements
For the year ended 31 March 2020 for group reporting purpose only
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Tanzanian Companies Act, 2002 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company keeps proper accounting records that are sufficient to show and explain the transactions the company; 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 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 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 2020 and of the company's financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Tanzania Companies Act, 2002 and the Hester Biosciences Group financial reporting requirements.

- 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 2020 and of the company's financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Tanzania Companies Act, 2002 and the Hester Biosciences Group financial reporting requirements.

During the year ended 31 March 2020 the company was in the process of building its factory and realised a net loss of Tshs 487,026,146,(USD 212,684).

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.

Approved by the board of directors on 24/06/ 2020 and signed on its behalf by:



Director



Director



Hester Biosciences Africa Limited
Annual report and financial Statements
For the year ended 31 March 2020 for group reporting purpose only

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 Accounting Standards and International Financial Reporting Standards (IFRS). 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 RIZIKI 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 year ended 31 March 2020 have been prepared in compliance with applicable accounting standards Hester Biosciences Company financial reporting requirements 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: 24/06/2020

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF HESTER BIOSCIENCES AFRICA LIMITED FOR GROUP REPORTING PURPOSES ONLY**

Opinion

We have audited the financial statements of Hester Biosciences Africa Limited set out on pages 7 to 29 which comprise the statement of financial position for the year ended 31 March 2020, 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 2020, and of its financial performance and cash flows for the year ended 31 March 2020 in accordance with the Hester Biosciences Group financial reporting requirements

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- Basis of Accounting

We draw attention to note 20 to the financial statements which describes the basis of accounting. The financial statements are prepared to assist the company to meet the requirements of the Hester Biosciences Nepal PVT Limited, group financial reporting requirements. As a result, these financial statements may not be suitable for any other purposes. Our opinion is not modified in respect of this matter.

Other matter

The company has prepared a separate set of statutory financials statements for the year ended 31 December 2019 in accordance with International Financial Reporting Standards and the Tanzania Companies Act, 2002 for which we issued a separate audit report to the shareholders of Hester Biosciences Africa Limited dated 3 March 2020.

Other Information

The directors are responsible for the other information. The other information comprises the company information, the directors' report, statement of directors' responsibilities, declaration of the head of finance and the schedule of expenditure and any other reports that comprise this report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or 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 company financial statements that give a true and fair view in accordance with the group financial reporting requirements 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.

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.

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS
OF HESTER BIOSCIENCES AFRICA LIMITED FOR GROUP REPORTING PURPOSES ONLY (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.

Report on Other Matters

The company has prepared a separate set of statutory financials statements for the year ended 31 December 2019 in accordance with International Financial Reporting Standards and the Tanzania Companies Act, 2002 for which we issued a separate audit report to the shareholders of Hester Biosciences Africa Limited dated 3 March 2020.

In our opinion the information given in the report of the directors on page 2 is consistent with the financial statements

Based on our audit we report to you, that:

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and
- (iii) the company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Certified Public Accountants Tanzania
CPA (Mustansir Gulamhussein), Practising certificate No. 1810
Signing partner responsible for the independent Audit
PKF Associates Dar es Salaam
Ref: PKF/A/H013/057/20/mg

PKF ASSOCIATES TANZANIA
P.O. Box 7323
DAR-ES-SALAAM

Date: 24/06/2020

Hester Biosciences Africa Limited
Annual report and financial statements
For the year ended 31 March 2020 for group reporting purpose only
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2020		2019	
		Tshs	USD (Memo)	Tshs	USD (Memo)
Other income	2	88,660,755	38,718	-	-
Grant amortisation	3	<u>262,610,774</u>	<u>114,682</u>	<u>867,643,721</u>	<u>380,318</u>
Operating profit		351,271,529	153,401	867,643,721	380,318
Administrative expenses		(558,866,982)	(244,056)	(339,062,548)	(148,931)
Other operating expenses		<u>(217,143,617)</u>	<u>(94,827)</u>	<u>(530,208,739)</u>	<u>(232,101)</u>
Operating loss	4	(424,739,070)	(185,482)	(1,627,566)	(714)
Finance (costs)/income	6	<u>(62,286,896)</u>	<u>(27,202)</u>	<u>1,627,566</u>	<u>713</u>
Loss before tax		(487,025,966)	(212,684)	-	-
Tax charge	7	<u>-</u>	<u>-</u>	<u>(26,403,937)</u>	<u>(11,812)</u>
Loss for the year		<u>(487,025,966)</u>	<u>(212,684)</u>	<u>(26,403,937)</u>	<u>(11,812)</u>
Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other comprehensive loss for the year		<u>(487,025,966)</u>	<u>(212,684)</u>	<u>-</u>	<u>-</u>

The notes on pages 11 to 29 form an integral part of these financial statements.

Report of the independent auditor - page 5 and 6.



Hester Biosciences Africa Limited
Annual report and financial statements
For the year ended 31 March 2020 for group reporting purpose only
STATEMENT OF FINANCIAL POSITION

	Notes	2020		2019	
		Tshs	USD (Memo)	Tshs	USD (Memo)
EQUITY					
Share capital	8	9,112,079,000	3,999,976	5,130,082,000	2,249,976
Retained earnings		(681,865,298)	(333,157)	(89,360,244)	(46,955)
Equity attributable to owners of the company		8,430,213,702	3,666,819	5,040,721,756	2,203,021
Non current liabilities					
Deferred capital grant	9	1,838,275,426	801,789	191,344,871	82,224
Borrowings	10	16,106,235,230	7,000,000	9,134,120,000	3,989,571
Lease liabilities	11	1,593,079,488	696,276	-	-
		19,537,590,144	8,498,065	9,325,464,871	4,071,795
		27,967,803,846	12,164,884	14,366,186,627	6,274,816
REPRESENTED BY:					
Non- current assets					
Plant and equipments	12	23,594,494,419	10,259,356	2,241,852,759	979,190
Right-of-use assets	13	1,533,381,980	670,184	-	-
Deferred tax		-	-	-	-
		25,127,876,398	10,929,540	2,241,852,759	979,190
Current assets					
Trade and other receivables	14	741,279,855	322,171	211,767,751	92,495
Tax recoverable		300,000	130	300,000	131
Cash and cash equivalents	15	4,114,268,696	1,788,121	12,254,726,405	5,352,579
		4,855,848,551	2,110,422	12,466,794,156	5,445,205
Current liabilities					
Trade and other payables	16	1,892,728,930	822,607	70,009,788	30,579
Loans and advances	17	24,511,671	10,653	272,450,500	119,000
Lease liabilities	11	98,680,502	41,818	-	-
		2,015,921,103	875,078	342,460,288	149,579
Net current assets		2,839,927,448	1,235,343	12,124,333,868	5,295,626
		27,967,803,846	12,164,884	14,366,186,627	6,274,816

The financial statements on pages 7 to 29 were approved and authorised for issue by the Board of Directors on 24/06/2020 and were signed on its behalf by:

 
Director



The notes on pages 11 to 29 form an integral part of these financial statements.

Report of the independent auditor - page 5 and 6.

Hester Biosciences Africa Limited
Annual report and financial statements
For the year ended 31 March 2020 for group reporting purpose only
STATEMENT OF CHANGES IN EQUITY

	Share capital Tshs	Retained earnings Tshs	Total Tshs	Share capital USD	Retained earnings USD	Total USD
Year ended 31 March 2020						
At start of the year	5,130,082,000	(89,360,244)	5,040,721,756	2,249,976	(46,955)	2,203,021
Transition adjustments						
Changes on initial application of IFRS 16 (Note 1a)	-	(105,479,088)	(105,479,088)		(45,843)	(45,843)
As at 1 April 2019	5,130,082,000	(194,839,332)	4,935,242,668	2,249,976	(92,798)	2,157,178
Total other comprehensive loss for the year	-	(487,025,966)	(487,025,966)	-	(212,684)	(212,684)
Effect of foreign exchange translation				-	(27,675)	(27,675)
Transaction with owners:						
Issue of share capital	3,981,997,000	-	3,981,997,000	1,750,000	-	1,750,000
At end of the year	9,112,079,000	(681,865,298)	8,430,213,702	3,999,976	(333,157)	3,666,819

	Share capital Tshs	Retained earnings Tshs	Total Tshs	Share capital USD	Retained earnings USD	Total USD
Year ended 31 March 2019						
At start of the year	1,120,322,000	(62,956,307)	1,057,365,693	499,976	(29,986)	469,990
Total other comprehensive loss for the year	-	(26,403,937)	(26,403,937)	-	(11,812)	(11,812)
Effect of foreign exchange translation					(5,157)	(5,157)
Transaction with owners:						
Issue of share capital	4,009,760,000	-	4,009,760,000	1,750,000	-	1,750,000
At end of the year	5,130,082,000	(89,360,244)	5,040,721,756	2,249,976	(46,955)	2,208,178

The notes on pages 11 to 29 form an integral part of these financial statements.
Report of the independent auditor - page 5 and 6.



Hester Biosciences Africa Limited
Annual report and financial statements
For the year ended 31 March 2020 for group reporting purpose only
STATEMENT OF CASH FLOWS

	Note:	2020		2019	
		Tshs	USD (Memo)	Tshs	USD (Memo)
Operating activities					
Cash generated from/(used in) operations	18	<u>11,410,567,258</u>	<u>4,963,565</u>	<u>(8,702,930,031)</u>	<u>(3,801,756)</u>
Net cash from operating activities		<u>11,410,567,258</u>	<u>4,963,565</u>	<u>(8,702,930,031)</u>	<u>(3,801,756)</u>
Investing activities					
Cash paid for purchase of plant and equipments	12	<u>(21,371,317,197)</u>	<u>(9,284,046)</u>	<u>(1,774,669,134)</u>	<u>(768,144)</u>
Net cash used in investing activities		<u>(21,371,317,197)</u>	<u>(9,284,046)</u>	<u>(1,774,669,134)</u>	<u>(768,144)</u>
Financing activities					
Proceed from issue of shares	8	3,981,997,000	1,750,000	4,009,760,000	1,750,000
Proceed from long-term borrowings	10	<u>6,972,115,230</u>	<u>3,010,429</u>	<u>9,134,120,000</u>	<u>3,989,571</u>
Net cash from financing activities		<u>10,954,112,230</u>	<u>4,760,429</u>	<u>13,143,880,000</u>	<u>5,739,571</u>
Increase in cash and cash equivalents		<u>993,362,291</u>	<u>439,949</u>	<u>2,666,280,835</u>	<u>1,169,671</u>
Movement in cash and cash equivalents					
At start of year		3,120,906,405	1,363,142	454,625,570	203,376
Effect of exchange rate changes			(14,970)	-	(9,904)
Increase in cash and cash equivalents		<u>993,362,291</u>	<u>439,949</u>	<u>2,666,280,835</u>	<u>1,169,671</u>
At end of year	15	<u>4,114,268,696</u>	<u>1,788,121</u>	<u>3,120,906,405</u>	<u>1,363,142</u>

The notes on pages 11 to 29 form an integral part of these financial statements.

Report of the independent auditor - page 5 and 6.



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 years presented, unless otherwise stated.

These financial statements comply with the requirements of the Tanzania 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.

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 consolidated 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.

New standards, amendments and interpretations adopted by the Company

All new and amended standards and interpretations that have become effective for the first time in the financial year beginning 1 April 2019 have been adopted by the Company. Of those, the following has had an effect on the Company's financial statements:

International Financial Reporting Standard 16 (IFRS 16): Leases

From 1 April 2019, to comply with IFRS 16, Leases, which replaced IAS 17, Leases, the company now recognises lease liabilities relating to leases under which the Company is the lessee that had previously been classified as operating leases (other than leases with less than 12 months to run from 1 April 2019 and leases of low value items). Such liabilities have been measured at 1 April 2019 at the present value of the remaining lease payments discounted using the Company's incremental borrowing rate as at 1 April 2019. Corresponding right-of-use assets have been recognised, measured as if the Company's new accounting policy (see Note 1(r)) had been applied since the commencement of each lease but discounted using the Company's incremental borrowing rate as at 1 April 2019. The difference between the lease liabilities and right-of-use assets at 1 April 2019 has been recognised as an adjustment to retained earnings at that date. As permitted by the transition provisions in the new standard, comparative amounts have not been restated. The Company's accounting policy for leases under which the Company was lessee was, up to 31 March 2019, as follows:



1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

New standards, amendments and interpretations adopted by the Company

Leases of property, plant and equipment including hire purchase contracts where the company assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are recognised as a liability at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount factor in determining the present value. Each lease Property, plant and equipment acquired under finance leases are capitalised and depreciated over the estimated useful life of the asset. Leases of assets where a significant proportion of the risks and rewards of ownership are 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 lease period. Prepaid operating lease rentals are recognised as assets and are subsequently amortised over the lease period.

Other standards and amendments

The following, which became effective from 1 January 2019, have been adopted but have not had a significant impact on the Company's financial statements.

- Amendments to IAS 12 'Income Taxes' effective for annual periods beginning on or after 1 January 2019 clarifying on the recognition of income tax consequences of dividends.
- Amendments to IAS 19 'Employee Benefits' effective for annual periods beginning on or after 1 January 2019 clarifying the effects of a retirement benefit plan amendment, curtailment or settlement.
- Amendments to IAS 23 'Borrowing Costs' effective for annual periods beginning on or after 1 January 2019 clarifying that specific borrowings remaining unpaid at the time the related asset is ready for its intended use or sale will comprise general borrowings.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' effective for annual periods beginning on or after 1 January 2019 clarifying that IFRS 9 is only applicable to investments to which the equity method is not applied.
- Amendments to IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements' effective for annual periods beginning on or after 1 January 2019 in relation to remeasurement of previously held interests on a joint operation on obtaining control.
- Amendments to IFRS 9 'Financial Instruments' effective for annual periods beginning on or after 1 January 2019 clarifying that the existence of prepayment features with negative compensation will not in itself cause the instrument to fail the amortised cost classification.
- Amendments to IFRS 11 'Joint Arrangements' effective for annual periods beginning on or after 1 January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not remeasure its previously held interests.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (issued June 2017) effective for annual periods beginning on or after 1 January 2019 clarifies the accounting for uncertainties in income taxes.

New standards, amendments and interpretations adopted by the Company

All new and amended standards and interpretations that have become effective for the first time in the financial year beginning 1 January 2019 have been adopted by the Company. Of those, the following has had an effect on the Company's financial statements:



1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

New standards, amendments and interpretations adopted by the Company (continued)

International Financial Reporting Standard 16 (IFRS 16): Leases

From 1 January 2019, to comply with IFRS 16, Leases, which replaced IAS 17, Leases, the company now recognises lease liabilities relating to leases under which the Company is the lessee that had previously been classified as operating leases (other than leases with less than 12 months to run from 1 January 2019 and leases of low value items). Such liabilities have been measured at 1 January 2019 at the present value of the remaining lease payments discounted using the Company's incremental borrowing rate as at 1 January 2019. Corresponding right-of-use assets have been recognised, measured as if the Company's new accounting policy (see Note 1(r)) had been applied since the commencement of each lease but discounted using the Company's incremental borrowing rate as at 1 January 2019. The difference between the lease liabilities and right-of-use assets at 1 January 2019 has been recognised as an adjustment to retained earnings at that date. As permitted by the transition provisions in the new standard, comparative amounts have not been restated. The Company's accounting policy for leases under which the Company was lessee was, up to 01 April 2019, as follows:

Leases of property, plant and equipment including hire purchase contracts where the company assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are recognised as a liability at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount factor in determining the present value. Each lease Property, plant and equipment acquired under finance leases are capitalised and depreciated over the estimated useful life of the asset. Leases of assets where a significant proportion of the risks and rewards of ownership are 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 lease period. Prepaid operating lease rentals are recognised as assets and are subsequently amortised over the lease period.

The measurement of assets and liabilities that were recognised as finance leases under the previous accounting policy has continued unchanged, but the assets have been reclassified from Property, plant and equipment to Right-of-use assets (see Notes 13). Right-of-use assets and lease liabilities in respect of operating leases (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) in force at 1 April 2019 have been recognised in accordance with the transition requirements of IFRS 16, as described above.

The resulting adjustment passed at 1 April 2019 as a result of applying IFRS 16, was as follows:

	2019	2019
	Tshs.	USD
Lease liabilities	(1,689,980,864)	(738,628)
Right-of-use assets (Note 13)	1,584,501,776	692,527
Deferred tax	-	-
Net adjustment to retained earnings at 1 April 2019	<u>(105,479,088)</u>	<u>(46,101)</u>

Other standards and amendments

The following, which became effective from 1 January 2019, have been adopted but have not had a significant impact on the Company's financial statements.

- Amendments to IAS 12 'Income Taxes' effective for annual periods beginning on or after 1 January 2019 clarifying on the recognition of income tax consequences of dividends.



1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

New standards, amendments and interpretations issued but not effective

- IFRS 17 'Insurance Contracts' (issued in May 2017) effective for annual periods beginning on or after 1 January 2021 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.
- Amendments to IFRS 3 'Definition of a Business' (issued in October 2018) applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset

Amendments to IAS 1 and IAS 8 'Definition of Material' (issued in October 2018) applicable to annual periods beginning on or after 1 January 2020, clarify the definition of material and how it should be applied by including in the definition guidance that previously featured elsewhere in IFRS.

The directors do not expect that adoption of these standards and interpretations will have a material impact on the financial statements in future periods. The Company plans to apply the changes above from their effective dates.

b) Critical accounting estimates and judgement

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

The directors 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.

- Measurement of expected credit losses (ECL):

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumption about future economic conditions and credit behaviour.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- Establishing Companies of similar financial assets for the purposes of measuring ECL



1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

- Measurement of expected credit losses (ECL):(Continued)

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument.

The measurement of ECLs are based primarily on the product of the instrument's Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD).

The ECL model applied for financial assets other than trade receivables and contains a three stage approach that is based on the change in the credit quality of assets since initial recognition.

- Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.
- Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.
- When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

Assessment of significant increase in credit risk: The determination of a significant increase in credit risk

For trade receivables, the company has applied the simplified model under IFRS 9 where lifetime expected credit loss allowance is recognised on the basis of a provisioning matrix.

- Useful lives of plant and equipment

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

- Income tax

Critical estimates are made by the Directors in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- Accounting for leases under IFRS 16

Management has made various judgements and estimates under IFRS 16 as detailed below:

Incremental borrowing rate: To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g.. term, country, currency and security.



1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

- Measurement of expected credit losses (ECL) continued

Lease term/period: In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of warehouses, retail stores and equipment, the following factors are normally the most relevant:

If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).

If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).

Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the Company could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and

c) Revenue recognition

The company recognises revenue from manufacture and sale of poultry and animal vaccines for export. The company recognises revenue as and when it satisfies a performance of obligations by transferring obligation of a goods to a customer. The amount of revenue recognised is the amount the company expect to receive in accordance with the the terms of the contract, and excludes amounts collected on behalf of third parties, such as Value Added Tax.

d) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Tanzanian 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 determined 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.

e) 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.



NOTES (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Property, plant and equipment

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

Motor vehicles	<u>Rate %</u>
Furniture and fittings	25.0%
Office equipment	12.5%
Computers	25.0%

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 property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit/loss.

g) Impairment of non-financial assets and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are Companyed at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

h) Financial instruments

Financial instruments are recognised when, and only when, the company becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the company commits itself to the purchase or sale.

- Financial assets

The company classifies its financial assets into the following categories:

i) Amortised cost;

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding and are not designated at Fair Value Through Profit or Loss (FVTPL), are classified and measured at amortised cost; The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured.



h) Financial Instruments (continued)

- Financial assets (continued)

The company classifies its financial assets into the following categories:

ii) Fair Value Through Other Comprehensive Income (FVTOCI):

Financial assets that are held for collection of contractual cash flows where these cash flows comprise SPPI and also for liquidating the assets depending on liquidity needs and that are not designated at FVTPL, are classified and measured at value through other comprehensive income (FVTOCI). Movements in the carrying amount are taken through OCI, except for recognition of impairment gain or losses, interest revenue and foreign exchange gain and losses. Gains and losses previously recognised in OCI are reclassified from equity to profit or loss on disposal of such instruments. Gains and losses related to equity instruments are not reclassified.

iii) Fair Value Through Profit or Loss (FVTPL):

Financial assets that do not meet the criteria for amortised cost or FVTOCI, are measured at FVTPL. A gain or loss on a debt investment that is subsequently measure at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement.

Notwithstanding the above, the company may:

- on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it at fair value through other comprehensive income.
- on initial recognition of a debt instrument, irrevocably designate it as classified and measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

At initial recognition of a financial asset, the company determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The company reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the company has not identified a change in its business models.

Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the company has transferred substantially all risks and rewards of ownership, or when the company has no reasonable expectations of recovering the asset.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Financial instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Impairment

The company recognises loss allowances for Expected Credit Losses (ECLs) on the following financial

- Cash and cash equivalents
- Trade and other receivables
- Other financial assets

No impairment loss is recognised on investments measured at FVTPL.

The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which:

- the credit risk has increased significantly since initial recognition; or
- there is observable evidence of impairment (a credit-impaired financial asset).



NOTES (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial instruments (continued)

- Financial assets (continued)

Impairment (continued)

If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the balance sheet date, those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

- Financial liabilities

Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The company may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

All other financial liabilities are classified and measured at amortised cost.

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Company's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the Company does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a the first-in-first-out (FIFO) method. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

i) Finance costs

Finance expenses comprise interest expense on borrowings. All borrowing costs, other than borrowing costs related to qualifying assets are recognised in profit or loss using the effective interest method.



NOTES (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Cash and cash equivalents

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

In the statement of financial position, bank overdrafts are included within borrowings in current liabilities.

k) Share capital

Ordinary shares are classified as equity.

l) Taxation

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

l) Accounting for leases

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Company recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Company is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used.

For leases that contain non-lease components, the Company allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payment.

Leasehold land and buildings are subsequently carried at revalued amounts, based on annual/triennial valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses. All other right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the Company at the end of the lease term, the estimated useful life would not exceed the lease term.



Hester Biosciences Africa Limited
Annual report and financial statements
For the year ended 31 March 2020 for group reporting purpose only
NOTES (CONTINUED)

	2020		2019	
	Tshs	USD (Memo)	Tshs	USD (Memo)
2. Other income				
Interest income:				
Income from fixed deposits	<u>88,660,755</u>	<u>38,716</u>	<u>-</u>	<u>-</u>
3. Grant income				
Grant amortisation (Note 9)	<u>262,610,774</u>	<u>114,682</u>	<u>867,643,721</u>	<u>380,318</u>
Grant amortisation represents, a transfer from the Bill and Melinda Gates Foundation to income based on the donations received spread on the estimated plant life of 8 years.				
4. Loss before tax				
The following items have been charged in arriving at the loss before tax				
Depreciation of plant and equipment (Note 12)	18,675,537	8,156	6,058,401	2,661
Auditor's remuneration	4,579,060	2,000	9,155,140	4,021
Rent and Rates	40,048,251	17,489	171,952,862	75,530
Staff costs (Note 5)	<u>29,011,267</u>	<u>12,669</u>	<u>19,325,419</u>	<u>8,489</u>
5. Staff costs				
Pension costs				
- National Social Security Fund	<u>29,011,267</u>	<u>12,669</u>	<u>19,325,419</u>	<u>8,489</u>
6. Finance (income)/costs				
Net foreign exchange (income)/loss	(33,472,733)	(14,617)	(1,627,566)	(713)
Lease liabilities	<u>95,759,629</u>	<u>41,818</u>	<u>-</u>	<u>-</u>
	<u>62,286,896</u>	<u>27,202</u>	<u>(1,627,566)</u>	<u>(713)</u>
7. Tax				
There is no provision for current income tax expense for the year because the company is exempt from Corporate Income tax under the EPZ licence no.168D granted on 28th August 2017 by the Export Processing Zone Authority under section 6 of the Export Processing Zones Act, Cap 373, which entitles the company to 10 years holiday.				
8. Share capital				
Authorised:				
10,100,000 ordinary shares of Tshs 1,000	<u>10,100,000,000</u>	<u>4,507,416</u>	<u>10,100,000,000</u>	<u>4,507,416</u>
Issued and fully paid:				
9,112,079 (2019: 5,130,082) ordinary shares of Tshs 1,000	<u>9,112,079,000</u>	<u>3,999,976</u>	<u>5,130,082,000</u>	<u>2,249,976</u>



9. Deferred capital grant

	2020		2019	
	Tshs	USD	Tshs	USD
At start of year	191,344,871	82,224	-	-
BMGF grant income - received during the year	1,909,541,328	834,247	1,058,988,593	462,542
Amortisation (Note 2)	(262,610,774)	(114,682)	(867,643,721)	(380,318)
Balance at the end of the year	1,838,275,426	801,789	191,344,871	82,224

On 1 May 2018, Hester Biosciences Africa Limited entered into an agreement with Bill and Melinda Gates Foundation for East Africa Vaccine Manufacturing Plant PRI+Grant for a grant amounting to USD 4 million to increase consistent access for high quality, affordable animal vaccines and health products for smallholder farmers through the adoption and standardization of production at the local manufacturing facility. The grant is to be used for reimbursement of capital expenses incurred on the Project and is amortised over the plant estimated useful life of 8 years.

The project funding runs from 1 May 2018 to October 31, 2021.

The table below gives a breakdown of the reporting and payment schedule:

REPORTING AND PAYMENT SCHEDULE

Investment period	or Reporting Deliverable	Due by	Payment Date	Payment Amount (U.S.\$)
	Countersigned Agreement/Amendment, as applicable		after receipt of countersigned Agreement and confirmation Loan Agreement has been executed.	\$465,643.00
	Product Development Plan as informed by and satisfactory to the Foundation.	Ongoing through term Agreement	Go/No-go Milestones: Achievement satisfactory to the Foundation IF Loan Drawdown	
Start Date December 31, 2018	Progress report and Audited Financial Statements	February 28, 2019	April 2019	\$834,272
January 1, 2019 to December 31, 2019	and Audited Financial Statements	February 28, 2020	April 2020	\$1,883,400
January 1, 2020 to December 31, 2020	Progress report and Audited Financial	February 28, 2021	April 2021	\$816,685
Start Date to End Date	Progress report and Audited Financial	Within 60 days of End Date		
			Total Grant Amount	\$4,000,000



10. Borrowings-Bill and Melinda Gates Foundation

The borrowings is made up as follows:

Non-current	2020		2019	
	Tshs	USD (Memo)	Tshs	USD (Memo)
Other borrowings	16,106,235,230	7,000,000	9,134,120,000	3,989,571
Total borrowings	16,106,235,230	7,000,000	9,134,120,000	3,989,571

Reconciliation of liabilities arising from financing activities:

Year ended 31 March 2020

At start of year	9,134,120,000	3,989,571	-	-
Cash flows:				
- Proceeds from long-term borrowir	7,078,490,315	3,056,659	9,134,120,000	3,989,571
At end of year	16,106,235,230	7,000,000	9,134,120,000	3,989,571

Bill and Melinda Gates Foundation

The company has a development loan facility Bill and Melinda Gates Foundation of up to USD 12,000,000 effective from July 30,2018.During the year 7M US \$ was disbursed to the Company, It has an interest rate of 3% reducing rate per annum

- The outstanding principal amount of the Loan and all accrued and unpaid interest thereon will be due and payable in immediately available funds on December 31, 2029 (the Maturity Date). If the Maturity Date falls on a day which is not a Business Day, then the payment due on the Maturity Date will be payable on the next succeeding Business Day.
- Commencing with the period beginning on January 1, 2025, the Borrower shall pay to the Lender in arrears semi-annual principal payments on the Loan on each June 30 and December 31. Each principal payment shall be in the amount of one-tenth (1/10th) of the outstanding principal balance of the Loan on January 1, 2025

The loan is secured on the following

- Cooperate guarantee by Hester Biosciences Limied, a public company limited by shares formed in India, with its principal place of business Pushpak 1st Floor, Motilal Hirabhai Road, Panchvati Circle, Ahmedabad, Gujarat 380006, India.
- The unutilised facility amount to 5M US \$

11. Lease liabilities

	2020		2019	
Non-current	1,593,079,488	696,276	-	-
Current	98,680,502	41,818	-	-
	1,691,759,990	738,094	-	-



11. Lease liabilities (continued)

The total cash outflow for leases in the year	2020		2019	
Payments of principal portion of the lease				
Interest paid on lease liabilities	95,759,629	41,818	-	-
	<u>95,759,629</u>	<u>41,818</u>	<u>-</u>	<u>-</u>
Reconciliation of lease liabilities arising from financing activities:				
At start of year	1,533,381,980	670,184	-	-
Transition adjustment (Note 1(a))	(105,479,088)	(46,101)	-	-
Interest charged to profit or loss	(95,759,971)	(41,853)	-	-
Cash flows:				
- Payments under leases	40,048,251	17,489	-	-
At end of year	<u>1,372,191,172</u>	<u>599,719</u>	<u>-</u>	<u>-</u>

Weighted average effective interest rates at the reporting date was 7%

Maturity based on the repayment structure of lease liabilities is as follows:

Gross lease liabilities - minimum lease payments	2020 Tshs	2020 Tshs
Not later than 1 year	98,680,502	41,818
Later than 1 year and not later than 33 years	1,593,079,488	696,276
	<u>1,691,759,990</u>	<u>738,094</u>
Future interest expense on leases liabilities	95,759,629	41,853
Present value of lease liabilities	<u>95,759,629</u>	<u>41,853</u>
Present value of lease liabilities - minimum lease payments		
Not later than 1 year	98,680,502	41,818
Later than 1 year and not later than 33 years	1,593,079,488	696,276
	<u>1,691,759,990</u>	<u>738,094</u>



12. Plant and equipments

Year ended 31 March 2020	Motor vehicles Tshs	Furniture and fittings Tshs	IT Equipment Tshs	Plant Work In-progress Tshs	Totals Tshs
Cost					
At start of year	39,106,000	160,000	-	2,212,448,702	2,251,714,702
Additions	14,500,000	865,000	23,852,633	21,332,099,563	21,371,317,197
	<u>53,606,000</u>	<u>1,025,000</u>	<u>23,852,633</u>	<u>23,544,548,265</u>	<u>23,623,031,899</u>
Depreciation					
At start of year	9,836,109	25,834	-	-	9,861,943
Charge for the year	14,664,750	20,000	3,990,787	-	18,675,537
	<u>24,500,859</u>	<u>45,834</u>	<u>3,990,787</u>	<u>-</u>	<u>28,537,480</u>
Net book value	<u>29,105,141</u>	<u>979,166</u>	<u>19,861,846</u>	<u>23,544,548,265</u>	<u>23,594,494,419</u>
	Motor vehicles USD (Memo)	Furniture and fittings USD (Memo)	IT Equipment USD (Memo)	Plant Work in-progress USD (Memo)	Totals USD (Memo)
Cost					
At start of year	17,081	70	-	966,346	983,497
Additions	6,302	376	10,367	9,267,001	9,284,046
At end of year	<u>23,383</u>	<u>446</u>	<u>10,367</u>	<u>10,233,347</u>	<u>10,267,543</u>
Depreciation					
At start of year	59	11	-	-	70
Charge for the year	6,374	9	1,734	-	8,117
At end of year	<u>6,433</u>	<u>20</u>	<u>1,734</u>	<u>-</u>	<u>8,187</u>
Net book value	<u>16,950</u>	<u>426</u>	<u>8,632</u>	<u>10,233,347</u>	<u>10,259,356</u>
Year ended 31 March 2019	Motor vehicles Tshs	Furniture and fittings Tshs	IT Equipment Tshs	Work in-progress Tshs	Totals Tshs
Cost					
At start of year	13,500,000	160,000	-	463,385,568	477,045,568
Additions	25,606,000	-	-	1,749,063,134	1,774,669,134
	<u>39,106,000</u>	<u>160,000</u>	<u>-</u>	<u>2,212,448,702</u>	<u>2,251,714,702</u>
Depreciation					
At start of year	3,796,875	6,667	-	-	3,803,542
Charge for the year	6,039,234	19,167	-	-	6,058,401
	<u>9,836,109</u>	<u>25,834</u>	<u>-</u>	<u>-</u>	<u>9,861,943</u>
Net book value	<u>29,269,891</u>	<u>134,166</u>	<u>-</u>	<u>2,212,448,702</u>	<u>2,241,852,759</u>



12. Plant and equipments (Continued)

Year ended 31 March 2019

	Motor vehicles USD (Memo)	Furniture and fittings USD (Memo)	IT Equipments USD (Memo)	Work in-progress USD (Memo)	Totals USD (Memo)
Cost					
At start of year	6,004	71		204,834	210,909
Additions	11,247			768,144	779,391
Exchange differences	(170)	(1)		(6,632)	(6,803)
	<u>17,081</u>	<u>70</u>	<u>-</u>	<u>966,346</u>	<u>983,497</u>
Depreciation					
At start of year	1,689	3	-	-	1,692
Charge for the year	2,652	8	-	-	2,660
Exchange differences	(45)	-			45
At end of year	<u>4,296</u>	<u>11</u>	<u>-</u>	<u>-</u>	<u>4,307</u>
	<u>12,785</u>	<u>59</u>	<u>-</u>	<u>966,346</u>	<u>979,190</u>
Net book value					

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

13. Right-of use assets

Year ended 31 March 2020	2020	
	Tshs	USD (Memo)
At start of year	-	-
Effect of change in accounting policy (Note 1(a))	-	-
Additions	1,584,494,712	692,524
Depreciation charge for the year	51,112,733	22,339
At end of year	<u>1,533,381,980</u>	<u>670,184</u>

Under the previous accounting policy prepaid operating lease rentals were recognised at historical cost and subsequently amortised over the lease period. The carrying amount of prepaid operating lease rentals of Tshs 1,533,381,980 at 1 January 2020 has been reclassified as right-of-use assets.

The Company has leased Land on which it is building its factory. The leases of land is for a periods of 33 years, with options to renew. The leases does not contain any restrictions or covenants other than the protective rights of the lessor.

In the statement of cash flows, the amount for payments for right-of-use assets represents:

	2020 Tshs	2020 USD
Additions, as above	<u>1,584,494,712</u>	<u>-</u>
	<u>1,584,494,712</u>	<u>-</u>



	2020		2019	
	Tshs	USD (Memo)	Tshs	USD (Memo)
14. Trade and other receivables				
Other receivables	75,010,889	32,801	15,823,325	6,911
Deposits and prepayments	666,268,966	289,570	127,694,126	55,774
Receivables from related parties (Note 19 (i))	-	-	68,250,300	29,810
	<u>741,279,855</u>	<u>322,171</u>	<u>211,767,751</u>	<u>92,495</u>
15. Cash and cash equivalents				
Cash at bank and in hand	4,114,268,696	1,788,121	3,120,606,405	1,363,008
Short term bank deposits	-	-	9,134,120,000	3,989,571
	<u>4,114,268,696</u>	<u>1,788,121</u>	<u>12,254,726,405</u>	<u>5,352,579</u>

The weighted average effective interest rate on short-term bank deposits at year-end was 2.45% per annum.

For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise the following:

	2020		2019	
	Tshs	USD (Memo)	Tshs	USD (Memo)
Cash and bank balances	4,114,268,696	1,788,121	12,254,726,405	5,352,579
Less: Short term bank deposits	-	-	(9,134,120,000)	(3,989,571)
	<u>4,114,268,696</u>	<u>1,788,121</u>	<u>3,120,606,405</u>	<u>1,363,008</u>

The company's cash and bank balances are held with a major Tanzanian financial institution.

16. Trade and other payables				
Trade payables	1,860,932,640	808,788	70,009,788	30,579
Other payables	31,796,289	13,819	-	-
	<u>1,892,728,930</u>	<u>822,607</u>	<u>70,009,788</u>	<u>30,579</u>

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.

17. Loan and advances				
Hester Biosciences Limited (Note 19(ii))	24,511,671	10,653	272,450,500	119,000

	2020		2019	
	Tshs	USD (Memo)	Tshs	USD (Memo)
18. Cash used in operations				
Reconciliation of loss before tax to cash used in operations:				
Loss before tax	(487,025,966)	(212,684)	(26,403,937)	(11,812)
Adjustments for:				
Depreciation on plant and equipment (Note 12)	18,675,537	8,156	6,058,401	2,660
Interest expenses on lease	95,759,629	41,818	-	-
Prior year deferred tax derecognised	-	-	26,403,937	11,812
Changes in working capital				
- trade and other receivables	(529,512,104)	(229,676)	(8,586,512)	(2,137)
- trade and other payables	1,822,719,141	792,029	34,050,170	14,587
- loan and advances	(247,938,829)	(108,347)	208,323,038	90,481
- amortisation of deferred capital grant	1,646,930,555	719,565	191,344,871	82,224
- short term bank deposits	9,134,120,000	3,971,357	(9,134,120,000)	(3,989,571)
- depreciation on right-of-use assets	51,112,733	22,321	-	-
- other accruals and liabilities	(94,273,439)	(40,973)	-	-
Cash from/(used in) operations	<u>11,410,567,258</u>	<u>4,963,565</u>	<u>(8,702,930,031)</u>	<u>(3,801,756)</u>



19. 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.

	2020		2019	
	Tshs	USD (Memo)	Tshs	USD (Memo)
i) Receivable from related party (Note 14)				
Hester Biosciences Tanzania Limited	-	-	68,250,300	29,810
ii) Loans and advances from related parties				
Hester Biosciences Limited (Note 17)	24,511,671	10,653	272,450,500	119,000

The related party balances are denominated in US Dollar, unsecured, interest free and has no fixed repayment period.

The receivables from related parties are subjected to interest free, have no specific dates of repayment and are unsecured.

20. 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 risk arises from future transactions assets and liabilities in the statement of financial position date.

(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.



21. 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.

22. Presentation currency

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

23. Basis of presentation

These financial statements have been prepared in accordance act for purpose of Hester Biosciences group financial reporting requirements and are not be used for any other purpose



Hester Biosciences Africa Limited
Annual report and financial statements
For the year ended 31 March 2020 for group reporting purpose only
SCHEDULE OF EXPENDITURE

1. ADMINISTRATIVE EXPENSES	2020		2019	
	Tshs	USD (Memo)	Tshs	USD (Memo)
Employment				
Salaries and wages	308,430,198	134,692	193,254,190	84,886
NSSF expenses	29,011,267	12,669	19,325,419	8,489
WCF expenses	3,066,220	1,339	1,932,542	849
SDL expenses	13,797,992	6,026	6,056,343	2,660
Other staff costs	43,299,008	18,909	20,641,070	9,067
Total employment costs	397,604,685	173,633	241,209,564	105,951
2. Other administrative costs				
Audit fees	4,579,060	2,000	9,155,140	4,021
Bank charges	32,579,457	14,227	4,658,155	2,046
Professional and consulting fees	-	-	38,639,469	16,972
Stamp duty	1,643,280	718	1,741,928	765
Donations	2,500,000	1,092	-	-
Office expenses	52,654,900	22,994	2,019,555	887
Vehicle running expenses	7,203,500	3,146	3,428,800	1,506
Labour expenses	2,440,000	1,066	1,221,000	536
Printing and stationery	1,845,754	806	764,237	336
Telephone and Internet	4,000,212	1,747	2,442,450	1,073
Survey expenses	7,436,853	3,248	9,269,050	4,071
Site expenses	30,572,200	13,351	20,911,230	9,185
Legal fees	13,769,082	6,013	3,471,970	1,525
Entertainment expenses	38,000	17	130,000	57
Total other administrative expenses	161,262,297	70,423	97,852,984	42,980
Total administrative expenses	558,866,982	244,056	339,062,548	148,931
3. OTHER OPERATING EXPENSES				
Establishment				
Short term leases	40,048,251	17,489	171,952,862	75,530
Electricity and water	5,070,000	2,214	3,056,000	1,342
Insurance expenses	5,973,633	2,609	513,296	225
License and subscriptions	90,158,354	39,372	25,504,273	11,203
Commission for Guarantee	-	-	320,530,000	140,000
Repairs and maintenance	3,898,659	1,703	2,593,907	1,139
Security expenses	2,206,450	964	-	-
Depreciation of plant and equipment	18,675,537	8,156	6,058,401	2,661
Amortasation of right to use an asset	51,112,733	22,321	-	-
	217,143,617	94,827	530,208,739	232,101

