

HESTER BIOSCIENCES AFRICA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021
(FOR GROUP REPORTING PURPOSE ONLY)

Hester Biosciences Africa Limited
Annual report and financial statements
For the year ended 31 March 2021 for group reporting purposes only

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COMPANY INFORMATION

BOARD OF DIRECTORS	: Rajiv Gandhi : Umapati Dasgupta	Nationality Indian Indian
REGISTERED OFFICE	: Plot No 647 & 648 : NDC - Tamco Industrial Estate off Loliondo Road : Kibaha : Coast Region : Tanzania	
PRINCIPAL PLACE OF BUSINESS	: Plot No. 647 & 648 : Tamco Industrial Estate : P.O. Box 30126 : 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	



REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 March 2021, which disclose the state of affairs of the company.

INCORPORATION

The company was incorporated in Tanzania on 11 August 2016 and as of year end was in the process of building its factory and had not commenced trading.

PRINCIPAL ACTIVITY

The principal activity of the company is manufacture and sale of poultry and animal vaccines for export.

RESULTS

	2021		2020	
	Tshs	USD (Memo)	Tshs	USD (Memo)
Loss before tax	(971,455,561)	(423,813)	(487,025,966)	(212,684)
Tax charge	<u>(5,912,836)</u>	<u>(2,571)</u>	<u>-</u>	<u>-</u>
Loss for the year	<u><u>(977,368,397)</u></u>	<u><u>(426,384)</u></u>	<u><u>(487,025,966)</u></u>	<u><u>(212,684)</u></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



 Rajiv Gandhi



**DIRECTOR
 DAR ES SALAAM**

26 May 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Tanzania 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 enables them to prepare financial statements that comply with the International Financial Reporting Standards and the requirements of the Tanzania Companies Act, 2002. The directors are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Tanzania Companies Act, 2002. They also accept responsibility for:

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

The Directors are of the opinion that the financial statements give a true and fair view of the financial position of the company as at 31 March 2021 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.

During the year ended 31 March 2021 the company was in the process of building its factory and realised a net loss of Tshs 977,368,397, (USD 426,384)


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 26th May 2021 and signed on its behalf by:


Rajiv Gandhi
Director




Umapati Dasgupta
Director



DECLARATION OF THE HEAD OF FINANCE OF HESTER BIOSCIENCES AFRICA LIMITED

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

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

In regard thereof, I Goodluck Mponeta Mawa being the Outsourced Consultant of Hester Biosciences Africa Limited hereby acknowledge my responsibility of ensuring that the company's financial statements for the year ended 31 March 2021 have been prepared in compliance with applicable accounting standards and statutory requirements.

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

Signed by: 

Position: ACCOUNTANT

NBAA Membership No.: ACPA3914

Date: 26 May 2021

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF
HESTER BIOSCIENCES AFRICA LIMITED IN RESPECT OF AUDIT FOR THE YEAR ENDED 31 MARCH 2021 (FOR
GROUP REPORTING PURPOSES)**

Opinion

We have audited the financial statements of Hester Biosciences Africa Limited set out on pages 7 to 31 which comprise the statement of financial position as at 31 March 2021, 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 2021, and of its financial performance and cash flows for the year ended in accordance with the International Financial Reporting Standards (IFRSs) and the Tanzania Companies Act, 2002 and the group 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

We draw attention to Note 22 to the financial statements which describes the basis of accounting. The financial statements are prepared to assist the company to meet the group reporting requirements of Hester Biosciences Limited. As a result these financial statements may not be suitable for any other purposes. Our opinion is not modified in respect of this matters.

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 auditors 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 IFRS and the requirements of the Tanzania Companies Act, 2002, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF
HESTER BIOSCIENCES AFRICA LIMITED IN RESPECT OF AUDIT FOR THE YEAR ENDED 31 MARCH 2021
(FOR GROUP REPORTING PURPOSES) (CONTINUED)**

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit 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 Prescribed by the Tanzania Companies Act, 2002

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

As required by the Tanzania Companies Act, 2002 we report to you, based on our audit, that:

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



Certified Public Accountants Dar es Salaam
CPA (Innocent K. Mokaya), Practising certificate No. TACPA 834
Signing partner responsible for the independent Audit
PKF Associates Tanzania
Ref: PKF/A/H013/092/21/km

Date: 29 JUNE 2021

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2021		2020	
		Tshs	USD (Memo)	Tshs	USD (Memo)
Other income	2	55,328,340	24,083	88,660,755	38,718
Grant amortisation	3	<u>499,480,259</u>	<u>219,980</u>	<u>262,610,774</u>	<u>114,682</u>
Operating profit		554,808,599	244,063	351,271,529	153,400
Administrative expenses		(1,159,183,896)	(503,904)	(558,866,982)	(244,056)
Other operating expenses		<u>(215,276,944)</u>	<u>(97,916)</u>	<u>(217,143,617)</u>	<u>(94,827)</u>
Operating loss	4	(819,652,241)	(357,757)	(424,739,070)	(185,483)
Finance costs	6	<u>(151,803,319)</u>	<u>(66,056)</u>	<u>(62,286,896)</u>	<u>(27,201)</u>
Loss before tax		(971,455,561)	(423,813)	(487,025,966)	(212,684)
Tax charge	7	<u>(5,912,836)</u>	<u>(2,571)</u>	-	-
Loss for the year		<u><u>(977,368,397)</u></u>	<u><u>(426,384)</u></u>	<u><u>(487,025,966)</u></u>	<u><u>(212,684)</u></u>
Other comprehensive income		-	-	-	-
Total other comprehensive loss for the year		<u><u>(977,368,397)</u></u>	<u><u>(426,384)</u></u>	<u><u>(487,025,966)</u></u>	<u><u>(212,684)</u></u>

The notes on pages 11 to 31 form an integral part of these financial statements.

Report of the independent auditor - page 5 and 6.



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STATEMENT OF FINANCIAL POSITION

	Notes	2021		2020	
		Tshs	USD	Tshs	USD
EQUITY					
Share capital	8	9,112,079,000	3,999,976	9,112,079,000	3,999,976
Foreign currency translation reserve		-	1,706	-	-
Retained earnings		(1,659,233,694)	(759,541)	(681,865,298)	(333,157)
Equity attributable to owners of the company		7,452,845,306	3,242,141	8,430,213,702	3,666,819
Non current liabilities					
Deferred capital grant	9	5,666,151,508	2,465,209	1,838,275,425	801,789
Borrowings	10	22,984,549,000	10,000,000	16,106,235,230	7,000,000
Lease liabilities	11	1,597,263,821	694,898	1,593,079,488	696,276
		30,247,964,329	13,160,107	19,537,590,143	8,498,065
		37,700,809,636	16,402,249	27,967,803,846	12,164,884
REPRESENTED BY:					
Non- current assets					
Plant and equipment	12	41,204,655	17,988	49,946,153	26,009
Capital work-in-progress		33,206,874,272	14,447,039	23,544,548,265	10,233,347
Right-of-use assets	13	1,489,039,227	647,846	1,533,381,980	670,184
		34,737,118,154	15,112,872	25,127,876,398	10,929,540
Current assets					
Trade and other receivables	14	843,893,200	367,146	741,279,854	322,171
Tax recoverable		300,000	131	300,000	130
Cash and cash equivalents	15	4,768,357,303	2,074,528	4,114,268,696	1,788,121
		5,612,550,503	2,441,804	4,855,848,550	2,110,422
Current liabilities					
Trade and other payables	16	2,549,747,224	1,109,297	1,892,728,929	822,607
Loans and advances	17	-	-	24,511,671	10,653
Lease liabilities	11	99,111,798	43,130	98,680,502	41,818
		2,648,859,022	1,152,427	2,015,921,102	875,078
Net current assets		2,963,691,482	1,289,376	2,839,927,448	1,235,344
		37,700,809,636	16,402,249	27,967,803,846	12,164,884

The financial statements on pages 7 to 31 were approved and authorised for issue by the Board of Directors on 26th May 2021 and were signed on its behalf by:


Rajiv Gandhi
Director




Umapati Dasgupta
Director



The notes on pages 11 to 31 form an integral part of these financial statements.

Report of the independent auditor - page 5 and 6.

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STATEMENT OF CHANGES IN EQUITY

	Year ended 31 March 2021			Memo - US Dollars			
	Share capital Tshs	Retained earnings Tshs	Total Tshs	Share capital USD	Retained earnings USD	Foreign currency translation reserve	Total USD
At start of year	9,112,079,000	(681,865,298)	8,430,213,702	3,999,976	(333,157)	-	3,666,819
Total comprehensive loss for the year	-	(977,368,397)	(977,368,397)	-	(426,384)	-	(426,384)
Foreign currency translation reserve	-	-	-	-	-	1,706	1,706
At end of year	9,112,079,000	(1,659,233,694)	7,452,845,306	3,999,976	(759,541)	1,706	3,242,141
Year ended 31 March 2020							
As previously stated	5,130,082,000	(89,360,244)	5,040,721,756	2,249,976	(46,955)	-	2,203,021
Prior year adjustments	-	-	-	-	-	-	-
Changes on initial application of IFRS 16 (Note 1a)	(105,479,088)	(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 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:							
Advance towards share capital	3,981,997,000	-	3,981,997,000	1,750,000	-	-	1,750,000
At end of year	9,112,079,000	(681,865,298)	8,430,213,702	3,999,976	(333,157)	-	3,666,819



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STATEMENT OF CASH FLOWS

	Notes	2021		2020	
		Tshs	USD (Memo)	Tshs	USD (Memo)
Operating activities					
Cash generated from operations	18	3,457,649,841	1,508,983	11,314,807,628	4,921,754
Interest paid on lease liabilities	11	96,002,504	41,777	95,759,629	41,818
Net cash from operating activities		<u>3,553,652,345</u>	<u>1,550,760</u>	<u>11,410,567,257</u>	<u>4,963,572</u>
Investing activities					
Cash paid for purchase of plant and equipments	12	(9,686,490,633)	(4,224,215)	(21,371,317,196)	(9,284,046)
Net cash used in investing activities		<u>(9,686,490,633)</u>	<u>(4,224,215)</u>	<u>(21,371,317,196)</u>	<u>(9,284,046)</u>
Financing activities					
Proceed from issue of shares		-	-	3,981,997,000	1,750,000
Proceeds from long-term borrowings	10	6,878,313,770	3,000,000	6,972,115,230	3,010,429
Payments under finance leases		(99,111,798)	(43,130)	-	-
Net cash from financing activities		<u>6,779,201,972</u>	<u>2,956,870</u>	<u>10,954,112,230</u>	<u>4,760,429</u>
Increase in cash and cash equivalents		<u>646,363,684</u>	<u>283,414</u>	<u>993,362,291</u>	<u>439,955</u>
Movement in cash and cash equivalents					
At start of year		4,114,268,696	1,788,121	3,120,906,405	1,363,142
Effect of exchange rate changes		7,724,923	2,992		(14,976)
Increase in cash and cash equivalents		<u>646,363,684</u>	<u>283,414</u>	<u>993,362,291</u>	<u>439,955</u>
At end of year	15	<u>4,768,357,303</u>	<u>2,074,528</u>	<u>4,114,268,696</u>	<u>1,788,121</u>

The notes on pages 11 to 31 form an integral part of these financial statements.

Report of the independent auditor - page 5 and 6.



NOTES

1. SIGNIFICANT ACCOUNTING POLICIES

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

New standards, amendments and interpretations adopted by the Company

The company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

Amendments to IAS 1 and IAS 8 Definition of Material (issued in October 2018)

The amendments, 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

Amendments to IFRS 3: Definition of a Business (issued in October 2018)

The amendments, 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 an asset acquisition. These amendments had no impact on the financial statements of the Company, but may impact future periods should the Company enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform (issued in September 2019)

The amendments, applicable to annual periods beginning on or after 1 January 2020, provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

NOTES

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

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

Amendments to IFRS 16 Covid-19 Related Rent Concessions (issued on 28 May 2020)

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Company.

New standards, amendments and interpretations issued but not effective

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current (issued in January 2020), effective for annual periods beginning on or after 1 January 2023, clarify a criterion for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement for at least 12 months after the reporting date.
- Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.
- Amendments to IAS 37 'Onerous Contracts – Costs of Fulfilling a Contract' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022, specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.
- Amendment to IAS 41 Agriculture 'Taxation in fair value measurements' (issued in May 2020), effective for annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted, removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards 'Subsidiary as a first-time adopter' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.
- Amendments to IFRS 3 Business Combinations - The amendments added an exception to the the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. The amendments also clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.
- Amendment to IFRS 9 Financial Instruments 'Fees in the '10 per cent' test for derecognition of financial liabilities' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

NOTES

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

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

- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (issued in September 2014) applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.
- IFRS 17 'Insurance Contracts' (issued in May 2017) effective for annual periods beginning on or after 1 January 2023 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.

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) Significant accounting judgements, estimates and assumptions

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.

- 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

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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Significant accounting judgements, estimates and assumptions (continued)

- 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 takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 however includes rebuttable presumptions that contractual payments are overdue by more than 30 days will represent a significant increase in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The company uses these guidelines in determining the staging of its assets unless there is persuasive evidence available to rebut these presumptions.

- Measurement of expected credit losses (ECL) (continued)

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, depreciation methods and residual values of property, plant and equipment

Management reviews the useful lives, depreciation methods 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. The carrying amounts of property, plant and equipment are disclosed in note 8

- 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.

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).

NOTES (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Significant accounting judgements, estimates and assumptions (continued)

- 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 that is within the control of the lessee.

- Impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

The carrying amounts of property, plant and equipment are disclosed in note 8

c) Revenue recognition

The company recognises revenue from sale of poultry and animal vaccines. 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 translated using the exchange rates at the dates of the initial

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) Plant and equipment (continued)

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:

	<u>Rate %</u>
Motor vehicles	25.0%
Furniture and fittings	12.5%
IT equipments	12.5%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. 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.

f) Impairment of non-financial assets other than goodwill

At the end of each reporting period, the group reviews the carrying amounts of its tangible and intangible 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 have an indefinite useful life are not subject to amortisation and are tested for impairment annually.

An impairment loss is recognised for the amount by which the carrying amount of an asset or a cash generating unit (CGU) exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case, management determines the recoverable amount of the CGU to which the asset belongs.

A CGU is the smallest identifiable group of assets that generates cash flows that are largely independent of cash inflows from other assets or groups of assets.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.



NOTES (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Impairment of non-financial assets other than goodwill (continued)

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

g) Financial instruments

Financial instruments are recognised when, and only when, the company becomes party to the contractual provisions of the instrument.

- Financial assets

All financial assets are recognised initially using the trade date accounting which is the date the company commits itself to the purchase or sale.

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.

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 and other comprehensive income.

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.



NOTES (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial instruments (continued)

- Financial assets (continued)

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

- 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

Debt instruments that are subsequently measured at amortised cost or at impairment assessment. No impairment loss is recognised on investments measured at FVTPL.

The company recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are measured at amortised cost or at fair value through other comprehensive income (FVTOCI):

- 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).

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.



NOTES (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial instruments (continued)

Impairment (continued)

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 recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

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.



NOTES (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) 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.

i) Share capital

Ordinary shares are classified as equity.

j) Taxation

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

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 amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the carry forward of unused tax credits and tax credits and unused tax losses can be utilised.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using fair value model, the carrying amounts of such properties are presumed to be recoverable entirely through sale unless presumption is rebutted. The presumption is rebutted when the investment property is depreciable and held within a business model whose objective is to consume substantially all its economic benefits embodied in it over time rather than through sale.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The company offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

k) Accounting for leases

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in

The company as lessee

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.



NOTES (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Accounting for leases (continued)

The company as lessee (continued)

'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.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are recognised in profit or loss. Annually, the difference between the depreciation charge based on the revalued carrying amount of the asset recognised in profit or loss and depreciation based on the asset's original cost (excess depreciation) is transferred from the revaluation reserve to the retained earnings.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

The company as lessor

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the lessee are classified as finance leases. All other leases are classified as operating leases. Payments received under operating leases are recognised as income in profit or loss on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

l) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions for future operating losses are not recognised



NOTES (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Provisions (continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

The amount recognised as a provision is the best estimate of the present value of expenditures expected to be incurred to settle the obligation using a pre-tax rate that reflects the current market assessments of time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense in profit or loss under finance costs.

n) Retirement benefit obligations

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

o) Comparatives

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



NOTES (CONTINUED)

2. Other income	2021		2020	
	Tshs	USD	Tshs	USD
Interest income on bank deposit:	<u>55,328,340</u>	<u>24,083</u>	<u>88,660,755</u>	<u>38,716</u>
3. Grant income				
Grant amortisation (Note 9)	<u>499,480,259</u>	<u>219,980</u>	<u>262,610,774</u>	<u>114,682</u>
Grant amortisation represents, a transfer from the Bill and Melinda Gates Foundation to income based on the donations received spread over the estimated plant life of 8 years.				
4. Operating loss	2021		2020	
The following items have been charged in arriving at the operating loss:	Tshs	USD	Tshs	USD
Depreciation of plant and equipment (Note 12)	32,906,124	18,545	18,675,537	8,156
Auditor's remuneration	12,674,409	5,500	4,579,060	2,000
Rent and rates	112,211,563	48,843	40,048,251	17,489
Staff costs (Note 5)	<u>864,544,359</u>	<u>376,718</u>	<u>29,011,267</u>	<u>12,669</u>
5. Staff costs				
Salaries and wages	735,031,471	320,284	308,430,198	134,692
National social security fund contribution	54,051,529	23,552	29,011,267	12,669
Workers compensation fund	6,911,440	3,012	3,066,220	1,339
Skills and development levy	28,328,789	12,344	13,797,992	6,026
Other staff costs	<u>40,221,131</u>	<u>17,526</u>	<u>43,299,008</u>	<u>18,909</u>
	<u>864,544,359</u>	<u>376,718</u>	<u>397,604,685</u>	<u>173,635</u>
6. Finance costs				
Net foreign exchange loss/(gain)	55,782,015	24,281	(33,472,733)	(14,617)
Lease liabilities	<u>96,021,304</u>	<u>41,775</u>	<u>95,759,629</u>	<u>41,818</u>
	<u>151,803,319</u>	<u>66,056</u>	<u>62,286,896</u>	<u>27,201</u>
7. Tax				
Current tax				
- Withholding tax on interest income	<u>5,912,836</u>	<u>2,571</u>	<u>-</u>	<u>-</u>
There is no provision for corporate income tax expense for the year because the company is exempt from Corporate Income tax under the EPZ liscence 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 a 10 years tax holiday.				
	2021		2020	
Tax effect of:	Tshs	USD	Tshs	USD
8. Share capital				
Authorised:				
10,100,000 ordinary shares of Tshs 1,000	<u>10,100,000,000</u>	<u>4,391,304</u>	<u>10,100,000,000</u>	<u>4,507,416</u>
Issued and fully paid:				
9,112,079 (2020: 9,112,079) ordinary shares of Tshs 1,000	<u>9,112,079,000</u>	<u>3,999,976</u>	<u>9,112,079,000</u>	<u>3,999,976</u>

NOTES (CONTINUED)

9. Deferred capital grant

	2021		2020	
	Tshs	USD	Tshs	USD
At start of year	1,838,275,425	801,789	191,344,871	82,224
Additional grant income - received during the year	4,327,356,342	1,883,400	1,909,541,328	834,247
Amortisation (Note 3)	(499,480,259)	(219,980)	(262,610,774)	(114,682)
At the end of year	<u>5,666,151,508</u>	<u>2,465,209</u>	<u>1,838,275,425</u>	<u>801,789</u>

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 fundings run from 1 May 2018 to October 31, 2021.
 The table below gives a breakdown of the reporting and payment schedule:

REPORTING AND PAYMENT SCHEDULE

<i>Investment period</i>	<i>Target, Milestone, or Reporting Deliverable</i>	<i>Due by</i>	<i>Payment Date</i>	<i>Payment Amount (U.S.\$)</i>
	Countersigned Agreement/Amendment, as applicable		Within 15 days after receipt of countersigned Agreement and confirmation Loan Agreement has been executed.	465,643
	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	Progress report and Audited Financial Statements	February 28, 2020	April 2020	1,883,400
January 1, 2020 to December 31, 2020	Progress report and Audited Financial Statements	February 28, 2021	April 2021	816,685
Start Date to End Date	Progress report and Audited Financial Statements	Within 60 days of End Date		
Total Grant Amount				\$4,000,000.00



NOTES (CONTINUED)

10. Borrowings-Bill and Melinda Gates Foundation

The borrowings are made up as follows:

Non-current	2021		2020	
	Tshs	USD	Tshs	USD
Other borrowings	22,984,549,000	10,000,000	16,106,235,230	7,000,000
Total borrowings	22,984,549,000	10,000,000	16,106,235,230	7,000,000

Reconciliation of liabilities arising from financing

Year end 31 March 2021

At start of year	16,106,235,230	7,000,000	9,134,120,000	3,989,571
Foreign exchange gain/(loss)	17,938,942	7,815	(106,375,085)	(46,230)
Cashflows:				
- Proceeds from long-term borrowings	6,860,374,828	2,992,185	7,078,490,315	3,056,659
At end of year	22,984,549,000	10,000,000	16,106,235,230	7,000,000

Bill and Melinda Gates Foundation

The company has a development loan facility from Bill and Melinda Gates Foundation of up to USD 12,000,000 effective from July 10, 2018. A total of US \$ 10M has been disbursed to the company as at 31 December 2020. It has an interest rate of 3% rate per annum for all fund accrued and unpaid interest on semi annual basis.

- Cooperate guarantee by Hester Biosciences Limited, 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 outstanding principal amount of the Loan and all accrued and unpaid interest thereon will be due and payable in immediately available funds with effect from 31 December 2025 to 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. Interest accrues from 1 October 2021, interest repayment starts from last quarter of 2021 and principal repayment starts from 1 January 2026 and first payment from 30 June 2026

The loan is secured by the following:

- Cooperate guarantee by Hester Biosciences Limited, 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.

11. Lease liabilities

Non-current	2021		2020	
	Tshs	USD	Tshs	USD
Current	1,597,263,821	694,898	1,593,079,488	696,276
	99,111,798	43,130	98,680,502	41,818
	1,696,375,619	738,028	1,691,759,990	738,094

The total cash outflow for leases in the year was:

Payments of principal portion of the lease	3,090,494	1,354	-	-
Interest paid on lease liabilities	96,021,304	41,775	95,759,629	41,853
	99,111,798	43,130	95,759,629	41,853

NOTES (CONTINUED)

11. Lease liabilities (continued)	2021		2020	
	Tshs	USD	Tshs	USD
Reconciliation of lease liabilities arising from financing activities:				
At start of year	1,372,191,172	599,719	1,533,381,980	670,184
Transition adjustment (Note 1(a))	319,568,817	139,662	(105,479,088)	(46,101)
Interest charged to profit or loss	96,002,504	41,777	(95,759,971)	(41,853)
Foreign exchange loss	7,724,923	-	-	-
Cash flows:				
- Payments under leases	(99,111,798)	(43,130)	40,048,251	17,489
At end of year	<u>1,696,375,619</u>	<u>738,028</u>	<u>1,372,191,172</u>	<u>599,719</u>

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

Gross lease liabilities - minimum lease payments	2021		2020	
	Tshs	USD	Tshs	USD
Not later than 1 year	99,111,798	43,130	98,680,502	43,130
Later than 1 year and not later than 33 years	1,597,263,821	694,898	1,593,079,488	696,276
Total gross lease	1,696,375,619	738,028	1,691,759,990	739,406
Future interest expense on leases liabilities	-	-	95,759,629	41,853
Present value of lease liabilities	<u>1,696,375,619</u>	<u>738,028</u>	<u>95,759,629</u>	<u>41,853</u>

Present value of lease liabilities - minimum lease payments

Not later than 1 year	99,111,798	43,130	98,680,502	43,130
Later than 1 year and not later than 33 years	1,597,263,821	694,898	1,593,079,488	696,276
	<u>1,696,375,619</u>	<u>738,028</u>	<u>1,691,759,990</u>	<u>739,406</u>



NOTES (CONTINUED)

12. Plant and equipment

Year ended 31 March 2021	Motor vehicles Tshs	Furniture and fittings Tshs	IT equipment Tshs	Plant work in-progress Tshs	Totals Tshs
Cost					
At start of year	53,606,000	1,025,000	23,852,633	23,544,548,265	23,623,031,898
Additions	-	-	24,164,626	9,662,326,007	9,686,490,633
	<u>53,606,000</u>	<u>1,025,000</u>	<u>48,017,259</u>	<u>33,206,874,272</u>	<u>33,309,522,531</u>
Depreciation					
At start of year	24,500,859	45,834	3,990,787	-	28,537,480
Charge for the year	21,483,111	137,759	11,285,254	-	32,906,124
	<u>45,983,970</u>	<u>183,593</u>	<u>15,276,041</u>	<u>-</u>	<u>61,443,604</u>
Net book value	<u>7,622,030</u>	<u>841,407</u>	<u>32,741,218</u>	<u>33,206,874,272</u>	<u>33,248,078,927</u>
	Motor vehicles USD (Memo)	Furniture and fittings USD (Memo)	IT equipment USD (Memo)	Plant work in-progress USD (Memo)	Totals USD
Cost					
At start of year	23,383	446	10,367	10,233,347	10,267,543
Additions	-	-	10,523	4,213,692	4,224,215
	<u>23,322</u>	<u>446</u>	<u>20,890</u>	<u>14,447,039</u>	<u>14,491,758</u>
Depreciation					
At start of year	6,433	20	1,734	-	8,187
Charge for the year	13,573	60	4,912	-	18,545
	<u>20,006</u>	<u>80</u>	<u>6,646</u>	<u>-</u>	<u>26,732</u>
Net book value	<u>3,316</u>	<u>366</u>	<u>14,244</u>	<u>14,447,039</u>	<u>14,465,027</u>
Year ended 31 March 2020	Motor vehicles Tshs	Furniture and fittings Tshs	IT equipments 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	21,371,317,196
	<u>53,606,000</u>	<u>1,025,000</u>	<u>23,852,633</u>	<u>23,544,548,265</u>	<u>23,623,031,898</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>23,594,494,418</u>

NOTES (CONTINUED)

12. Plant and equipment

Year ended 31 March 2020

	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	17,081	70	-	966,346	983,497
Additions	6,302	376	10,367	9,267,001	9,284,046
	<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
	<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>8,633</u>	<u>10,233,347</u>	<u>10,259,356</u>

13. Right-of use assets

Year ended 31 December 2020	2021		2020	
	Tshs	USD (Memo)	Tshs	USD (Memo)
At start of year	1,533,381,980	670,184	-	-
Revaluation surplus	7,003,427	-	-	-
Additions	-	-	1,584,494,712	692,524
Depreciation charge for the year	51,346,180	22,339	51,112,733	22,339
At end of year	<u>1,489,039,227</u>	<u>647,846</u>	<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 has been reclassified as right-of-use assets.

The Company has leased Land on which it is building its factory. The lease of land is for a periods of 33 years, with options to renew. The lease 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		2019	
	Tshs	USD	Tshs	USD
Additions, as above	-	-	1,584,494,712	692,524
Less: amounts financed through lease liabilities	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1,584,494,712</u>	<u>692,524</u>



NOTES (CONTINUED)

14. Trade and other receivables	2021		2020	
	Tshs	USD (Memo)	Tshs	USD (Memo)
Other receivables	98,847,767	43,005	75,010,889	32,601
Prepayments	745,045,433	324,141	666,268,965	289,570
	<u>843,893,200</u>	<u>367,146</u>	<u>741,279,854</u>	<u>322,171</u>
15. Cash and cash equivalents				
Cash in hand	20,830,608	9,063	15,549,191	6,758
Cash at bank	4,747,526,695	2,065,465	4,098,719,505	1,781,363
	<u>4,768,357,303</u>	<u>2,074,528</u>	<u>4,114,268,696</u>	<u>1,788,121</u>

For the purpose of the cashflow statement, cash and cash equivalents represent the above amounts.

The bank balances are held with major Tanzania financial institutions and the risk attached is considered to be minimal

16. Trade and other payables	2021		2020	
	Tshs	USD (Memo)	Tshs	USD (Memo)
Trade payables	2,035,353,478	885,504	1,860,932,640	808,788
Other payables	170,148,772	74,025	31,796,289	13,819
Payable to related party (Note 18)	344,244,973	149,768	-	-
	<u>2,549,747,224</u>	<u>1,109,297</u>	<u>1,892,728,929</u>	<u>822,607</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.

17. Loans and advances	2021		2020	
Hester Biosciences Limited	-	-	24,511,671	10,653

18. Cash from operations	2021		2020	
	Tshs	USD (Memo)	Tshs	USD (Memo)
Reconciliation of the loss before tax to cash from operations:				
Loss before tax	(977,368,397)	(426,384)	(487,025,966)	(212,684)
Adjustments for:				
Depreciation on plant and equipment (Note 12)	32,906,124	18,545	18,675,537	8,162
Interest expenses on leases	96,002,504	41,777	95,759,629	41,818
Changes in working capital				
-trade and other receivables	(102,613,127)	(44,975)	(529,512,104)	(229,676)
-trade and other payables	657,018,076	286,690	1,822,719,141	792,029
-Loans and advances	(24,511,671)	(10,653)	(247,938,829)	(108,347)
-amortisation of deferred capital grant	3,827,876,083	1,663,420	1,646,930,555	719,565
-Short term deposits	-	-	9,134,120,000	3,971,357
-depreciation on right-of-use assets	44,342,753	22,339	51,112,733	22,321
-Other accruals and liabilities	-	-	(94,273,439)	(40,973)
Cash from operations	<u>3,553,652,345</u>	<u>1,550,760</u>	<u>11,410,567,257</u>	<u>4,963,572</u>

NOTES (CONTINUED)

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 Umapati Dasgupta and Rajiv Gandhi .

The following balances arose from common directorship/shareholding transactions with parties related to the company through.

	2021		2020	
	Tshs	USD (Memo)	Tshs	USD (Memo)
(i) Purchases from related party				
Hester Biosciences Limited	1,802,367	784	-	-
(ii) Payables to related party (Note 16)				
Hester Biosciences Limited	344,244,973	149,768	-	-

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,

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.

(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.

(c) Liquidity risk

Cash flow forecasting is performed by the finance department of the company by monitoring the company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.



NOTES (CONTINUED)

20. Risk management objectives and policies (continued)

(c) Liquidity risk (continued)

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. Basis for preparation

These financial statements have been prepared for purposes of Hester Biosciences Limited group financial reporting and may not be suitable for any other purposes.

23. Presentation currency

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



Hester Biosciences Africa Limited
Annual report and financial statements
For the year ended 31 March 2021 for group reporting purposes only

SCHEDULE OF EXPENDITURE

	2021		2020	
	Tshs	USD (Memo)	Tshs	USD (Memo)
1. ADMINISTRATIVE EXPENSES				
Employment				
Salaries and wages	735,031,471	320,284	308,430,198	134,692
National social security fund contribution	54,051,529	23,552	29,011,267	12,669
Workers compensation fund	6,911,440	3,012	3,066,220	1,339
Skills and Development Levy	28,328,789	12,344	13,797,992	6,026
Other staff costs	40,221,131	17,526	43,299,008	18,909
Total employment costs	864,544,359	376,718	397,604,685	173,633
Other administrative costs				
Audit fees				
- current year	12,674,409	5,500	4,579,060	2,000
- Underprovision in previous year	4,562,460	2,000	-	-
Bank charges	26,515,783	11,547	32,579,457	14,227
Legal fees	73,025,666	31,786	13,769,082	6,013
Stamp duty	-	-	1,643,280	718
Office expenses	24,498,549	10,664	52,654,900	22,994
Vehicle running expenses	21,657,775	9,427	7,203,500	3,146
Guest house expenses	42,083,436	18,318	-	-
Donations	1,757,500	765	2,500,000	1,092
Labour expenses	3,325,600	1,448	2,440,000	1,066
Printing and stationery	28,342,125	12,337	1,845,754	806
Telephone and Internet	9,607,462	4,182	4,000,212	1,747
Survey expenses	-	-	7,436,853	3,248
Travelling expenses	46,588,773	19,214	30,610,200	13,368
Total other administrative expenses	294,639,537	127,186	161,262,297	70,423
Total administrative expenses	1,159,183,896	503,904	558,866,982	244,056
2. OTHER OPERATING EXPENSES				
Establishment				
Short term leases	112,211,563	48,843	40,048,251	17,489
Electricity and water	7,320,000	3,186	5,070,000	2,214
Insurance expenses	2,726,968	1,187	5,973,633	2,609
License and subscriptions	8,766,109	3,816	90,158,354	39,372
Repairs and maintenance	-	-	3,898,659	1,703
Security expenses	-	-	2,206,450	964
Depreciation of property, plant and equipment	32,906,124	18,545	18,675,537	8,156
Depreciation on right-of-use assets	51,346,180	22,339	51,112,733	22,321
	215,276,944	97,916	217,143,617	94,827