

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

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COMPANY INFORMATION

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

REPORT OF THE DIRECTORS (CONTINUED)

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

With respect to each director at the time this report was approved:

- (a) there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware; and
- (b) the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

TERMS OF APPOINTMENT OF THE AUDITOR

PKF Kenya continues in office in accordance with the company's Articles of Association and Section 719 of the Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

BY ORDER OF THE BOARD



DIRECTOR
NAIROBI



03 April 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 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 of the company; that disclose, with reasonable accuracy, the financial position of the company and that enable them to prepare financial statements that comply with the International Financial Reporting Standard for Small and Medium-Sized Entities and the requirements of the Kenyan Companies Act, 2015. The directors are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-Sized Entities and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

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

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the company as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-Sized Entities and the requirements of the Kenyan Companies Act, 2015.

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 03 April 2023 and signed on its behalf by:



DIRECTOR





DIRECTOR

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

Opinion

We have audited the accompanying financial statements of Hester Biosciences Kenya Limited set out on pages 8 to 17 which comprise the statement of financial position as at 31 December 2022, statement of profit or loss, statement of changes in equity, 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 Hester Biosciences Kenya Limited as at 31 December 2022, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-Sized Entities (IFRS for SMEs) and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for professional accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the directors' report, the schedule of expenditure and any other reports that comprise the annual 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.

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

Responsibilities of directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS for SMEs and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the 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.

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal requirements

In our opinion the information given in the report of the directors on pages 2 and 3 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Mike Njuguna Kimundu, Practising certificate No. 2235



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

03 April 2023

225/23

Hester Biosciences Kenya Limited
Annual report financial statements
For the year ended 31 December 2022

STATEMENT OF PROFIT OR LOSS

	Notes	2022 Shs	2021 Shs
Other income	4	-	-
Administrative expenses		(774,550)	(1,176,040)
Finance income	6	5,010,537	1,917,896
Impairment of investment in subsidiary		<u>(30,775,443)</u>	<u>-</u>
(Loss)/profit before tax	5	(26,539,456)	741,856
Tax	7	<u>-</u>	<u>-</u>
(Loss)/profit for the year		<u><u>(26,539,456)</u></u>	<u><u>741,856</u></u>

The notes on pages 12 to 17 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

STATEMENT OF FINANCIAL POSITION

CAPITAL EMPLOYED	Notes	As at 31 December	
		2022 Shs	2021 Shs
Share capital	7	15,060,300	15,060,300
Capital grant	8	56,169,607	56,169,607
Capital contribution	15	50,675,949	50,675,949
(Accumulated losses)		<u>(35,415,245)</u>	<u>(8,875,789)</u>
Shareholders' funds		<u>86,490,611</u>	<u>113,030,067</u>
REPRESENTED BY			
Non-current assets			
Investment in subsidiary	10	<u>26,472,664</u>	<u>57,248,107</u>
		<u>26,472,664</u>	<u>57,248,107</u>
Current assets			
Trade and other receivables	11	59,896,519	54,929,167
Cash and cash equivalents	12	<u>555,178</u>	<u>1,274,133</u>
		<u>60,451,697</u>	<u>56,203,300</u>
Current liabilities			
Trade and other payables	13	<u>433,750</u>	<u>421,340</u>
Net current assets		<u>60,017,947</u>	<u>55,781,960</u>
		<u>86,490,611</u>	<u>113,030,067</u>

The separate financial statements on pages 8 to 17 were authorised and approved for issue by the board of directors on 03rd April 2023 and were signed on its behalf by:



[Signature] DIRECTOR

[Signature] DIRECTOR

The notes on pages 12 to 17 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

STATEMENT OF CHANGES IN EQUITY

	Share capital Shs	Capital grant Shs	Capital contribution Shs	Accumulated losses Shs	Total Shs
Year ended 31 December 2021					
At start of year	15,060,300	56,169,607	50,675,949	(9,617,645)	112,288,211
Profit for the year	-	-	-	741,856	741,856
At end of year	<u>15,060,300</u>	<u>56,169,607</u>	<u>50,675,949</u>	<u>(8,875,789)</u>	<u>113,030,067</u>
Year ended 31 December 2022					
At start of year	15,060,300	56,169,607	50,675,949	(8,875,789)	113,030,067
(Loss) for the year	-	-	-	(26,539,456)	(26,539,456)
At end of year	<u>15,060,300</u>	<u>56,169,607</u>	<u>50,675,949</u>	<u>(35,415,245)</u>	<u>86,490,611</u>

The notes on pages 12 to 17 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

NOTES

1. General information

Hester Biosciences Kenya Limited (the Company) is incorporated in Kenya under the Companies Act, 2015 as a private company limited by shares, and is domiciled in Kenya. The address of its registered office and principal place of business is as shown on page 1. The principal activity of the company is that of manufacturing, distribution and supply of animal health products, diagnostic platforms and animal vaccine.

These financial statements comply with the requirements of the Kenyan Companies Act, 2015. The statement of profit or loss 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.

2. Basis of preparation

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

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

The financial statements have been presented in Kenya Shillings.

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

Going concern

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

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

Based on the financial performance and position of the company and its risk management policies, the directors are of the opinion that the company is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

3. Significant accounting policies

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

a) Key sources of estimation uncertainty

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

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

NOTES (CONTINUED)

3. Significant accounting policies (continued)

d) Equipment (continued)

Gains and losses on disposal of equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining profit before tax.

e) Share capital

Ordinary shares are classified as equity.

f) Trade and other receivables

Trade and other receivables are initially recognised at the transaction price. Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortised cost using the effective interest method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit and loss.

g) Cash and cash equivalents

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

h) Trade and other payables

Trade payables are initially recognised at the transaction price (less transaction costs). Trade payables are obligations on the basis of normal credit terms and do not bear interest. Interest bearing liabilities are subsequently measured at amortised cost using the effective interest method.

i) Taxation

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

Current tax

Current tax is provided on the results for the period, adjusted in accordance with tax legislation. The current income tax charge/credit is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is provided using the liability method for all temporary 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 differences can be utilised.

j) Translation of foreign currencies

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

NOTES (CONTINUED)

4. (Loss)/profit before tax

The following items have been charged in arriving at profit before tax

	2022	2021
	Shs	Shs
Audit fees	<u>327,350</u>	<u>691,700</u>

5. Finance income

Net foreign exchange gain	<u>(5,010,537)</u>	<u>(1,917,896)</u>
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6. Tax

Current tax	<u>-</u>	<u>-</u>
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The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic rate as follows:

(Loss)/profit before tax	<u>(26,539,456)</u>	<u>741,856</u>
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Tax calculated at a tax rate of 30% (2021: 30%)	<u>(7,961,837)</u>	<u>185,464</u>
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Tax effect of:

- expenses not deductible for tax purposes	<u>9,464,998</u>	<u>294,010</u>
- income not subject to tax	<u>(1,503,161)</u>	<u>(479,474)</u>

Tax	<u>-</u>	<u>-</u>
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7. Share capital

Authorised:

151,000 (2021: 1,000 ordinary shares of Shs. 100 each)	<u>15,100,000</u>	<u>15,100,000</u>
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Issued and fully paid:

150,603 (2021: 150,603) ordinary shares of Shs. 100 each	<u>15,060,300</u>	<u>15,060,300</u>
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8. Capital grant

At start and end of year	<u>56,169,607</u>	<u>56,169,607</u>
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The capital grant were funds received specifically for purpose of purchasing shares in Hester Biosciences Tanzania Limited.

9. Equipment - telephone

Cost

At start and end of year	<u>17,500</u>	<u>17,500</u>
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Accumulated depreciation

At start of year	<u>17,500</u>	<u>17,500</u>
Charge for the year	<u>-</u>	<u>-</u>

At end of year	<u>17,500</u>	<u>17,500</u>
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Net book value	<u>-</u>	<u>-</u>
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SCHEDULE OF EXPENDITURE

1. ADMINISTRATIVE EXPENSES	2022 Shs	2021 Shs
Other administrative expenses		
Legal and professional fees	307,400	310,400
Secretarial fees	90,000	87,000
Audit fees	327,350	691,700
Bank charges	18,480	17,340
Printing and stationery	17,400	69,600
Postage and courier	13,920	-
	<u>774,550</u>	<u>1,176,040</u>
Total other administrative expenses		
	<u>774,550</u>	<u>1,176,040</u>
2. FINANCE (INCOME)		
Net foreign exchange (gain)	<u>(5,010,537)</u>	<u>(1,917,896)</u>