HESTER BIOSCIENCES TANZANIA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD 1 JANUARY, 2022 TO 31 MARCH 2023

CONTENTS **PAGE**

Hester Biosciences Tanzania Limited
PO Box 75512
Tanzania

COMPANY INFORMATION

		(Nationality)
BOARD OF DIRECTORS	: Rajiv Gandhi	Indian
	: Christine Towo Sokoine	Tanzanian
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	: Plot No 647 & 648	
	: NDC - Tamco Industrial Estate	
	: Loliondo Road, Kibaha	
	: Coast Region	
	: Tanzania	
INDEPENDENT AUDITOR	: PKF Associates Tanzania	
	: P.O. Box 7323	
	: Dar-es-Salaam	
COMPANY SECRETARY	: PKF Advisory Limited	
	: P.O. Box 7323	
	: Dar-es-Salaam	
PRINCIPAL BANKERS	: Standard Chartered Bank (T) Limited	
	: P.O. Box 9011	
	: Dar-es-Salaam	
	: Tanzania	
	: CRDB Bank Plc	
	: P.O. Box 268	
	: Dar-es-Salaam	
	: Tanzania	
	: NBC Bank Plc	
	: NBC House, Azikiwe Street/Sokoine Drive	
	: P.O. Box 1863	
	: Dar-es-Salaam	
	: Tanzania	

Hester Biosciences Tanzania Limited
PO Box 75512
Tanzania

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the 15months period ended 31 March 2023, which disclose the state of affairs of the company.

INCORPORATION

The company was incorporated in Tanzania on 24 October 2016 through certificate of incorporation no.130555 as a limited liability company.

PRINCIPAL ACTIVITY

The principal activity of the company is trade in veterinary products and equipment.

BUSINESS REVIEW

During the period, the total revenue of the company decreased from Tshs 895,213,145 to Tshs 760,787,822. The loss before tax increased from Tshs 111,574,110 to Tshs 286,719,649 reflecting the increase in cost of sales.

As at 31 March 2023, the net assets position of the company was Tshs 528,111,329 compared to Tshs 818,634,917 as at 31 December 2021.

RESULTS AND KEY PERFORMANCE INDICATORS	**2023 Tshs**	**2021 Tshs**
Loss before tax	(286,719,649)	(111,574,110)
Tax charge	(3,803,939)	(94,143,057)
Loss for the year	(290,523,588)	(205,717,167)

A summary of the key ratios is outlined below :

Decline in income (%)	-15%	-26%
Growth/(decline) in profit before tax (%)	157%	-46%
Gross profit margin (%)	-20%	4%
Net profit margin (%)	-38%	-23%
Inventory turnover days	69	84
Current ratio (times)	1.5	2.1

COMPOSITION OF THE BOARD OF DIRECTORS
The directors of the company during the year and up to date of this report are as indicated on page 1.

Hester Biosciences Tanzania Limited
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REPORT OF THE DIRECTORS (CONTINUED)

CORPORATE GOVERNANCE

The Directors believe that high standards of corporate governance directly influence the Company's stakeholders' confidence and the Directors recognise the importance of integrity, transparency, responsibility and accountability.

The board consists of two directors. The board takes overall responsibility for the company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, significant financial matters, and reviewing the performance of management business plans and budgets.

The board is responsible for ensuring that a comprehensive system of internal control policies and procedures is operative and for compliance with sound corporate governance principles.

The board regurarly met during the year. The board delegates the day to day management of the business to the managing director assisted by the senior management team. The senior management team is invited to attend board meetings and facilitates the effective control of all the company's operational activities, acting as a medium of communication and coordination between the various business units.

The company is committed to the principles of effective corporate governance. The directors recognise the importance of integrity, transparency and accountability.

CAPITAL STRUCTURE

The company's capital structure is as shown below:

	2023 Tshs	2021 Tshs
Authorised:		
15,642 ordinary shares of Tshs 100,000	1,564,200,000	1,564,200,000
Issued and fully paid:		
12,388 ordinary shares of Tshs 100,000	1,238,800,000	1,238,800,000

The shares of the company were held by Hester Biosciences Kenya Limited which owns 12,386 of the issued shares of the company. Rajiv Gandhi owns 2 shares. The ultimate holding company is Hester Biosciences Limited of India.

MANAGEMENT

The management of the company is under the control of the Managing Director and is organised in the following departments:

- Operations and administration department
- Sales Department
- Finance Deprtment
- Warehouse and Logistics Department
- Services and applications Department

OUR PEOPLE

We are committed to the development of staff in order to enhance service delivery. To this end several in-house and external skills development and management courses were conducted with majority of staff attending the training. We continue to invest in our staff through performance management and ensuring our strategy is well internalized and supported by all. The Company will continue campaign initiatives that attract the best talent in the market, diversity and inclusivity and retention.

Hester Biosciences Tanzania Limited
PO Box 75512
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REPORT OF THE DIRECTORS (CONTINUED)

OUR PEOPLE(CONTINUED)

As of year end, the Company had 2 staff. The day to day management of the company is organized under the department of sales and marketing.

RELATIONSHIP WITH STAKEHOLDERS

Relationships with our key stakeholders including customers, suppliers, business partners, regulators and other service providers remained cordial throughout the year. A good relationship with our key stakeholders remains the root of our core values and belief.

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk management

The Board recognizes that managing risks to ensure an optimal mix between risk and return is an integral part of achieving corporate goals. The Board has put in place procedures for identifying risks and implementing risk mitigation actions to ensure the risk of failure to achieve business objectives is appropriately mitigated.

As a key risk management incentive, the Company has put in place a comprehensive system of setting and implementing objectives, measuring and reporting performance against the objectives and implementing corrective action to ensure that objectives are achieved. In addition, risks are further identified and managed through in-house risk reviews and the internal and external audit processes.

Internal controls

The Board has a collective responsibility for the Company's system of internal controls and reviews their effectiveness. In this respect the Board relies on Management to establish systems and controls in the running of the business of the Company and providing assurance to the Board that they have done so. The system of internal control in place has defined procedures and operational and financial controls to ensure that assets are safeguarded, transactions are authorised and recorded properly, and that material errors and irregularities are either prevented and or detected within a reasonable period of time. The system of internal controls puts management at the forefront of developing and implementing appropriate controls, processes and procedures that support a conducive internal controls environment. The Risk and Compliance team periodically reviews these controls and tests their effectiveness and makes appropriate recommendations.

In reviewing the effectiveness of the systems of internal control and risk management, the Board takes into account the results of all the work carried out to audit and review the activities of the Company by both external and internal assurance providers. The Board has reviewed the Company's system of internal control and is satisfied that the system is effective.

Conduct of business and performance reporting

The Company's business is conducted in accordance with a carefully formulated strategy, annual business plans and budgets which set out very clear objectives. Roles and responsibilities have been clearly defined with approved authority being delegated. Performance against the objectives is reviewed and discussed monthly and quarterly by the management team. Management prepares a quarterly business review report which is presented to the Board. In this way performance trends, forecasts as well as actual performance against budgets and prior periods are closely monitored.

ENVIRONMENTAL CONTROL PROGRAM

The company is committed to conducting its business in a manner that protects the environment and it is registered with OSHA (Occupational Safety and Healthy Administration) which requires the company to be commited to developing and establishing a strong health, and safe environment culture, and to provide training, awareness programs and resources necessary to support this commitment. Guiding principles for effective health, safety and environment are as follows;

- Nothing is more important than protecting human health and safety;
- All incidents are preventable;

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REPORT OF THE DIRECTORS (CONTINUED)

ENVIRONMENTAL CONTROL PROGRAM(CONTINUED)

- Management is accountable for health, safety and environment (HSE) performance and will show active leadership in the same;
- Working safely in an environmentally responsible manner is a condition for employment; and
- Preventing incidents and managing environmental impacts are fundamental to good business.

EMPLOYEE'S WELFARE

Management and employees' relationship
There were continued good relations between employees and management during the year ended 31 December 2022.

The company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors such as gender, marital status, religion, tribe and disability which does not impair ability to discharge duties.

Training facilities
The company provides on-the-job training to all its employees in order to improve their technical skills and effectiveness. Where necessary, employees are also considered for external training courses that upgrade skills and enhance development.

Medical assistance
The company provides medical cover to its employees and eligible dependents through a Medical Insurance Scheme.

Health and safety
The company has a strong safety and security section which ensures that a culture of safety prevails at all times. A safe working environment is ensured for all employees and contractors by providing adequate and proper personal protective equipment, training and supervision as necessary.

Financial assistance to staff
Loans are available to all confirmed employees depending on the company assessment and the discretion of management as to the need and circumstances.

Persons with disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event that a member of staff becomes disabled, every effort is made to ensure that his/her employment with the company continues and appropriate training is arranged. It is the policy of the company that training, career development and promotion of disabled persons is, as far as possible, identical to that of other employees.

Employees Benefit Plan

The company pays contributions to the NSSF statutory pension fund which is a mandatory pension plan and qualifies to be a defined benefits plan.

ADMINISTRATIVE EFFICIENCY

All statutory payments such as Pay As You Earn (PAYE), pension contributions and other statutory deductions from staff salaries were made promptly to the relevant authorities. No loss of assets was sustained during the year under review. The existing management systems are invariably complied with. This has resulted in smooth operations of the Company.

RELATED PARTY TRANSACTIONS AND BALANCES

Transactions with parties who are related to the Company including details of remuneration paid to the Directors are disclosed in note 14 of these financial statements.

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REPORT OF THE DIRECTORS (CONTINUED)

EMPLOYEE'S WELFARE (CONTINUED)

Persons with disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event that a member of staff becomes disabled, every effort is made to ensure that his/her employment with the company continues and appropriate training is arranged. It is the policy of the company that training, career development and promotion of disabled persons is, as far as possibles, identical to that of other employees.

SUBSEQUENT EVENTS

No material events or circumstances between the accounting date and the date of this report have arisen that require either disclosure or adjustment to the financial statements.

COMPLIANCE WITH THE LAWS

The Board is satisfied that the Company has, to the best of their knowledge, complied with all applicable laws and conducted its business affairs in accordance with the law. To the knowledge of the Board, no director, employee or agent of the Company acted or committed any indictable offence under the Anti-Corruption laws in conducting the business of the Company nor been involved or been used as a conduit for money laundering or any other activity incompatible with the relevant laws.

ACCOUNTABILITY AND AUDIT

Full disclosure

The Board recognizes its responsibility to present a balanced and understandable assessment of the Company's financial position and prospects. Financial information is prepared using appropriate accounting policies, which are applied consistently. The Board also discloses to shareholders any information that would materially affect the value of their investments and/or earnings there from. This assessment is provided in the directors' report and the audited financial statements forming part of this report.

Audit and shareholder relations

The Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Tanzania Companies Act, 2002 and are audited in accordance with International Auditing Standards. The Directors recognize and have confirmed their responsibility over the financial statements. All shareholders are invited to the Annual General Meeting and are free to put questions to the Board and the Auditors on matters concerning operations and financial statements of the Company.

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REPORT OF THE DIRECTORS (CONTINUED)

ACCOUNTABILITY AND AUDIT (CONTINUED)

DONATIONS

The Company makes donations to social activities as and when requested by the beneficiaries and when the Company considers it appropriate.

CORPORATE SOCIAL RESPONSIBILITY

The Company continued to provide direct support to the community in which it operates in form of social and financial support.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 March 2023 there were no serious prejudicial matters to report as required by Tanzania Financial Reporting Standard No.1 (TFRS 1) on Directors' report.

STATEMENT OF COMPLIANCE

The Directors' Report has been prepared in full compliance with Tanzania Financial Reporting Standard No.1 (TFRS 1) on Directors' report.

INDEPENDENT AUDITOR

PKF Associates Tanzania (PKF) is the auditor of the Company for the year ended 31 March 2023. The address and other details of the auditor are shown on page 1. PKF has indicated willingness to continue in office and is eligible for re-appointment. A resolution proposing the re-appointment of PKF as the auditor of the Company will be put to the Annual General Meeting.

RESPONSIBILITY OF THE AUDITOR

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

BY ORDER OF THE BOARD

Rajiv Gandhi	Hester Biosciences Tanzania Limited PO Box 75512 Tanzania	**Christine Towo Sokoine**
Director		**Director**
Dar es Salaam		**Dar es Salaam**
23-05-**2023**		23-05-**2023**

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 of the company; that disclose, with reasonable accuracy, the financial position of the company and that enable them to prepare financial statements of the company that comply with 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 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 2023 and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Tanzania Companies Act, 2002.

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 23-05- 2023 and signed on its behalf by:

Rajiv Gandhi
Director

Dar es Salaam

23-05- **2023**

Hester Biosciences Tanzania Limited
PO Box 75512
Tanzania

Christine Towo Sokoine
Director

Dar es Salaam

23-05- **2023**

DECLARATION OF THE HEAD OF FINANCE OF HESTER BIOSCIENCES TANZANIA 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 the Financial Reporting International Standard 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 the page 8.

In regard thereof, I CPA LEONARD LEOPOLD being the Head of Finance/Accounting of Hester Biosciences Tanzania Limited hereby acknowledge my responsibility of ensuring that the company's financial statements for the year ended 31 March 2023 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 Tanzania Limited as of that date and that they have been prepared based on properly maintained financial records.

Signed by: ....

Position: FINANCIAL CONSULTANT

NBAA Membership No.: ACPA-PP 3384

Date: 23-05-2023

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF HESTER BIOSCIENCES TANZANIA LIMITED

Opinion

We have audited the financial statements of Hester Biosciences Tanzania Limited, set out on pages 12 to 32 which comprise the statement of financial position as at 31 March 2023, 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 2023, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the Tanzania Companies Act, 2002.

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 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.

Other information

The directors are responsible for the other information. The other information comprises the directors' report, the statement of directors responsibilities, declaration of the head of finance, 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 from the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the international Financial Reporting Standards 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 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.

PKF Associates Tanzania, Girl Guides Building, 1st Floor of Tower B, Plot No. 1088
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T +255 022 2152501, +255 022 2152503, +255 022 2152504 **E:** pkftz@pkfea.co.tz, **www.pkfea.com**

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF HESTER BIOSCIENCES TANZANIA LIMITED IN RESPECT OF AUDIT FOR THE YEAR ENDED 31 MARCH 2023

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 skepticism 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 assess 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 5 to 7 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 profit and loss and other comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is:

PKF ASSOCIATES TANZANIA
P.O. Box 732
DAR-ES-SALAAM

Date: 30/5/2023

CPA Mustansir Gulamhussein, Practising certificate No. ACPA-PP1810
For and on behalf of PKF Associates Tanzania
Certified Public Accountants
Dar es Salaam
Ref: PKF/A/H015/067/23/mg

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	15 months to 31 March, 2023 Tshs	Year ended 31 December, 2021 Tshs
Revenue	2	760,787,822	895,213,145
Cost of sales		(916,539,049)	(863,711,215)
Gross profit		(155,751,227)	31,501,930
Administrative expenses		(118,566,963)	(87,202,309)
Other operating expenses		(12,401,459)	(52,974,733)
Operating loss	3	(286,719,649)	(108,675,112)
Finance (costs)/income	4	-	(2,898,998)
Loss before tax		(286,719,649)	(111,574,110)
Tax (charge)/credit	5	(3,803,939)	(94,143,057)
(Loss)/Profit for the year		(290,523,588)	(205,717,166)
Other comprehensive income		-	-
Total comprehensive loss for the year		(290,523,588)	(205,717,166)

The notes on pages 16 to 32 form an integral part of these financial statements.

Report of the independent auditor - page 10 - 11.

Hester Biosciences Tanzania Limited
PO Box 75512
Tanzania

STATEMENT OF FINANCIAL POSITION

	Notes	15 months to 31 March, 2023	Year ended 31 December, 2021
		Tshs	Tshs
EQUITY			
Share capital	6	1,238,800,000	1,238,800,000
Retained earnings		(710,688,671)	(420,165,083)
Equity attributable to owners of the company		528,111,329	818,634,917
REPRESENTED BY:			
Non-current assets			
Plant and equipment	8	37,237,615	46,846,725
Current assets			
Inventories	9	173,325,662	198,537,870
Trade and other receivables	10	1,300,436,215	1,164,287,422
Cash and cash equivalents	11	68,509,690	113,550,995
Tax recoverable		523,935	523,934
		1,542,795,502	1,476,900,221
Current liabilities			
Trade and other payables	12	1,051,921,789	705,112,030
		1,051,921,789	705,112,030
Net current assets		490,873,713	771,788,192
		528,111,329	818,634,917

The financial statements on pages 12 to 32 were approved and authorised for issue by the Board of Directors on 23-05-2023 and were signed on its behalf by:

Rajiv Gandhi
Director

Hester Biosciences Tanzania Limited
PO Box 75512
Tanzania

Christine Towo Sokoine
Director

The notes on pages 16 to 32 form an integral part of these financial statements.

Report of the independent auditor - page 10 - 11.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2023	**Share capital Tshs**	**Retained earnings Tshs**	**Total Tshs**
At start of year	1,238,800,000	(420,165,083)	818,634,917
Total comprehensive loss for the year	-	(290,523,588)	(290,523,588)
At end of year	1,238,800,000	(710,688,671)	528,111,329
Year ended 31 December 2021			
At start of year	1,238,800,000	(214,447,917)	1,024,352,083
Total comprehensive loss for the year	-	(205,717,166)	(205,717,166)
At end of year	1,238,800,000	(420,165,083)	818,634,917

The notes on pages 16 to 32 form an integral part of these financial statements.

Report of the independent auditor - page 10 - 11.

Hester Biosciences Tanzania Limited
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STATEMENT OF CASH FLOWS

	Notes	15 months to 31 March, 2023 Tshs	Year ended 31 December, 2021 Tshs
Operating activities			
Cash from operations	13	(41,237,366)	(206,478,772)
Interest charged on lease liabilities		-	975,757
Tax paid		(3,803,939)	(11,018,982)
Net cash (used in)/from operating activities		(45,041,305)	(216,521,997)
Investing activities			
Cash paid for purchase of plant and equipment	8	-	(37,093,737)
Net cash used in investing activities		-	(37,093,737)
Financing activities			
Payments under finance leases		-	(17,640,682)
Net cash from financing activities		-	(17,640,682)
(Decrease)/ Increase in cash and cash equivalents		(45,041,305)	(271,256,416)
Movement in cash and cash equivalents			
At start of year		113,550,995	384,807,411
(Decrease)/ Increase		(45,041,305)	(271,256,416)
At end of year	11	68,509,690	113,550,995

The notes on pages 16 to 32 form an integral part of these financial statements.

Report of the independent auditor - page 10 - 11.

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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

a) Basis of preparation

The financial statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into when pricing the asset or liability at the measurement

Going concern

The financial performance of the company is set out in the report of the directors and in the statement of profit or loss and other comprehensive income. The financial position of the company is set out in the statement of financial position. Disclosures in respect of risk management and capital management are set out in note 17 and 16 respectively.

The ability of the company to continue operations depends upon the continued support of the shareholders and the measures being taken by the directors to return the company to profitability. The shareholders have confirmed their commitment and ability to continue providing the necessary financial support that may be required to enable the company to pay its obligations as and when they fall due for the foreseeable future. Consequently, the directors have considered it appropriate to prepare the financial statements on the going concern basis.

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

- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current (issued in January 2020), effective for annual periods beginning 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 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies (issued in February 2021)
- The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

Amendments to IAS 8 'Definition of Accounting Estimates' (issued in February 2021), effective for annual reporting periods beginning on or after 1 January 2023, introduce a definition of 'accounting estimates' and clarify the distinction between changes in accounting estimates and change in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

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NOTES

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

a) **Basis of preparation (continued)**

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

- 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.
- 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.
- 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 and 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.

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NOTES (CONTINUED)

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

- **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 Companys 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 (PD), Loss Given Default (LGD), and Exposure At Default (EAD).

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

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

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

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

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1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

- **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).
- 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

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NOTES (CONTINUED)

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

c) **Revenue recognition**

The company recognises revenue from veterinary vaccines and equipments. 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

Sale of veterinary vaccines are recognised upon delivery and acceptance by the customer. Having accepted the goods, customer do not have the right to return them. There are no variable element to the contract price and payment less any deposit already paid, is typically due within 30 days of delivery.

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 transactions.

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.

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:

	Rate %
Motor vehicles	37.5%
Computer equipment	12.5%
Furnitures and fittings equipment	12.5%
Office 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 is greater than its estimated recoverable 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.

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1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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.

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.

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NOTES (CONTINUED)

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

g) **Financial instruments (continued)**

- ***Financial assets (continued)***

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.
- 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 comphrensive income (FVTOCI):

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

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NOTES (CONTINUED)

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

g) **Financial instruments (continued)**

Impairment (continued)

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.

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 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.

NOTES (CONTINUED)

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

g) **Financial instruments (continued)**

Impairment (continued)

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.

i) **Inventories**

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

k) **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, netof bank overdrafts and restricted cash balance.

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

l) **Share capital**

Ordinary shares are classified as equity.

m) **Taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in statement of profit or loss except to the extent that it relates to items recognised in the other comprehensive income or equity, In this case. the tax is also recognised in other comprehensive income or equity.

Current tax

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

Deferred tax

Deferred tax is provided using the liability method for all temporary timing differences arising between the tax bases of assets and liabilities and their carrying 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.

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NOTES (CONTINUED)

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

n) **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.

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.

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NOTES (CONTINUED)

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

o) **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

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.

p) **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.

r) **Comparatives**

There were no changes in presentation in th current in the current year.

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NOTES (CONTINUED)

	As at 31 March, 2023	Year ended 31 December, 2021
2. Revenue	**Tshs**	**Tshs**
Revenue from trading	760,787,822	895,213,145
3. Operating loss		
The following items have been charged in arriving at the operating loss:		
Auditor's remuneration	13,689,411	12,589,500
Depreciation on plant and equipment (Note 9)	9,609,110	7,649,180
Staff costs (Note 3.1)	39,768,785	46,862,900
Staff costs		
Salaries and wages	35,178,514	42,000,000
National social security fund contribution	4,371,807	4,200,000
Workers compensation fund expenses	218,464.00	336,000
Other staff costs	-	326,900
	39,768,785	46,862,900
4. Finance costs		
Net foreign exchange loss	-	1,923,241
Interest on lease liablity	-	975,757
	-	2,898,998
5. Tax		
Current tax - alternative minimum tax	3,803,939	4,476,066
Deferred tax derecognised	-	89,666,991
	3,803,939	94,143,057
Current tax		
Deferred tax credit (Note 8)		
The tax on the company's loss before tax differs from the theoretical amount that would arise using the basic rate as follows:		
Loss before tax	(286,719,649)	(111,574,110)
Tax calculated at a tax rate of 30%(2020: 30%)	(86,015,895)	(33,472,233)
Tax effect of:		
- expenses not deducted for tax purposes	10,645,291	7,545,340
- current tax - alternative minimum tax	3,803,939	4,476,066
- Deferred tax derecognised	-	89,666,991
- Deferred tax asset not recognised	75,370,604	25,926,893
	3,803,939	94,143,057
6. Share capital		
Authorised:		
15,642 (2022: 15,642) ordinary shares of Tshs 100,000	1,564,200,000	1,564,200,000
Issued and fully paid:		
12,388 (2022: 12,388) ordinary shares of Tshs 100,000	1,238,800,000	1,238,800,000

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NOTES (CONTINUED)

7. **Deferred tax - for disclosure only**

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a tax rate of 30%. The movement of deferred tax account is shown as below:

Deferred tax asset and deferred tax charge/(credit) to profit or loss are attributable to the following:

	At start of the year Tshs	Credit to profit or loss Tshs	At end of the year Tshs
Deferred tax assets			
Plant and equipment			
- accelerated capital allowance	3,128,054	(1,219,773)	1,908,281
- unrealised Foreign exchange Gain/ (Loss)	-	(1,261,402)	(1,261,402)
Tax losses	(118,721,937)	(72,889,428)	(191,611,366)
Deferred tax asset not recognised	115,593,884	75,370,604	190,964,487
Net deferred tax asset	-	-	-

No deferred tax asset has been recognised as of the time of sign of the financial statements, the directors where uncertain of the company's ability to generate sufficient future taxable profit against which the tax losses will be utilized.

8. **Plant and equipment**

Year ended 31 March 2023

	Furniture and fittings Tshs	Office equipment Tshs	Computer equipment Tshs	Total Tshs
Cost				
At start and end of year	8,959,000	43,492,315	9,047,000	61,498,315
Accumulated depreciation				
At start of year	3,969,202	7,385,889	3,296,498	14,651,589
Charge for year	1,399,844	6,795,673	1,413,593	9,609,110
At end of year	5,369,046	14,181,562	4,710,091	24,260,700
Net carrying amount	3,589,954	29,310,753	4,336,909	37,237,615

Year ended 31 December 2021

	Furniture and fittings Tshs	Office equipment Tshs	Computer equipment Tshs	Total Tshs
Cost				
At start of year	8,959,000	6,398,578	9,047,000	24,404,578
Additions	-	37,093,737	-	37,093,737
	8,959,000	43,492,315	9,047,000	61,498,315
Accumulated depreciation				
At start of year	2,849,328	1,987,459	2,165,623	7,002,410
Charge for year	1,119,874	5,398,430	1,130,875	7,649,180
At end of year	3,969,202	7,385,889	3,296,498	14,651,590
Net carrying amount	4,989,798	36,106,426	5,750,502	46,846,725

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NOTES (CONTINUED)

	15 months to 31 March, 2023	Year ended 31 December, 2021
9. **Inventories**	**Tshs**	
Finished goods for resale	-	198,537,870
Goods in transit	173,325,662	-
	173,325,662	198,537,870

10. **Trade and other receivables**

Trade receivables	215,059,467	74,819,798
Prepayments	3,873,664	-
Receivables from related parties (Note 14 (ii))	1,081,503,084	1,089,467,624
	1,300,436,215	1,164,287,422

The carrying amounts of trade and other receivables approximate to their fair values.

The company's credit risk arises primarily from trade receivables. The company's exposure is limited because the debt is widely held.

The carrying amounts of the company's trade and other receivables are denominated in Tanzania

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The company does not hold any collateral as security.

	15 months to 31 March, 2023	Year ended 31 December, 2021
11. **Cash and cash equivalents**	**Tshs**	**Tshs**
Cash in hand	1,940,522	2,336,253
Cash at bank	66,569,167	111,214,742
	68,509,690	113,550,995

For the purposes of the statement of cash flows, the year end cash and cash equivalents comprise the above.

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

The carrying amounts of the company's cash and cash equivalents are denominated in the following currencies:

	15 months to 31 March, 2023	Year ended 31 December, 2021
	Tshs	**Tshs**
Tanzania Shilling	29,420,414	86,334,352
US Dollar	39,089,275	27,216,643
	68,509,690	113,550,995

NOTES (CONTINUED)

12. **Trade and other payables**	**15 months to 31 March, 2023 Tshs**	**Year ended 31 December, 2021 Tshs**
Trade payables	3,566,123	4,782,203
Accruals	16,747,514	9,083,243
Other payables	3,803,939	600,500
Payables to related parties (Note 14 (iii))	1,027,804,213	690,646,084
Total trade and other payables	1,051,921,789	705,112,030

The carrying amounts of the company's trade and other payables are denominated in Tanzania
The carrying amounts of trade and other payables approximate to their fair values.

13. **Cash from operations**	**Tshs**	**Tshs**
Reconciliation of the (loss)/profit before tax to cash from operations:		
Loss before tax	(286,719,649)	(111,574,110)
Adjustments for:		
Depreciation on plant and equipment (Note 8)	9,609,111	7,649,180
Changes in working capital:		
- trade and other receivables	(136,148,793)	4,664,121
- trade and other payables	346,809,759	(395,967,342)
- inventories	25,212,208	250,764,542
- depreciation on right-of-use assets	-	22,080,475
- IFRS 16 adjustment on contract termination	-	15,904,362
Cash used in operations	(41,237,364)	(206,478,772)

14. **Related party transactions and balances**

The company is controlled by Hester Biosciences Kenya Limited who owns 12,386 of the issued shares of the company. Rajiv Gandhi owns 2 shares. The ultimate holding company is Hester Biosciences Limited of India.

Outstanding balances arising from transaction with related parties were:

The company is related to other entities through common directorship/shareholding. The following transactions who carried out with related parties during the year:

	15 months to 31 March, 2023 Tshs	**Year ended 31 December, 2021 Tshs**
i) **Purchases of vaccines from:**		
Hester Biosciences Nepal PVT Limited	-	95,913,380
Hester Biosciences Limited	861,634,386	492,449,716
	861,634,386	588,363,096
ii) **Receivable from related parties (Note 10)**		
Thrishool Exim Limited	215,059,467	-
Hester Biosciences Nepal Private Limited	1,081,503,084	1,089,467,624
iii) **Payables to related parties (Note 12)**		
Hester Biosciences Africa Limited	-	2,986,000
Hester Biosciences Limited	1,027,804,213	687,660,084
	1,027,804,213	690,646,084

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NOTES (CONTINUED)

15. **Related party transactions and balances (continued)**

The related party balances are denominated in US Dollar, unsecured, interest fee and have no fixed repayment terms.

16. **Risk management objectives and policies**

Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk), credit risk and liquidity risk.

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by the management.

(a) **Market risk**

Foreign exchange risk

The company is not exposed to foreign exchange risk arising primarily with respect to the US Dollar.

Risk management is carried out by the management.

(b) **Credit risk**

Credit risk arises from cash and cash equivalents and trade and other receivables.

Management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

Individual limits are set based on internal or external information in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

None of the financial assets that are fully performing has been renegotiated in the last year.

(c) **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and bank balance, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. position. Due to the dynamic nature of the underlying businesses, the company's management maintains flexibility in funding by maintaining availability under committed credit lines.

Notes 12 disclose the maturity analysis of trade and other payables.

The shareholders have given an undertaking to continue to provide financial support to the company for the foreseeable future. Based on this, the directors have considered it appropriate to prepare the financial statements on the going concern basis.

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NOTES (CONTINUED)

17. **Capital Management**

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. Consistently with others in the industry, the company monitors capital on the basis of the debt-to-adjusted capital ratio.

18. **Period of reporting and comparative figures**

The financial statements have been prepared for a period of 15 months (1 January, 2022 to 31 March, 2023) as the company has changed its reporting date from 31 December. The comparative figures include 12 months calender year.

19. **Incorporation**

Hester Biosciences Tanzania Limited was incorporated on 24 October 2016 in Tanzania under the Companies Act, 2022 as a private limited liability company and is domiciled in Tanzania.

20. **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.

21. **Presentation currency**

These financial statements are presented in Tanzania Shillings

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SCHEDULE OF EXPENDITURE

		15 months to 31 March, 2023	Year ended 31 December, 2021
1.	**COST OF SALES**	**Tshs**	**Tshs**
	Opening inventories	198,537,870	449,302,412
	Add:purchases	718,001,179	612,946,673
	Closing inventories	-	(198,537,870)
	Total cost of sales	916,539,049	863,711,215
2.	**ADMINISTRATIVE EXPENSES**		
	Employment:		
	Salaries and wages	39,550,321	42,000,000
	National social security fund contributions	3,949,286	4,200,000
	Workers compensation fund contributions	218,464	336,000
	Other staff costs	-	326,900
	Total employment costs	43,718,071	46,862,900
	Other administrative expenses		
	Printing and stationery	-	588,850
	Advertising and sales promotion	-	2,600,000
	Audit fees	13,689,411	12,589,500
	Legal and professional fees	8,284,828	7,414,208
	Bank charges and commissions	5,988,519	5,178,860
	Postages and telephone	-	455,000
	Provision for baddebts	35,484,303	-
	VAT input expenses	7,180,156	4,790,717
	Entertainment and travelling	17,000	882,500
	Foreign exchage loss	4,204,675	-
	Office expenses		5,839,775
	Total other administrative expenses	74,848,892	40,339,410
	Total administrative expenses	118,566,963	87,202,309
3	**OTHER OPERATING EXPENSES**		
	Establishment:		
	Repairs and maintenance	120,000	-
	City services levy	1,972,349	2,686,716
	Licenses and subscriptions	700,000	1,174,000
	Electricity and water	-	3,480,000
	Depreciation on plant and equipment	9,609,110	7,649,180
	Depreciation on right-of-use asset	-	22,080,475
	IFRS 16 adjustment on contract termination	-	15,904,362
	Total other operating expenses	12,401,459	52,974,733

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