

**TANBREED POULTRY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2020

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TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2020

General Information

Country of Incorporation and domicile	Tanzania, United Republic of
Nature of business and principal activities	The Company deals with poultry rearing
Directors	John Marosi Mandere Anthony Patrick Rowan Orson Frances Taylor Duncan Wechuli Sifunah
Registered office	Plot 296 Kinyenze P.O Box 1378 Mvomero District Morogoro
Bankers	ABSA Bank of Tanzania Ltd Head Office-Barclays House, Ohio Street P.O. Box 5137 Dar es Salaam
Auditors	PricewaterhouseCoopers Certified public accountant Pemba house, 369 Toure drive P.O. Box 45 Oysterbay, Dar es Salaam
Legal advisors	CRB Africa Legal 5th Floor, Tanzanite Park , Victoria Area P.O. Box 79958 Dar es Salaam

TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2020

Report of the Directors

The directors present their report together with the audited financial statements for the year ended 31 March 2020, which disclose the state of affairs of the Company as at that date.

1. INCORPORATION AND REGISTERED OFFICE

Tanbreed Poultry Limited (the "Company") was incorporated in Tanzania on 17 July 2007 under the Companies Act, 2002. The registered office is situated at Plot 296 Kinyenze, Mvomero District in Morogoro.

2. PRINCIPAL ACTIVITIES

The Company deals with poultry rearing. The Company's operations are based in Morogoro, Same, Sanya Juu and Dar es Salaam.

3. COMPANY VISION

Chicken of Choice.

4. COMPANY MISSION

To efficiently deliver the chicken of Choice in every market in the region, exceeding customer expectations of product quality and service time after time.

5. RESULTS AND DIVIDEND

The Company generated a net loss of TZS 2,753 million during the year (2019: a net profit of TZS 1,630 million). The directors do not recommend the payment of dividend.

6. SOLVENCY

The Company's state of affairs at 31 March 2020 is set out on page 12 of the financial statements. The Company generated a net loss for the year ended 31 March 2020 of TZS 2,753 million (2019: a net profit of TZS 1,630 million) and as of that date its current liabilities exceeded its current assets by TZS 32,536 million (2019: a net liability of TZS 25,022 million).

The board of directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The board of directors has reasonable expectation that the Company has adequate resources to continue in operation existence for the foreseeable future.

The ultimate holding Company, Africa Poultry Development Limited (owned by Ferreira Investment Limited with a shareholding of 51% and Vinprom LLC with 49%) has undertaken to provide the Company with financial support to enable it realise its assets and settle its liabilities in the ordinary course of business. Accordingly, the financial statements are prepared on the basis of accounting policies applicable to a going concern.

7. EMPLOYEE WELFARE

Management/employee relationship continued to be good during the year. There were no unresolved complaints by the employees at the end of the year.

The Company is 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 like gender, marital status, tribe, religion and disability which does not impair ability to discharge duties.

The average number of employees during the year was 295 (2019: 289).

8. RELATED PARTY TRANSACTIONS

Details of transactions and balances with related parties are disclosed in note 12 to these financial statements.

9. POLITICAL AND CHARITABLE DONATIONS

The Company did not pay any political and charitable donation during the year.

TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2020

Report of the Directors

10. DIRECTORS

The directors of the Company at the date of this report who have served throughout the year unless otherwise as indicated, are as follows:

Name	Position	Qualification	Nationality	Changes
John Marosi Mandere	Director	Accountant	Kenyan	Resigned on 27th February 2020
Anthony Patrick Rowan	Director	Agriculturalist	British	
Orson Frances Taylor	Managing Director	Biologist	Kenyan	
Duncan Wechuli Sifunah	Director	Accountant	Kenyan	Appointed on 27th February 2020

11. DIRECTORS' INTEREST IN THE SHARES OF THE COMPANY

	2020 Number	2020 Nominal value TZS	2019 Number	2019 Nominal value TZS
Ordinary shares				
John Marosi Mandere	1	1,000	1	1,000

The director's interest in the issued and paid up shares of the Company at 31 March 2020 is as shown above.

The director is holding the share as nominee of the parent company, Tanbreed Limited, an entity incorporated in Mauritius.

12. MANAGEMENT

The management of the Company at the date of this report is as follows:

Name	Position
Orson Frances Taylor	Managing Director
Nelson Ismail Kikolea	Financial Controller

The management of the Company is under the managing director and is organized in the following departments.

- Breeder farms department
- Hatchery department
- Feed Mills department
- Finance and Administration department.

13. RISK MANAGEMENT AND INTERNAL CONTROLS

The board accepts final responsibility for the risk management and internal control system of the Company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviours towards all stakeholders.

The board assessed the internal control system throughout the financial year ended 31 March 2020 and is of the opinion that the Company had adequate internal financial and operational control systems.

TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2020

Report of the Directors

14. CORPORATE GOVERNANCE

The Company has a board of directors that includes non-executive directors i.e. who hold no executive position in the Company. The board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The board is also responsible for ensuring that comprehensive system of internal control, policies and procedures are operative and for compliance with sound corporate governance principles.

The board met on regular basis during the year to discuss the Company's affairs. The board delegates the day to day management of the business to the managing director assisted by senior management. The managing director is entitled to attend board meetings and facilitates the effective control of all the Company's operational activities, acting as medium of communication and coordination between all the various business units.

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

15. CAPITAL STRUCTURE AND SHAREHOLDING

The shares of the Company are held as follows:

Shareholder's name

Tanbreed Limited
John Marosi Mandere

Number of ordinary shares	Percentage shareholding
19	95%
1	5%
20	100%

16. AUDITORS

PricehousewaterCoopers have been appointed as auditors of the Company. A resolution proposing the re-appointment of PricehousewaterCoopers as auditors of the Company will be put to the Annual General Meeting.

By Order of the Board


Orson Frances Taylor
Managing Director

18 September 2020
Date

TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2020

Statement of Directors' Responsibilities

The Companies Act, No.12 of 2002 requires the directors to prepare financial statements for each financial year that 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. It also requires the directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with the International Financial Reporting Standards and the requirements (IFRS) of the Companies Act, No.12 of 2002. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its loss in accordance with the International Financial Reporting Standards (IFRS). The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material mis-statements whether due to fraud or error.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Board of Directors By:


Orson Frances Taylor
Managing Director

18 September 2020
Date

TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2020

Declaration of the Head of Finance

The National Board of Accountants and Auditors (NBAA) according to power 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 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 true and fair view of the entity position and performance in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, No. 12 of 2002. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as mentioned under Director's responsibility statement on an earlier page.

I, Chacha Contrida Mdami being an Accountant of Tanbreed Poultry Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 March 2020 have been prepared in compliance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, No. 12 of 2002.

I thus confirm that the financial statements give a true and fair view of the position of Tanbreed Poultry Limited as on 31 March 2020 and that they have been prepared based on properly maintained financial records.



Signed by: Chacha Contrida Mdami

Position: Accountant

NBAA Membership No GA3855

Date: 18 September 2020

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TANBREED POULTRY LIMITED

Report on the audit of the financial statements

Our opinion

In our opinion, the accompanying financial statements in all material respects, give a true and fair view of the financial position of Tanbreed Poultry Limited as at March 31, 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No. 12 of 2002

What we have audited

The financial statements of Tanbreed Poultry Limited as set out on pages 11 to 38 comprise:

- the statement of financial position as at 31 March 2020;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended;
- accounting policies; and
- the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements section of our report*.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the IESBA International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and the ethical requirements of the National Board of Accountants and Auditors (NBAA) that are relevant to our audit of the financial statements in Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the NBAA.

Other information

The directors are responsible for the other information. The other information comprises of General Information, Report of the directors, Statement of director's responsibilities and Declaration of the head of finance 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 identified above 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 on the other information, 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE SHAREHOLDERS OF TANBREED POULTRY LIMITED

Report on the audit of the financial statements (Continued)

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No. 12 of 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 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.

The directors are responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 in accordance with ISAs, 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 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.
- 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 the directors 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE SHAREHOLDERS OF TANBREED POULTRY LIMITED

Report on other legal and regulatory requirements

This report, including the opinion, has been prepared for, and only for, the company's members as a body in accordance with the Companies Act, No. 12 of 2002 and for no other purposes.

As required by the Companies Act, No. 12 of 2002, we are also required to report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed. In respect of the foregoing requirements, we have no matter to report.


Cielus Kiyuga, ACPA-PP

For and on behalf of PricewaterhouseCoopers
Certified Public Accountants
Dar es Salaam

Date 18th September 2020

TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2020

Statement of Profit or Loss and Other Comprehensive Income

	Note	2020 TZS '000	2019 TZS '000
Revenue			
Cost of sales	2	25,827,314	29,798,636
Gross profit	3	(24,995,915)	(23,558,171)
Fair value gain on biological assets		831,399	6,240,465
Unrealised exchange losses	11	(87,982)	57,182
Administration expenses		(68,258)	(926,343)
(Loss)/profit before taxation	4	(4,332,080)	(4,071,146)
Income tax credit		(3,656,901)	1,300,158
(Loss)/profit for the year	6	903,853	329,936
Other comprehensive income		(2,753,048)	1,630,094
Total comprehensive (loss)/income for the year		(2,753,048)	1,630,094

TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2020

Statement of Financial Position as at 31 March 2020

	Note	2020 TZS '000	2019 TZS '000
Assets			
Non-Current Assets			
Property, plant and equipment	8	25,022,099	21,466,807
Right-of-use assets	9	385,102	-
Deferred tax asset	7	1,496,509	464,545
		26,903,710	21,931,352
Current Assets			
Inventories	10	3,192,459	3,136,829
Biological assets	11	6,720,012	5,999,562
Trade and other receivables	12	190,498	1,232,615
Due from related party	15	1,646,378	1,258,145
Tax recoverable	17	32,894	-
Cash and cash equivalents	13	112,687	299,008
		11,894,926	11,926,159
Total Assets		38,798,638	33,857,511
Shareholders' deficit and liabilities			
Share capital			
Accumulated losses	14	20	20
Total shareholders' deficit		(5,842,867)	(3,089,819)
Non-Current Liabilities			
Lease liabilities	9	210,326	-
Current Liabilities			
Lease liabilities	9	192,817	-
Due to related parties	15	2,304,055	1,616,192
Related party borrowings	15	35,255,243	31,934,052
Trade and other payables	16	6,679,044	3,384,115
Tax payable		-	12,951
		44,431,159	36,947,310
Total Liabilities		44,641,485	36,947,310
Total shareholders' deficit and liabilities		38,798,638	33,857,511

The financial statements on page 11 to 38 were approved by the board of directors on 18 September 2020 and signed on its behalf by:


Orson Frances Taylor
Managing Director


Anthony Patrick Rowan
Director

TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2020

Statement of Changes In Equity

	Share capital	Accumulated losses	Total shareholders' deficit
	TZS '000	TZS '000	TZS '000
At 01 April 2018	20	(4,719,913)	(4,719,893)
Profit for the year	-	1,630,094	1,630,094
At 01 April 2019	20	(3,089,819)	(3,089,799)
Loss for the year	-	(2,753,048)	(2,753,048)
At 31 March 2020	20	(5,842,867)	(5,842,847)

TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2020

Statement of Cash Flows

	Note	2020 TZS '000	2019 TZS '000
Cash flows from operating activities			
(Loss)/Profit before taxation		(3,656,901)	1,300,158
Adjustments for:			
Depreciation (Note 8 & 9)		2,233,749	1,703,321
Finance cost		86,273	-
Unrealised exchange losses		5,078	570,148
Fair value gain on biological assets		87,962	(57,182)
Gain on disposal of items of property, plant and equipment		(9,970)	(80,714)
Changes in working capital:			
Inventories		(55,630)	(221,636)
Trade and other receivables		1,042,117	(688,839)
Biological assets		(808,412)	(1,552,287)
Trade and other payables		3,294,928	224,327
Related party trading balances		299,630	2,819,279
Cash generated from operations		2,518,824	4,036,575
Tax paid	17	(173,956)	(87,000)
Net cash from operating activities		2,344,868	3,949,575
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(5,519,562)	(5,175,615)
Disposal of items of property, plant and equipment	8	9,970	69,996
Net cash used in investing activities		(5,509,592)	(5,105,619)
Cash received from financing activities			
Related party borrowings		3,316,113	-
Payment on lease liabilities		(337,710)	-
Cash generated from financing activities		2,978,403	-
Total cash movement for the year		(186,321)	(1,156,044)
Cash at the beginning of the year		299,008	1,455,052
Total cash at end of the year	13	112,687	299,008

TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2020

Accounting Policies

REPORTING ENTITY

Tanbreed Poultry Limited (the "Company") is a Company domiciled in Tanzania. The financial statements of the Company are for the year ended 31 March 2020.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual report and financial statements are set out below.

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Details of the Company's accounting policies are included in note 7.

1.2 Comparative figures

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

1.3 Functional and presentation currency

The financial statements are presented in Tanzanian Shillings (TZS), which is the Company's functional currency. All financial information presented in Tanzanian Shillings has been rounded to the nearest thousand (TZS'000), except when otherwise indicated.

1.4 Use of judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about the judgement used in applying accounting policies on areas that have most significant effect on amounts recognised in financial statements as well as information on assumption and estimating uncertainties on areas that have risk of subsequent adjustment is included below:-

Measurement of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

(a) Biological assets

Biological assets comprise breeding flocks and hatching eggs.

Biological assets are measured on initial recognition and at each financial reporting date at fair values less costs to sell. Any gains or losses arising on initial recognition of the biological assets and from subsequent changes in fair value less cost to sell are recognised in the profit and loss in the year in which they arise.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs to maturity and costs to sell. The fair value is determined based on the net present values of expected future cash flows, discounted at current market determined pre tax rates.

(b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2020

Accounting Policies

1.4 Use of judgements and estimates (continued)

(c) Useful lives and residual values of property and equipment

The Company tests annually whether the useful life and residual value estimates were appropriate and in accordance with its accounting policy. Useful lives and residual values of property and equipment have been determined based on previous experience and anticipated disposal values when the assets are disposed.

(d) Income taxes

Significant judgment is required in determining the Company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether or not additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the period in which such determination is made.

The Company recognises the net future tax benefit relates to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the reporting date could be impacted.

Further information about the critical judgements are included in the respective notes.

1.5 New standards amendments and interpretations

(i) New standards, amendments and interpretations in issue and effective for the year ended 31 March 2020

Amendments to IFRS 9 – 'Financial Instruments' on prepayment features with negative compensation and modification of financial liabilities.

The narrow-scope amendment covers two issues:

- The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities.
- How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.

IFRIC 23, 'Uncertainty over Income tax treatments'

IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.

TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2020

Accounting Policies

1.5 New standards amendments and interpretations (continued)

(i) New standards, amendments and interpretations in issue and effective for the year ended 31 March 2020 (continued)

IFRS 16 – Leases

The Company has adopted IFRS 16 with a date of transition of 1 April 2019, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Company did not early adopt IFRS 16 in previous periods.

In accordance with the transition provisions in IFRS 16 the new rules have been adopted simplified approach with the impact of applying the new standard being NIL on 1 April 2019. Comparatives for the 2019 financial year have not been restated.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 17%.

I) Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made in applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

II) Measurement of lease liabilities

	2020
Operating lease commitments disclosed as at 1 April 2019	TZS'000
Discounted using the company's borrowing rate	2,869,542
Adjustments as a result of different treatment of extension and termination options	654,580
(Less): short term lease recognized on a straight line basis as expenses	-
Lease liability recognized as at 1 April 2019	-
of which	654,580
Current lease liability	-
Non-current lease liability	251,437
	403,143

III) Measurement of right of use assets

The right-of use assets were measured at an amount equal to lease liabilities at 1 April 2019 calculated using a discount rate based on lessee's incremental borrowing rate and adjusted for accruals and prepayments.

Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement.

These amendments require an entity to:

- Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and

TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2020

Accounting Policies

1.5 New standards amendments and Interpretations (continued)

- Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus (recognised or unrecognised). This reflects the substance of the transaction, because a surplus that has been used to settle an obligation or provide additional benefits is recovered. The impact on the asset ceiling is recognised in other comprehensive income, and it is not reclassified to profit or loss. The impact of the amendments is to confirm that these effects are not offset.

(ii) New standards, amendments and Interpretations in issue but not yet effective for the year ended 31 March 2020

Amendment to IFRS 3, 'Business combinations'

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions.

To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.

Amendments to IFRS 9, Financial Instruments,

IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosure – Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

1.6 Foreign currency

Transactions in foreign currencies are translated to the functional currency (Tanzanian Shillings) at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are generally recognised in profit or loss in the period in which they arise.

1.7 Revenue recognition

Revenue from sale of day old chicks and feeds is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when performance obligation has been satisfied, transaction price allocated accordingly and substantial control over goods have been shifted to the buyer.

1.8 Biological assets

Biological assets are measured at fair value less costs to sell, with any changes therein recognised in profit or loss. Cost to sell includes all costs that would be necessary to sell the assets including transportation costs.

1.9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets. This standard replaces IAS 39, financial instruments:

TANBREED POULTRY LIMITED

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Accounting Policies

1.9 Financial Instruments (continued)

I) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provision of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

II) Classification and subsequent measurement

Policy applicable from 1 April 2019

Financial liabilities-Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

1.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as deduction from equity, net of any tax effects.

TANBREED POULTRY LIMITED

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Accounting Policies

1.11 Property, plant and equipment

I) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to the working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other operating income" in profit or loss.

II) Subsequent cost

The cost of replacing part of an item of property, plant and equipment is capitalised if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of day to day servicing of property, plant and equipment are recognised in profit or loss as incurred.

The annual rates for the estimated useful lives for the current period are as follows:

Leasehold land	Over the life of the lease
Buildings	4%-20%
Plant and machinery	12.5%
Furniture, fittings and equipment	12.5%
Motor vehicles	25%
IT equipment	25%

Buildings are depreciated based on their estimated remaining useful life (or leasehold interest, if shorter). The useful lives of those buildings have been estimated to range between 5 to 25 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

1.12 Impairment

I) Non derivative financial assets

Financial Instruments and contract assets

The company recognizes loss allowances for ECL on:

- Financial assets measured at amortised cost
- Debt instruments measured at FVOCI

The Company measures loss allowance at an amount equal to life time ECLs. Loss allowance for trade receivable are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

TANBREED POULTRY LIMITED

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Accounting Policies

1.12 Impairment (continued)

i) Non derivative financial assets (continued)

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. Judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Reversal of impairment

For assets measured at amortised cost: If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.

For available-for-sale debt security: If, in a subsequent period, the fair value of an impaired debt security increased and the increase could be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss; otherwise, any increase in fair value was recognised through OCI. Any subsequent recovery in the fair value of an impaired available for sale equity security was always recognised in OCI.

ii) Non-financial assets

The carrying amount of Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted at 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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely dependent of the cash inflows of other assets or group of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

TANBREED POULTRY LIMITED

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Accounting Policies

1.12 Impairment (continued)

ii) Non-financial assets (continued)

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.13 Employee benefits

i) Defined contribution plans

The Company makes statutory Social Security Contributions to the approved pension funds. The Company's obligations in respect of contributions to such funds are 10% of the employees' gross emoluments. Contributions to these pension funds are recognised as an expense in the period the employees render the related services.

ii) Termination benefits

Termination benefits are recognised as an expense in the year when it becomes payable. Termination benefits are determined in accordance with the local labour laws.

iii) Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

iv) Gratuity

The Company has constructive obligation to provide for post-employment one-off gratuity payments. The provision is based on a number of years of service an employee has attained at each reporting date.

1.14 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

1.15 Leases

The Company assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

TANBREED POULTRY LIMITED

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Accounting Policies

1.16 Income tax

Income tax expense for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same tax authority on the same taxable entity.

1.17 Going concern

During the year ended 31 March 2020, the Company generated a net loss of TZS 2,753 million (2019: net profit of TZS 1,630 million). As at 31 March 2020 current liabilities exceeded the current assets by TZS 32,536 million (2019: TZS 25,022 million).

The ability of the Company to continue as going concern depends on the continued financial support of its shareholders. The Company's ultimate holding Company, Africa Poultry Development Limited (owned by Ferreira Investment Limited with a shareholding of 51% and Vinprom LLC with 49%) has confirmed its commitment to continue providing financial support to the Company for the period of 12 months from the date on which the financial statements of the Company for the year ended 31 March 2020 are approved by the board of directors. Accordingly, the financial statements have been prepared on the basis of accounting policies applicable to a going concern.

TANBREED POULTRY LIMITED

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Notes to the Financial Statements

	2020 TZS '000	2019 TZS '000
2. Revenue		
Sale of day old chicks	14,598,007	15,494,256
Sale of feed	7,887,379	12,764,925
Sale of old hens	1,562,405	1,278,795
Sale of hatching eggs	1,491,639	39,832
Other income	287,884	220,828
	25,827,314	29,798,636
3. Cost of sales		
Purchase of parent day old chicks and consumables used	18,349,938	16,773,401
Other direct expenses	4,412,230	5,081,449
Depreciation	2,233,749	1,703,321
	24,995,917	23,558,171
4. Administration expenses		
Staff costs (Note 5)		
Legal expense	2,928,638	2,739,836
Transport	101,795	13,972
Insurance	251,652	270,853
Internet and IT expenses	142,987	101,330
Postage and telephones	32,594	49,710
Auditor's remuneration	12,287	14,950
Other expenses	50,921	64,417
	811,206	816,078
	4,332,080	4,071,146
5. Staff costs		
Wages and salaries		
Bonus	1,822,071	1,841,589
Other staff costs	115,054	120,122
Pension costs	654,019	655,178
	337,494	322,947
	2,928,638	2,739,836

TANBREED POULTRY LIMITED

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Notes to the Financial Statements

	2020 TZS '000	2019 TZS '000
6. Income tax credit		
Major components of the tax income		
Current		
Current tax - current period	129,137	135,579
Current tax - prior periods	(1,026)	(970)
	128,111	134,609
Deferred		
Deferred tax - current period	(1,038,433)	(464,545)
Deferred tax - prior periods	6,469	-
	(1,031,964)	(464,545)
Total income tax credit	(903,853)	(329,936)
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
(Loss)/profit before income tax	(3,656,901)	1,300,158
Tax at the applicable tax rate of 30% (2019: 30%)	(1,097,070)	390,047
Tax effect of:		
Tax effect of expenditure permanently disallowed	378	16,283
Tax effect of non-qualifying capital allowances	58,259	48,814
Tax effect of under/(over) provision of prior year deferred taxes	6,469	(917,689)
Tax effect of over provision of prior year current taxes	(1,026)	(970)
Alternative minimum tax	129,137	135,579
Income tax credit	(903,853)	(329,936)

TANBREED POULTRY LIMITED

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Notes to the Financial Statements

	2020 TZS '000	2019 TZS '000
7. Deferred tax asset		
Deferred tax asset	1,496,509	464,545
Movement		
At beginning of the year		917,062
Accumulated capital deductions	464,545	(441,345)
Other timing differences	(817,116)	273,828
Accumulated losses	14,320	(284,998)
	1,834,760	(284,998)
	1,496,509	464,545
Deferred tax is calculated using the enacted Income tax rate of 30%. Deferred tax asset are attributable to the following:-		
Deferred tax asset	1,496,509	464,545
Deferred income tax is attributable to the following items:		
Accelerated capital deductions	(9,540,077)	(6,816,357)
Other timing differences	6,926,458	6,838,248
Accumulated losses	7,601,983	1,526,593
	4,988,364	1,548,484
Deferred tax at 30%	1,496,509	464,545
Balance as at 31 March	1,496,509	464,545

TANBREED POULTRY LIMITED

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Notes to the Financial Statements

8. Property, plant and equipment

	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and Buildings	22,577,483	(2,746,427)	19,831,056	19,104,814	(2,084,555)	17,010,259
Plant and machinery	7,113,642	(4,755,705)	2,357,937	7,329,790	(4,548,397)	2,781,393
Furniture, Fittings and equipment	3,554,976	(1,050,451)	2,504,525	1,511,314	(381,658)	1,149,656
Motor vehicles	1,334,592	(1,031,794)	302,798	1,351,275	(943,080)	408,195
IT equipment	308,499	(282,716)	25,783	191,164	(150,643)	40,521
Work in progress	-	-	-	76,783	-	76,783
Total	34,889,192	(9,867,093)	25,022,099	29,565,140	(8,098,333)	21,466,807

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers	Depreciation	Total
Land and Buildings	17,010,259	8,950	3,538,694	(726,847)	19,831,056
Plant and machinery	2,781,393	83,293	198,881	(705,610)	2,357,937
Furniture, Fittings and equipment	1,149,656	56,337	1,649,025	(350,493)	2,504,525
Motor vehicles	408,195	55,901	-	(161,298)	302,798
IT equipment	40,521	5,285	-	(20,023)	25,783
Work in progress	76,784	5,309,796	(5,386,580)	-	-
	21,466,808	5,519,562	-	(1,964,271)	25,022,099

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land and Buildings	13,127,395	3,857,070	-	535,996	(510,202)	17,010,259
Plant and machinery	3,588,638	35,900	-	-	(841,145)	2,781,393
Furniture, Fittings and equipments	417,759	882,817	-	-	(150,920)	1,149,656
Motor vehicles	267,396	313,231	(9,282)	-	(163,150)	408,195
IT equipment	68,812	9,813	-	-	(37,904)	40,521
Work in progress	535,996	76,783	-	(535,996)	-	76,783
	18,003,796	5,175,814	(9,282)	-	(1,703,321)	21,466,807

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Notes to the Financial Statements

	2020 TZS '000	2019 TZS '000
9. Right of use assets and lease liabilities		
Amount recognised in the balance sheet		
Right-of-use assets		
Buildings	654,580	-
Depreciation charge	(269,478)	-
	385,102	-
Lease liabilities		
As at 1 April	(654,580)	-
Interest	(86,273)	-
Payment	337,710	-
	(403,143)	-
Amount recognised in the statement of profit or loss		
Depreciation of right-of-use assets	269,478	-
Interest expense on lease liabilities	86,273	-
	355,751	-
10. Inventories		
Raw materials	1,273,171	1,651,102
Feed stock for breeders	524,894	772,803
Other inventory items	1,390,533	712,924
Goods in transit	4,061	-
	3,192,469	3,136,829
11. Biological assets		
The carrying amounts at 1 April :		
Hatching eggs	812,408	1,255,012
Parent stock	5,187,154	3,135,081
	5,999,562	4,390,093
Increase due to (sales) /purchases		
Hatching eggs	2,105	74,992
Parent stock	808,307	1,477,295
	808,412	1,552,287
Fair value (loss)/gain as at 31 March:		
Hatching eggs	(106,346)	(517,598)
Parent stock	18,384	574,780
Net fair value (loss)/gain	(87,962)	57,182
Carrying amount as at 31 March		
Hatching eggs	708,167	812,408
Parent stock	6,011,845	5,187,154
	6,720,012	5,999,562

TANBREED POULTRY LIMITED

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Notes to the Financial Statements

	2020 TZS '000	2019 TZS '000
11. Biological assets (continued)		
In determining the fair values of biological assets, the directors made certain assumptions about the production and market prices in the next one year. The key assumptions in the determination of the fair value are as follows:		
<ul style="list-style-type: none">• Selling prices of day old chicks will not change significantly within the next one year;• Demand for day old chicks will follow the patterns experienced in the past; and• Diseases will not significantly affect the flock.		
The discount rate applied to expected net cash flows was 24% (2019: 17%).		
The average production period for the biological assets are: Breeding flock - 40 weeks Hatching eggs - 21 days		
12. Trade and other receivables		
Financial Instruments:		
Trade receivables	422,525	367,788
Loss allowance	(271,518)	(268,818)
Trade receivables at amortised cost	151,007	100,970
Other receivables	756	10,787
Advance payments to suppliers	29,573	1,048,349
Non-financial Instruments:		
Prepayments	9,162	72,509
Total trade and other receivables	190,498	1,232,615
13. Cash and cash equivalents		
Bank balances	102,689	287,165
Cash on hand	9,998	11,843
	112,687	299,008
14. Share capital		
Authorised		
100,000 Ordinary shares of TZS 1,000 each	100,000	100,000
Issued and fully paid		
20 ordinary shares of TZS 1,000 each	20	20

TANBREED POULTRY LIMITED

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Notes to the Financial Statements

	2020	2019
	TZS '000	TZS '000

15. Related party balances transactions

(a) Trading transactions

Trading transactions relate to sale of Day Old Chicks (DOCs) to Interchick Company Limited, hatching eggs to Kenchic Limited and poultry feed to Tanzania Breeders and Feedmills Ltd at market prices generally available to other customers.

Interchick Company Limited (sale of day-old-chicks)	14,559,086	15,494,256
Kenchic Limited (sale of hatching eggs)	1,479,489	39,832
Tanzania Breeders and Feedmills Ltd (sale of feed & raw materials)	5,318,199	6,294,473
Interchick Company Limited - rental charge	(34,049)	(42,053)
	<u>21,322,725</u>	<u>21,786,508</u>

(b) Expenses paid on behalf

During the year, certain operating expenses of the Company were paid on behalf by Interchick Company Limited and Tanzania Breeders and Feedmills Ltd. These expenses were recharged at cost. The table below summarises details of such expenses:

Interchick Company Limited	260,992	557,331
Tanzania Breeders and Feedmills Ltd	<u>288,580</u>	<u>161,048</u>
	<u>549,572</u>	<u>718,379</u>

(c) Borrowing from related parties

Borrowings from related parties (15 (f))

	<u>35,255,243</u>	<u>31,934,052</u>
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(d) Due from/to related parties

The amount shown as due to/from related party on the statement of financial position represent the outstanding balances arising from such trading transactions. The balances are summarised below:

Balances due from		
Interchick Company Limited	854,740	1,218,203
Kenchic Limited	<u>791,638</u>	<u>39,942</u>
	<u>1,646,378</u>	<u>1,258,145</u>

Balances due to
Tanzania Breeders and Feedmills Ltd
Kenchic Limited
Hybrid Poultry (Zambia) Limited

	1,253,772	902,370
	442,827	481,908
	<u>607,656</u>	<u>231,814</u>
	<u>2,304,055</u>	<u>1,616,192</u>

(e) Key management personnel remuneration

The remuneration of key management personnel during the year was as follows:

Short term benefits

	<u>635,677</u>	<u>586,261</u>
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TANBREED POULTRY LIMITED

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Notes to the Financial Statements

2020
TZS '000

2019
TZS '000

15. Related party balances transactions (continued)

(f) Financing transactions

Financing transactions relate to borrowing from related parties. Group companies namely Africa Poultry Development Limited (APDL), Tanbreed Limited, Hybrid Poultry (Mauritius) Limited and TanFed Holding Limited continue to provide financial support for the expansion and its operations. The movements in the foregoing accounts is summarised below.

Borrowings balances

	Africa Poultry (APDL)	Hybrid Poultry	Tanbreed Limited	TanFed Holding Limited	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Balance as at 1 April 2019	21,580,047	1,817,703	368,142	8,168,160	31,934,052
Additional borrowing	2,300,963	-	-	1,015,150	3,316,113
Exchange losses	2,905	227	46	1,900	5,078
Balance as at 31 March 2020	23,883,915	1,817,930	368,188	9,185,210	35,255,243

	Africa Poultry (APDL)	Hybrid Poultry	Tanbreed Limited	TanFed Holding Limited	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Balance as at 1 April 2018	21,194,758	1,785,250	361,570	8,022,326	31,363,904
Exchange losses	385,289	32,453	6,572	145,834	570,148
Balance as at 31 March 2019	21,580,047	1,817,703	368,142	8,168,160	31,934,052

TanFed Holdings Ltd

TanFed Holdings Limited has granted Tanbreed Poultry Limited USD 4 Million interest free loan, the loan is unsecured and is for an unspecified number of years to be repaid when cash flow allows.

Africa Poultry Development Limited

Africa Poultry Development Limited has granted Tanbreed Poultry Limited USD 10 Million interest free loan. The loan is unsecured and for an unspecified number of years and will be repaid when cashflow allows.

Hybrid Poultry (Mauritius) Limited

Hybrid Poultry has granted Tanbreed Poultry Limited USD 790,000 interest free loan. The loan is unsecured and for an unspecified number of years and will be repaid when cashflow allows.

Tanbreed Limited

Tanbreed Limited has granted Tanbreed Poultry Limited USD 160,000 interest free loan. The loan is unsecured and for an unspecified number of years and will be repaid when cashflow allows.

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Notes to the Financial Statements

	2020	2019
	TZS '000	TZS '000
16. Trade and other payables		
Financial Instruments:		
Sundry creditors and accrued expenses	6,312,275	3,099,358
Other payables	6,562	3,490
Gratuity payables*	310,269	224,249
Accruals	49,938	57,018
	6,679,044	3,384,115

*The gratuity balance above relates to defined benefit payable to the qualifying employee. The Company computes the provision for the liability that would have matured as at the reporting date as if the qualifying employee(s) terminated their services on the reporting date. The inputs used are the current salary during the year and the number of years the qualifying employees have been with the Company as at reporting date. The closing balance at the year end was TZS 310.3 million (2019: TZS 224.2 million) of which amount provided during the year was TZS 97 million while the payment was TZS 11 million.

17. Tax paid

Balance at beginning of the year	(12,951)	34,658
Current tax for the prior year recognised in profit or loss	(128,111)	(134,609)
Balance at end of the year	(32,884)	12,951
	(173,956)	(87,000)

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	2020	2019
	TZS '000	TZS '000

18. Financial Instruments and risk management

a) Accounting classification and measurement of fair values

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. The Company does not have financial instruments under level 1.

Level 2: Inputs other than quoted prices included within level 1 that are observable either directly or indirectly or other valuation techniques in which all significant inputs are directly or indirectly observable from market data. This category includes trade and other receivables, bank balances, due from related parties, trade payables, and due to related party whose carrying values approximate their fair values due to their short term nature.

Level 3: Inputs that are unobservable. This category includes instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on their valuation. The Company does not have financial instruments under this level.

The following table shows the carrying amounts and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy as described above. The Company has not disclosed the fair value of financial instruments such as short term receivables and payables, as their carrying values are a reasonable approximation of the fair values; hence they are presented under the heading of "Financial assets / liabilities not measured at fair value".

Financial assets not measured at fair value

At amortised cost

Trade and other receivables	151,763	111,757
Receivables from related parties	1,646,378	1,258,145
Cash and cash equivalents	112,687	299,008
	1,910,828	1,668,910

Financial liabilities not measured at fair value

At amortised cost

Borrowings from related parties	35,256,975	31,934,052
Due to related parties	2,304,055	1,616,192
Trade and other payables	6,679,043	3,348,115
	44,240,073	36,898,359

Financial risk management

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

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18. Financial Instruments and risk management (continued)

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Company's directors have overall responsibility of the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risk adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade and other receivables and due from related party.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of a particular financial asset.

Included in other receivables are sundry debtors, prepayments, deposits and WHT receivable. These are not having standard credit characteristics; they differ depending on either specific terms governing the receivable or the creditworthiness of entity/person from which they are to be received.

Amounts due from related parties are from the Company's ultimate parent Company, and other group Companies. It's unlikely that the group Companies will default to meet its contractual obligation; directors believe that there is no exposure to credit risk attached to it.

Category of the receivables as defined by IFRS 9, analysing the carrying amounts – similar to their fair values at the reporting date and showing maximum exposure to credit risk, if different from carrying amount.

	2020 TZS'000		2019 TZS'000	
	Amortised cost	Exposure to credit risk	Amortised cost	Exposure to credit risk
Trade debtors	146,632	146,632	97,958	97,958
Deposits	756	756	10,787	10,787
	<u>147,388</u>	<u>147,388</u>	<u>108,745</u>	<u>108,745</u>

Below is the aging profile of trade debtors

Past due 0-30 days		131,852	57,256
Past due 31-90 days		14,780	27,929
Past due more than 90 days		-	12,773
		<u>146,632</u>	<u>97,958</u>

Loss allowance on trade receivables

The Company applies a simplified approach in calculating ECLs. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company analysed historical sales, receivables aging, and loss data to determine the appropriate basis for developing its expected lifetime credit loss on the trade receivables portfolio.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort applicable for the Company.

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18. Financial Instruments and risk management (continued)

This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information where applicable.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

All liquidity policies and procedures are subject to review and approval by the Company's board of directors.

Maturity profile of non-derivative financial liabilities based on the contractual cash flows, "undiscounted" including interest and excluding impact of netting is as follows:

2020

	Within 1 year TZS '000	More than 1 year cash flows TZS '000	Contractual cash flows TZS '000	Carrying amount TZS '000
Non-current liabilities				
Lease liabilities	-	210,326	210,326	210,326
Current liabilities				
Trade and other payables	6,679,043	-	6,679,043	6,679,043
Due to related parties	2,304,055	-	2,304,055	2,304,055
Related party borrowings	35,255,243	-	35,255,243	35,255,243
Lease liabilities	192,817	-	192,817	192,817
	44,431,158	210,326	44,641,484	44,641,484

2019

	Within 1 year TZS '000	Contractual cash flows TZS '000	Carrying amount TZS '000
Current liabilities			
Trade and other payables	16	3,348,115	3,348,115
Due to related parties		1,616,192	1,616,192
Related party borrowings		31,934,052	31,934,052
		36,898,359	36,934,359

There is low liquidity risk on the amounts due to related parties, as settlement can be rearranged and terms of obligations can be renegotiated by virtue of the parties' relationship. Low liquidity risk is also attached to the trade and other payables—outside the group as the Company ensures that they are followed up and settled immediately when they fall due.

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18. Financial instruments and risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates etc. will affect the Company's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Market risk can further be divided into currency risk and interest rate risk.

Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currency of the company, the Tanzanian shillings (TZS). The currencies in which these transactions are primarily denominated are US Dollars (USD).

All of the Company's customers are invoiced in TZS which is the Company's functional currency. No currency risk is therefore attached to trade receivable. Other receivables and cash and cash equivalents are also primarily denominated in TZS.

Borrowings from related parties are primarily denominated in USD. There is currency exposure with respect to these borrowings.

The Company strategy towards managing its foreign currency exposure is through transacting mainly using its functional currency.

Exposure to currency risk for foreign denominated amounts in the following classes of financial instruments; disclosure around market risk also relates to sensitivity analysis of the type of market risk – currency risk, showing how the income profit or loss and equity would have been affected by reasonably possible changes in the relevant risk variable at the year end date.

Balances denominated in USD

	2020 TZS'000	2019 TZS'000
Cash and cash equivalents		
Due from related parties	88,778	49,964
Due to related parties	791,638	39,943
Related party borrowings	(1,050,278)	(713,817)
Net exposure	(35,255,243)	(31,934,052)
	<u>(35,425,105)</u>	<u>(32,557,962)</u>

A sensitivity analysis in relation to net exposure for a 10% strengthening of the USD against TZS.

	2020 TZS'000	2019 TZS'000
Increase/(decrease) in equity	<u>(3,542,511)</u>	<u>(3,255,796)</u>
Increase/(decrease) in profit or loss	<u>(3,542,511)</u>	<u>(3,255,796)</u>

The rate of exchange as at 31 March 2020 is USD 1 = TZS 2,301.38 (2019: 2,301) strengthening of USD against TZS by 10% means the effect on exchange rate will be USD 1 = TZS 2,531.52 (2019: TZS 2,531).

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Notes to the Financial Statements

18. Financial instruments and risk management (continued)

Capital management

The Company seeks to maintain a strong capital base so as to maintain its shareholder, creditor and market confidence and to sustain future development of the business. The Company's directors monitor capital on the basis of the following gearing ratio: Net debt divided by total equity (as shown in the balance sheet).

The Company's net debt to equity ratio at the reporting date was as follows:

	2020 TZS'000	2019 TZS'000
Total liabilities		
Less: Bank balance and cash	35,545,699	31,635,044
Net debt	(5,842,847)	(3,089,799)
	28,702,852	28,545,245
Total equity		
	(5,842,847)	(3,089,799)
Net debt to equity ratio as at 31 March	-608%	-1,024%

19. Capital commitments

The directors confirm that the Company does not have any capital commitment that was contracted for but not provided for as at 31 March 2020.

20. Contingent liabilities

The Company is currently involved in a number of legal cases. At the reporting date there were some ongoing litigations and claims against the Company amounting to TZS 20 million (2019: Nil). The directors do not believe that there is material liability which is needed to be provided for as a result of these litigations.

21. Subsequent events

Consideration of the impact of the COVID-19 pandemic

The COVID-19 pandemic continued to affect countries and businesses at the time of issuing these financial statements. The risks arising from this pandemic could include market, services and supply chain disruptions, unavailability of key people resources, locations being quarantined, among others. The directors have assessed that, at the time of issuing these financial statements, it was impracticable to determine and disclose the extent of the possible effects of the pandemic on the Company. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from the judgements and assumptions used, could require material adjustments to the carrying amounts of the assets or liabilities reported in the financial statements.

The potential impact of the COVID-19 pandemic on the key statement of financial position line items could include cash and balances with banks not changing significantly because of payment optimization and delaying in incurrence of further liability for operations and holding the balances for liquidity purposes.

At the date of issuing these financial statements, the directors believed that the Company will be a going concern for the foreseeable future having considered the available assets, the directors' specific responses and the government's actions.

The directors are not aware of any other matter or event arising since the end of the financial period that requires disclosure in or adjustment to the financial statements.

22. Ultimate holding company

The Company's ultimate holding company is Africa Poultry Development Limited (owned by Ferreira Investment Limited with a shareholding of 51% and Vinprom LLC with 49%), a company registered and incorporated in Mauritius as private limited company.

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23. Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt	2020		2019	
	TZS '000		TZS '000	
Cash and cash equivalents				
Borrowings		(112,687)		(299,008)
Lease liabilities		35,255,243		31,934,052
Net debt		<u>403,143</u>		<u>-</u>
		<u>35,545,699</u>		<u>31,635,044</u>
Cash and cash equivalents				
Gross debt		(112,687)		(299,008)
Net debt		<u>35,658,386</u>		<u>31,934,052</u>
		<u>35,545,699</u>		<u>31,635,044</u>

	Liabilities from financing activities		Sub-total	Other assets Cash and Cash equivalents	Total
	Borrowings TZS '000	Leases TZS '000			
Net debt as at 1 April 2018	31,363,904	-	31,363,904	(1,455,052)	29,908,852
Cash flows	-	-	-	1,156,044	1,156,044
Foreign exchange adjustments	570,148	-	570,148	-	570,148
Net debt as at 31 March 2019	<u>31,934,052</u>	-	<u>31,934,052</u>	<u>(299,008)</u>	<u>31,635,044</u>
New Leases	-	654,580	654,580	-	654,580
Cash flows	3,316,113	(251,437)	3,064,676	186,321	3,250,997
Foreign exchange adjustments	5,078	-	5,078	-	5,078
Net debt as at 31 March 2020	<u>35,255,243</u>	<u>403,143</u>	<u>35,658,386</u>	<u>(112,687)</u>	<u>35,545,699</u>