

**TANBREED POULTRY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Contents

	Page
General information	2
The Report by those Charged with Governance	3 - 9
Statement of Directors' Responsibilities	10
Declaration of the Head of Finance	11
Independent Auditor's Report	12 - 14
Statement of Profit or Loss and Other Comprehensive Income	15
Statement of Financial Position	16
Statement of Changes in Equity	17
Statement of Cash Flows	18
Accounting Policies	19 - 28
Notes to the Financial Statements	29 - 45

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

General Information

Country of incorporation and domicile	United Republic of Tanzania
Nature of business and principal activities	The Company deals with poultry rearing
Directors	Anthony Patrick Rowan Orson Frances Taylor Duncan Wechuli Sifunah Nelson Ismail Kikolea
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 Accountants Pemba House, 369 Toure drive P.O. Box 45 Dar es Salaam Tanzania Registration number - 117633 TIN number - 110-212-285 PF number - 047
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 2022

The Report by those Charged with Governance

The Board of Directors of Tanbreed Poultry Limited company ("TPL") are pleased to present report of the directors alongside audited financial statements for the year ended 31 March 2022, which discloses current and prospective operations of the company, financial performance, cashflow position, and financial state of affairs.

1. INCORPORATION

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 region.

2. PRINCIPAL ACTIVITIES

The Company deals with poultry rearing and poultry feed production. The company's operations are based in Morogoro, Kilimanjaro and Dar es Salaam.

3. COMPANY VISION

To be the Chicken of Choice in all our markets.

4. COMPANY MISSION

To sustain profitable operations through continued leadership of the poultry sector in Tanzania.

5. RESULTS AND DIVIDEND

The Company generated a net loss of TZS 611 million during the year (2021: Net loss of TZS 697 million). The directors do not recommend the payment of dividend.

6. FINANCIAL PERFORMANCE FOR THE YEAR

a) Statement of Profit or Loss and Other Comprehensive Income

As impacts of COVID-19 continue to recede, we have experienced improvement in business financial performance because of increase sales volumes in day old chicks and Feed. Broiler volumes were below budget by 10%, however, impact of reduced volume on sales revenue was compensated by adjusting average selling price upwards by 15%. Layers and Redbros sales volumes were above budget by 31% and 24%, respectively. Consequently:

- Revenue is above budget by 16% and below prior year by 2%.
- Administration expenses are above budget 21% and above prior year by 132%.
- Profit before tax is up on budget by 112% and 113% above prior year.
- Loss after tax has decreased from prior year by 0.76% and budgeted net profit was not attained because of significant income tax expense.
- Overall business performance was better than both budget and prior year due to higher sales volume and better average selling prices.

Through five years strategic plan, the company has put in place strategies to turn the company into a sustainable profit-making organization, exceeding prior performance year-on-year.

b) Statement of Financial Position

- **Current ratio**, which is a measure of liquidity is 0.28 times and above budget by 6% and above prior year by 36%.
- **Quick Ratio**, which measures number of times liquid assets can cover maturing obligations, is 0.03, above prior year by 58% and below budget by 59%. Liquid assets included in the calculation are cash and cash equivalents, Trade and other receivables and related party receivables. Inventories, biological assets, and tax receivables are excluded as these are not readily convertible into cash.

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

The Report by those Charged with Governance

6. FINANCIAL PERFORMANCE FOR THE YEAR (CONTINUED)

c) Statement of Cashflow

Cash flows from operating activities decreased by 55% below budget and 56% below prior year largely attributed by increased income tax paid. Nevertheless, cash spent on investing activities increased by 738% from prior year as the company continue to invest in capital assets targeting future business opportunities and expansion.

7. FUTURE DEVELOPMENTS

The outlook for the coming year remains positive, and demand across lines is expected to remain strong. The production of broiler day old chicks increased from December 2021 and will stabilize in the near future. The main developments will be:

- Upgrade of water treatment plant at hatchery to meet statutory requirements;
- Construction of main office, staff houses, workshop, and bio-security upgrades at Sanya Juu; and
- Building additional farm within Sanya Juu facility to make a total of four breeding farms.

As the Company operates in a very volatile industry, there are uncertainties which may affect the forecasted business performance. Some of the uncertainties include but not limited to:

- High feed cost due to poor harvest of maize and Soya;
- Disease challenges which may interfere with production schedule;
- Global crisis like wars and pandemics; and
- Government regulations which may negatively impact poultry sub sector.

8. VALUE ADDED STATEMENT

Value generated by the company during the financial year is summarized below.

	FY 2021/22 "TZS billion"	FY 2020/21 "TZS billion"
Revenue	22.21	22.56
Purchases - Suppliers	14.85	18.17
Value Added	7.36	4.39
Value Added Distributed As follow:		
Staff	2.87	2.11
Taxes	2.24	-
Re-Investment	2.25	2.28
Retained Earnings	-	-
Total Distribution	7.36	4.39

Staff payment include salaries and wages, pension scheme payments, skill development levy and workers compensation fund (WCF) contributions. Moreover, reinvestment include replacement cost of Property, Plant and Equipment as well as additions to the operating assets.

9. CORPORATE SOCIAL RESPONSIBILITY

The Company did not participate in corporate social responsibility endeavor of note during the financial year because of COVID-19 impact. However, the company is open to participate in CSR activities in future, like it has done in the past to support the community where its proud of fully funding the construction of a brand new, modern primary school at Gararagua village, Sanya Juu in Siha District when started its operation in the region.

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

The Report by those Charged with Governance

10. OPERATIONS OVERVIEW

The Company operation chain starts from Breeder Farms to Hatchery and concludes with Sales.

a) Breeder Farms

Hatching Eggs (HE) Production

Breeder farms are to produce enough eggs to meet day-old chicks (DOC) demand as well as be efficient in terms of avoiding wastage.

Hen production	Actual 2022	Actual 2021	Budget 2022
Broilers	13,815	19,019	14,794
Layers	4,458	6,882	3,696
Redbros	1,961	2,183	1,568

Hatching eggs production targets were achieved in Layers and Redbros and plans are in place to sustain good performance in future. Broiler eggs production was not attained because of breed performance being below standard.

Eggs Recovery

Egg recovery measures the proportion of settable eggs from total eggs produced. Dirty, broken, soft shell and small or large sized eggs are not used for hatching DOC.

Egg recovery	Actual 2022(%)	Actual 2021(%)	Budget 2022(%)
Broilers	94	95	96
Layers	97	96	97
Redbros	96	97	97

Egg recovery was below budget for Broilers, on budget for Redbros and above budget for layers. Below budget recovery for broilers is caused by some breed male fertility issues which is being addressed to avoid repeat in the future.

b) Hatchery

Hatchability is calculated as the ratio of number of actual DOC hatched to the number eggs set into incubators and gauged against each breed standard. Layers hatchability is lower than Redbros and Broilers because layers' hatchability is measured from the pullets only excluding cockerels.

Hatchability	Actual 2022(%)	Actual 2021(%)	Budget 2022(%)
Broilers	78	79	83
Layers	42	41	38
Redbros	79	87	85

Layers hatchability was above budget as the breed performed above standard. Lower than budget hatchability from Broilers and Redbros is largely attributed to lower than standard male fertility issues.

c) Sales

Doc sales volume	Actual 2022	Actual 2021	Budget 2022
Broilers	10,064	10,484	11,200
Layers	1,686	1,312	1,291
Redbros	1,312	907	1,059

Both broiler egg recovery and hatchability were lower than standard which caused lower than budgeted production of sellable day-old chicks. The company has put in place plans and strategies to meet standards in future.

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

The Report by those Charged with Governance

11. CORPORATE GOVERNANCE

The Company has a board of directors that includes non-executive directors 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.

12. POLITICAL AND CHARITABLE DONATIONS

The Company did not pay any political and charitable donation during the year (2021: Nil).

13. 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	Age
Anthony Patrick Rowan	Chairman	Agriculturalist	British	63
Orson Frances Taylor	Managing Director	Biologist	Kenyan	52
Duncan Wechuli Sifunah	Director	Accountant	Kenyan	40
Nelson Ismail Kikolea	Director	Accountant	Tanzanian	39

14. MEETINGS AND ACTIVITIES OF THE BOARD

During the year, the board met quarterly, making a total of four meetings a year. The meetings were held at the company offices situated in Dar es Salaam.

15. CAPITAL STRUCTURE AND SHAREHOLDING

The shares of the Company are held as follows:

Shareholder's name	Number of ordinary shares	Percentage shareholding
Tanbreed Limited	19	95%
John Madere Marosi	1	5%
	20	100%

16. SOLVENCY

The Company's state of affairs at 31 March 2022 is set out on page 17 of the financial statements. The Company generated a net loss for the year ended 31 March 2022 of TZS 692 million (2021: TZS 697 million) and as of that date its current liabilities exceeded its current assets by TZS 29,028 million (2021: net liability of TZS 30,957 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.

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.

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

The Report by those Charged with Governance

17. MANAGEMENT

As at 31 March 2022, the management of the Company was under the following key management personnel:

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

The management of the Company is organized in the following departments.

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

18. STAKEHOLDERS RELATIONSHIPS

a) Customers

The company has good and strong relationships with customers as shown by receivables older than 60 days being only 7% against the target of 10%. Expected credit loss is 34% of the total receivables.

b) Creditors

Relationship with suppliers has been positive throughout the financial year and is expected to continue being amicable in the foreseeable future.

c) Government

Compliance with governing laws and regulations has been a source of good relationship with government organs and agencies. Taxes and municipal levies have also been paid on time and will continue to be paid on time to foster positive relationship.

19. 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 2022 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 2022

The Report by those Charged with Governance

20. 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 245 (2021: 228); of these, female were 67 (2021: 16) and male were 178 (2021: 212). The proportionate of female to males is low because of the nature of operations which attracts more males than females.

a) Pension Contributions

The company contributes 20% of employees' gross emoluments to National Social Security Fund (NSSF) where employees contribute 10% and the company tops up the remaining 10%. NSSF contributions have been deducted and remitted within 30 days from the month of payroll as required by the law.

b) Health and Medical Care

The company is registered with National Health Insurance Fund (NHIF) where monthly contributions of 6% of basic salaries is remitted on time as required by the law. Employees contribute 3% and the company pays 3% on monthly basis.

c) Training

Employees have undergone trainings relevant to their day-to-day activities and responsibilities as well as offer growth opportunities within the company. Staff have travelled to Kenya to broaden their skills and gain an understanding of best practices.

d) Staff Performance Appraisal

Upon renewal of employment contracts, staff and superior have openly discussed and documented results of performance appraisal for the past period. The process is designed to be unbiased, open, and verifiable to foster talent retention and reward best performers.

e) Workers Compensation Fund (WCF)

WCF calculated at 1% from April to June and 0.6% from July to March 2022 (2021: 1%) of gross staff emoluments is contributed on monthly basis and on time without delays as required by the law.

f) SACCOS

Staff have been allowed to establish own savings and credit society, where the company assists in direct deductions from monthly staff salaries to members. The SACCOS has been helpful to staff with short-term borrowing needs where mainstream lenders have not been accessible.

g) TPAWU

Employees have also been allowed to exercise their right of association by joining Tanzania Plantation and Agricultural Workers Union (TPAWU) where employees' representatives discuss with management matters of interest to employee's welfare.

21. DISABLED PERSONS

The Company is an equal opportunity employer and does not discriminate against capable and competent disabled persons. However, as at the year end, the company did not have any disabled person in the payroll.

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

The Report by those Charged with Governance

22. TECHNOLOGY AND INNOVATION

The Company possess and operates robust ICT infrastructure relevant to the needs of stakeholders.

- Navision – Microsoft Dynamics NAV has continued to be accounting and financial reporting tool.
- Eggsactly – software capturing eggs production on daily and produce reports for management decision making. Process has commenced to create an interface between NAV and Eggsactly so that production is directly captured in reporting tool.
- Sage 300 – HR tool used for payroll processing. Prospects is to have staff appraisal to be automated through Sage 300.
- JET Reports – this MS Excel based application is used for quick tailor-made reports as required by users. The application retrieves data from NAV and produce Excel based user friendly reports as well as management decision making. The application will also enable creation of standard report designs and do away with manual unstandardized excel reports.

23. RESOURCES MANAGEMENT

a) Brand and Market Position

The company has continued to hold majority market share in the poultry industry as stakeholders continue to trust our brand. Emphasis on quality, availability and affordability are strategies deployed to enhance our brand in the market.

b) Human Resources

The company employs skilled and dedicated staff to ensure quality product availability in the market. Staff have undergone both internal and external trainings to sharpen and broaden their knowledge of best poultry practices. Best performers have been recognized and awarded on May Day.

24. ENVIRONMENT

The company has been acting responsible in protection of environment from which it operates. Processes are ongoing to pursue certification by NEMC and get certificate of compliance.

25. RELATED PARTY TRANSACTIONS

Details of transactions and balances with related parties are disclosed in Note 20 to these financial statements.

26. AUDITORS

PricewaterhouseCoopers have expressed their willingness to continue in office in accordance with Section 170 (2) of the Tanzania Companies Act, 2002. Appointment of external auditors for the year ending 31 March 2023 will be done at the Annual General Meeting. The address of the auditors is provided on page 2.

27. RESPONSIBILITY BY THOSE CHARGED WITH GOVERNANCE

The Board of Directors accept responsibility for preparation of financial statement which show true and fair view of the company to the date of approval of the audited financial statements, in accordance with the applicable standards, rules, regulations and prevailing laws of The United Republic of Tanzania. Members of the board also reaffirm compliance with the provisions of statutory legislation, applicable to the company.

By Order of the Board



Orson Frances Taylor
Managing Director



Date

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

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.

The going concern basis of preparing financial statements has been adopted in line with explanations provided in Note 1.21.

Signed on behalf of the Board of Directors By:



Orson Frances Taylor
Managing Director



Date

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

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 signing on behalf of the Head of Finance, hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 March 2022 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 2022 and that they have been prepared based on properly maintained financial records.



Signed by: Chacha Contrida Mdami

Position: Accountant

NBAA Membership No GA3855

Date: 28/07/2022

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 financial statements give a true and fair view of the financial position of Tanbreed Poultry Limited as at 31 March 2022, 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 15 to 45 comprise:

- the statement of financial position as at 31 March 2022;
- 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; and
- the notes to the financial statements which include significant accounting policies and other explanatory information.

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 International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (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, The report by those charged with governance, 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.

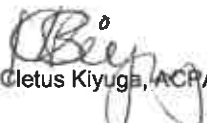
Independent auditor's report (continued)

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 report by those charged with governance 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.


Gletus Kiyuga, ACRA-PP

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

Date 4th August 2022

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Statement of Profit or Loss and Other Comprehensive Income

	Note	2022 TZS '000	2021 TZS '000
Revenue	2	22,208,786	22,558,007
Cost of sales	3	(18,621,259)	(22,105,468)
Gross profit (loss)		3,587,527	452,539
Other operating (gains)/losses	4	153,963	(76,456)
Foreign exchange losses	5	(109,986)	(208,562)
Administration expenses	6	(2,079,182)	(896,350)
Profit/(loss) before taxation		1,552,322	(728,829)
Income tax (charge)/credit	8	(2,243,980)	31,857
Loss for the year		(691,658)	(696,972)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations		115,014	-
Deferred tax on post-employment benefit obligations		(34,504)	-
Total items that will not be reclassified to profit or loss		80,510	-
Total comprehensive loss for the year		(611,148)	(696,972)

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Statement of Financial Position as at 31 March 2022

	Note	2022 TZS '000	2021 TZS '000
Assets			
Non-Current Assets			
Property, plant and equipment	9	21,481,119	23,002,600
Right-of-use assets	10	1,515,970	197,261
Biological assets	15	860,949	558,473
Deferred tax	11	310,044	1,641,158
		24,168,082	25,399,492
Current Assets			
Inventories	12	3,904,369	2,351,379
Trade and other receivables	13	625,578	224,519
Current tax receivable	14	240,430	23,969
Due from related party	20(d(i))	143,753	131,552
Biological assets	15	5,274,298	4,242,568
Cash and cash equivalents	16	325,975	513,352
		10,514,403	7,487,339
Total Assets		34,682,485	32,886,831
Shareholders' deficit and liabilities			
Share capital	17	20	20
Defined employee benefit reserve	22	80,510	-
Accumulated losses		(7,231,496)	(6,539,838)
Total shareholders' deficit		(7,150,966)	(6,539,818)
Liabilities			
Non-Current Liabilities			
Lease liabilities	10	1,255,440	203,112
Retirement benefit obligation	18	174,829	220,433
		1,430,269	423,545
Current Liabilities			
Trade and other payables	19	1,392,519	867,950
Due to related parties	20(d(ii))	3,480,907	2,744,737
Related party borrowings	20(c)	35,390,263	35,390,417
Lease liabilities	10	139,493	-
		40,403,182	39,003,104
Total Liabilities		41,833,451	39,426,649
Total Equity and Liabilities		34,682,485	32,886,831

The financial statements on were approved by the board of directors on 01/08/.....2022 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 2022

Statement of Changes in Equity

	Share capital	Defined employee benefit reserve	Accumulated losses	Total shareholders' deficit
	TZS '000	TZS '000	TZS '000	TZS '000
At 01 April 2020	20	-	(5,842,866)	(5,842,846)
Loss for the year	-	-	(696,972)	(696,972)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(696,972)	(696,972)
At 01 April 2021	20	-	(6,539,838)	(6,539,818)
Loss for the year	-	-	(691,658)	(691,658)
Other comprehensive income - net of tax	-	80,510	-	80,510
Total comprehensive loss for the year	-	80,510	(691,658)	(611,148)
At 31 March 2022	20	80,510	(7,231,496)	(7,150,966)

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Statement of Cash Flows

	Note(s)	2022 TZS '000	2021 TZS '000
Cash flows from operating activities			
Profit/(loss) before tax		1,552,322	(728,829)
Adjustments for:			
Depreciation	9 and 10	1,907,958	2,244,954
Gains on disposal of property, plant and equipment	4	(52,497)	(3,520)
Finance cost - lease charge	10	25,264	43,673
Foreign exchange (gains)/losses on borrowings	5	(154)	135,174
Fair value (gain)/loss on biological assets	15	(99,456)	80,411
Post-employment benefit obligations		91,573	(63,633)
Changes in working capital:			
Inventories		(1,552,990)	841,080
Trade and other receivables		(401,059)	(34,021)
Biological assets		(1,234,750)	1,838,560
Trade and other payables		524,568	(5,500,824)
Due from related party		(12,201)	1,514,826
Due to related party		736,170	440,682
Cash generated from operations		1,484,748	808,533
Post-employment benefits paid	18	(22,163)	(26,202)
Tax paid	14	(1,163,831)	(103,867)
Net cash generated from operating activities		298,754	678,464
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(338,179)	(37,614)
Proceeds from disposal of property, plant and equipment		52,498	3,520
Net cash utilised in investing activities		(285,681)	(34,094)
Cash received from financing activities			
Payment on lease liabilities	10	(200,450)	(243,704)
Net cash utilised in financing activities		(200,450)	(243,704)
Total cash movement for the year		(187,377)	400,666
Cash at the beginning of the year		513,352	112,686
Total cash at end of the year	16	325,975	513,352

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

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 2022.

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) and in the manner required by Company Act, 2002.

1.2 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.

1.3 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:-

i) 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.

ii) 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.

iii) 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.

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Accounting Policies

1.3 Use of judgements and estimates (continued)

iv) 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.

1.4 New standards amendments and interpretations

(i) New standards, amendments and interpretations in issue and effective for the year ended 31 March 2022

IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment

The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment.

On 31 March 2021, the IASB published an additional amendment to extend the date of the May 2020 practical expedient from 30 June 2021 to 30 June 2022. The March 2021 amendment will only be available if an entity chose to apply the May 2020 optional practical expedient.

Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2)

The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.

(ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 March 2022

Amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

Annual periods beginning on or after 1 January 2022

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

Annual periods beginning on or after 1 January 2022

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Accounting Policies

1.4 New standards amendments and interpretations (continued)

(ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 March 2022 (continued)

Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity

The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination.

In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework.

The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

Annual periods beginning on or after 1 January 2022

Amendment to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment.

Annual periods beginning on or after 1 January 2023

Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

Annual periods beginning on or after 1 January 2023

Annual improvements cycle 2018 -2020

These amendments include minor changes to:

- IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS.
- IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.
- IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.

Annual periods beginning on or after 1 January 2022

1.5 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.

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Accounting Policies

1.6 Revenue recognition

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

1.7 Other operating income

Gains and losses on disposals of non-current assets are determined by comparing the proceeds from disposal with the carrying amount. The resulting gains or losses are recognized within "Other operating income" or "Other operating expenses" respectively.

1.8 Cost of sales

Cost of sales includes carrying amounts of inventories sold during the period. Included in this are some of the direct costs such as feed cost, farm overheads, hatchery overheads and variable costs such as import duties and other non-refundable indirect taxes. Cost of sales is generally recognized in the statement of profit or loss at the time its corresponding goods or service has been delivered or rendered to the customer.

1.9 Administrative costs

Expenses in respect of goods and services is generally recognized in the statement of profit or loss at the time it is incurred. These are expenses incurred on running the day to day activities of the Company.

1.10 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.

1.11 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.

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Accounting Policies

1.11 Employee benefits (continued)

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) Defined benefit plans

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.

1.12 Biological assets

Biological assets are measured at fair value less costs to sell, with any changes therein recognised in profit or loss. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.

Both hatching eggs and parent stock are reclassified as current assets as they are to be sold within one year.

Changes in fair value of hatching eggs and parent stocks are recognised in the statement of profit or loss.

1.13 Inventories

Feeds and pre-mixes are stated at the lower of cost and net realisable value. Cost includes direct and indirect costs of materials plus milling overheads. Net realisable value is the price at which stocks can be sold in the normal course of business after deducting costs to sell. Stocks of old hens are stated at the lower of cost and net realisable value.

In general, cost is determined on a first in first out basis and includes the cost of purchasing raw materials for feed production and directly attributable labour and production overheads. It also includes the cost of purchasing veterinary items such as vaccines, medicines and disinfectants. Net realisable value is the price at which stocks can be sold in the normal course of business, after deducting selling and delivery costs. Packing materials are stated at cost.

1.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Accounting Policies

1.15 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.

iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The annual rates for the estimated useful lives for the current and comparative periods 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.

1.16 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.

1.17 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.

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Accounting Policies

1.18 Leases

Company as lessee

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the Company under residual value guarantees;
- the exercise price of purchase options, if the Company is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in interest expense (note).

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the Company will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the Company incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Accounting Policies

1.19 Financial instruments including liabilities

All financial instruments are initially recognised at fair value, plus, in the case of financial assets and liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue. Financial instruments are recognised when the Company becomes a party to the contractual arrangements. All regular way transactions are accounted for on trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Classification and measurement

Financial instruments include balances with banks, trade and other receivables, biological assets, balances due from and due to related parties, and trade and other liabilities and borrowings.

Trade receivables issued 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 provisions 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.

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

1. the asset is held within a business model whose objective is to collect the contractual cash flows; and
2. the contractual terms give rise to cash flows that are solely payments of principal and interest (SPPI).

The Company considers whether the contractual cash flows are consistent with the nature of the assets/liabilities and basic lending arrangement i.e Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Trade and other receivables, cash and cash equivalents are subsequently carried at amortised cost.

Impairment of financial assets

Financial instruments and contract assets

The Company recognizes loss allowances for Expected Credit Losses (ECL) on:

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

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, 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.

Measurement of ECL

ECL 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). ECL 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:

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Accounting Policies

1.19 Financial instruments including liabilities (continued)

Impairment of financial assets (continued)

Credit-impaired financial assets (continued)

- 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 writeoff 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 assets measured at fair value: 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.

Financial liabilities

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges including premiums payable on settlement or redemption, are accounted for on an accruals basis.

Derecognition

A financial liability is derecognized 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 recognized in the statement of changes in net assets available for benefits.

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Accounting Policies

1.19 Financial instruments including liabilities (continued)

Offsetting financial instruments

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

1.20 Non-financial assets/liabilities

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.

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.

1.21 Going concern basis of accounting

During the year ended 31 March 2022, the Company generated a net loss of TZS 692 million (2021: TZS 697 million) and as of that date its current liabilities exceeded its current assets by TZS 29,028 million (2021: net liability of TZS 30,957 million).

The ability of the Company to continue as going concern depends on the continued financial support of its shareholders. 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 of the audit report. Accordingly, the financial statements have been prepared on the basis of accounting policies applicable to a going concern.

1.22 Comparative figures

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

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

	2022 TZS '000	2021 TZS '000
2. Revenue		
Sale of day old chicks	19,756,744	15,657,582
Sale of feed	746,346	1,103,176
Sale of old hens	1,417,512	832,465
Sale of hatching eggs	215,545	4,590,683
Other revenue	72,639	374,101
	22,208,786	22,558,007
3. Cost of sales		
Purchase of parent day old chicks and consumables used	10,754,407	10,062,246
Other direct expenses	1,457,206	1,820,915
Cost of sales - hatching eggs	265,338	3,895,573
Electricity and water	734,455	785,842
Transport	747,991	832,719
Employee costs (Note 7)	2,003,232	1,937,681
Depreciation	1,907,958	2,244,954
Repair and maintenance	750,672	525,538
	18,621,259	22,105,468
4. Other operating income		
Fair value gain/(loss) on biological assets (Note 15)	99,456	(80,411)
Miscellaneous income	2,010	435
Gain on disposal of property, plant and equipment	52,497	3,520
	153,963	(76,456)
5. Foreign exchange losses		
Foreign exchange (gains)/loss on borrowings (Note 20(i))	154	(135,174)
Foreign exchange loss on working capital	(110,140)	(73,388)
	(109,986)	(208,562)
6. Administration expenses		
Employee costs (Note 7)	865,122	175,829
Legal expense	101,304	93,985
Transport	153,068	89,899
Insurance	89,156	89,263
Internet and IT expenses	31,578	27,640
Postage and telephones	7,438	12,361
Office expenses	342,150	342,632
Auditor's remuneration	51,615	53,194
Provision for expected credit losses	6,767	8,858
Other expenses	430,984	2,689
	2,079,182	896,350

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

	2022 TZS '000	2021 TZS '000
7. Employee costs		
Wages and salaries	1,728,687	1,338,327
Bonus	179,305	26,802
National Health Insurance Fund (NHIF)	36,907	37,425
Worker's Compensation Fund (WCF)	17,243	17,317
Skills Development Levy (SDL)	148,964	71,444
Other staff costs	515,602	449,025
National Social Security Fund (NSSF)	241,646	173,170
	2,868,354	2,113,510
Classified as:		
Administration expenses	865,122	175,829
Cost of sales	2,003,232	1,937,681
	2,868,354	2,113,510
8. Income tax credit		
Major components of the income tax		
Current		
Current tax - current period	111,054	112,792
Current tax - prior periods	836,316	-
	947,370	112,792
Deferred		
Deferred tax - current period	560,917	(159,867)
Deferred tax - prior periods	735,693	15,218
	1,296,610	(144,649)
Total income tax charge/(credit)	2,243,980	(31,857)
<p>During the year the Company received corporate tax assessments from Tanzania Revenue Authority (TRA) for the year of income 2016 to 2020. The assessments led to the additional corporate tax of TZS 836 million.</p> <p>Also resulted to the decrease of accumulated tax losses carried forward by TZS 2,450 million.</p>		
Reconciliation of the tax expense		
<p>Reconciliation between accounting profit and tax expense.</p>		
Profit/(loss) before tax	1,552,322	(728,829)
Tax at the applicable tax rate of 30% (2021: 30%)	465,697	(218,649)
Tax effect of adjustments on taxable income		
Tax effect of expenditure permanently disallowed	95,220	58,782
Tax effect of under provision of prior year deferred taxes	735,693	15,218
Alternative minimum tax	111,054	112,792
Current tax - prior year	836,316	-
Income tax credit	2,243,980	(31,857)

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

9. Property, plant and equipment

	2022			2021		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Leasehold land	22,809,545	(4,415,625)	18,393,920	22,577,483	(3,552,225)	19,025,258
Plant and machinery	6,994,492	(6,164,101)	830,391	7,119,822	(5,396,633)	1,723,189
Furniture, Fittings and equipment	3,746,874	(1,681,505)	2,065,369	3,585,995	(1,514,336)	2,071,659
Motor vehicles	851,487	(726,442)	125,045	1,320,972	(1,148,824)	172,148
Computers	274,702	(248,403)	26,299	308,913	(298,567)	10,346
Work in progress	40,095	-	40,095	-	-	-
Total	34,717,195	(13,236,076)	21,481,119	34,913,185	(11,910,585)	23,002,600

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation -Disposals	-Reclassification	Depreciation	Total
Leasehold land	19,025,258	154,875	-	-	-	(786,213)	18,393,920
Plant and machinery	1,723,189	33,907	-	-	(446,056)	(480,649)	830,391
Furniture, fittings and equipment	2,071,659	14,658	-	-	440,019	(460,967)	2,065,369
Motor vehicles	172,148	68,540	(534,169)	534,169	-	(115,643)	125,045
Computers	10,346	26,104	-	-	6,037	(16,188)	26,299
Work in progress	-	40,095	-	-	-	-	40,095
	23,002,600	338,179	(534,169)	534,169	-	(1,859,660)	21,481,119

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Depreciation	Total
Leasehold land	19,831,056	-	(805,798)	19,025,258
Plant and machinery	2,357,937	6,889	(641,637)	1,723,189
Furniture, Fittings and equipments	2,504,525	29,927	(462,793)	2,071,659
Motor vehicles	302,798	-	(130,650)	172,148
Computers	25,783	798	(16,235)	10,346
	25,022,099	37,614	(2,057,113)	23,002,600

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

	2022 TZS '000	2021 TZS '000
10. Right of use assets and lease liabilities		
As at 1 April	197,261	385,102
Additions	1,367,007	-
Depreciation charge	(48,298)	(187,841)
	1,515,970	197,261
Lease liabilities movement		
As at 1 April	203,112	403,143
Interest	25,264	43,673
Additions	1,367,007	-
Payment	(200,450)	(243,704)
	1,394,933	203,112
Lease liabilities		
Non-current	1,255,440	203,112
Current	139,493	-
	1,394,933	203,112
Amount recognised in the statement of profit or loss		
Depreciation of right-of-use assets	48,298	187,841
Interest expense on lease liabilities	25,264	43,673
	73,562	231,514
11. Deferred tax		
Deferred tax liability is calculated on all temporary differences under the liability method using a principal tax rate of 30% (2021:30%). The details of deferred tax liabilities are as follows:		
Deferred tax asset	310,044	1,641,158
Reconciliation of deferred tax asset		
At 1 April	1,641,158	1,496,509
Charge to profit or loss - current year (Note 8)	(560,917)	159,867
Deferred tax - prior year	(735,693)	(15,218)
Charged to defined benefit reserve	(34,504)	-
Balance as at 31 March	310,044	1,641,158
Accelerated capital deductions	(10,700,960)	(10,040,722)
Other timing differences	6,887,979	7,033,841
Accumulated losses	4,961,474	8,477,408
Charge to reserve	(115,013)	-
	1,033,480	5,470,527
Deferred tax at 30%	310,044	1,641,158
Balance as at 31 March	310,044	1,641,158

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

	2022 TZS '000	2021 TZS '000
12. Inventories		
Raw materials	2,778,136	1,224,365
Feed stock for breeders	267,447	407,893
Other inventory items	858,786	719,121
	3,904,369	2,351,379
Amount recognised in profit or loss		
Inventories recognised as an expense during the year ended 31 March 2022 amounted to TZS 5,536,864,436 (2021: TZS 7,292,634,000). These were included in cost of sales.		
13. Trade and other receivables		
Financial instruments:		
Trade receivables	797,174	262,512
Provision for expected credit losses	(269,279)	(262,512)
Trade receivables at amortised cost	527,895	-
Advance payments to suppliers	39,563	217,663
Non-financial instruments:		
Withholding tax receivable	-	453
Prepayments	58,120	6,403
Total trade and other receivables	625,578	224,519
Movement on provision for expected credit losses		
As at 1 April	262,512	271,518
Charge for the year	6,767	8,858
Amount written off	-	(17,864)
At 31 March	269,279	262,512
14. Tax paid		
Balance at beginning of the year	23,969	32,894
Current tax for the year recognised in profit or loss	(947,370)	(112,792)
Balance at end of the year	(240,430)	(23,969)
	(1,163,831)	(103,867)
15. Biological assets		
Biological assets comprise hatching eggs and parent stocks		
Opening balance at 1 April	4,801,041	6,720,012
Increase due to purchases	5,105,968	3,581,214
Change in fair value	99,456	(80,411)
Decrease due to sale	(3,871,218)	(5,419,773)
At 31 March 2022	6,135,247	4,801,042
Classified as		
Non current	860,949	558,473
Current	5,274,298	4,242,569
	6,135,247	4,801,042

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

	2022	2021
	TZS '000	TZS '000
15. Biological assets (continued)		
Carrying amount as at 31 March		
Hatching eggs	854,938	789,244
Parent stock	5,280,309	4,011,797
	6,135,247	4,801,041

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:

- 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;
- Diseases will not significantly affect the flock;
- The discount rate applied to expected net cash flows was 22% (2021: 24%);
- Exchange rate 2,309.06 (2021: 2,309.95);
- Average hatchability rate 65% (2021: 65%); and
- Average egg recovery rate 96% (2021: 96%).

The average production period for the biological assets are:

Breeding flock - 40 weeks

Hatching eggs - 21 days

16. Cash and cash equivalents

Bank balances	316,066	496,889
Cash on hand	9,909	16,463
	325,975	513,352

17. Share capital

Authorised

100,000 Ordinary shares of TZS 1,000 each

100,000	100,000
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Issued and fully paid

20 ordinary shares of TZS 1,000 each

20	20
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TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

	2022 TZS '000	2021 TZS '000
18. Post-employment benefit obligations		
Carrying value		
At 1 April	220,433	310,269
Current service cost	71,610	65,678
Interest costs	19,963	-
Loss from change in financial assumptions	20,075	-
Experience gains	(135,089)	(129,312)
Benefits paid	(22,163)	(26,202)
At 31 March	174,829	220,433
Remeasurements		
Actuarial loss arising from changes in financial assumptions	20,075	-
Experience gains	(135,089)	-
	<u>(115,014)</u>	<u>-</u>
Net expense recognised in profit or loss		
Experience gains	-	(129,312)
Current service cost	71,610	65,678
Interest cost	19,963	-
	<u>91,573</u>	<u>(63,634)</u>

Significant actuarial assumptions

On 31 March 2022, the company engaged the independent Actuary; Chaina Chacha to conduct an actuarial valuation of the company. The actuary used the Projected Unit Credit Method to determine the Present value of projected defined benefit obligations as required by IAS 19.

Significant actuary assumptions were as follows;

Discount rates used	11.90%	12.30%
Salary growth rate	6 %	6%
Inflation rate	3.2%	3.6%
Retirement age	60 years	60 years

The sensitivity of defined benefit obligations to changes in the principal assumptions is:

Changes in assumptions	Impact of defined benefit obligations	
	2022 TZS '000	2021 TZS '000
Salary -1%	(20,968)	(26,459)
Salary +1%	25,786	33,194
Discount rate -1%	27,002	27,243
Discount rate +1%	(21,797)	(34,382)
Inflation increase by 1%	1,169	-

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior year.

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

	2022	2021
	TZS '000	TZS '000
19. Trade and other payables		
Financial instruments:		
Sundry creditors and accrued expenses	60,150	362,077
Other payables	568,924	310,031
Accruals	81,775	51,615
Advance from customers	653,156	-
Non-financial instruments:		
Statutory liabilities	28,514	144,227
	1,392,519	867,950

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

	2022	2021
	TZS '000	TZS '000

20. Related party balances transactions

The Company is controlled by Africa Poultry Development Limited, a Company incorporated in Mauritius, whose ultimate parent entity is Fereira Investment Limited Mauritius.

There are other companies that are related to the Company through common shareholdings or common directorships. The following transactions were carried out with related parties:

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)	16,064,847	13,818,655
Kenchic Limited (sale of hatching eggs)	246,928	4,510,878
Tanzania Breeders and Feedmills Ltd (sale of feed and raw materials)	34,651	880,711
Tanzania Breeders and Feedmills Ltd (sale of day-old-chicks)	3,692,637	1,786,837
Interchick Company Limited - rental charge	(34,175)	(34,159)
	<u>20,004,888</u>	<u>20,962,922</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	99,956	18,537
Tanzania Breeders and Feedmills Limited	383,768	8,752
	<u>483,724</u>	<u>27,289</u>

(c) Borrowing from related parties

Africa Poultry Development Limited	23,974,971	23,975,075
Hybrid Poultry (Mauritius) Limited	1,824,860	1,824,868
Tanbreed Limited (Mauritius)	369,592	369,594
TanFed Holdings Limited	9,220,840	9,220,880
	<u>35,390,263</u>	<u>35,390,417</u>

(d) Related party balances

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

(i) Balances due from

Kenchic Limited	<u>143,753</u>	<u>131,552</u>
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(ii) Balances due to

Tanzania Breeders and Feedmills Limited	1,643,854	1,568,594
Kenchic Limited	200,729	65,485
Interchick Company Limited	1,498,772	1,110,658
Kenchic Hatching Eggs A/S	32,339	-
Hybrid Poultry Z Limited	105,213	-
	<u>3,480,907</u>	<u>2,744,737</u>

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

2022	2021
TZS '000	TZS '000

20. Related party balances transactions (continued)

(e) Key management personnel remuneration

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

Short term employee benefits	699,791	598,709
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(f) Directors fees

During the year ended 31 March 2022 the Company paid TZS 14.5 million to the Directors (2021: Nil)

(g) 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 2021	23,975,075	1,824,868	369,594	9,220,880	35,390,417
Additional borrowing		-	-		
Exchange gains	(104)	(8)	(2)	(40)	(154)
Balance as at 31 March 2022	23,974,971	1,824,860	369,592	9,220,840	35,390,263

	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 2020	23,883,915	1,817,930	368,188	9,185,210	35,255,243
Additional borrowing		-	-		
Exchange losses	91,160	6,938	1,406	35,670	135,174
Balance as at 31 March 2021	23,975,075	1,824,868	369,594	9,220,880	35,390,417

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 on demand as 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 on demand as cash flow 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 on demand as cash flow 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 on demand as cash flow allows.

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

	2022	2021
	TZS '000	TZS '000

20. Related party balances transactions (continued)

Related Party Name	Relationship
Interchick Company Limited (sale of day-old-chicks)	Common ownership through Ultimate Holding Company
Kenchic Limited (sale of hatching eggs)	Common ownership through Ultimate Holding Company
Tanzania Breeders and Feedmills Ltd (sale of feed & raw materials)	Common ownership through Ultimate Holding Company
Tanzania Breeders and Feedmills Ltd (sale of day-old-chicks)	Common ownership through Ultimate Holding Company
Interchick Company Limited - rental charge	Common ownership through Ultimate Holding Company
Africa Poultry Development Limited	Common ownership through Ultimate Holding Company
Hybrid Poultry (Mauritius) Limited	Common ownership through Ultimate Holding Company
Tanbreed Limited (Mauritius)	Common ownership through Ultimate Holding Company
TanFed Holdings Limited	Common ownership through Ultimate Holding Company

Support for going concern

African Poultry Development has provided a letter of financial support which confirms that it will assist the group with the funding and/or supporting needed to make it possible for the company to meet the financial obligation. This includes not recalling amount owed and instructing all companies within the group not to recall the intercompany loans.

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

2022	2021
TZS '000	TZS '000

21. Financial instruments - fair values and risk management

a) Financial instruments by categories 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 of financial assets and financial liabilities not measured at fair value. The carrying amounts of these financial instruments reasonably approximate their fair values due to their short-term nature.

Financial assets not measured at fair value

	2022	2021
	TZS '000	TZS '000
At amortised cost		
Trade receivables	527,895	-
Receivables from related parties	143,593	131,552
Cash and cash equivalents	325,975	513,352
	997,463	644,904

Financial liabilities not measured at fair value

At amortised cost		
Borrowings from related parties	35,390,263	35,390,417
Due to related parties	3,480,747	2,744,737
Trade and other payables	1,364,007	723,723
	40,235,017	38,858,877

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

21. Financial instruments - fair values and risk management (continued)

b) 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).

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.

	2022 TZS'000		2021 TZS'000	
	Amortised cost	Exposure to credit risk	Amortised cost	Exposure to credit risk
Trade receivables	527,895	527,895	-	-
Bank balances	316,066	316,066	496,889	496,889
Due from related parties	143,593	143,593	131,552	131,552
	<u>987,554</u>	<u>987,554</u>	<u>628,441</u>	<u>628,441</u>

Below is the aging profile of trade debtors

	2022 TZS '000	2021 TZS '000
Past due 0-30 days	67,267	-
Past due 30-60 days	317,506	-
Past due 60-90 days	4,793	-
Past due more than 90 days	138,329	-
	<u>527,895</u>	-

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

21. Financial instruments - fair values and risk management (continued)

Loss allowance on trade receivables

The Company applies a simplified approach in calculating Expected Credit Losses (ECL). The Company has established a provision matrix that is based on its historical credit loss experience and adjusted for forward-looking factors. 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 ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort applicable for the Company. 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.

The main component of the allowance made by Management is a general loss component that relates to customers with outstanding days. Based on this, the impairment allowance for 2022 was TZS 269 million (2021: TZS 263 million).

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:

2022

		Within 1 year	More than 1	Contractual	Carrying
		TZS '000	year	cash flows	amount
			TZS '000	TZS '000	TZS '000
Non-current liabilities					
Lease liabilities	10	-	1,637,512	1,637,512	1,255,440
Current liabilities					
Trade and other payables	19	1,364,007	-	1,364,007	1,364,007
Lease liabilities	10	200,504	-	200,504	139,493
		1,564,511	1,637,512	3,202,023	2,758,940

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

21. Financial instruments - fair values and risk management (continued)

b) Financial risk management (continued)

Liquidity risk (continued)

2021	Within 1 year TZS '000	More than 1 year TZS '000	Contractual cash flows TZS '000	Carrying amount TZS '000
Non-current liabilities				
Lease liabilities	10	-	303,663	203,112
Current liabilities				
Trade and other payables	19	723,723	-	723,723
	723,723	303,663	1,027,386	926,835

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.

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	2022 TZS'000	2021 TZS'000
Cash and cash equivalents	105,277	73,823
Due from related parties	143,753	131,552
Due to related parties	(338,116)	(65,528)
Related party borrowings	(35,390,263)	(35,390,417)
Net exposure	(35,479,349)	(35,250,570)

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

21. Financial instruments - fair values and risk management (continued)

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

	2022 TZS'000	2021 TZS'000
Increase/(decrease) in equity	<u>(4 878 449)</u>	<u>(2 467 540)</u>
Increase/(decrease) in profit or loss	<u>(4 878 449)</u>	<u>(2 467 540)</u>

The rate of exchange as at 31 March 2022 is USD 1 = TZS 2,309.95 (2021: USD 1 = TZS 2,309.96) strengthening of USD against TZS by 10% will be TZS 2,540.95 (2021: TZS 2,540.96).

Interest rate risk

The Company operations are subject to the risk of interest risk fluctuations to the extent that interest earning assets and interest bearing liabilities mature or re-price at different times or in differing amounts.

Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the Company business strategies.

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:

	2022 TZS'000	2021 TZS'000
Gross debt	35,390,263	35,390,417
Less: Cash and cash equivalent	(325,975)	(513,352)
Net debt	35,064,288	34,877,065
Total equity	(5,771,556)	(6,539,818)
Net debt to equity ratio as at 31 March	100%	100%

22. Defined employee benefit reserve

This reserve amounting to TZS 80.5 million is made up of the cumulative actuarial gains from the valuation of the defined employee benefits obligation. The actuarial differences arise from changes in the demographic assumptions, financial assumptions and experience differing from previous assumptions over the valuation period.

23. 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 2022 (2021: Nil).

24. 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 73 million (2021: TZS 53.8 million). The directors do not believe that there is material liability which is needed to be provided for as a result of these litigations.

TANBREED POULTRY LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

25. Ultimate holding company

The Company's ultimate holding company is Ferreira Investment Limited, a company registered and incorporated in Mauritius as a private limited company.

26. 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	2022 TZS '000	2021 TZS '000
Cash and cash equivalents	(325,975)	(513,352)
Borrowings	35,390,263	35,390,417
Lease liabilities	1,394,933	203,112
Net debt	36,459,221	35,080,177
Cash and cash equivalents	(325,975)	(513,352)
Gross debt	36,785,196	35,593,529
Net debt	36,459,221	35,080,177

	Liabilities from financing activities			Other assets	-
	Borrowings	Leases	Sub-total	Cash and Cash equivalents	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Net debt as at 1 April 2020	35,255,243	403,143	35,658,386	(112,687)	35,545,699
New leases	-	43,673	43,673	-	43,673
Cash flows	-	(243,704)	(243,704)	(400,665)	(644,369)
Foreign exchange adjustments	135,174	-	135,174	-	135,174
Net debt as at 31 March 2021	35,390,417	203,112	35,593,529	(513,352)	35,080,177
New Leases	-	25,264	25,264	-	25,264
Cash flows	-	1,166,557	1,166,557	187,377	1,353,934
Foreign exchange adjustments	(154)	-	(154)	-	(154)
Net debt as at 31 March 2022	35,390,263	1,394,933	36,785,196	(325,975)	36,459,221

27. Subsequent events

The directors confirm that there were no events subsequent to the year-end up to the date of this report that require either disclosure or adjustment in the financial statements.

28. Comparatives reclassification

	As reported 2021 TZS'000	Reported in 2022 TZS'000	Changes TZS'000	Reason
Cost of sales	(20,121,279)	(22,105,468)	1,984,189	Reflecting the correct split of employee benefit between cost of sales and administrative expenses
Other operating income	(80,411)	(76,456)	(3,955)	Including Fair value gain on biological assets, Miscellaneous income and Gains on disposal of property, plant and equipment in other operating income instead of showing only Fair value gain on biological asset
Finance costs	(2,876,584)	(896,350)	(1,980,234)	Reflecting the correct split of employee benefit between cost of sales and administrative expenses
Net effect	(23,078,274)	(23,078,274)	-	