

**TANBREED POULTRY LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

# TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2021

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# **TANBREED POULTRY LIMITED**

Annual Report And Financial Statements for the year ended 31 March 2021

## **General Information**

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<b>Country of incorporation and domicile</b>	United Republic of Tanzania
<b>Nature of business and principal activities</b>	The Company deals with poultry rearing
<b>Directors</b>	Anthony Patrick Rowan Orson Frances Taylor Duncan Wechuli Sifunah
<b>Registered office</b>	Plot 296 Kinyenze P.O Box 1378 Mvomero District Morogoro
<b>Bankers</b>	ABSA Bank of Tanzania Ltd Head Office-Barclays House, Ohio Street P.O. Box 5137 Dar es Salaam
<b>Auditors</b>	PricewaterhouseCoopers Certified Public Accountants Pemba House, 369 Toure drive P.O. Box 45 Dar es Salaam, Tanzania
<b>Legal advisors</b>	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 2021

## Report of the Directors

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The directors present their report together with the audited financial statements for the year ended 31 March 2021, which disclose the state of affairs of the Company as at that date.

### 1. INCORPORATION AND REGISTERED OFFICE

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

### 2. PRINCIPAL ACTIVITIES

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

### 3. COMPANY VISION

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 697 million during the year (2020: TZS 2,753 million). The directors do not recommend the payment of dividend.

### 6. SOLVENCY

The Company's state of affairs at 31 March 2021 is set out on page 12 of the financial statements. The Company generated a net loss for the year ended 31 March 2021 of TZS 697 million (2020: TZS 2,753 million) and as of that date its current liabilities exceeded its current assets by TZS 30,957 million (2020: a net liability of TZS 32,226 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.

### 7. EMPLOYEE WELFARE

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

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

The average number of employees during the year was 228 (2020: 295).

### 8. RELATED PARTY TRANSACTIONS

Details of transactions and balances with related parties are disclosed in note 15 to these financial statements.

### 9. POLITICAL AND CHARITABLE DONATIONS

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

# TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2021

## Report of the Directors

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### 10. DIRECTORS

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

Name	Position	Qualification	Nationality
Anthony Patrick Rowan	Director	Agriculturalist	British
Orson Frances Taylor	Managing Director	Biologist	Kenyan
Duncan Wechuli Sifunah	Director	Accountant	Kenyan

### 11. MANAGEMENT

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

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

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

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

### 12. 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 2021 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 2021

## Report of the Directors

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### 13. CORPORATE GOVERNANCE

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

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

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

### 14. 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 Marosi Mandere	1	5%
	<b>20</b>	<b>100%</b>

### 15. AUDITORS

PricehousewaterCoopers have been appointed as auditors of the Company. A resolution proposing the re-appointment of PricehousewaterCoopers as auditors of the Company for the year ending 31 March 2022 will be put to the Annual General Meeting.

By Order of the Board

  
\_\_\_\_\_  
Orson Frances Taylor  
Managing Director

23-08-2021  
\_\_\_\_\_  
Date

# TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2021

## Statement of Directors' Responsibilities

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The Companies Act, No.12 of 2002 requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

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

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

**Signed on behalf of the Board of Directors By:**

  
\_\_\_\_\_  
**Orson Frances Taylor**  
**Managing Director**

23.03.2021  
\_\_\_\_\_  
**Date**

# TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2021

## Declaration of the Head of Finance

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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 2021 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 2021 and that they have been prepared based on properly maintained financial records.



Signed by: Chacha Contrida Mdami

Position: Accountant

NBAA Membership No GA3855

Date: 23-08 ..... 2021

## *Independent auditor's report*

To the Shareholders of Tanbreed Poultry Limited

### **Report on the audit of the financial statements**

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#### *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 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No. 12 of 2002.

#### **What we have audited**

The financial statements of Tanbreed Poultry Limited as set out on pages 11 to 40 comprise:

- the statement of financial position as at 31 March 2021;
- 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, Report of the directors, Statement of director's responsibilities and Declaration of the head of finance but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *Independent auditor's report (continued)*

To the Shareholders of Tanbreed Poultry Limited

### *Report on the audit of the financial statements (Continued)*

#### *Responsibilities of the directors for the financial statements*

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No. 12 of 2002, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the financial reporting process.

#### *Auditor's responsibilities for the audit of the financial statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

## *Independent auditor's report (continued)*

To the Shareholders of Tanbreed Poultry Limited

### ***Report on other legal and regulatory requirements***

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

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



Cletus Kiyuga, ACPA-PP

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

Date

24<sup>th</sup> August 2021

# TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2021

## Statement of Profit or Loss and Other Comprehensive Income

	Note	2021 TZS '000	2020 TZS '000
Revenue	2	22,558,007	25,827,314
Cost of sales	3	(20,121,279)	(24,995,917)
<b>Gross profit</b>		<b>2,436,728</b>	<b>831,397</b>
Fair value gain on biological assets	11	(80,411)	(87,962)
Unrealised exchange losses		(208,562)	(68,258)
Administration expenses	4	(2,876,584)	(4,332,081)
<b>Loss before taxation</b>		<b>(728,829)</b>	<b>(3,656,904)</b>
Income tax credit	6	31,857	903,853
<b>Loss for the year</b>		<b>(696,972)</b>	<b>(2,753,051)</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>(696,972)</b>	<b>(2,753,051)</b>

# TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2021

## Statement of Financial Position as at 31 March 2021

	Note	2021 TZS '000	2020 TZS '000
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	8	23,002,600	25,022,099
Right-of-use assets	9	197,261	385,102
Deferred tax asset	7	1,641,158	1,496,509
		<b>24,841,019</b>	<b>26,903,710</b>
<b>Current Assets</b>			
Inventories	10	2,351,379	3,192,459
Biological assets	11	4,801,041	6,720,012
Trade and other receivables	12	224,519	190,498
Due from related party	15	131,552	1,646,378
Tax recoverable	18	23,969	32,894
Cash and cash equivalents	13	513,352	112,687
		<b>8,045,812</b>	<b>11,894,928</b>
<b>Total Assets</b>		<b>32,886,831</b>	<b>38,798,638</b>
<b>Shareholders' deficit and liabilities</b>			
Share capital	14	20	20
Accumulated losses		(6,539,838)	(5,842,869)
<b>Total shareholders' deficit</b>		<b>(6,539,818)</b>	<b>(5,842,849)</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Lease liabilities	9	203,112	210,326
Retirement benefit obligation	16	220,433	310,269
		<b>423,545</b>	<b>520,595</b>
<b>Current Liabilities</b>			
Lease liabilities	9	-	192,817
Due to related parties	15	2,744,737	2,304,055
Related party borrowings	15	35,390,417	35,255,243
Trade and other payables	17	867,950	6,368,777
		<b>39,003,104</b>	<b>44,120,892</b>
<b>Total Liabilities</b>		<b>39,426,649</b>	<b>44,641,487</b>
<b>Total Equity and Liabilities</b>		<b>32,886,831</b>	<b>38,798,638</b>

The financial statements on page 11 to 40 were approved by the board of directors on <sup>23.08</sup>..... 2021 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 2021

## Statement of Changes in Equity

	Share capital	Accumulated losses	Total shareholders' deficit
	TZS '000	TZS '000	TZS '000
At 01 April 2019	20	(3,089,818)	(3,089,798)
Loss for the year	-	(2,753,051)	(2,753,051)
At 01 April 2020	20	(5,842,866)	(5,842,846)
Loss for the year	-	(696,972)	(696,972)
At 31 March 2021	20	(6,539,838)	(6,539,818)

# TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2021

## Statement of Cash Flows

	Note(s)	2021 TZS '000	2020 TZS '000
<b>Cash flows from operating activities</b>			
Loss before taxation		(728,829)	(3,656,904)
<b>Adjustments for:</b>			
Depreciation (Note 8 & 9)		2,244,954	2,233,749
Finance cost - lease charge		43,673	86,273
Unrealised exchange losses		135,174	5,078
Fair value gain on biological assets		80,411	87,962
Gain on disposal of items of property, plant and equipment		-	(9,970)
<b>Changes in working capital:</b>			
Inventories		841,080	(55,630)
Trade and other receivables		(34,021)	1,042,117
Biological assets		1,838,560	(808,412)
Trade and other payables		(5,500,824)	3,208,911
Post-employment benefit obligations		(63,634)	95,779
Due from related party		1,514,826	299,630
Due to related party		440,682	-
<b>Cash generated from operations</b>		<b>812,052</b>	<b>2,528,583</b>
Post-employment benefits paid		(26,202)	(9,759)
Tax paid	18	(103,867)	(173,956)
<b>Net cash generated from operating activities</b>		<b>681,983</b>	<b>2,344,868</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(37,614)	(5,519,562)
Disposal of items of property, plant and equipment	8	-	9,970
<b>Net cash utilised in investing activities</b>		<b>(37,614)</b>	<b>(5,509,592)</b>
<b>Cash received from financing activities</b>			
Related party borrowings		-	3,316,113
Payment on lease liabilities		(243,704)	(337,710)
<b>Net cash (utilised in)/generated from financing activities</b>		<b>(243,704)</b>	<b>2,978,403</b>
<b>Total cash movement for the year</b>		<b>400,666</b>	<b>(186,321)</b>
Cash at the beginning of the year		112,687	299,008
<b>Total cash at end of the year</b>	13	<b>513,352</b>	<b>112,687</b>

# TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2021

## Accounting Policies

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### 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 2021.

#### 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:-

#### Measurement of fair values

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

##### (a) Biological assets

Biological assets comprise breeding flocks and hatching eggs.

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

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

Critical accounting assumptions are set out in Note 11.

##### (b) Non-derivative financial liabilities

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

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

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

# TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2021

## Accounting Policies

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### 1.3 Use of judgements and estimates (continued)

#### (d) Income taxes

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

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

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

### 1.4 New standards amendments and interpretations

#### (i) New standards, amendments and interpretations in issue and effective for the year ended 31 March 2021

##### Amendment to IFRS 3, 'Business combinations' Definition of a business

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

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

##### Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:

- use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immaterial information.

The amended definition is:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

# TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2021

## Accounting Policies

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### 1.4 New standards amendments and Interpretations (continued)

(i) New standards, amendments and interpretations in issue and effective for the year ended 31 March 2021 (continued)

**Amendments to IFRS 9, 'Financial Instruments', IAS 39, 'Financial Instruments: Recognition and Measurement' and IFRS 7, 'Financial Instruments: Disclosure' – Interest rate benchmark reform (Phase 1)**

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

(ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 March 2021

**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.

**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 Reform (IBOR) (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.

**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. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).

**Amendment to IFRS 3, 'Business combinations'**

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.

**Amendments to IAS 16 'Property, Plant and Equipment' on 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 property). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

**Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on 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.

# TANBREED POULTRY LIMITED

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### 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 2021 (continued)

#### 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.

#### IFRS 17, 'Insurance contracts'

The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.

Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.

For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. Consequently, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

### 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.

### 1.6 Revenue recognition

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

### 1.7 Biological assets

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

# TANBREED POULTRY LIMITED

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## Accounting Policies

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### 1.8 Financial Instruments

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. All financial assets and liabilities of the Company are classified at amortised cost.

#### Classification and measurement

Trade and other receivables and bank balances 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 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.

On initial recognition, a financial asset is classified as measured at amortised cost; FVOCI – debt investment; FVOCI or FVTPL. The classification depends on the business model applied and the cash flow characteristics of an asset.

**Business model:** The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Company in determining the business model for assets include past experience on how the cash flows of these assets were collected, how the performance of the assets is evaluated and reported to key management personnel, the risks that affect the performance of the business model (and the financial assets within) and in particular, the way that those risks are managed; and how assets managers are compensated.

**Cash flow characteristic of the asset:** Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, The Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. 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 FVPL. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

#### Impairment of financial assets

##### 1) Non derivative financial assets

##### Financial Instruments and contract assets

The company recognizes loss allowances for ECL on:

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

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

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

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

# TANBREED POULTRY LIMITED

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## Accounting Policies

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### 1.8 Financial Instruments (continued)

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

#### Credit-impaired financial assets

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

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

#### Presentation of allowance for ECL in the statement of financial position

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

#### Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of 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 available-for-sale debt security: If, in a subsequent period, the fair value of an impaired debt security increased and the increase could be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss; otherwise, any increase in fair value was recognised through OCI. Any subsequent recovery in the fair value of an impaired available for sale equity security was always recognised in OCI.

### II) Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely dependent of the cash inflows of other assets or group of assets (the "cash-generating unit").

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

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.

# TANBREED POULTRY LIMITED

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## Accounting Policies

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### 1.8 Financial Instruments (continued)

#### 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.

##### 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.

### 1.9 Share capital

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

# TANBREED POULTRY LIMITED

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## Accounting Policies

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### 1.10 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.

### 1.11 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 processing 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 processed chicken 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 broiler chicks and all directly attributable labour and production overheads. 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.

### 1.12 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 2021

## **Accounting Policies**

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### **1.12 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) Gratuity**

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

### **1.13 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

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## Accounting Policies

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### 1.14 Leases

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

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

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

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

### 1.15 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.

### 1.16 Going concern basis of accounting

During the year ended 31 March 2021, the Company generated a net loss of TZS 697 million (2020: TZS 2,753 million). As at 31 March 2021 current liabilities exceeded the current assets by TZS 30,957 million (2020: TZS 32,226 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 on which the financial statements of the Company for the year ended 31 March 2021 are approved by the board of directors. Accordingly, the financial statements have been prepared on the basis of accounting policies applicable to a going concern.

# TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2021

## Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
<b>2. Revenue</b>		
Sale of day old chicks	15,657,582	14,598,007
Sale of feed	1,103,178	7,887,379
Sale of old hens	832,465	1,562,405
Sale of hatching eggs	4,590,683	1,491,639
Other income	374,101	287,884
	<b>22,558,007</b>	<b>25,827,314</b>
<b>3. Cost of sales</b>		
Purchase of parent day old chicks and consumables used	13,957,819	18,349,938
Other direct expenses	3,918,506	4,412,230
Depreciation	2,244,954	2,233,749
	<b>20,121,279</b>	<b>24,995,917</b>
<b>4. Administration expenses</b>		
Staff costs (Note 5)	2,025,764	2,928,639
Legal expense	93,985	101,795
Transport	112,868	251,652
Insurance	89,263	142,987
Internet and IT expenses	27,640	32,594
Postage and telephones	12,361	12,287
Auditor's remuneration	53,194	50,921
Provision for bad debt	8,858	4,700
Other expenses	452,651	806,506
	<b>2,876,584</b>	<b>4,332,081</b>
<b>5. Staff costs</b>		
Wages and salaries	1,384,834	1,822,071
Bonus	26,802	115,054
Other staff costs	504,591	654,690
Pension costs	109,537	336,824
	<b>2,025,764</b>	<b>2,928,639</b>

# TANBREED POULTRY LIMITED

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## Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
<b>6. Income tax credit</b>		
<b>Major components of the tax income</b>		
<b>Current</b>		
Current tax - current period	112,792	129,137
Current tax - prior periods	-	(1,026)
	<b>112,792</b>	<b>128,111</b>
<b>Deferred</b>		
Deferred tax - current period	(159,867)	(1,038,433)
Deferred tax - prior periods	15,218	6,469
	<b>(144,649)</b>	<b>(1,031,964)</b>
<b>Total income tax credit</b>	<b>(31,857)</b>	<b>(903,853)</b>
<b>Reconciliation of the tax expense</b>		
<b>Reconciliation between accounting profit and tax expense.</b>		
Loss before income tax	(728,829)	(3,656,904)
Tax at the applicable tax rate of 30% (2020: 30%)	(218,649)	(1,097,071)
<b>Tax effect of adjustments on taxable income</b>		
Tax effect of expenditure permanently disallowed	58,781	58,637
Tax effect of under provision of prior year deferred taxes	15,218	6,469
Tax effect of over provision of prior year current taxes	-	(1,026)
Alternative minimum tax	112,792	129,137
<b>Income tax credit</b>	<b>(31,858)</b>	<b>(903,854)</b>

# TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2021

## Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
<b>7. Deferred tax asset</b>		
Deferred tax asset	1,641,158	1,496,509
At beginning of the year	1,496,509	484,545
Accumulated capital deductions	(145,958)	(817,116)
Other timing differences	(15,218)	14,320
Accumulated losses	305,825	1,834,760
	<b>1,641,158</b>	<b>1,496,509</b>

Deferred tax is calculated using the enacted income tax rate of 30%. Deferred tax asset are attributable to the following:-

Deferred tax asset	1,641,158	1,496,509
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Deferred income tax is attributable to the following items:

Accelerated capital deductions	(10,040,722)	(9,540,077)
Other timing differences	7,033,841	6,926,458
Accumulated losses	8,477,408	7,601,983
	<b>6,470,527</b>	<b>4,988,364</b>

Deferred tax at 30%	1,641,158	1,496,509
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Balance as at 31 March	1,641,158	1,496,509
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# TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2021

## Notes to the Financial Statements

### 8. Property, plant and equipment

	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and Buildings	22,577,483	(3,552,225)	19,025,258	22,577,483	(2,746,427)	19,831,056
Plant and machinery	7,119,822	(5,396,633)	1,723,189	7,113,642	(4,755,705)	2,357,937
Furniture, Fittings and equipment	3,585,995	(1,514,336)	2,071,659	3,554,976	(1,050,451)	2,504,525
Motor vehicles	1,320,972	(1,148,824)	172,148	1,334,592	(1,031,794)	302,798
Computers	308,913	(298,567)	10,346	308,499	(282,716)	25,783
<b>Total</b>	<b>34,913,185</b>	<b>(11,910,585)</b>	<b>23,002,600</b>	<b>34,689,192</b>	<b>(9,667,093)</b>	<b>25,022,099</b>

#### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Depreciation	Total
Land and Buildings	19,831,056	-	(805,798)	19,025,258
Plant and machinery	2,357,937	6,889	(641,637)	1,723,189
Furniture ,fittings and equipment	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
	<b>25,022,099</b>	<b>37,614</b>	<b>(2,067,113)</b>	<b>23,002,600</b>

#### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers	Depreciation	Total
Land and Buildings	17,010,259	8,950	3,538,694	(726,847)	19,831,056
Plant and machinery	2,781,393	83,293	198,861	(705,610)	2,357,937
Furniture, Fittings and equipments	1,149,656	56,337	1,649,025	(350,493)	2,504,525
Motor vehicles	408,195	55,901	-	(181,298)	302,798
Computers	40,521	5,285	-	(20,023)	25,783
Work in progress	76,784	5,309,796	(5,386,580)	-	-
	<b>21,466,808</b>	<b>5,519,562</b>	<b>-</b>	<b>(1,964,271)</b>	<b>25,022,099</b>

# TANBREED POULTRY LIMITED

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## Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
<b>9. Right of use assets and lease liabilities</b>		
<b>Amount recognised in the balance sheet</b>		
<b>Right-of-use assets</b>		
As at 1 April	385,102	-
Additions	-	654,580
Depreciation charge	(187,841)	(269,478)
	<b>197,261</b>	<b>385,102</b>
<b>Lease liabilities</b>		
As at 1 April	(403,143)	(654,580)
Interest	(43,673)	(86,273)
Payment	243,704	337,710
	<b>(203,112)</b>	<b>(403,143)</b>
<b>Amount recognised in the statement of profit or loss</b>		
Depreciation of right-of-use assets	187,841	269,478
Interest expense on lease liabilities	43,673	86,273
	<b>231,514</b>	<b>355,751</b>
<b>10. Inventories</b>		
Raw materials	1,224,365	1,273,171
Feed stock for breeders	407,893	524,894
Other inventory items	719,121	1,390,533
Goods in transit	-	4,061
	<b>2,351,379</b>	<b>3,192,459</b>
<b>Amount recognised in profit or loss</b>		
Inventories recognised as an expense during the year ended 31 March 2021 amounted to TZS 14,213,086,000. These were included in cost of sales.		
<b>11. Biological assets</b>		
Opening balance at 1 April	6,720,012	5,999,562
Increase due to purchases	3,581,213	3,862,455
Change in fair value	(80,411)	(87,962)
Decrease due to sale	(5,419,773)	(3,054,043)
Closing balance at 31 March 2021	<b>4,801,041</b>	<b>6,720,012</b>
<b>Carrying amount as at 31 March</b>		
Hatching eggs	789,244	708,167
Parent stock	4,011,797	6,011,845
	<b>4,801,041</b>	<b>6,720,012</b>

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;

# TANBREED POULTRY LIMITED

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## Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
<b>11. Biological assets (continued)</b>		
<ul style="list-style-type: none"><li>• Demand for day old chicks will follow the patterns experienced in the past; and</li><li>• Diseases will not significantly affect the flock.</li></ul>		
The discount rate applied to expected net cash flows was 24% (2020: 24%).		
The average production period for the biological assets are: Breeding flock - 40 weeks Hatching eggs - 21 days		
<b>12. Trade and other receivables</b>		
<b>Financial Instruments:</b>		
Trade receivables	262,512	422,525
Loss allowance	(262,512)	(271,518)
Trade receivables at amortised cost	-	151,007
Other receivables	-	756
Advance payments to suppliers	218,116	29,573
<b>Non-financial Instruments:</b>		
Prepayments	6,403	9,162
<b>Total trade and other receivables</b>	<b>224,519</b>	<b>190,498</b>
<b>Movement of loss allowance for trade receivables are as follows</b>		
Balance as at 1 April	271,518	266,818
Charge for the year	8,858	4,700
Amount written off	(17,864)	-
<b>At 31 March</b>	<b>262,512</b>	<b>271,518</b>
<b>13. Cash and cash equivalents</b>		
Bank balances	496,889	102,689
Cash on hand	16,463	9,998
	<b>513,352</b>	<b>112,687</b>
<b>14. Share capital</b>		
<b>Authorised</b>		
100,000 Ordinary shares of TZS 1,000 each	100,000	100,000
<b>Issued and fully paid</b>		
20 ordinary shares of TZS 1,000 each	20	20

# TANBREED POULTRY LIMITED

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## Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
<b>15. Related party balances transactions</b>		
<b>(a) Trading transactions</b>		
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)	13,818,655	14,559,086
Kenchic Limited (sale of hatching eggs)	4,510,878	1,479,489
Tanzania Breeders and Feedmills Ltd (sale of feed & raw materials)	880,711	5,318,199
Tanzania Breeders and Feedmills Ltd (sale of day-old-chicks)	1,786,837	-
Interchick Company Limited - rental charge	(34,159)	(34,049)
	<u>20,862,922</u>	<u>21,322,725</u>
<b>(b) Expenses paid on behalf</b>		
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	18,537	260,992
Tanzania Breeders and Feedmills Limited	8,752	288,580
	<u>27,289</u>	<u>549,572</u>
<b>(c) Borrowing from related parties</b>		
	<u>35,390,417</u>	<u>35,255,243</u>
<b>(d) Related party balances</b>		
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:		
<b>Balances due from</b>		
Interchick Company Limited	-	854,740
Kenchic Limited	131,552	791,638
	<u>131,552</u>	<u>1,646,378</u>
<b>Balances due to</b>		
Tanzania Breeders and Feedmills Limited	1,568,594	1,253,792
Kenchic Limited	65,485	442,807
Interchick Company Limited	1,110,658	-
Hybrid Poultry (Zambia) Limited	-	607,656
	<u>2,744,737</u>	<u>2,304,055</u>
<b>(e) Key management personnel remuneration</b>		
The remuneration of key management personnel during the year was as follows:		
Short term employee benefits	<u>598,709</u>	<u>635,877</u>

# TANBREED POULTRY LIMITED

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## Notes to the Financial Statements

2021  
TZS '000

2020  
TZS '000

### 15. Related party balances transactions (continued)

#### (f) Directors fees

No payment was made to directors during the year (2020: 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 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
<b>Balance as at 31 March 2021</b>	<b>23,975,075</b>	<b>1,824,868</b>	<b>369,594</b>	<b>9,220,880</b>	<b>35,390,417</b>

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

#### TanFed Holdings Ltd

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

#### Africa Poultry Development Limited

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

#### Hybrid Poultry (Mauritius) Limited

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

#### Tanbreed Limited

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

# TANBREED POULTRY LIMITED

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## Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
<b>16. Post-employment benefit obligations</b>		
<b>Carrying value</b>		
At 1 April 2020	(310,269)	(224,249)
Current service cost	(65,678)	(95,779)
Actuarial gains and losses arising from changes in financial assumptions	129,312	-
Benefits paid	26,202	9,759
<b>At 31 March 2021</b>	<b>(220,433)</b>	<b>(310,269)</b>
<b>Remeasurements</b>		
Actuarial gains and losses arising from changes in financial assumptions	129,312	-
<b>Net expense recognised in profit or loss</b>		
Current service cost	65,678	95,779
Actuarial gains and losses arising from changes in financial assumptions	129,312	-
	<b>194,990</b>	<b>95,779</b>

On 31 March 2021, 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	12.30 %
Salary growth rate	6.00 %
Inflation rate	3.20 %
Retirement age	60 years

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

Changes in assumptions	Impact of defined benefit obligations 2021
Salary -1%	(26,459)
Salary +1%	33,194
Discount rate -1%	(27,243)
Discount rate +1%	34,382

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.

# TANBREED POULTRY LIMITED

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## Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
<b>17. Trade and other payables</b>		
<b>Financial instruments:</b>		
Sundry creditors and accrued expenses	362,077	5,700,850
Other payables	310,031	515,132
Accruals	51,615	49,938
<b>Non-financial instruments:</b>		
Statutory liabilities	144,227	102,857
	<b>867,950</b>	<b>6,368,777</b>
<b>18. Tax paid</b>		
Balance at beginning of the year	32,894	(12,951)
Current tax for the prior year recognised in profit or loss	(112,792)	(128,111)
Balance at end of the year	(23,969)	(32,894)
	<b>(103,867)</b>	<b>(173,956)</b>

# TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2021

## Notes to the Financial Statements

### 19. Financial Instruments and risk management

#### a) Accounting classification and measurement of fair values

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

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

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

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

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

#### Financial assets not measured at fair value

	2021 TZS '000	2020 TZS '000
<b>At amortised cost</b>		
Trade and other receivables	-	151,763
Receivables from related parties	131,552	1,646,378
Cash and cash equivalents	513,352	112,687
	<b>644,904</b>	<b>1,910,828</b>

#### Financial liabilities not measured at fair value

<b>At amortised cost</b>		
Borrowings from related parties	35,390,417	35,256,975
Due to related parties	2,744,737	2,304,055
Trade and other payables	723,722	6,265,917
	<b>38,858,876</b>	<b>43,826,947</b>

# TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2021

## Notes to the Financial Statements

### 19. Financial Instruments and risk management (continued)

#### 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.

	2021 TZS'000		2020 TZS'000	
	Amortised cost	Exposure to credit risk	Amortised cost	Exposure to credit risk
Trade debtors	-	-	151,007	151,007
Other receivables	-	-	756	756
Due from related parties	131,552	131,552	756	756
	<u>131,552</u>	<u>131,552</u>	<u>152,519</u>	<u>152,519</u>

Below is the aging profile of trade debtors

	2021 TZS '000	2020 TZS '000
Past due 0-30 days	-	135,069
Past due 60-90 days	-	16,694
	<u>-</u>	<u>151,763</u>

# TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2021

## Notes to the Financial Statements

### 19. Financial Instruments and risk management (continued)

#### Loss allowance on trade receivables

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

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

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

#### Liquidity risk

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

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

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

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

2021

	Within 1 year TZS '000	More than 1 year TZS '000	Contractual cash flows TZS '000	Carrying amount TZS '000
<b>Non-current liabilities</b>				
Lease liabilities	-	203,112	203,112	203,112
<b>Current liabilities</b>				
Trade and other payables	723,722	-	723,722	723,722
Due to related parties	2,744,737	-	2,744,737	2,744,737
Related party borrowings	35,390,417	-	35,390,417	35,390,417
	<b>38,858,876</b>	<b>203,112</b>	<b>39,061,988</b>	<b>39,061,988</b>

# TANBREED POULTRY LIMITED

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## Notes to the Financial Statements

### 19. Financial Instruments and risk management (continued)

2020

		Within 1 year TZS '000	More than 1 year TZS '000	Contractual cash flows TZS '000	Carrying amount TZS '000
<b>Non-current liabilities</b>					
Lease liabilities		-	210,326	210,326	210,326
<b>Current liabilities</b>					
Trade and other payables	17	6,285,917	-	6,285,917	6,285,917
Due to related parties		2,304,055	-	2,304,055	2,304,055
Related party borrowings		35,255,243	-	35,255,243	35,255,243
Lease liabilities		192,817	-	192,817	192,817
		<b>44,018,032</b>	<b>210,326</b>	<b>44,228,368</b>	<b>44,228,368</b>

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

	2021 TZS'000	2020 TZS'000
Cash and cash equivalents	73,823	88,778
Due from related parties	131,552	791,838
Due to related parties	(65,528)	(1,050,278)
Related party borrowings	(35,390,417)	(35,255,243)
<b>Net exposure</b>	<b>(35,250,570)</b>	<b>(35,425,105)</b>

# TANBREED POULTRY LIMITED

Annual Report And Financial Statements for the year ended 31 March 2021

## Notes to the Financial Statements

### 19. Financial Instruments and risk management (continued)

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

	2021 TZS'000	2020 TZS'000
Increase/(decrease) in equity	<u>(3,553,026)</u>	<u>(3,542,511)</u>
Increase/(decrease) in profit or loss	<u>(3,553,026)</u>	<u>(3,542,511)</u>

The rate of exchange as at 31 March 2021 is USD 1 = TZS 2,309.96 strengthening of USD against TZS by 10% will be TZS 2,540.96 (2020: TZS 2,531.52).

#### Interest rate risk

Interest rate risk refers to the risk that the fair value of a financial instrument of cash flows associated with the instrument will fluctuate due to changes in the market interest rates. The Company is not exposed to the fair value interest rate risk as none of the interest bearing financial assets or financial liabilities are carried at fair value.

The Company's fixed rate borrowing are carried at amortized cost. They are therefore not subject to cash flow interest rate risks, since neither the carrying amount nor the future cashflow will fluctuate because of a change in market interest rates.

#### 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:

	2021 TZS'000	2020 TZS'000
Gross debt	35,390,417	35,255,243
Less: Cash and cash equivalent	<u>(513,352)</u>	<u>(112,687)</u>
<b>Net debt</b>	<b><u>34,877,065</u></b>	<b><u>35,142,556</u></b>
Total equity	<u>(6,539,817)</u>	<u>(5,842,848)</u>
Net debt to equity ratio as at 31 March	100%	100%

### 20. 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 2021.

### 21. 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 53.8 million (2020: TZS 20 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

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## Notes to the Financial Statements

### 22. Impact of Covid-19 pandemic

Covid-19 pandemic continued to affect countries and businesses at the time of issuing these financial statements. The outbreak and efforts to contain the impact of Covid-19 have had a significant effect on commodity prices and capital markets. Management has been taking necessary actions to mitigate the risk and was able to recover from the impacts of the first wave of Covid-19 suffered during the first quarter of the year. The market improved during the second quarter which attracted premium prices for the broiler day old chicks. There was a slowdown in the market between mid-October and November 2020 which pushed the prices down however it recovered from December 2020 and remained strong since then. The Company was able to reduce its loss from TZS 2.8 billion in the year 2020 to TZS 697 million in the year 2021.

Around Jan 2021, the second wave of Covid-19 came into existence however the management is confident that with the experience gone through over the last twelve months, there will be no negative impacts on the operations or supply chain of the Company in the foreseeable future.

### 23. 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.

### 24. 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	2021	2020
	TZS '000	TZS '000
Cash and cash equivalents	(513,352)	(112,687)
Borrowings	35,390,417	35,255,243
Lease liabilities	403,143	403,143
<b>Net debt</b>	<b>35,280,208</b>	<b>35,545,699</b>
Cash and cash equivalents	(513,352)	(112,687)
Gross debt	35,793,560	35,658,386
<b>Net debt</b>	<b>35,280,208</b>	<b>35,545,699</b>

	Liabilities from financing activities			Other assets Cash and Cash equivalents TZS '000	Total TZS '000
	Borrowings	Leases	Sub-total		
	TZS '000	TZS '000	TZS '000		
Net debt as at 1 April 2019	31,934,052	-	31,934,052	(299,008)	31,635,044
New leases	-	740,853	740,853	-	740,853
Cash flows	3,316,113	(337,710)	2,978,403	186,321	3,164,724
Foreign exchange adjustments	5,078	-	5,078	-	5,078
<b>Net debt as at 31 March 2020</b>	<b>35,255,243</b>	<b>403,143</b>	<b>35,658,386</b>	<b>(112,687)</b>	<b>35,545,699</b>
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
<b>Net debt as at 31 March 2021</b>	<b>35,390,417</b>	<b>203,112</b>	<b>35,593,529</b>	<b>(513,352)</b>	<b>35,080,177</b>