

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



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| THE NATIONAL ASSEMBLY PAPERS LAID | |
| DATE: 09 APR 2025 | |
| DAY: Wednesday | |
| TABLED BY: | Hon. Sylvanus Omondi Majority Party Whip |
| CLERK-AT THE-TABLE: | A. Shwaks |



REPORT

OF

THE AUDITOR-GENERAL

ON

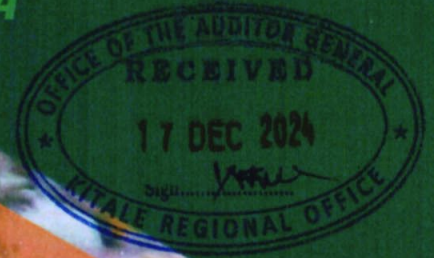
KIBO SEED COMPANY LIMITED

**FOR THE YEAR ENDED
30 JUNE, 2024**

KIBO SEED COMPANY LIMITED



UBORA WA KUAMINIKA



ANNUAL & FINANCIAL REPORT 30 JUNE 2024

The Financial Statement is prepared
in accordance with International
Financial Reporting Standards (IFRS)



11 DEC 2024



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ACRONYMS AND GLOSSARY OF TERMS

| | |
|--------------|--|
| CEO | <i>Chief Executive Officer</i> |
| IFRS | <i>International Financial Reporting Standards</i> |
| MD | <i>Managing Director</i> |
| NT | <i>National Treasury</i> |
| PFMA | <i>Public Finance Management Act.</i> |
| PSASB | <i>Public Sector Accounting Standards Board</i> |
| IAS | <i>International Accounting Standards</i> |
| CPA | <i>Certified Public Accountant</i> |
| CPS | <i>Certified Public Secretary</i> |
| CS | <i>Certified Secretary</i> |



COMPANY INFORMATION

BACKGROUND INFORMATION:

Kibo Seed Company Limited was incorporated in Tanzania on October 31, 2002 as a wholly owned subsidiary of Kenya Seed Company based in Kitale, Kenya. The company has its headquarters at Arusha and a distribution network comprising of branches and retail outlets. Currently, there are branches at Mbeya, Makambako, Morogoro and Mwanza. There are also agents and stockiest who act as outlets for seed maize and horticultural seeds both in and outside Tanzania.

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

MAIN OFFICE

Mbegu House,
Okaseni Street off Arusha-Namanga Road
P.O Box 25,
Arusha, Tanzania.

BRANCHES

- | | |
|--|---|
| 1. Mbeya Branch P.O Box 2198, Mbeya, Tanzania. | 4. Morogoro Branch P.O Box 4186, Morogoro, Tanzania |
| 2. Mwanza Branch P.O. Box 3149, Mwanza, Tanzania. | 5. Arusha Branch Mbegu House, Opposite Golden Rose Hotel Plot No 355 Block X, Area F P.O Box 25, Arusha, Tanzania. |
| 3. Makambako Branch P.O. Box 426, Makambako, Tanzania. | |

COMPANY SECRETARY

Ms. Wilkister Simiyu, CPS (K),
P.O Box 553 – 30200,
Kitale, Kenya.

PRINCIPAL COMPANY LAWYER

F.S Kinabo & Company,
P.O Box 825,
Arusha, Tanzania.

BANKERS

- National Bank of Commerce Ltd**
Arusha Branch,
P.O Box 3004,
Arusha, Tanzania.
- Stanbic Bank Tanzania Limited,**
Arusha Branch,
P.O Box 3062,
Arusha, Tanzania.

- Kenya Commercial Bank Limited,**
Arusha Branch,
P.O Box 3053,
Arusha, Tanzania.
- National Micro Finance Bank Ltd,**
Makambako Branch,
P.O Box 1030,
Makambako, Iringa

INDEPENDENT AND PRINCIPAL AUDITORS

IFS Certified Public Accountants
No. 10 Mikocheni A,
P. O Box 1970, Dar es Salaam, Tanzania
Email: info@ifs.co.tz

AUDITOR GENERAL

Office of the Auditor General House
P.O. Box 30084 – 00100, Nairobi Kenya.



Vision

"To be the preferred supplier of top-quality certified seeds in Tanzania and beyond".

Mission

"To avail quality certified seeds through innovation to the satisfaction of the stakeholders.

Core Values





The Board of Directors who served the entity during the year

| Name | Directorship | Position | Qualification | Nationality | Age | Appointed / Retirement |
|-----------------------|-----------------------|----------|---|-------------|-----|--|
| Mr. Symon Cherogony | Non-Executive | Chairman | BSc. Engineering Dip. in Agriculture Engineering | Kenyan | 70 | Appointment on June 2023 |
| Mr. James Wanjohi | Non-Executive | Member | Masters of Agriculture Extension Bsc. Agriculture | Kenyan | 56 | Appointment on June 2023 |
| Mr. Edwin Tum | Non-Executive | Member | Masters of Laws in Legal Practice Bachelor of Laws Diploma in Legal Practice | Kenyan | 48 | Appointment on June 2023 |
| Mr. Patrick Thuo | Executive | Member | BSc. of Commerce CPA (K) & CPS (K) | Kenyan | 52 | Appointment June 2023 |
| Mr. Sammy Chepsiror | Executive | Member | Masters in Strategic Management, Masters of Management & Leadership Bachelor of Commerce Diploma in Management & Development | Kenyan | 58 | Appointed on May 2023 |
| Ms. Wilkister Simiyu | Company Secretary | Member | Master of Laws in Corporate & Commercial Law Bachelor of Law (LL. B), CPS (K) | Kenyan | 43 | Appointment May 2024 |
| Mr. Philip Chemwetich | Ag. Company Secretary | Member | Bachelor of Science Mathematics & Computer Science. | Kenyan | 54 | Appointment on November 2022 retired on May 2024 |

SHAREHOLDERS

| The shareholding of the Company as at June 30, 2024 as illustrated in the table | Shareholder | 2024 (%) | 2023 (%) |
|---|----------------------------|----------|----------|
| | Kenya Seed Company Limited | 99.98 | 99.98 |
| | Mr. Eufrazio Julian Goes | 0.01 | 0.01 |
| | Dr. Tum Nathaniel Kipkorir | 0.01 | 0.01 |



WHAT WE DO

Our Seed business

We import, produce, process and sell quality certified seed competitively through research and development to the satisfaction of stakeholders. Our seed products range includes seeds for highland, mid-altitudes and lowlands regions. We engage with our customers through our branches, approved Agents, Stockiest and retailers strategically located throughout East Africa and beyond.

Our Seed Brands

| | |
|---|--|
|  | <p>Hybrid Seed Maize The varieties are: H628, H625, H614, H513, H519, DH04 and PH04. These varieties perform in various Agro-ecological zones namely: lowland, mid altitude and highlands.</p> |
|  | <p>Sunflower Seed These varieties perform well at altitude between 1200 and 2400 meters above sea level. They are: Kenya Fedha, 4038 & 4088. However, the varieties 4038 and 4088 are under trial for the purpose of registration.</p> |
|  | <p>Pasture Seed The pasture varieties include: Boma Rhodes, Elmba Rhodes, Nandi Seteria, Nasiwa Seteria, Bermuda, Bracharia, Kikuyu, Colored Guinea, Desmodium, Lucerne, Sudan Grass, Columbus Grass, Oats etc.</p> |
|  | <p>Indigenous Vegetables The indigenous vegetables are: Amaranthus (Mchicha), Spider Plant (Mgagani), Night Shade (Mnavu), Jews Mallow (Murere/Mlenda), Kunde Mboga</p> |
|  | <p>Horticulture and other Crops Cabbage: These varieties include hybrid and OPV for example Gloria F1, Imani F1, Copen Hagen Market, Glory of Enkuizen & Chinese Cabbage Tomato: The tomato varieties include both hybrid as well as OPV as follows: Kibo Star F1, Nyota F1, Milele F1, Kilele F1, Monica F1, Riogrande, Mwanga, Tanya, Tengeru 97, Cal J, Roma, Watermelon includes: Zawadi F1, Juliana F1, Princess F1, Daytona F1, Sugar Baby, Crimson Sweet.</p> |
|  | <p>Carrots includes Nantes and Kuroda; Spinach Fordhook Giant Collard and Kale 1000 headed; Onions include: Red Wonder, Bombay Red and Red Creole, Texas grano; Dania Coriander Herbs: Persely, Dill, Fennel, Celery, Basil; Others include Squash Ambassador butternut, Peas, Beetroot, Leeks, Ushindi F1; Pepper: Habenero, California wonder, Victory F1; Okra: Okra Lulu, Okra Clemson and Okra Pusa/Sawani; Eggplant: DB3, Tengeru white, Black Beauty and Long Purple.</p> |



Where we Operate

The company operates in the entire United Republic of Tanzania through strategically located distribution channels as well as registered agents and stockiest. The table below shows the current operational branches against their respective regions.

Where to find our Branches in Tanzanian

| | |
|---|--|
| Arusha Branch Middleton road | Arusha, Manyara, Kilimanjaro & Singida Region |
| Mwanza Branch Pamba road | Mwanza, Tabora, Shinyanga, Geita, Mara, Simiyu, Kigoma & Kagera Region |
| Makambako Branch Songea -Njombe road | Njombe, Songea, Lindi & Iringa Region |
| Morogoro Branch Madaraka road | Morogoro, Dodoma, Tanga, Dares Salam & Zanzibar Region |
| Mbeya Branch Kabwe road | Mbeya, Rukwa, Katavi & Songwe Region |



H628

DH 04

MAIZE HYBRID KITALE H628 & DHO4

©KIBO Seed Company, 2024



BOARD OF DIRECTORS



Mr. Symon Cherogony
Board Chairman

Mr. Symon Cherogony was born on February 27, 1954. He holds a Bachelor of Science Degree in Engineering from Texas A & M University, USA and a diploma in Agricultural Engineering from Egerton University. Mr. Cherogony joined Kenya Farmers Association (KFA) in 1988 as a Sales Manager- Machinery where he rose through the ranks in various positions in the organization. In 1994, Mr Cherogony was promoted to the position of General Manager-Machinery, a position he served until 1999. In 1999, Mr Cherogony was promoted to the position of the overall General Manager of the KFA business, a position he occupied until 2007 when he was promoted to the position of the Managing Director of KFA which he has held to date. Mr Cherogony has represented KFA in the Board of Kenya Seed Company from 2009 to date. Mr. Cherogony is a seasoned professional who has attended various professional development programs both locally in Kenya and abroad.



Mr. Sammy Chepsiror
Group Managing Director, Kenya
Seed Company Ltd

Mr. Sammy Chepsiror was born on December 12, 1966 and is the Group Managing Director of Kenya Seed Company having been appointed on May 31, 2023. Previously he worked as Head of Sales and Marketing. Mr. Chepsiror has over 25 years' experience in strategic Marketing, Sales, Operations, Banking and Customer Service management. He holds MBA in Strategic Management, Master of Management and Leadership, Bachelor of Commerce (Marketing), Diploma in Management & Development. He is a member of Marketing Society of Kenya (MSK) and Public Relations Society of Kenya (PRSK). He joined the Company in 2006 as Sales and Marketing Manager in Simlaw Seeds Company. He previously worked in banking sector. He is a National Council member of Agricultural Society of Kenya.



Mr. Edwin Tum
Director

Mr. Edwin Tum was born on November 22, 1976, Edwin was appointed to the Board of Directors in June 2023 and brings to the table a blend of legal and agribusiness experience. He has a vast understanding and interpretation of the corporate legal framework, and he is also adept in advocacy with particular emphasis on Legal Practice Management in both the non-profit and commercial firms. Over the last seven years, Edwin has turned his focus to the agricultural sector concentrating on the management of commercial maize and coffee farms. He holds a Bachelor of Laws Degree (LLB) from the University of Derby, a Diploma in Legal Practice (LPC) from Staffordshire University, and a Master of Laws in Legal Practice (LLM) from Staffordshire University.



Mr. James Wanjohi

Alternative Director to the Principal Secretary Ministry of Agriculture & Livestock Development

Mr. James Wanjohi was born on September 14, 1968, he is alternate member of the board representing the Cabinet Secretary for the Ministry of Agriculture & Livestock Development. Mr. Wanjohi holds a Master's Degree in Agriculture, Bachelor of from the University of Nairobi and Egerton respectively. He is agriculture extension and development expert who has worked in the public sector for close to 3 decades both at community/farmers level and current address at the policy level. He has extensive experience working with diverse stakeholders steering agricultural programmes of national and transnational magnitude. He is multiskilled and an expert in corporate governance, rural development strategy, project cycle management Agro-Tech Extension system, strategic leadership, strategic planning inter alia. He has experience in corporate field having been a member in six Boards of Management since 2016. He is resourceful and active member of the Kenya Society of Agriculture Professionals, Agriculture Society of Kenya. He is currently a director in charge of State Corporations Unit in the Ministry of Agriculture and Livestock Development.



Ms. Wilkister Simiyu

General Manager Legal Services & Corporation Secretary.

Ms. Wilkister Simiyu was born on June 16, 1981 and she is the General Manager Legal Services and Corporation Secretary. Previously she has served as a Non-Executive Director Kenya Revenue Authority as well as council member Kibabii University. She has 17 years' working experience as advocate of High Court of Kenya. She holds a Masters of Law Specializing in Corporate and Commercial Law from the University of London, LLB degree from Moi University and postgraduate diploma in Law (KSL). She is a CPS (K) holder and a member of Law Society of Kenya with good standing. She is an accredited Governance Auditor and governance, ethics, risk and compliance expert. She joined the company in May 2024.



Mr. Philip Chemwetich

Ag. Company Secretary & Head of Legal Service

Mr. Philip Chemwetich was born on 2nd August 1969 and is the ICT Manager for Kenya Seed Company Limited. He is the Ag. Company Secretary since December 2023 awaiting filling of the position. He is responsible for the Preparation of strategic and operational plans for the ICT and ensures ICT systems comply with regulatory and legal requirements. He has over 20 years' experience in the implementation and maintenance of technology infrastructure. He holds a Bachelors Science Degree (Maths/Computer Science) from Kenyatta University. He is a Fellow of the Computer Society of Kenya (FSCK). He joined the company in October 1995 as a Systems Analyst/Programmer.



TOMATO KIBO STAR ©KIBO Seed Company,2024.



MANAGEMENT TEAM

The Company has a diverse and dedicated management team that assists the Managing Director in his role of achieving the company's strategic objectives. The Leadership team of Kibo Seed Company Limited and their roles which reports directly to the General Manager as at June 30, 2024 is as set out below:



CPA. Patrick Thuo
General Manager

CPA Patrick Thuo was born on August 20, 1972 and is the General Manager Kibo Seed Company from 1st June 2023. Previously he was the Head of Finance Kenya Seed Company Ltd. He holds a Bachelor of Commerce from the University of Nairobi. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), the Kenya Institute of Management (KIM), a graduate of Advanced Management Programme (Strathmore IESE Business School, Barcelona Spain) and a Certified Public Secretaries (CS) finalist. He has over 20 years managerial and leadership experience from key sectors of the economy including banking, public and private organizations having worked with Coca-Cola, Citibank and United Bank for Africa (UBA). CPA Thuo has also served in the management committee of Kitale club and joined Kenya Seed in November 2011.



CPA Charles Osii
Senior Associate Country Strategist

CPA Charles Osii was born on January 17, 1978 and is the Senior Associate Country Strategist at Kibo Seed Company Limited, a subsidiary of Kenya Seed Company since October 2019 based in Tanzania. He is a Certified Public Accountant (CPA) and a full member of the Institute of Certified Public Accountant of Kenya (ICPAK) and certified Quality Management System (QMS) International Standards Organization (ISO) 9001:2015 Lead Auditor. He is also a registered member of National Board of Accountant and Auditors (NBAA) of Tanzania as Certified Public Accountant.

He worked at Kenya Seed company in the past 10 years as a Planning Officer in Strategy and Business Development department where he was involved in performance Contracting, Corporate strategic plan and Quality Management System and most recently in Finance department as an Accountant in charge of Inventory, Non-current Assets, Insurance and Rwanda branch financial reporting. He holds a degree in Agribusiness Management from Egerton University and Diploma in Farm Management from Egerton University.



Mr. Samwel Warega
Sales and Marketing Coordinator

Mr. Samwel Warega was born on October 20, 1985 and is the Sales and Marketing Coordinator at Kibo Seed Company. Mr. Samwel Warega joined Kibo Seed Company on March, 2024. He holds a Bachelor's degree in Economics from The Mwalimu Nyerere Memorial Academy, Dar es Salaam Campus. He has over nine years' experience in sales and Marketing Management in Coca Cola Company Ltd.



Ms. Catherine Nyange
Ag. Supply Chain Management Officer

Ms. Catherine Nyange was born on March 28, 1995 and is the in charge of supply chain management at Kibo Seed Company. Ltd a subsidiary of Kenya Seed company since April 2023. She joined Kibo Seed Company October 2018 as Assistant Administrator. She is holding a Basic Technician Certificate in Procurement and logistics Management and currently pursuing studies at Institute of Accountancy Arusha taking ordinary diploma in procurement and logistics Management. She previously worked for Vodacom Tanzania as sales Executive.



CPA. Lalahe Mungaya
Ag. Senior Human Resource Officer

CPA Lalahe Mungaya Laizer was born on September 25, 1983 and is Acting Senior Human Resource Officer as from November 2024 and Senior Accounting Officer at Kibo Seed Company Limited. He holds Masters of Finance and Investment (MFI) from the institute of Accountancy Arusha, equally he is Certified Public Accountant (CPA) and full Member of National Board of Accountant and Auditors (NBAA). He Joined Kibo Seed Company Limited in November 2018 as Senior Accounting Officer. He previously worked with Tourism promotion services (TPS-Serena Hotel in Arusha) as Accountant with experience in food cost, Tax compliances and budgetary control and auditing.



Mr. Phillemon Phillip Mushi
Senior Research and Quality Assurance
Officer

Mr. Phillemon Phillip Mushi was born in November 21, 1957. He is the Senior Research & Quality Assurance Officer at Kibo Seed Company since 2020. Initially he was employed by the Ministry of Agriculture in Tanzania from 1980 and worked at Mtwara Research Institute and Selian Research Institute till 2016 in Farming Systems Research department. He also participated in National and international agricultural research projects funded by AGRA, ASARRECA, Africa rising, Bill and Melinda Gates, ICRISAT etc. He joined Seedco Tanzania Limited from 2016-2018. He has vast experience in agricultural research innovations with Advanced diploma in Biotechnology for crop improvement and Genetic engineering and Diploma in crop production. Besides Diploma he has several certificates obtained in and outside the country.



Mr. Amini Msuya Israel
Senior Production Officer

Mr. Amini Msuya was born on January 26, 1967 and is the Senior Production Officer at Kibo Seed Company Ltd, a subsidiary of Kenya Seed Company. Mr. Msuya joined Kibo Seed since November 2018 as Senior Production Officer. He holds a Bachelor of Science in Agriculture degree from Sokoine University of Agriculture and a diploma in Crop Production from Uyole Agricultural Centre Training Institute. He has over 20 years' experience in Seed Production, Farm Management, Crop Production, and Projects Implementation.



KIBO Seed Company Ltd support to the less fortunate in the society in August 2023



KIBO Seed Company crop display at Arusha Nane Nane August 2023



KIBO SEED COMPANY STAFF DURING MARKETING MEETING IN ARUSHA JULY 2023



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of Kibo Seed Company Board of directors, I am pleased to present to you the Annual Report and Financial Statements of Kibo Seed Company Limited for the Fiscal Year ended June 30, 2024.

Business Environment Overview

Kibo Seed Company Limited started the financial year 2023/2024 with the publicized anticipated excess rainfall named 'El -Nino' between October 2023 to end January 2024. This indeed created mixed reaction in the market in terms of seed demand. The company utilized this opportunity and ensured enough stock is available for the anticipated demand.

The International Monetary Fund predictions indicated that the global economy is estimated to have its growth shrunk from 3.3% in 2023 to 3.2% in 2024 due to inflations experienced across the world economies. Tanzania's economy growth is set to improve from 5.1 % in 2023 to the projected 5.4 % in 2024 due to improved performance in tourism and gradual stability in broader economy. Inflation improved from 3.8% reported in 2023 to 3.1% in 2024 attributed to fuel and fertilizer subsidies.

The Tanzania agricultural land in 2016 measured at 44 million hectares which represents 45% of the country total land area. The agricultural sector, which continues to be the mainstay of Tanzania's economy contributing 26.5% of the GDP and employs 65.6% of the total labor force. Equally 65% of the industrial raw materials are derived from Agriculture. The seed subsector was boosted by fertilizer subsidy resulting increased acreage under production and excessive rainfall experienced in Southern part of Tanzania resulted into post-harvest losses. These strategies resulted to attaining 124% food self-sufficiency in 2024, an increase from 114% 2022/23.

Financial Review

Am pleased to report that as a result of robust strategies and austerity measures implemented by the company, the company reported a turnover of TZs. 10.14 billion for FY 2023/24 being the highest revenue ever reported since the company's inception. This in comparison to TZs. 9.33 billion reported same period last year representing 9% increase. The major contribution being increased in maize seeds sales as a result of adequate carry-over stocks of maize seeds.

Seed Supply

The company made significant progress in countering seed shortage by increasing acreage of local seed production for vigorously demanded sort H628 maize variety by establishing seed villages in Sumbawanga, Moshi and Ludewa as well as timely ordering of seeds.

Future Outlook

The future of Kibo Seed is very promising arising from the fact that the company is now able to carry out local seed production for Maize, sunflower and vegetables and this has significantly improved seed availability and affordability translating into company's profitability.

The company has also initiated product portfolio expansion to cover the inherent gaps within the market and this is targeted to increase the market share and improve company cash flow. The main target in this area is sunflower and pasture seed production which is currently being promoted by the government.

Board Operation

The Board of Directors continually review the various business strategies in place to ensure sustained business profitability and growth in the company. The board recently approved the new salaries terms for the employees geared at boosting their morale to deliver to the objectives of the company.

The board also approved the new Five strategic plan for the company for the years 2023 -2028. This lays a good ground for the company to visualize where they would like to be for this period.

Appreciation

I wish to extend my sincere appreciation to all our shareholders, business partners, esteemed customers, our farmers, the Board of Directors and the Management team for the unwavering support and confidence in the Company and our products.

Thank you.

Mr. Symon Cherogony
Board of Directors Chairman



KIBO Seed Company Ltd change of Management where Mr. David Tum handed over to Mr. Patrick Thuo as the New General Manager.
©KIBO Seed Company June 18, 2023



GENERAL MANAGER'S REPORT



It is my great pleasure to present to you the Kibo Seed Company Limited Annual Report and Financial Statements for the year ended June 30, 2024. Kibo Seed Company ("KSC" or the "Company") has registered a sound financial performance despite the excessive rainfall received in the financial year ended 2024.

Financial Performance

Pre-Tax Profit

The company registered a pretax loss of TZs. 1.23 billion as compared to a pretax profit of TZS. 2.51 billion reported in the FY 2022/23. This significant reduction was as a result of foreign exchange loss of TZs. 2.52 billion due to the depreciation of the Tanzanian shillings against foreign currency. Without this foreign exchange loss, the company would have attained a pretax profit of TZs.1.28 billion in 2024 against TZs. 816 million attained in the in the same period last year.

Turnover

The company had an increase in turnover by 9% from TZS 9.33 billion reported in 2022/23 to TZS 10.14 billion in the year under review as a result significant increase in maize and pastures sales.

Operating Expenditure

In the FY 2023/24, KSC operating expenditure decreased by 8% to TZS 3.89 billion from the prior year's TZS 4.24 billion. This was attributed to austerity measures on cost containment adopted by the company.

Financial Position

The Cash and Cash equivalent balance of the company increased from TZS. 1.04 million in 2022/23 to TZS. 1.09 billion in 2023/24 due to improve revenue.

The Total Assets increased by 3% from TZS 9.21 billion in 2022/23 and restated to TZS. 9.12 billion to TZS. 9.55 billion in 2023/24 as a result of increased inventory and purchase of new assets.

The accumulated losses reported in equity increased from TZs. 3.38 billion in 2023 to TZs. 4.68 billion reported in the year under review representing 38% increase due to foreign exchange losses.

Research and Development

In line with our mission and vision of ensuring farmers obtain superior varieties that are high yielding and tolerant to drought, pests and diseases, several new varieties were tried.

Two new sunflower varieties namely: H898 and H893 were tried both at Nane Nane and TARI to establish customers preferences. Since it was the first establishment in Tanzania, a number of merits are being analyzed which includes disease score, head radius, oil content, and yield. A similar trial was also established in Mwanza.

Similarly, two new maize varieties namely H533 and H 534 were also subjected to trial at the Nane Nane demonstration plots and analysis for crop merits is in progress to establish their suitability for production in Tanzania. Due to the need to expand the company crop portfolio, the company would like to report the release of two new maize varieties namely: H6213 and H624 and new pasture varieties Boma Rhodes KCLrhodes and Lucerne KKS3864 by the National Seed Release committee.



Operations

The company ensured timely availability of products in the required quantities. However, the company experienced some seed shortage of vegetable seeds due to delayed supply. Efforts have been made to harness potential in the external markets by opening markets for more of our varieties in countries such as Burundi, Malawi, Zanzibar and Democratic Republic of Congo with the purpose of increasing revenue earnings.

Recognitions and Rewards

In the month of August 2023, the company participated in the week-long Nane Nane Agricultural exhibition at Mbeya, Morogoro, Arusha and Mwanza. These events attracted several seed players, seed sector stakeholders and more importantly a sizeable number of farmers. The company did remarkably well in all the events and outstanding of them all was Arusha and Mbeya participation that we were awarded 'the second Position in the Seed Industry for the year 2023 while Mwanza third position.

Future Outlook

Going forward, the Company is on the right path to greater prosperity with numerous opportunities for business growth and expansion supported by anticipated economic growth. The company is committed to pursuing strategies aimed at ensuring attainment of our goals as outlined in recently developed strategic plan for the year 2023-2028. One of the major milestone achievements in the year under review was the attainment over 1 million of maize seeds from local production. The sales revenue reaching over TZS. 10 billion for the first time since inception of the company.

The company's future growth will come from:

- Focus on adequate supply of seed varieties whose demand could increase with the changing weather patterns and local seed production.
- Commitment of marketing effort and resources into the hybrid vegetable seed market which returns high profit margins.
- To maintain improvement on the current profitability of the company, thus transforming them into revenue-generating units through enhanced local seed production.
- Diversifying and intensifying on non-maize seed product portfolios thus reducing over reliance on maize seed.
- Increasing the supply of sunflowers seed to meet the demand and shifting focus to hybrid sunflower.
- Payment of the outstanding debts owed to the parent company and its subsidiaries.
- Registering of additional varieties to increase the product portfolio.
- Cost containment measures and improving Makambako processing plant to include the shop at the processing plant and improve processing plant by upgrading the seed cleaning machine.
- Introduction of the laboratory facility to check on the seed quality.
- Improve the terms of the contracted growers to increase seed production.
- Improve the terms of the employees to attract and retain competent and productive staff.

Customer focus

The Company remain focused on achieving unrivalled customer satisfaction levels through effective response to customer complaints, increasing direct customer contact through our strategic distribution channels spread across the country and our export customers delivering quality products on time and revamping our marketing activities.



Appreciation

In conclusion, on behalf of the entire Management I take this opportunity to express my sincere gratitude the Chairman and Board of Directors, for their continued support, visionary leadership and guidance they have provided to the management team throughout the year.

Management would also like to convey message of appreciation the board for approving new terms for employees which will serve as a precursor for motivating employee to improve on performance.

The management would like to appreciate the company suppliers especially the contracted growers who dedicated their resources and effort to ensure the company get seeds to sell.

I also wish to recognize the role played by our customers who trusted our products and remained loyal to the company products. They remain a crucial stakeholder without whom we would not have achieved our set objectives and financial goals.

On behalf of Management of Kibo Seed Company Ltd, I take this opportunity to congratulate Kibo Seed Company's staff for delivering this year's good results reporting for the first time over 10 billion turn-over since inception of the company 22 years ago.

It is through your tireless efforts and commitment that we have been able to record this remarkable performance even in the face of the operational and administrative challenges. I look forward to your continued support as we move to make Kibo Seed Company, "The Preferred Supplier of Top- Quality Certified Seed in Tanzania and beyond".

Thank you.
God bless you.

A handwritten signature in blue ink, appearing to read "for TP", is written over a horizontal line.

Patrick Thuo
General Manager



DISPLAY OF COMPANY'S PRODUCTS IN ONE OF THE COMPANY STRATEGIC SELLING POINT



STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2023/24

Kibo Seed Company has four strategic pillars/ themes/issues and objectives within the current Strategic Plan for the Y2023 - FY 2028. These strategic pillars/ themes/ issues are as follows:

1. Inadequate seed production and processing capacity
2. Inadequate Company visibility and marketing
3. Inefficient operational processes;
4. Weak governance and risk management structures.

Pillar /theme/issue 1: Seed production and processing

The success of the Company is dependent on production and processing of sufficient quantities of quality certified seeds that are aligned to the market demand. To this end, the Company needs to venture into basic seed production, increase the acreage dedicated to seed production and focus on building the capacity of seed growers. In addition, there is need to reduce post-harvest losses, and offer competitive terms and incentives to seed growers. Kibo Seed also needs to address changing farmers preferences through focused research, registration and commercialization of new seed varieties.

To enhance processing efficiency, the Company will adopt modernization and automation of its processing plant and laboratory, streamline business processes, increase storage capacity and adopt energy-efficient systems. Further, Kibo Seed needs to strategically source for seeds and packaging materials.

Pillar/theme/issue 2: Sales and marketing

The sales and marketing function is key in driving growth of Kibo Seed business. Consequently, there is need for implementation of a robust sales and distribution model, strengthening of marketing campaigns and launch of an e-commerce platform. Further, Kibo Seed needs to increase sales to government and NGOs. There is also need for the Company to diversify products portfolio, explore more export markets, and adopt competitive product pricing. The Company's visibility and effective customer service management are also key in driving revenue growth.

Pillar/theme/issue 3: Institutional capacity

Enhancing institutional capacity is critical for Kibo Seed's overall growth and success. Towards this, the Company aims to attract and retain competent and productive staff by aligning its organizational structure with its strategic goals and enhance employment terms. In addition, there is need to enhance staff capacity and foster an organizational culture that promotes employee engagement. To address issues of productivity, the Company will enhance performance management system, improve employee welfare and strengthen succession management.

As a way of enhancing operational efficiency, Kibo Seed will reengineer its business processes to eliminate inefficiencies, enhance use of ICT and ensure prudent management of resources. Some of the non-core activities will also be outsourced.

Pillar/theme/issue 4: Governance and risk management

Adoption of good corporate governance practices enables organizations to operate more efficiently, improve access to capital and effectively mitigate various types of risks. To achieve this, the Company aims to build the capacity of the board of directors and management on corporate governance. To facilitate timely identification, assessment and implementation of risks mitigation measures, Kibo Seed intends to strengthen the risk management framework. In addition, the Company will focus on enhancing stakeholders' management and ensure compliance with legal and regulatory provisions.



Kibo Seed Company develops its annual work plans based on the above *four* pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets set for the FY 2023/24 period for its four strategic pillars, as indicated in the diagram below:

KIBO SEED COMPANY LTD PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024.

| Strategic Pillar/Theme/Issues | Objective | Key Performance Indicators | Activities | Achievements |
|--------------------------------|---|---|---|---|
| Seed production and processing | 1. To increase seed production from 1,028MT to 1,050MT. | Equipped research lab and cold storage. (1) | To construct and equip seed research lab and cold storage. | Lab is available equipping is in progress and cold available |
| | | Quantity of seed produced in MT (1,050 MT) | To undertake seed production | 500MT |
| | | Seed growers training program (1) | Identify training gaps and develop seed growers' capacity building program. | Training program developed |
| | | % of engaged growers trained (80%). | Undertake seed growers training. | 80% |
| | | No. of field visits advisory reports (200 growers) - 1,600 reports. | Undertake supervision/ field visits. | 650 reports |
| | | No. of MOUs with financial institutions (2) | Partner with financial institutions/input suppliers for input financing to seed growers | No MoU signed but through seed growing contract growers were able to secure financial support (NMB, TADB, TFRA) |
| | | No. of growers financed (30) | Sign tripartite agreements with selected financial institutions/input suppliers and seed growers. | 17 growers secured the financial support through this arrangement. |
| | | No. of seed growers trained. (30) | Undertake growers training on agronomic practices to reduce seed losses. | 75 growers trained |
| | | No. of growers with selection sheds (20) | Encourage growers to build selection sheds. | 30 maize growers bought and used tarpaulins for cob selection and shelling. |
| | | No. of inspection reports/advisory report (1,600 reports) | Undertake timely surveillance of fields to ensure compliance with set standards. | 650 reports |
| | Report on prevailing growers' terms (3) | Undertake market survey on seed growers' terms. | Survey report | |
| | Level of implementation of revised terms (100%). | Review and implement growers' terms (prices, and recognition program to seed growers) | 100% for change of maize seed price and tomato. | |
| | 2. To introduce 7 new seed | No. of varieties registered in the seed | Undertake multilocational trials for the new varieties. | 4 varieties were registered (2 |



KIBO SEED COMPANY LTD PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024.

| Strategic Pillar/Theme/Issues | Objective | Key Performance Indicators | Activities | Achievements |
|-------------------------------|---|---|---|---|
| | varieties (1 sunflower hybrid variety, 2 maize varieties, 4 vegetables) by 2028 | catalogue (2) | | maize varieties and 2 pasture varieties) |
| | 3. To increase processing efficiency by reducing processing cost from TZs. 1,000 to per kg in 2023 to TZs. 900 per kg in 2028 | Factory assessment report (1) | To undertake factory audit to identify requirements for modernization. | 1 factory assessment was done |
| | | Report on potential suppliers (1) | Identify multiple potential suppliers for various seed varieties and packaging materials. | 1 Survey report |
| Sales and Marketing | To grow the sales revenue from TZs. 9 billion in 2023 to TZs. 18 billion in 2028 | % coverage of the country by distributors, agents and Stockists. (40%). | Undertake territorial mapping and appointment of new distributors, agents and stockists) | 20% |
| | | No. of distributors, agents and stockists (20) | | 5 |
| | | No. of promotion materials produced (60,000) | Design and distribute product promotion materials such as posters and flyers/brochures | 31,088 |
| | | No. of materials distributed (60,000) | | 31,088 |
| | | No. of demonstrations established (500) | Establish demonstration plots for various seed varieties | 583 |
| | | No. of farmers reached (7,000) | Hold field days to sensitize farmers on Kibo seeds and good agronomy practices. | 50,000 |
| | | YouTube viewers (M)- 1 million | Advertise company products using various channels | 400 |
| | | Facebook- Likes (M)- 2 million | | 3,600 |
| | | Instagram followers (M) -2 million | | 900 |
| | | No. of samples distributed (14,000) | Distribution of seed samples (farm packs) | 25,000 |
| | | Mapping reports | Undertake mapping of government institutions & NGOs involved in agriculture. | Report |
| | | Volume of sales in identified countries (M)- 20 million. | Undertake promotion of the registered products | Over 20 million |
| | | Survey reports (1) | Conduct customer satisfaction surveys | Report |



KIBO SEED COMPANY LTD PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024.

| Strategic Pillar/Theme/Issues | Objective | Key Performance Indicators | Activities | Achievements | | |
|-------------------------------|---|--|--|---|--|-------------|
| Institutional Capacity | | No. of exhibitions Participated in (250) | Participate in products exhibitions events, agricultural shows | 10 | | |
| | | No. of merchandise issued (500) | Design and distribute brand promotion merchandise | 1,800 | | |
| | | No. of CSR activities undertaken (2) | Implement/participate in CSI activities | 1 | | |
| | 1. To attract and retain competent and productive staff | | % of eligible staff trained (100%) | Carryout staff trainings | 20% | |
| | | | % of staff with appropriate tools and equipment (100%) | Avail staff with adequate & appropriate working tools and equipment | 80% | |
| | | | Employee and work environment satisfaction survey reports (1) | Undertake employee and work environment satisfaction surveys | 1 | |
| | | 2. To enhance operational efficiency and maintain operational cost to gross profit ratio below 72% | | ICT needs report (1) | Carry out assessment of ICT needs | 1 |
| | | | | % of staff with requisite working tools (100%) | Provide staff with required ICT equipment e.g., laptops, printers | 70% |
| | | | | Approved work plans & budget (1) | Prepare sections annual work plans and budgets aligned to strategic plan | 1 |
| | | | | Consolidated procurement plan (1) | Prepare consolidated procurement plans | 1 |
| | | | | Budget variance analysis reports (4) | Monitor expenditure against budgetary provisions | Done |
| | | | | Monitoring and evaluation reports (4) | Monitor strategic plan implementation | 1 |
| | | | | Level of implementation (100%) | | 30% |
| | | Outsourcing needs analysis report (1) | Identify activities to be outsourced | 1 | | |
| | | % of eligible services outsourced (100%) | Contract out identified services/activities | 50% | | |
| | | Level of adherence to SLAs (100%) | Monitor provision of outsourced services | 50% | | |



STATEMENT OF CORPORATE GOVERNANCE

Corporate governance is the manner in which the power of, and the power over a company is exercised in the stewardship of its assets and resources so as to enhance and sustain shareholders value while at the same time satisfying the needs and interests of all its stakeholders. The board is committed to the principle that the company and its subsidiary companies should operate with integrity and ethics and maintain a high standard of corporate governance in the interest of shareholders and all other stakeholders.

The Board believes that the company has complied with the highest standards of Corporate Governance Practices. The spirit and practice of corporate governance in Kibo Seed Company is about commitment to values and ethical business practices. This implies timely compliances and correct disclosures of financial information on performance, ownership and governance of the company. The key elements of corporate governance are transparency, disclosure, accountability, supervision and internal controls, risk management, internal and external communication and high standards of safety, health environment, accounting, and product and service quality. The board has empowered responsible persons to implement its board policies and guidelines and has set up adequate review process. The Company is committed to optimizing long term value for its stakeholders with strong emphasis on the transparency on its operations and instilling pride of association. The company follows best practice of corporate governance and reporting systems

Board of Directors

The composition of the Board is compliant with good corporate governance practices. The role of the Chairman and the Managing Director are segregated. The General Manager is in charge of the day to day running of the business of the Company on behalf of the Managing Director. A non-executive director acts as Chairman of the Board. The directors are given appropriate and timely information to enable them to maintain full and effective control over all strategic, financial, operational and compliance issues.

The current Board of Kibo Seed Company is composed of one Executive Director and three non-executive directors including the Chairman. The directors are committed members with diverse and complementary skills and expertise in the fields of strategy, management, production, finance, marketing and human resource development. The board provides leadership, strategic guidance, objective and independent view of the company's management while discharging its fiduciary responsibilities thereby ensuring the management adheres to high standards of ethics, transparency and disclosure.

Board Meetings

The Board meets at least quarterly or more often in accordance with exigencies of the business. The Board work plan and calendar of meetings is prepared in advance. Adequate notice is given for each board meeting, the agenda and papers are circulated in good time. The Board held two meetings in the financial year ended June 30, 2024.



The attendance was as follows:

| S/No. | Member | Meetings Held | Meetings Attended | % Attendance |
|-------|----------------------|---------------|-------------------|--------------|
| 1. | Mr. Mohamed Bulle | 2 | 1 | 50% |
| 2. | Ms. Edna Atisa | 2 | 1 | 50% |
| 3. | Mr. James Wanjohi | 2 | 2 | 100% |
| 4. | Hon. Purity Ngirici | 2 | 1 | 100% |
| 5. | Hon. Beranard Wambua | 2 | 2 | 100% |
| 6. | Mr. Symon Cherogony | 2 | 2 | 100% |
| 7. | Mr. Gerald Mwangi | 2 | 1 | 50% |
| 8. | Mr. Job Ndemo | 2 | 1 | 50% |
| 9. | Mr. Edwin Tum | 2 | 2 | 100% |
| 10. | Mr. Sammy Chepsiror | 2 | 2 | 100% |
| 11. | Mr. Patrick Thuo | 2 | 2 | 100% |

However, Director Bulle, Atisa, Mwangi, Ndemo and Hon. Ngirici being board member of the parent company Kenya Seed Company Ltd attended the meeting on invitation by the board chairman of Kibo Seed Company Ltd.

Governance Principles

Corporate governance is the system of clearly defined authorities and responsibilities, which results in the establishment, operation and maintenance of a system of internal control that is regularly tested to ensure effectiveness. The system enables the Board of Directors to ensure that the managers of the company are acting in the interests of the shareholders and other key stakeholders.

At Kibo Seed Company Limited, we place a great deal of importance on robust corporate governance practices and are committed to applying the highest standards of business integrity and professionalism in all our activities. The company achieves this by using a risk-based approach to establish a system of internal control and by reviewing the effectiveness of the system of internal control on a regular basis. The Company has formulated and applies sound internal corporate governance guidelines, which address the responsibilities of management, the Board and its composition, selection procedures for new directors and relationships with stakeholders. The structure of the board and the planning of the board's work are key elements to effective governance.

Board Evaluation

The Board undertakes an annual self-assessment to improve its members' individual and collective Performance for continuous growth and sustainability of the Company. The evaluation covers the Board as a whole and individual member, the Chairman, the Managing Director and the Company Secretary. During the year, the Board were not evaluated due to unforeseen factors beyond the control of management.

Directors' Remuneration

During every Board meeting, Directors are entitled to a sitting allowance, accommodation allowance and mileage reimbursement where applicable within government set limits for state corporations.

Below is the sitting allowance entitlement per Board Member:

| Type of payment | Chairman | Member |
|---------------------------------|-------------|-------------|
| Sitting allowance (per sitting) | TZS 400,000 | TZS 400,000 |



Code of Conduct

The Company has a code of conduct which seeks to guide employees in ethical conduct of business. All directors, management and employees are expected to observe high standards of integrity and ethical conduct when dealing with customers, staff, suppliers and regulators.

Internal Control

The effectiveness of the internal control is monitored on a regular basis by the Internal Audit function. The Internal Audit function reviews the Company's compliance with the laid down policies and procedures as well as assessing the effectiveness of the internal control structures. The Internal Audit function focuses their attention to areas where the Company could be exposed to greatest risks. The Internal Audit function reports to the Board. The Company has established operational procedures and controls to facilitate proper safeguard of assets and accurate financial reporting.

Conflicts of Interest

All directors and management are under duty to avoid conflicts of interest. The directors are required to disclose their business interests that would conflict with the company business.

Going Concern

The directors confirm that the Company has adequate resources to continue in business for the foreseeable future and therefore to continue to use the going concern basis when preparing the financial statements.

Company Shareholding

Kenya Seed Company acquired 99.98% of shares in Kibo Seed Company through direct allotments which accumulated in acquiring majority shareholding in 2002. At the same time Nathaniel K. Tum and Eufrazio Julian Goes who were Managing Director and Finance Manager respectively at the time of registration of the company acquired 0.01% respectively and they hold ordinary shares of nominal of TZS 1,000 each in trust.

The largest shareholders of the company as at June 30, 2024 are as follows:

| No. | List of Shareholders | No. of Shares | % Shareholding |
|-----|----------------------------|---------------|----------------|
| 1 | Kenya Seed Company Limited | 9,998 | 99.98 |

Director's Shareholding

The breakdown of the Directors shareholding in the Company as at June 30, 2024 is as follows:

| No. | List of Shareholders | No. of Shares | % Shareholding |
|-----|----------------------------|---------------|----------------|
| 1 | Dr. Tum Nathaniel Kipkorir | 1 | 0.01 |
| 2 | Mr. Eufrazio Julian Goes | 1 | 0.01 |

Independence

All the non-executive directors of the Board are independent of management and free from any business or other relationships, which could materially interfere with the exercise of their independent judgment.

Activities and Achievements

The Board meets regularly and has a formal schedule of matters reserved to it. All directors have access to the Company Secretary and Legal Counsel. Currently, the Board comprises three non-executive directors and a Managing Director.



KIBO Seed Company award due to exemplary performance in Nane Nane show August 2023



MANAGEMENT DISCUSSION AND ANALYSIS

Background

Kibo Seed Company Limited was incorporated in Tanzania on October 31, 2002 as a wholly owned subsidiary of Kenya Seed Company based in Kitale, Kenya. The company has its headquarters at Arusha and a distribution network comprising of branches and retail outlets. Currently, there are branches at Mbeya, Makambako, Morogoro and Mwanza. There are also agents and stockiest who act as outlets for seed maize and horticultural seeds both in and outside Tanzania.

Kibo Seed was originally set-up as a sales satellite of Kenya Seed Company with the sole objective of distributing seed maize. However, in the Tanzanian market, the company's products have diversified over time to include farm inputs (herbicides, fungicides and insecticides), horticultural seeds, pastures and sunflower. The company has grown significantly since its inception in 2002. It has positioned itself as one of the most preferred seed suppliers of quality certified seed in Tanzania and beyond with the rallying call '*Ubona wa kuaminika*'.

The Entity's Operational and Financial Performance

Kibo Seed Company Limited's Financial Statements as at June 30, 2024 which comprises the statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Statement of Budget and Actual Comparison has been detailed below:

Revenues

1. Revenue

The company achieved a cumulative Sales revenue of **TZS. 10.14 billion** as compared to **TZS. 9.33 billion** achieved in the same period last year thus an increase by 9% due to improved maize, pasture and other seeds sales due to adequate maize seeds stocks. However, the actual revenue was lower than the budget by 32% due to reduced maize sales as compared to the target. The detailed Sales revenue has been tabulated below:

Sales Revenue Analysis

| | Actual June 30 2024 | Prior year June 30 2023 | Budget June 30 2024 | % Budget against actual | % Actual Against Prior year |
|----------------------|------------------------|----------------------------|------------------------|-------------------------------|-----------------------------------|
| Sales Revenue | TZS. | TZS. | TZS. | | |
| Maize | 4,641,666,100 | 3,385,344,340 | 6,217,000,000 | (25) % | 37 % |
| Vegetable | 5,046,349,287 | 5,291,983,504 | 7,257,780,208 | (30) % | (5) % |
| Agrochemical | 98,977,500 | 109,478,470 | 274,500,000 | (64) % | (10) % |
| Sunflower | 247,857,250 | 502,201,550 | 1,001,150,000 | (75) % | (50) % |
| Pasture | 78,713,500 | 37,506,060 | 76,724,200 | 3 % | 110 % |
| Other Products | 26,760,925 | 7,996,853 | 55,500,000 | (52) % | 173 % |
| TOTAL REVENUE | 10,140,324,562 | 9,334,510,777 | 14,882,654,408 | (32) % | 9 % |

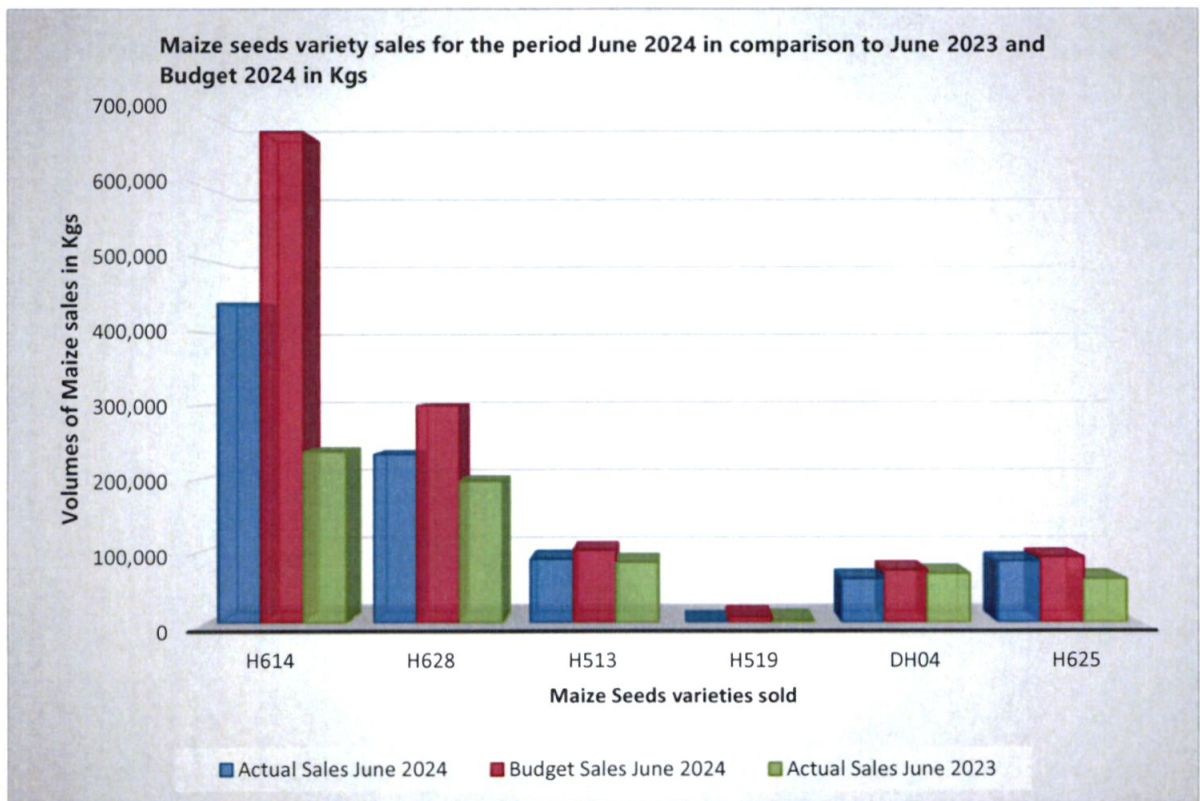


Sales Comparative Performance for the FY 2023/2024 and 2022/2023
Total annual maize sales target against actual in Kgs

| Varieties | Target in Kgs 2023/24 | Actuals in Kgs 2023/24 | Variance |
|--------------|-----------------------|------------------------|------------------|
| H614 | 675,000 | 440,088 | (234,912) |
| H628 | 299,000 | 231,926 | (67,074) |
| H513 | 99,900 | 87,578 | (12,322) |
| H519 | 7,500 | - | (7,500) |
| DH04 | 72,000 | 60,002 | (11,998) |
| H625 | 90,000 | 84,238 | (5,762) |
| Total | 1,243,400 | 903,832 | (339,568) |

Total Actual Annual Maize sales per variety in Kgs against prior year

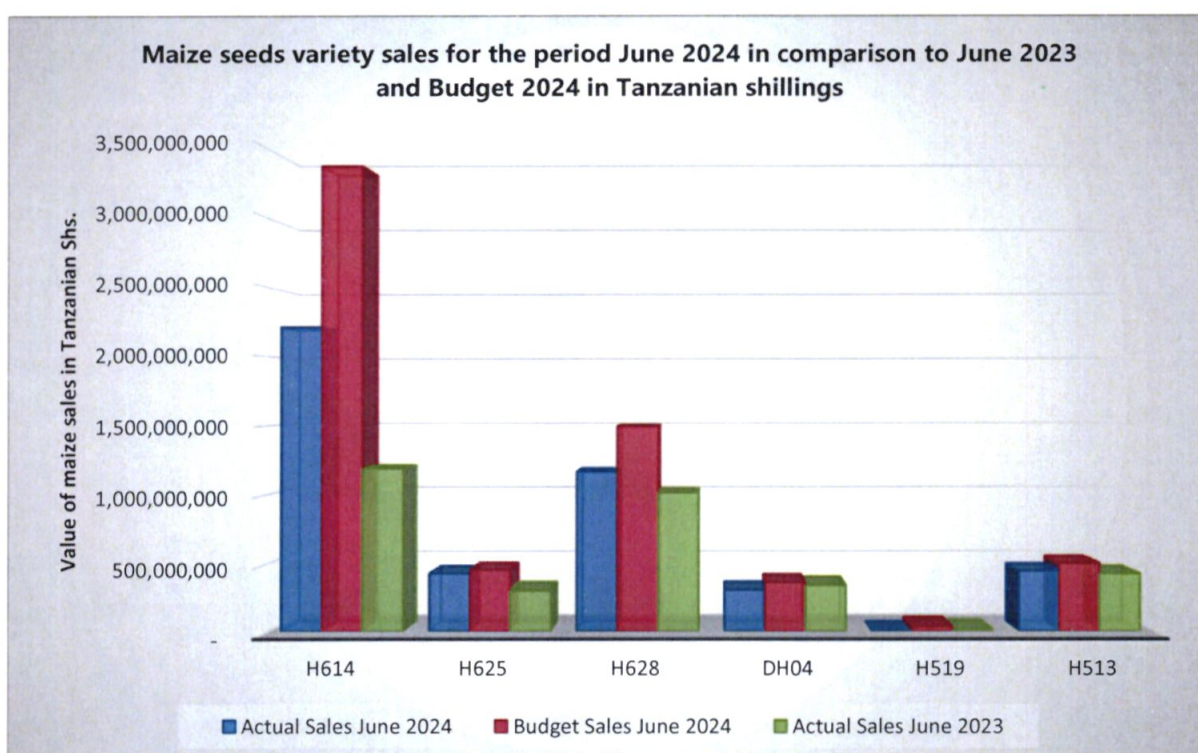
| Varieties | Sales in Kgs 2023/24 | Sales in Kgs 2022/23 | % Change |
|------------------|----------------------|----------------------|-------------|
| H614 | 440,088 | 236,014 | 86% |
| H628 | 231,926 | 195,494 | 19 % |
| H513 | 87,578 | 83,352 | 5 % |
| H519 | - | 2,560 | (100) % |
| DH04 | 60,002 | 67,228 | (11) % |
| H625 | 84,238 | 59,596 | 41 % |
| Basic Seed Maize | 11,728 | 13,177 | (11) % |
| Total | 915,560 | 657,421 | 39 % |





Total Annual Maize sales in value

| MAIZE VARIETY | Sales in TZS FY 2023/2024 | Sales in TZS FY 2022/2023 | Variance |
|------------------|---------------------------|---------------------------|----------------------|
| H513 | 442,590,000 | 422,215,000 | 20,375,000 |
| H614 | 2,212,228,250 | 1,188,187,000 | 1,024,041,250 |
| H519 | - | 13,142,500 | (13,142,500) |
| DH04 | 305,137,250 | 342,296,500 | (37,159,250) |
| H628 | 1,163,542,000 | 1,011,160,500 | 152,381,500 |
| H625 | 424,347,000 | 302,927,000 | 121,420,000 |
| BASIC SEED MAIZE | 93,821,600 | 105,415,840 | (11,942,240) |
| TOTAL | 4,641,666,100 | 3,385,344,340 | 1,255,973,760 |



Total Annual sunflower sales in Kgs and in Values

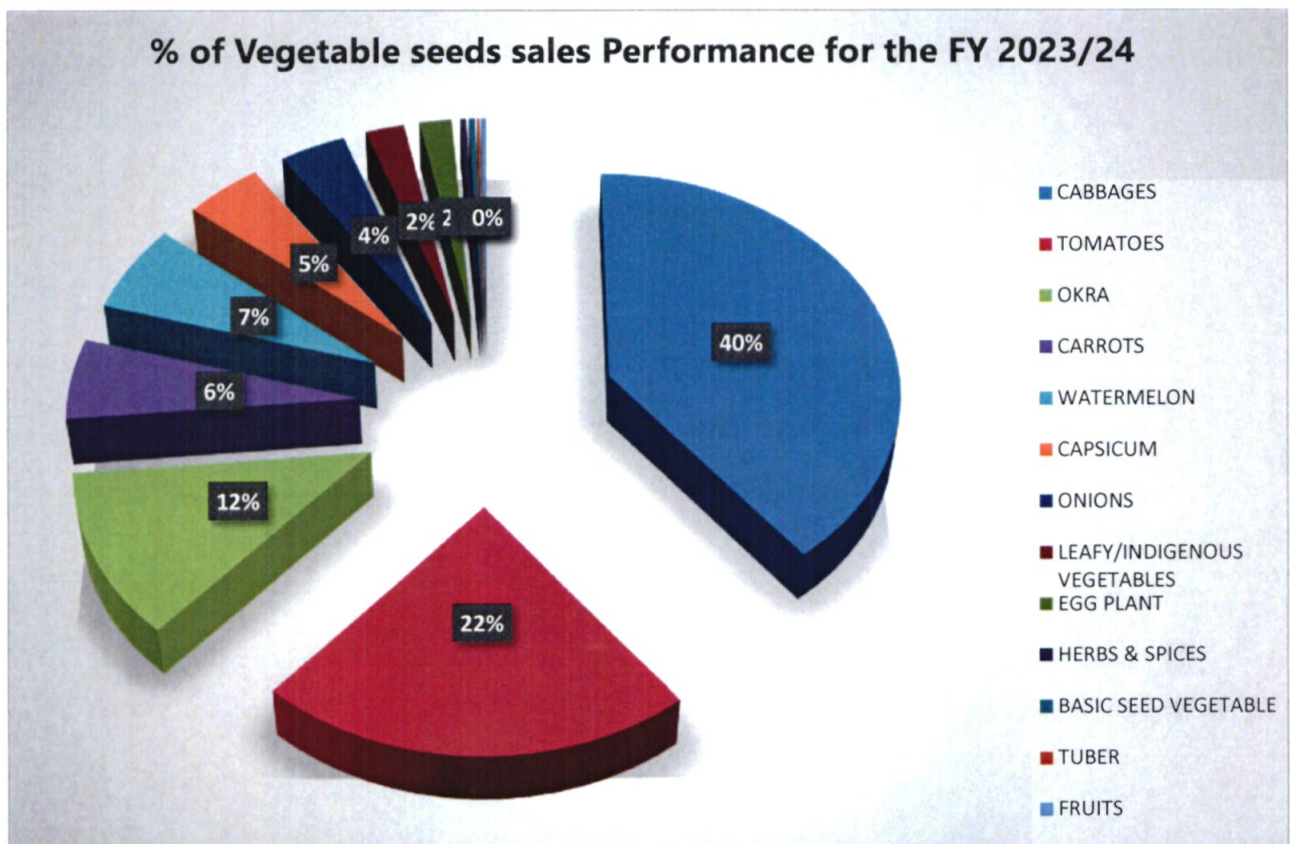
| Varieties | Sales in Kgs | | | Sales in Values (TZS) | | |
|----------------------|---------------|---------------|---------------|-----------------------|--------------------|---------------|
| | Sales 2023/24 | Sales 2022/23 | % Change | Sales 2023/24 | Sales 2022/23 | % Change |
| Kenya Fedha | 28,592 | 59,338 | (52) % | 233,713,250 | 491,411,150 | (52) % |
| Basic Seed Sunflower | 1,088 | 554 | 96% | 14,144,000 | 8,980,400 | 96% |
| Total | 29,680 | 59,892 | (50) % | 247,857,250 | 500,391,550 | (50) % |



Total Annual Vegetable sales

(i) Vegetable seeds sales in Value

| PRODUCT CATEGORY | 2023/24 SALES VALUE IN TZS. | 2022/2023 SALES VALUE IN TZS. | VARIANCE | % PERFORMANCE 2023/2024 |
|-----------------------------|--------------------------------|----------------------------------|----------------------|----------------------------|
| CABBAGES | 1,982,879,330 | 2,074,065,391 | (91,186,061) | 39.29% |
| TOMATOES | 1,110,593,295 | 1,350,929,276 | (240,335,981) | 22.01% |
| OKRA | 604,407,675 | 516,473,795 | 87,933,880 | 11.98% |
| CARROTS | 296,285,506 | 332,852,843 | (36,567,337) | 5.87% |
| WATERMELON | 326,406,005 | 279,018,475 | 47,387,530 | 6.47% |
| CAPSICUM | 233,683,288 | 264,240,940 | (30,557,652) | 4.63% |
| ONIONS | 198,523,872 | 120,156,074 | 78,367,798 | 3.93% |
| LEAFY/INDIGENOUS VEGETABLES | 116,694,660 | 162,721,597 | (46,026,937) | 2.31% |
| EGG PLANT | 97,899,990 | 91,940,626 | 5,959,364 | 1.94% |
| PEPPER | 20,246,463 | 27,954,775 | (7,708,312) | 0.40% |
| HERBS & SPICES | 17,503,190 | 22,543,700 | (5,040,510) | 0.35% |
| BASIC SEED VEGETABLE | 19,212,000 | 21,276,000 | (2,064,000) | 0.38% |
| TUBER | 6,694,953 | 10,807,050 | (4,112,097) | 0.13% |
| FRUITS | 15,319,063 | 17,002,963 | (1,683,900) | 0.30% |
| TOTAL | 5,046,349,290 | 5,291,983,505 | (245,634,215) | |





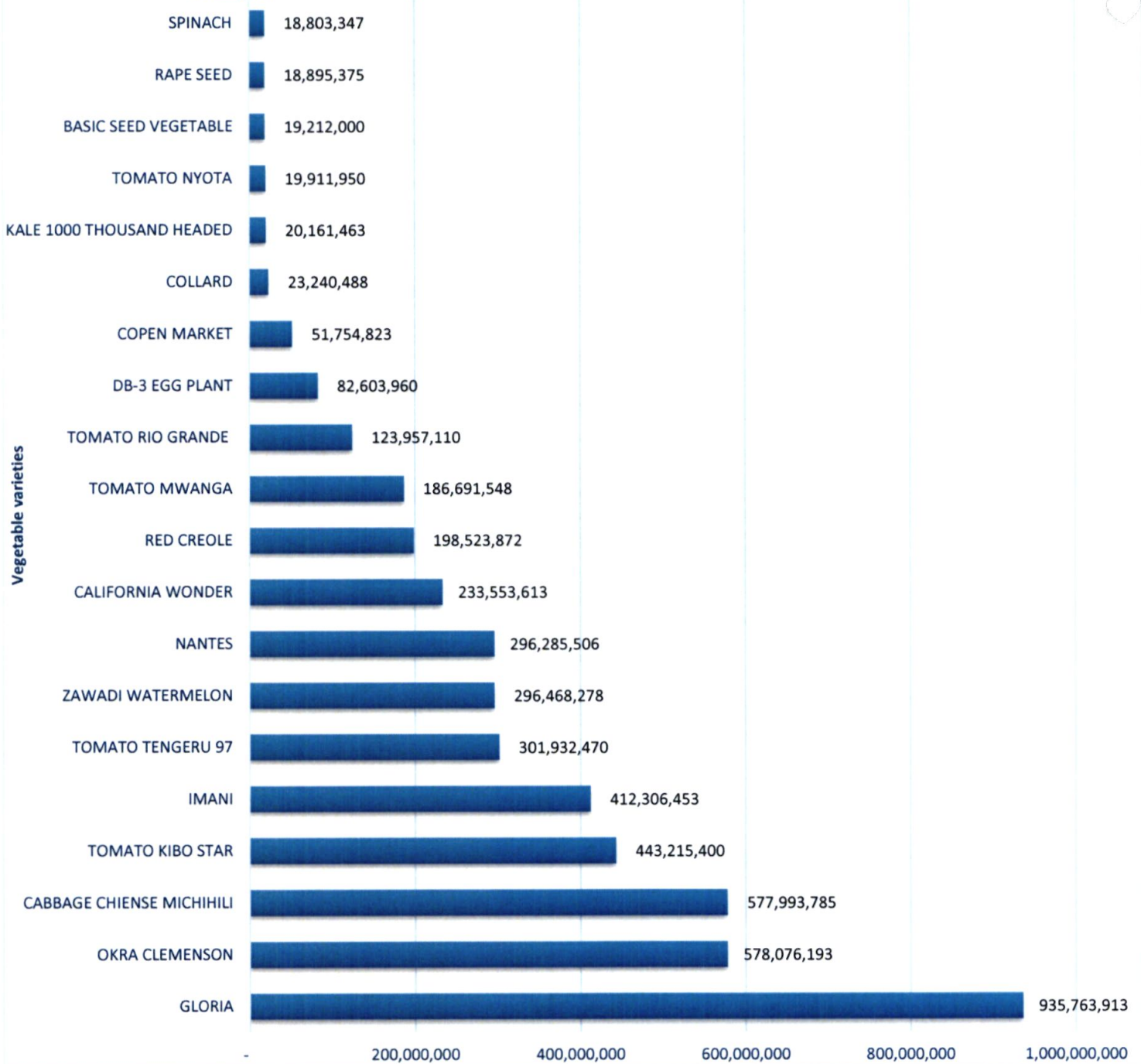
(ii) **Vegetables seeds variety contribution to Vegetable sales revenue in order of Contribution.**

The below table shows top twenty (20) vegetables seed varieties that contributes to over 96% of the vegetable revenue for the FY 2023/24.

| VEGETABLE SEEDS VARIETY CONTRIBUTING TO COMPANY VEGETABLE SALES REVENUE FY 2023/24 | | | | | |
|---|-----------------|------------------------|---------------------------|----------------------------------|--------------------------|
| Ranking | Product | Product Variety | Total Sales in Kgs | Total Sales Value in TZs. | % of Contribution |
| 1. | CABBAGE | Gloria F1 | 776 | 935,763,913 | 18.54% |
| 2. | OKRA | Clemenson | 37,319 | 578,076,193 | 11.46% |
| 3. | CABBAGE | Chinese Mchihili | 18,029 | 577,993,785 | 11.45% |
| 4. | TOMATO | Kibo Star F1 | 53 | 443,215,400 | 8.78% |
| 5. | CABBAGE | Imani | 463 | 412,306,453 | 8.17% |
| 6. | TOMATO | Tengeru 97 | 2,665 | 301,932,470 | 5.98% |
| 7. | WATERMELON | Zawadi F1 | 663 | 296,468,278 | 5.87% |
| 8. | CARROTS | Nantes | 4,913 | 296,285,506 | 5.87% |
| 9. | CAPSICUM | California Wonder | 1,476 | 233,553,613 | 4.63% |
| 10. | ONION | Red Creole | 2,480 | 198,523,872 | 3.93% |
| 11. | TOMATO | Mwanga | 909 | 186,691,548 | 3.70% |
| 12. | TOMATO | Rio Grande | 634 | 123,957,110 | 2.46% |
| 13. | EGG PLANT | D-B3 | 1,293 | 82,603,960 | 1.64% |
| 14. | CABBAGE | Copenhagen Market | 757 | 51,754,823 | 1.03% |
| 15. | LEAFY VEGETABLE | Collard | 316 | 23,240,488 | 0.46% |
| 16. | LEAFY VEGETABLE | Kale Thousand Headed | 184 | 20,161,463 | 0.40% |
| 17. | TOMATO | Nyota | 4 | 19,911,950 | 0.39% |
| 18. | BASIC SEED | Basic Seed vegetable | 918 | 19,212,000 | 0.38% |
| 19. | LEAFY | Rape Seed | 275 | 18,895,375 | 0.37% |
| 20. | LEAFY | Spinach | 243 | 18,803,347 | 0.37% |
| TOTAL | | | | 4,839,351,547 | 95.88% |



Top 20 vegetable varieties contributing to 96% of total Vegetable Sales for the FY 2023/24



Top 20 Vegetable varieties sales in Tanzania Shillings



Total sales of Pastures

The pasture sales reported in the financial year 202/23 dropped by 110% as compared to the same performance for the previous year's 2023/24 due to the adverse weather conditions and delayed registration of pastures seeds.

| Varieties | Sales in Kgs | | | Sales in Values (TZS) | | |
|--------------|--------------|---------|---------------|-----------------------|-------------------|--------------|
| | 2023/24 | 2022/23 | Change in Kgs | 2023/24 | 2022/23 | % Change |
| Bermuda | 557.00 | 238.00 | 319 | 58,585,000 | 24,714,000 | 137 % |
| Lucerne | 108.50 | 67.50 | 41 | 8,629,500 | 5,001,500 | 73 % |
| Desmodium | 0.25 | 8.00 | (7.75) | 32,000 | 970,000 | (97) % |
| Rhodes | 259 | 28 | 231 | 9,145,000 | 1,130,000 | 109 % |
| Kikuyu | 0.5 | 27.50 | 27 | 78,000 | 4,123,060 | 98 % |
| Bracharia | 16.50 | 11.50 | 5 | 2,244,000 | 1,567,500 | 43% |
| TOTAL | | | | 78,713,500 | 37,506,060 | 110 % |

Cost of Sales

There was an increase in the cost of sales reported of TZS 5.00 billion for the period ended 30 June 2024 by 10% as compared to TZS. 4.56 billion reported in the same period last year. However, as compared to the budget there was a reduction of 34%. The reduction in the cost of sales was as a result of local seed maize production and reduced sales as compared to the projection.

| COST OF SALES | Actual 30 June 2024 | Prior year 30 June 2023 | Budget 30 June 2024 | % Budget against actual | % Actual Against Prior year |
|----------------------------|----------------------|-------------------------|----------------------|-------------------------|-----------------------------|
| | TZS | TZS | TZS | | |
| Maize | 1,667,843,994 | 1,240,911,317 | 1,468,419,126 | (14) % | (34) % |
| Vegetable | 3,106,367,985 | 3,014,692,036 | 5,693,097,406 | 45 % | (3) % |
| Agrochemicals | 78,106,481 | 87,498,708 | 97,477,954 | (64) % | 11 % |
| Sunflower | 94,937,115 | 186,706,322 | 149,330,858 | 36 % | 49% |
| Pasture | 35,474,868 | 20,176,702 | 67,426,251 | 47% | (76) % |
| Other products | 18,394,703 | 9,232,670 | 59,457,739 | 69 % | (99) % |
| TOTAL COST OF SALES | 5,001,125,146 | 4,559,217,755 | 7,535,209,335 | 34 % | (10) % |

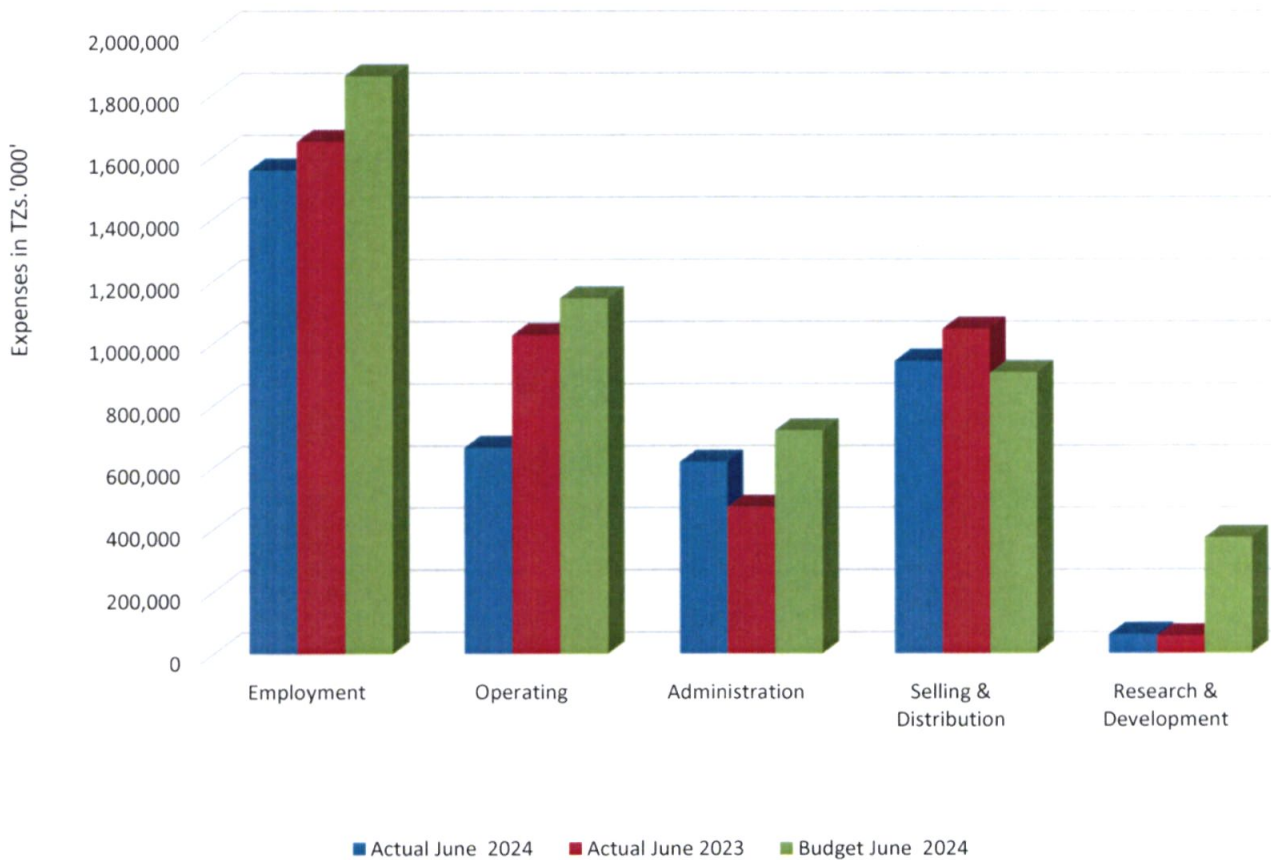
Operating Expenses

The company had budgeted for TZs. 4.99 billion for the year ended 30 June 2024. However, during the period the company spent TZs. 3.89 resulting into a saving of 22% attributable to cost containment austerity measures employed by the company. Nevertheless, this was lower than the prior year of spending of TZs. 4.24 billion by 10% due the provision of bad and doubtful debts expensed in the selling and distribution expense line.



| Description of Expense | Actual 30 June 2024 | Prior year 30 June 2023 | Budget 30 June 2024 | % Budget against actual | % Actual Against Prior year |
|------------------------|----------------------|-------------------------|----------------------|-------------------------|-----------------------------|
| | TZS. | TZS. | TZS. | | |
| Employment | 1,555,233,833 | 1,647,577,639 | 1,860,109,788 | 17% | 6% |
| Operating | 664,266,086 | 1,025,464,581 | 1,143,985,260 | 42% | 35% |
| Administrative | 615,555,491 | 470,474,387 | 717,796,195 | 17% | (27) % |
| Selling & Distribution | 941,207,081 | 1,045,068,718 | 904,483,169 | (4) % | 10% |
| Research & Development | 113,135,424 | 55,442,649 | 370,985,000 | 84% | (6)% |
| Total Expenses | 3,889,397,915 | 4,244,027,974 | 4,997,359,412 | 24% | 10% |

Bar chart presentation of Budget Vs Actual operating Expenses for FY 2022/23 Vs 2023/24





Profit before Tax

The Profit before Tax are highlighted in the following Table

| Company Performance | | |
|---------------------------------|------------------------|----------------------|
| Year | 2023/24 | 2022/23 |
| | TZS | TZS |
| Profit (Loss) before Tax | (1,234,516,944) | 2,451,731,390 |

Kibo Seeds Company Tanzania reported a pretax loss of TZS. 1.23 billion for the year ended June 30, 2024.

Cash and Cash Equivalents

The Company closed the year June 30, 2024 with a net positive cash position of TZS.1.09 billion. This was higher than prior year closing net cash position of TZS. 1.04 billion as at June 30, 2023

Entity's compliance with statutory requirements

The Company has complied and enforced the various constitutional and statutory obligations such as follows:

- (a) Higher Education Students' Loans Board (HESLB)
- (b) National Health Insurance Funds (NHIF)
- (c) National Social Security Fund (NSSF)
- (d) Pay As You Earn (PAYE)
- (e) Skills Development Levy (SDL)
- (f) Workers Compensation Fund (WCF)

The company also remitted funds owed by staff and deducted from the staff's pay slips as per staff's instruction to institutions such as SACCOS and other financial institutions in accordance with company policy.



KIBO SEED COMPANY LTD MANAGEMENT MEETING WITH SYNGENTA STAFF KEY SUPPLIER



Key projects and investment decisions the entity is planning/implementing

The company has done major local production of Maize, local vegetables and sunflower spread out in various regions in Tanzania depending on the Agro-ecological zones.

Research and Development of New Varieties

(a) Pasture

Registration of Boma Rhodes and Lucerne has been finalized and released by the seed release committee for commercialization.

(b) Mwanga Variety:

Mwanga variety of tomatoes was registered. Sample of basic seed passed germination test and now we are doing seed multiplication.

(c) Seed Release:

- Seeds for H.6213, H.624 and H.520 were received from Kenya Seeds Company and were subjected to multilocational trials to update the data for the purposes of registration of these varieties in the in TARI Uyole in the United Republic of Tanzania. H6213 and H624 was successfully released by the National Seed Release committee and gazetted by the Minister of Agriculture for commercialization.
- Similarly, two new maize varieties namely H533 and H 534 were also subjected to trial at the Nane Nane demonstration plots and analysis for crop merits is in progress to establish their suitability for production in Tanzania.

(d) Vegetable and Sunflower Trials

- There is evaluation of several number of crops planted at Nane Nane planted on September 2022. The crop now at different stages. Some lines are:
 - (i) Commercially we are selling Zawadi, Juliana and sugar baby. The disadvantage of zawadi is big seeded. At Nane Nane we are evaluating more than 10 varieties of water melon for small seed and sugar content.
 - (ii) We are evaluating a red cabbage from sygenta for its market's acceptability
 - (iii) We are evaluating number of tomatoes at Nane Nane to the market's acceptability.
- Two new varieties namely: H898 and H893 sunflower were tried at both Nane Nane and TARI to establish customers. Since it was the first establishment in Tanzania, a number of merits are being analyzed which includes disease score, head radius, oil content, and yield. A similar trial was also established in Mwanza.



Major risks facing the entity

The company's principal financial instruments comprise cash and cash equivalents, trade receivables, trade payables and amounts due to related parties. These instruments arise directly from its operations. The company does not enter into derivative transactions. The company has exposure to the following risks from its use of financial instruments and from its operations

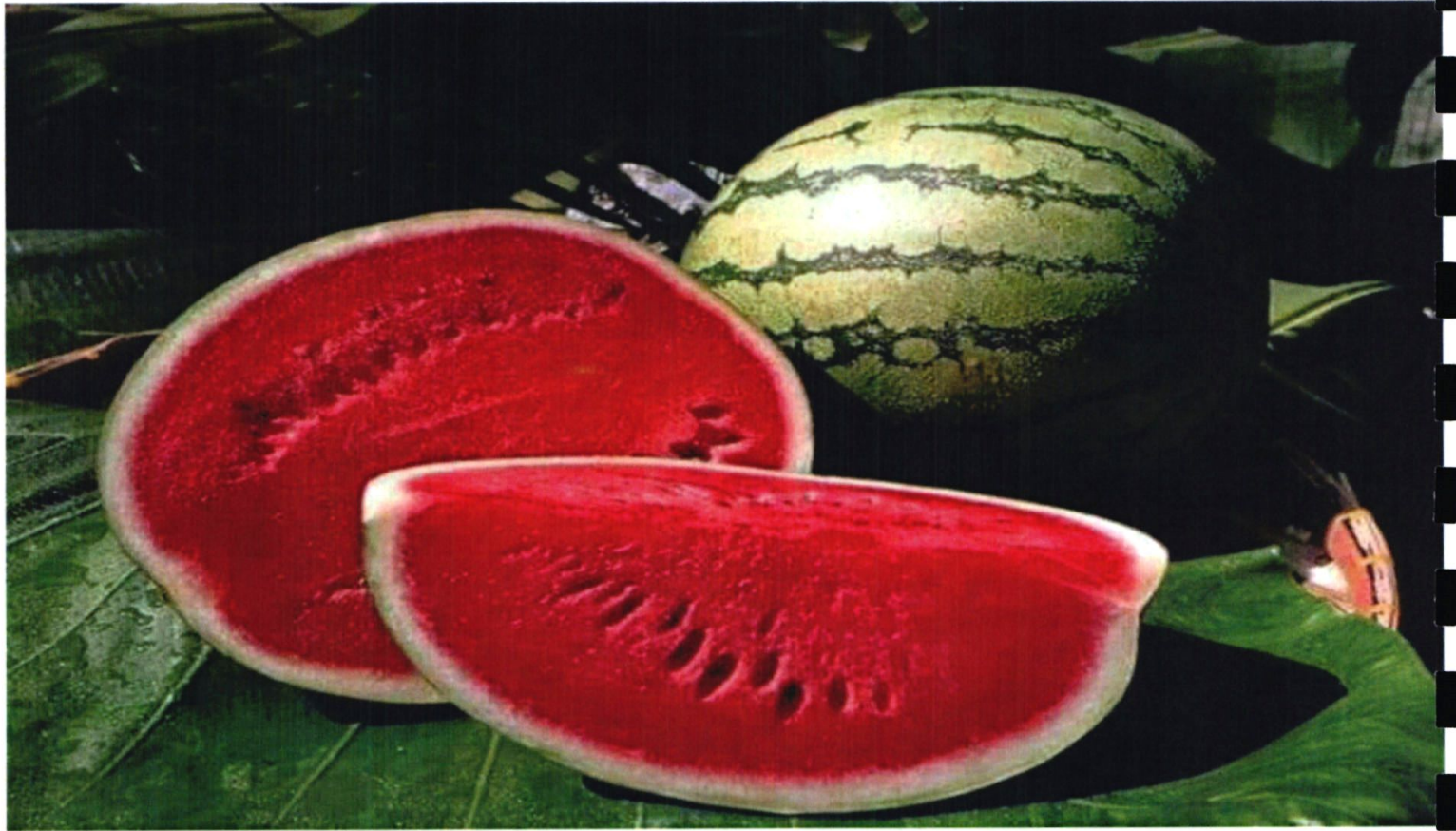
| S/N | Risk Category | Description | Risk Treatment measures (Mitigations) |
|-----|----------------------------------|---|--|
| 1 | Political | The risk of losses occurring as a result of political events either destruction of our properties or boycott of our products | Ensuring good co-existence with the stakeholders Using risk management instruments and remaining neutral in the political scene Fairness and Diversity in our employment policies. |
| 2 | Credit Risk | The risks that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Where customers default on their payment commitment to us, the financial condition, results of operations and cash flows could be materially and adversely affected. | Rigorous vetting of customers before extending credit. Regular review of receivables to ensure adherence to payment terms. (iii)Enter into factoring arrangements on Government debt especially with those in financial crisis. (iv) Strict implementation of the credit policy. |
| 3 | Business interruption/continuity | Business interruptions stemming from network failure, incapacitation of staff, the unavailability of raw materials, information technologies, skilled labor, facilities or other resources, that may threaten the Company's capacity to continue operations over a period of time. | Continuous improvement and maintenance of the network infrastructure. Timely planning of the raw material requirements. Capacity building of the current employees. |
| 4 | Competition | Competitors may price their products below our prices and this will have an effect on the demand our products and reduced sales volumes especially in those markets that are price sensitive | Continuous investment in research and development to produce quality seed products Strengthen the distribution network. (iii)Vigorous promotion. |
| 5 | Adverse Weather & Climate change | This may affect the availability, quality and price of agricultural commodities as well as demand of our products | Breeding early maturing seed varieties especially for those markets with shorter wet seasons. Breeding drought tolerant varieties. |
| 6 | Inventory Holding Risk | The Company's inventory risk relates to seed stocks where the stocks are prone to damage / degradation | Thorough review of the sales projections to determine appropriate |



| S/N | Risk Category | Description | Risk Treatment measures (Mitigations) |
|-----|---------------|--|---|
| | | during the period stock holding Resulting in Write/offs stocks resulting in reduced profits. | levels of production to avoid over stocking. |

Material arrears in statutory/financial obligations

On February 05, 2024 TRA conducted audit for the years 2021-2022 and gave a tax liability of TZS 576 million. The same was objected by the company and a notice of objection was admitted after the company paid the lesser of a third of the disputed amount of TZS 50 million. The company also paid undisputed tax of TZs. 76Million. The company on 7th May 2024 received a tax liability of TZs. 2.3 billion being unpaid tax resulting from assessment done from 2007 to 2024. The process of reconciliation with the Tanzania Revenue Authority to establish the correct tax position is in progress. However, this may significantly affect the company operation when the liability is confirmed.



ABOVE; FARMERS TRAINING ON BEST AGRONOMIC PRACTICES

BELOW; ZAWADI F1 ONE OF MAJOR SWEET WATERMELON SOLD BY KIBO SEED COMPANY



ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Kibo Seed Company is a people driven company. Our business makes a positive contribution to the society by helping agriculture tackle food security in our region. Its values are embodied and build in the understanding that the customers and the community are the reasons why we are in business.

We exist because of the community. We are therefore a citizen driven Company and the welfare of the society is our concern. Since the community is the reason why we exist in the business environment, giving back to the very community is good business governance.

We as an organization not only take pride when we excel in business but also while contributing to the local community and investing in the community as a whole. Our commitment is also centered on serving humanity where our business has mutual interest. We conduct every aspect of our business with honesty, integrity, openness and respecting human rights and the interest of our employees, customers and the stakeholders.

Economic sustainability

Financial sustainability

The company's main mandate is to avail top quality seed products and services through focused research, production, processing and distribution of agricultural seed in order to meet customer needs while increasing the shareholder value by remaining profitable. The company generates its own revenues by selling top quality seed.

Capacity improvement

In order to avail sufficient top-quality seed products and services to the market, the company has expanded its seed production across the United Republic of Tanzania with intensified training to the growers and seed merchants

The company also has Training Needs program for its employees where employees are taken to trainings to improve on their skills so that they can offer quality services to the customers and this will encourage customers to bring more business to the company.

Regulated environment

The aim of the company is to provide goods and services to the Public at affordable prices and therefore Kibo Seed as a company has ensured that the prices for our seed products are set at a certain limit to enable farmers get quality seed at affordable prices. The tax laws are changing fast and therefore the company has to comply with the set regulations regarding taxes. But with the above, the company has to safeguard its stakeholder interests while operating in this regulated environment.

Environmental sustainability and performance

Climate change has never been more important than it is today in order to secure the sustainability of not only humans but also that for other species as well. Good environmental practices are encouraged as they secure the wellbeing of the general economic divide. One of the major environmental factors impacting on the way Kibo Seed Company operates is climate



change which results in erratic weather patterns which in turn affects planting times and also currently allows for two cropping seasons. Farmers are moving to early maturing varieties.

There has also been the issue of diminishing soil fertility due to erosions and frequent use of fertilizers which impacts negatively on the quality and quantity of the yields and emergence of new crop diseases and pests such as Maize Lethal Necrosis Disease (MLND), Fall Army Worm (FAW), GLS, and Maize Streak Virus (MSV) among others reduces yields, crop failure and also discourages farmers.

The company through its qualified and trained Field officers and Researchers have continually been educating the farmers on the new seed that is resistant to most diseases and on improved ways of farming so that they do not rely on using the chemicals which are harmful to the environment.

Employee welfare

Occupational safety and health

During the year the company carried out the following:

- Maintenance of fire-fighting equipment was done Bi- annually.
- Warning signs clearly marked in the company factories e.g., "Falling Stacks" etc., fire exit and the emergency evacuation procedures.
- Each Workplace in the Company Registered.
- Carried out medical examination
- Occupational Safety and Health Training done.
- Occupational Safety and Health matters handled through the staff committee.
- Workplace accidents reported on time to the insurance.

Talent management

The Company attracts and retains high-quality employees, developing their skills, and continuously motivating them to improve their performance. A training need analysis is developed for each department and consolidated employees send for training to various training institutions/ some training institutions come to the Company to train staff to develop their knowledge and skills.

Performance appraisal frameworks

The Company carries out staff appraisal in the first and second half. The Company recently changed the performance appraisal tool where by a staff is appraised according to their job descriptions and their targets and achievements. The employees meet with their supervisors to discuss the results are used to either promote the staff or renew their contracts This exercise is carried out to measure performance and essential for the growth of a company and the employee. It helps the company to find out whether the employee is being productive or is a liability. It helps the employee to find out where his / her career is heading.

Market place practices

Responsible Competition practice. Currently, there are various seed companies in the market, but Kibo Seed Company seed respects the space for other seed producing companies through



marketing its products and demonstrating to our customers the best agronomical practices, which has enabled the company to maintain the largest market space in the country and abroad.

Responsible marketing and advertisement

The Company utilizes several modes for marketing and advertising. These include the use of radio, bill boards, field demonstrations, Nane Nane shows as well as local and international exhibitions through these media the Company promotes its products ethically and with fair practice within the industry, enabling the sharing of factual information to farmers and the public.

Social sustainability

Economic empowerment

Kibo Seed Company enables the surrounding communities to improve their livelihoods by offering jobs to the locals. The company provided casual/temporary employment to 600 locals in the company's Arusha and Makambako processing plants.



KIBO Seed Company award due to exemplary performance in Nane Nane show August 2023

REPORT OF THE DIRECTORS

The Directors submit their audited financial statements for the year ended June 30, 2024 which show the state of the company's performance and company affairs.

Principal Activities

The company carries on the business of seed production, processing, distribution and sales of cereals, vegetables, pastures and sunflower. It operates a seed maize cleaning and dressing plant. The Company also pack and distributes vegetable seeds.

Results

The results of the company for the year ended June 30, 2024 are set out in the statement of comprehensive income on page 1.

Directors

The Directors who served during the year and to the date of this report are as shown on page (xii) to xiii).

Auditors

The Auditor General of Kenya is responsible for the statutory audit of the company's financial statements in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act, of 2015. However, IFS audit firm was appointed as the Company's auditors for the year ended June 30, 2024 during the Board resolution held on 19th June 2024, in compliance with the Tanzania Companies Act, CAP 212 Act No. 12 of 2002 section 170(1).

By order of the Board



Wilkister Simiyu
Company Secretary

16/12/2024

Date



Photo Above: KIBO Seed Staff during the world women day giving back to the society by donating to the children home. ©KIBO Seed Company 2024



STATEMENT OF DIRECTORS' RESPONSIBILITY FOR THE YEAR ENDED JUNE 30, 2024

The Tanzania Companies Act, CAP 212 Act No. 12 of 2002 requires the Directors to prepare financial statements for each financial year, which present fairly the state of financial affairs of the Company as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure the Company keeps proper accounting records, which disclose with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Tanzania Companies Act, CAP 212 Act No. 12 of 2002. The Directors are of the opinion that the financial statements present fairly the state of the financial affairs of the Company and of its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control. The Directors are 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.

Approval of the financial statements

The financial statements and the accompanying notes were approved by the Board of Directors on 12th December 2024 and were signed on its behalf by:

A handwritten signature in blue ink, appearing to read 'Symon', written over a horizontal line.

Mr. Symon Cherogony
Chairman of the Board

A handwritten signature in blue ink, appearing to read 'Patrick Thuo', written over a horizontal line.

Mr. Patrick Thuo
General Manager



KIBO Seed Company staff visit to Children Home during the World Women International day
In March 25 2024

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KIBO SEED COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kibo Seed Company Limited set out on pages 1 to 32, which comprise of the statement of financial position as at

Report of the Auditor-General on Kibo Seed Company Limited for the year ended 30 June, 2024

30 June, 2024 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kibo Seeds Company Limited as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015, Tanzania Companies Act, 2002 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unconfirmed Balance Due from Related Parties

The statement of financial position reflects an amount due from related parties of TZS.7,959,761 (equivalent to Kshs.391,335) which as disclosed in Note 18(a) to the financial statements relates to amount due from Simlaw Seeds Company (Kenya) Limited as at 30 June, 2024. However, the financial statements of Simlaw Seeds Company Limited did not disclose this balance.

In the circumstances, the accuracy and completeness of the balance of TZS.7,959,761 due from related parties could not be confirmed.

2. Unconfirmed Balance Due to Related Parties

The statement of financial position shows an amount due to related parties of TZS.11,662,617,139 which as disclosed in Note 18(b) to the financial statements includes a balance of TZS.1,147,469,063 (equivalent to Kshs.56,414,408) and TZS.10,515,148,076 (equivalent to Kshs.516,968,932) due to Simlaw Seeds Company Limited and Kenya Seed Company Limited respectively as at 30 June, 2024. However, the financial statements of Simlaw Seed Company Limited reflect Kshs.57,825,000 (equivalent to TZS.1,176,160,500) resulting into unexplained variance of TZS.28,691,437 (equivalent to Kshs.1,410,592).

Similarly, the financial statements of Kenya Seed Company Limited reflect Kshs.517,742,000 (equivalent to TZS.10,530,872,280) resulting into unexplained variance of TZS.15,724,204 (equivalent to Kshs.773,068).

In the circumstances, the accuracy and completeness of the balance of TZS.11,662,617,139 due to related parties could not be confirmed.

3. Long Outstanding Trade and Other Payables

The statement of financial position as at 30 June, 2024 reflects trade and other payables amount of TZS.1,740,571,126 which includes trade payables of TZS.1,543,391,755 as disclosed in Note 17 to the financial statements.

The amount of TZS.1,543,391,755 includes TZS.314,823,547 owed to a supplier of seeds. However, the amount has been outstanding since 2018. No explanation has been provided for failure to prioritize the repayment of the debt.

In the circumstances, the Company may be exposed to risk of loss of funds through interest and penalties arising from litigation instituted by creditors.

4. Unsupported Interest Charged on Cash Advance to Contracted Farmers

The statement of profit or loss and other comprehensive income reflects other income amount of TZS.32,031,474 which as disclosed in Note 3 to the financial statements includes TZS.9,627,600 relates to interest income on cash advance to customers. It was observed that the entity charges a rate of interest of 1 percent (1%) on cash advance to farmers. However, the policy guiding the charging of interest was not provided for audit.

In the circumstances, the accuracy and completeness of interest income amount of TZS.9,627,600 could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kibo Seed Company Limited Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

1. Material Uncertainty Related to the Going Concern

The statement of financial position reflects total current assets balance of TZS.8,025,664,182 and total current liabilities balance of TZS.13,403,188,265 thus resulting in a current ratio of 1.7. This is an indication that the Company is technically insolvent and is likely to face financial difficulties as it may be unable to meet its short-term financial obligations through its current assets. Best practice recommends that a good current ratio should be greater than 1 with the ideal ratio being 2:1.

In the circumstances, the Company may not be able to meet its current obligations as and when they fall due and its continued operations as a going concern is dependent on the support of the parent company and creditors.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of TZS.14,882,654,408 and TZS.10,140,324,562 respectively resulting to an under-collection of TZS. 4,742,329,846 or 32% of the budget. Similarly, the Company spent TZS.3,889,397,915 against a budgeted expenditure of TZS.4,997,359,411 resulting to an under-utilization of TZS.1,107,961,496 or 22% of the budget.

The under-collection of the targeted revenue may have affected the implementation of planned activities and may have impacted negatively on the profitability and overall performance of the Company.

3. Long Outstanding Trade Receivables

The statement of financial position as at 30 June, 2024 reflects trade and other receivables amount of TZS.2,360,861,482 which include trade receivables amount of TZS.2,328,904,748, pre-payments amount of TZS.28,531,600, other receivables amount of TZS.3,425,134 and provision for bad debts amount of TZS.569,311,427 as disclosed in Note 12 to the financial statements. However, review of the ageing analysis revealed that TZS.1,336,526,036 of trade receivables has been long-outstanding and no explanation has been provided for non-recovery.

In the circumstances, the recoverability of the long outstanding receivables could not be confirmed.

My report is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Information

The Management is responsible for the other information set out on page v to liv which comprise of Key company Information, Corporate Information, The Board of Directors, Management Team, Chairman's Report, General Manager's Report, Statement of Corporate Governance, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The other information does not include the financial statements and my audit report thereon.

In connection with my audit on the Company's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Unsupported Legal Fees

The statement of profit or loss and other comprehensive income reflects administration expenses of TZS.2,170,789,324 which as disclosed in Note 5 to the financial statements reflects legal and professional fees of TZS.99,125,583 which includes legal expenses of TZS.14,904,000 paid to a legal firm which acts as Company Secretary. However, the expenditure was not supported with procurement documents showing how the firm was identified or competitively outsourced. In addition, no appointment letter or contract agreement was provided for audit defining terms of engagement contrary to Part I of the Tanzania Companies Act, 2002 on Regulations for Management of a Public Company Limited by Shares under Regulation 100 which states "The secretary shall be appointed by the directors for such term, at such remuneration and upon such conditions as they may think fit; and any secretary so appointed may be removed by them". Further, user requisitions from the Accounting Officer specifying the case and the itemized instructions on the services required, and certificates of costs on which the legal fee notes were based as per relevant advocates remuneration order and copies of judgements summaries where applicable were also not provided for audit.

In the circumstances, the authenticity and regularity of the legal and professional fees expenditure amounting to TZS.14,904,000 could not be confirmed.

2. Unsupported Procurement of Packaging Materials

The statement of profit or loss and other comprehensive income reflects cost of sales amount of TZS.5,001,125,145 which includes opening inventories amount of TZS.3,863,266,058, purchases amount of TZS.5,810,260,255 and closing stock amount of TZS.4,672,401,167 as disclosed in Note 2 to the financial statements. The purchases amount includes packaging materials totalling TZS.507,314,931 supplied by various firms that were not supported with procurement documents including tender or quotations, minutes of opening and evaluation committees and letters of award.

In the circumstances, the regularity of the procurement procedures could not be confirmed.

3. Irregular Procurement on Motor Vehicles Fuel and Lubricant Expenses

The statement of profit or loss and other comprehensive income reflects operating costs amount of TZS.664,198,990 as disclosed in Note 6 to the financial statements which includes an amount of TZS.114,986,059 on motor vehicle fuel expenses. However, the following anomalies were noted;

- (i) The suppliers were single sourced but there was no evidence that the goods, works or services were available only from a particular supplier and no reasonable alternative or substitute exists.
- (ii) There was no evidence that the accounting officer issued a written justification for single-source selection in the context of the overall interests of the procuring entity.
- (iii) There was no advertisement for the intention to single source.
- (iv) Fuel register and original work tickets have not been provided to support fuel expenses
- (v) Contract agreement between the Company and the suppliers was not provided for audit

In the circumstances, the regularity of the expenditure on motor vehicle fuel could not be confirmed.

4. Irregularities in Procurement on Repairs of Motor Vehicles

The statement of profit or loss and other comprehensive income reflects operating costs of TZS. 664,198,990 which as disclosed in Note 6 to the financial statements includes TZS.109,652,174 for motor vehicle repairs out of which TZS.95,848,777 related to the tenders for the provision for repair of motor vehicles that was awarded to eight (8) firms. However, the following anomalies were noted;

- (i) The firms were awarded the tenders without floating quotations.
- (ii) There was no tender opening and evaluation minutes, professional opinion, letter of notification of award and contract agreement.
- (iii) There was no pre and post repair inspection certificate.
- (iv) Motor vehicle repair logbook and original work tickets have not been provided.

In the circumstances, the regularity of the expenditure on motor vehicle repairs could not be confirmed.

5. Irregularities in Procurement of Insurance Services

The tender for the provision of insurance service for motor vehicle and general insurance was tendered through Quotation No. KSCL/RFQ/GIS/2023-2025 floated on 8 May, 2023. Quotations were sent to three (3) firms but only one responded, therefore the quotation was non responsive and Management should have re-advertised. However, the evaluation committee went ahead and awarded the tender at a contract price of TZS.44,701,599,000. In addition, at the preliminary evaluation stage, a valid tax clearance certificate was mandatory requirement but was not provided by the firm hence it should have been disqualified. Further, procurement of insurance service was not supported with valuation report and the insurance policy document for private motor vehicles and motor

cycles have not been provided for verification and the insurance policy for commercial motor vehicles submitted did not indicate the vehicles insured.

In the circumstances, the regularity of the expenditure on motor vehicle insurance could not be confirmed.

6. Lack of Approved Price Guidelines

The statement of profit or loss and other comprehensive income reflects sales revenue amount of TZS.10,140,324,562 and as disclosed under Note 1 to the financial statements. However, the price list used was not approved by the Board and the Accounting Officer but was instead prepared by the staff in Finance Department and not based on verifiable price survey.

In the circumstances, there is possibility of using rates which are not commercially viable.

7. Failure to Hold Annual General Meetings

The statement of corporate governance indicates that the board held two Board meetings during the year under review. However, review of the underlying documentation and information indicated that the company did not convene any Annual General Meeting as required under Paragraph 47 of the Company's Memorandum and Articles of Association. This was also contrary to Paragraph 47 of the Companies Ordinance (Cap 212), Company Limited by Shares - Memorandum and Article of Association of Kibo Seed Company 2002 which provides that the Company shall in each year hold a general meeting as its Annual General Meeting in addition to any other meetings in that year, and shall specify the meeting as such in notices calling it; and not more than fifteen months shall elapse between the date of one Annual General Meeting of the company and that of the next.

In addition, due to failure to hold an Annual General Meeting, the Company did not implement rotation of directors as required under Paragraph 89 of the Company's Memorandum and Articles of Association.

Under the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the effect of the matters described in the Basis for

Report of the Auditor-General on Kibo Seed Company Limited for the year ended 30 June, 2024

Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Incomplete Fixed Assets Register

The statement of financial position and as disclosed in Note 9 to the financial statements reflects property, plant and equipment valued at TZS.1,526,520,550. However, review of the fixed assets register revealed missing details such as code or tag numbers, assets reference, serial numbers and land reference numbers.

Further, the ownership documents for land where the Company's premises are built were not provided for audit.

In the circumstances, the ownership of the land and adequate controls and security of the company assets could not be confirmed.

2. Irregularities in the Composition and Operations of Board of Directors

The report on the Board of Directors in page vii of the annual report and financial statements reflects the Board of Directors who served the entity during the year. However, review of the underlying documentation and information revealed that two (2) directors served as non-executive directors of the company during the year ended 30 June, 2024 with effect from the month of June, 2024 but there was no evidence of their appointment through resolutions of the Company General meeting as provided under paragraph 93 of the Company's Memorandum and Articles of Association of 2002 and the report did not disclose the details of their predecessors who served during the year. In addition, Company directors were also serving as members of the board of directors of Kenya Seed Company Limited (Parent Company) through Gazette Notice No. 9559 of July 13, 2023 exposing the directors to the risk of self-oversight and double earning from directors' allowances. Further, the Management did not provide the appointment documentation for one of the directors for audit.

Under the circumstances, it was not possible to confirm whether the directors met the eligibility criteria for appointment as directors of the company.

3. Failure to Transfer Ordinary Shares Held in Trust

The report on the Board of Directors in page vii and Company shareholding paragraph under the statement of corporate governance reflects the distribution of shareholding of the company of 99.98%, 0.01% and 0.01% for Kenya Seed company, former finance manager and former managing Director respectively as at 30 June, 2024. The Ordinary shares of 0.01% and 0.01% held by former Finance manager and former Managing Director were held on trust in their capacities as Finance Manager and Managing Director of Kenya Seed Company, being the parent company.

However, information available in the Tanzania Business Registrations and Licensing Agencies (BRELA) indicates that the Ordinary shares of 0.01% and 0.01% held by former

Finance Manager and former Managing Director on trust as the Finance Manager and Managing Director of Kenya Seed Company were not transferred to the subsequent office holders.

In the circumstances, there could be weak checks and balances in the handing over and taking over procedures that could result in loss of government control over the Company through unauthorized shareholding and transfer.

4. Irregular Change of Value of Ordinary Share Capital

Note 15 to the financial statement reflects Authorized Share Capital of TZS.5,000,000,000 being 10,000 Ordinary Shares each 500,000 as at 30 June, 2024. However, review of the underlying documentation and information revealed that the company directors in an Extraordinary General Meeting held on 2 October, 2017 resolved to increase the company's share capital from TZS.10,000,000 to TZS.5,000,000,000. However, Management did not provide evidence of approval of the same by the Kenya Seed Company Ltd, being the parent company. Further, Management did not explain how the nominal share capital value increased from TZS.1,000 to Tzs.500,000. This is contrary to Paragraph 2 of the Companies Ordinance (Cap 212) Company Limited by Shares - Memorandum and Article of Association of Kibo Seed Company 2002 which provides that at the time of adoption of these Articles the capital of the Company is Tanzania Shillings 10,000,000 divided into 10,000 shares of TZS1,000 each.

In the circumstances, the management was in breach of the law and procedures on shares capital.

5. Failure to Hold Requisite Number of Board Meetings

The Company's Board of Directors held only two (2) board meeting against the required minimum of four (4) contrary to Section 8(1) of the State Corporations Act, 2012 which states that the board shall hold not less than four meetings in a year, and not more than three months shall lapse from the date of one meeting and the date of the next meeting.

In the circumstance, the Board was in breach of the law and effectiveness of the governance function of the Company could not be confirmed.

6. Irregular Recruitment of Staff

During the year, the company recruited four staff members through a recruitment agency and the new General Manager was redeployed by Kenya Seed Company Limited. Scrutiny of the of Human Resource Policies and Procedures Manual for Kibo Seed Company Limited, 2022, redeployment letters and personal files revealed the following:

- (i) The company does not have a Human Resource Plan.
- (ii) The General Manager appointed six (6) members to the (HRMAC) through memorandum Ref: KSC/GM/HRMA/6/2022-2 dated 14 June, 2022. However, as at 1 July, 2023, it had only four (members) which is less than the minimum number of five (5) forming the quorum. Therefore, the company did not have a Human Resource Management Advisory Committee (HRMAC) in place and there is no evidence the committee was involved in the recruitment process.

- (iii) The General Manager was redeployed by the parent company to the company. However, the Human Resource Policies and Procedures Manual for Kibo Seed Company Limited, 2022, states that senior posts, Job Grade KBSC 2 to KBSC 3 will be advertised externally in an open, competitive, fair and merit-based process.
- (iv) There is no evidence that the vacancies of the four (4) staff were advertised.
- (v) The recruitment of the staff was done by a recruitment agency; however, the recruitment is not specialized in nature as required by policy manual.

In the circumstances, the Management was in breach of recruitment procedures as set in the law and the Human Resource Manual.

7. Inadequate Qualifications for Key Staff

Scrutiny of the personal files of the Key Management, revealed that holders of the position of General Manager did not have evidence of a Masters Degree Qualification while Senior Accounts Officer (Acting Principal Human Resource Officer), Acting Procurement Officer and Quality Assurance Officers positions did not have Bachelor Degree which is a requirement for the respective positions.

In the circumstances, it was not possible to confirm whether the officers hold requisite qualifications for the posts held as per scheme of service.

8. Lack of Internal Audit

The Company does not have an internal audit function for reviewing the governance mechanisms and operations for transparency and accountability with regard to its finances and assets. This is contrary to Regulation 160(1) of the Public Finance Management (National Government) Regulations, 2015 which provides that internal auditors shall - (a) review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in national government entities, including Parliament and Judiciary; (b) have a duty to give reasonable assurance through the audit committee on the state of risk management, control and governance within the organization; and (c) review the effectiveness of the financial and non-financial performance management systems of the entities.

In the circumstances, the effectiveness of internal controls could not be confirmed.

9. Lack of Risk Management Policy, Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP)

The Company did not have a Risk Management Policy, Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) in place contrary to Section 165(1) of the Public Finance Management (National Government) Regulations, 2015 which requires each National Government entity to develop risk management strategies and a system of risk management.

In the circumstances, the company was in breach of law and there was no assurance over risk management.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the *Companies Act, 2015*, I report, based on my audit, that:

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on page xi is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on pages xvii has been properly prepared in accordance with the *Companies Act, 2015*.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the *Public Audit Act, 2015*.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors are responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP 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.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, SBS
AUDITOR-GENERAL

Nairobi

24 December, 2024



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2024

| | Notes | 2024 TZS | 2023 TZS |
|--|-------|-------------------------------|-------------------------------|
| Sales Revenue | 1 | 10,140,324,562 | 9,334,510,777 |
| <i>Less: Cost of Sales</i> | 2 | <u>(5,001,125,145)</u> | <u>(4,559,217,758)</u> |
| Trading Profit | | <u>5,139,199,416</u> | <u>4,775,293,018</u> |
| Other Income | 3 | 32,031,474 | 285,608,952 |
| Foreign Exchange gain/Loss | | <u>(2,516,349,919)</u> | <u>1,634,857,394</u> |
| | | <u>2,654,880,971</u> | <u>6,695,759,365</u> |
| Selling and distribution expenses | 4 | (941,207,081) | (1,045,068,718) |
| Administration expenses | 5 | (2,170,789,324) | (2,118,052,026) |
| Operating expenses | 6 | (664,266,086) | (1,025,464,581) |
| Research & Development | 7 | <u>(113,135,424)</u> | <u>(55,442,649)</u> |
| TOTAL OPERATING EXPENSES | | <u>(3,889,397,915)</u> | <u>(4,244,027,974)</u> |
| Profit(loss) Before Tax | | (1,234,516,944) | 2,451,731,390 |
| Income Tax | 8 | (61,832,086) | (149,228,030) |
| Total Comprehensive Profit/Loss | | <u>(1,296,349,030)</u> | <u>2,302,503,360</u> |

Notes and related statements forming part of these financial statements appear on pages 1 to 25
Auditors report on page xlvii – xlix




STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2024


| | | 2024 | RESTATED 2023 | 2023 |
|--|-------|------------------------|------------------------|------------------------|
| | | TZS | TZS | TZS |
| Non-Current Asset | | | | |
| Property, Plant & Equipment | 9 | 1,526,520,550 | 1,615,991,594 | 1,615,991,594 |
| Intangible Assets | 10 | - | - | |
| Total Non-Current Assets | | 1,526,520,550 | 1,615,991,594 | 1,615,991,594 |
| Current Assets | | | | |
| Inventories | 11 | 4,672,401,167 | 3,863,266,060 | 3,863,266,060 |
| Trade and other Receivables | 12 | 1,791,550,054 | 2,186,365,577 | 2,186,365,577 |
| Due from Related Parties | 18(a) | 7,969,761 | 55,610,432 | 55,610,432 |
| Tax Recoverable | 13 | 465,474,622 | 355,578,678 | 444,806,708 |
| Cash & bank balances | 14 | 1,088,268,578 | 1,041,433,197 | 1,041,433,197 |
| Total Current Assets | | 8,025,664,182 | 7,502,253,944 | 7,591,481,974 |
| Total Assets | | 9,552,184,732 | 9,118,245,538 | 9,207,473,568 |
| Equity & Liabilities | | | | |
| Share Capital | 15 | 825,518,035 | 323,172,497 | 323,172,497 |
| Advance to share Capital | 16 | - | 502,345,538 | 502,345,538 |
| Accumulated losses and Revenue reserve | | (4,676,521,568) | (3,381,982,120) | (3,381,982,120) |
| | | (3,851,003,533) | (2,556,464,085) | (2,556,464,085) |
| Current Liabilities | | | | |
| Trade & Other Payables | 17 | 1,740,571,126 | 2,145,195,420 | 2,234,423,450 |
| Related Party Transactions | 18(b) | 11,662,617,139 | 9,529,514,203 | 9,529,514,203 |
| | | 13,403,188,265 | 11,674,709,623 | 11,763,937,653 |
| Total Equity and Liability | | 9,552,184,732 | 9,118,245,538 | 9,207,473,568 |

Notes and related statements forming part of these financial statements appear on pages 1 to 25.
Auditors report on page xlvii – xlix

The financial statements set out on pages 1 to 25 were approved by the Board of Directors on 17 December 2024 and signed on its behalf by:


Mr. Symon Cherogony
Chairman

17/12/2024
Date


Mr. Patrick Thuo
General Manager

12/12/2024
Date


Mr. Charles Osii
Senior Associate Country Strategist
ICPAK M/NO:25743

12/12/2024
Date



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2024

| | Share Capital TZS | Retained Earnings TZS | Total TZS |
|---|----------------------|-----------------------------|------------------------|
| As at 1 July, 2023 | 323,172,497 | (3,381,982,120) | (3,058,809,623) |
| Advance to share capital converted to Equity | 502,345,538 | - | 502,345,538 |
| Total Comprehensive Income | - | (1,296,349,030) | (1,296,349,030) |
| As at 30 June, 2024 | 825,518,035 | (4,676,521,568) | (3,852,813,115) |
| As at 1 July, 2022 | 323,172,497 | (5,681,335,480) | (5,358,162,983) |
| Prior year adjustments | | (3,150,000) | (3,150,000) |
| Total Comprehensive Income | | 2,302,503,360 | 2,302,503,360 |
| As at 30 June, 2023 | 323,172,497 | (3,381,982,120) | (3,058,809,623) |

Notes and related statements forming part of these financial statements appear on pages 1 to 26. Auditors report on page LV



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2024

| | 2024 TZS | 2023 TZS |
|--|------------------------|----------------------|
| Cash flow from operating activities | | |
| (Loss) before tax | (1,234,516,944) | 2,451,731,390 |
| Adjustment: | | |
| Depreciation of Plant & Equipment | 157,198,915 | 240,265,487 |
| Amortization of intangible assets | - | 1,081,623 |
| Prior year adjustment | - | 3,150,000 |
| Operating cash flow before change in working capital | (1,077,318,029) | 2,696,228,501 |
| Working Capital Adjustments | | |
| Decrease (Increase) in inventory | (809,135,107) | (484,130,306) |
| Increase (Decrease) in trade & other receivables including related parties | 442,456,193 | 346,960,178 |
| Increase (Decrease) in trade & other payables | (404,624,294) | (386,200,385) |
| Increase (Decrease) in related parties | 2,133,102,935 | (1,678,346,099) |
| Net cash flows (used in)/operating activities | 284,481,698 | 494,511,888 |
| Income tax paid for the year | (82,500,000) | (60,000,000) |
| Prior year tax assessment paid during the year | (89,228,030) | - |
| | (171,728,030) | (60,000,000) |
| Net cash flows (used in)/operating activities | 112,753,668 | 434,511,888 |
| Cash flow from Investing activities | | |
| Purchase of property and equipment | (65,918,287) | (15,155,500) |
| Net cash used in investing activities | (65,918,287) | (15,155,500) |
| Cash flow from Financing Activities | | |
| Loan Advance Share Capital | - | - |
| Net cash flow from financing activities | - | - |
| Net(decrease)/increase in cash and cash equivalents | 46,835,381 | 419,356,388 |
| Cash and cash equivalents at the beginning of the year | 1,041,433,197 | 622,076,809 |
| Cash and cash equivalents at the end of the year | 1,088,268,578 | 1,041,433,197 |

Notes and related statements forming part of these financial statements appear on pages 1 to 26. Auditors report on page LV



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED JUNE 30 2024

| | Original & Final Budget 2023-2024 TZS. | Actual on Comparable basis 2023-2024 TZS. | Performance Difference 2023-2024 TZS. | % Change |
|-----------------------------|---|--|--|---------------------|
| Revenue: | | | | |
| Maize Seeds | 6,217,000,000 | 4,641,666,100 | (1,575,333,900) | (25) % |
| Vegetable Seeds | 7,257,780,208 | 5,046,349,287 | (2,211,430,921) | (30) % |
| Miscellaneous | 55,500,000 | 26,760,925 | (28,739,075) | (52) % |
| Sunflower | 1,001,150,000 | 247,857,250 | (753,292,750) | (75) % |
| Agro -Chemicals | 274,500,000 | 98,977,500 | (175,522,500) | (64) % |
| Pastures | <u>76,724,200</u> | <u>78,713,500</u> | <u>1,989,300</u> | <u>3 %</u> |
| Total Revenue | 14,882,654,408 | 10,140,324,562 | (4,742,329,846) | (32) % |
| Cost of Sales | <u>(7,535,209,335)</u> | <u>(5,001,125,145)</u> | <u>2,534,084,189</u> | <u>34%</u> |
| Gross Profit | 7,347,445,073 | 5,139,199,416 | (2,208,245,657) | (34) % |
| Other income | - | 32,031,474 | 32,031,474 | 100% |
| Foreign Exchange gain | = | <u>(2,516,349,919)</u> | <u>(2,516,349,919)</u> | <u>100%</u> |
| Total Income | 7,347,445,073 | 2,654,880,971 | (4,692,564,103) | (64) % |
| Selling & Distribution | 904,483,169 | 941,207,081 | (36,723,912) | (4) % |
| Administrative Cost | 2,577,905,982 | 2,170,789,324 | 407,116,658 | 16% |
| Operating Expenses | 1,143,985,260 | 664,266,086 | 479,719,174 | 42% |
| Research & Development | 370,985,000 | 113,135,424 | 257,849,576 | 70% |
| Total Expenses | 4,997,359,411 | 3,889,397,915 | 1,107,961,496 | 22% |
| Profit Before Taxes | 2,350,085,662 | (1,234,516,944) | (3,584,602,606) | (150) % |
| Corporate Tax | <u>(705,025,699)</u> | <u>(61,832,086.)</u> | <u>(643,193,613)</u> | <u>91%</u> |
| Net Profit After Tax | <u>1,645,059,964</u> | <u>(1,296,349,030)</u> | <u>2,941,408,994</u> | <u>(179)</u> |

Budget Notes for the Significant Variances above 10%

Sales Revenue

1. Maize seed

The negative variance of 25% was due to the stock out of the popular H628 maize variety which ran out during the season and reduced sales of H614 as earlier anticipated due to the anticipated El Nino rains in November 2023 – January 2024 resulting into uncertainty of the expected rainfall during the main season especially the Northern part of Tanzania thus most farmers opted for the short season crops.

2. Vegetable Seed

The vegetable sales reported a negative variance of 30% attributed to a number of factors which includes the failure to secure order from one of the NGO called One Acre Fund who purchased in the prior vegetable worth TZs. 200 million besides the company faced stock out of some vegetable seed varieties namely; carrots, Chinese cabbage, Kibo Star, Collards etc. The stock out was majorly due to the Suiz canal challenge that resulted in delay to have the seeds delivered and some suppliers ran out of stock like Kibo Star.

3. Sunflower seed

The negative variance of 75% of sunflower (Kenya Fedha) was attributed to the excessive rains received resulting into flooding between December 2023 – February 2024 significantly reducing production of sunflower which planted in mid altitude agro - ecological zones. Equally the government gave subsidy on hybrid seeds as compared to the open pollinated seeds making most of the farmers to shift their demand to the hybrid sunflower seeds.



4. Miscellaneous products

Miscellaneous products consist of maize storage bags, pumps, carrier bags, water filters, polythene tubing etc. The negative variance of sales in miscellaneous of 52% was as a result of reduced production due to the adverse weather conditions experienced in the year.

5. Agrochemicals

The negative variance of 64% was a result of reduced demand of chemicals due to adverse weather condition that led to reduced acreage under crop production during the year review. Equally the government subsidies also significantly reduced demand for fertilizers.

6. Pastures

The positive variance of 3% was attributed to the abrupt demand for lawn grass Bermuda which was required for the improvement of the government stadia. Equally the sensitization by the government for farmers to improve milk and meat production by planting hybrid pasture rather relying on the natural pastures has created demand for boma Rhodes and lucerne grass which were recently released for commercialization resulted to the positive variance.

Operating Expenses

Cumulatively the company had positive variance of 23% was attributed to the austerity measures implemented by the company which led to reduced cost as detailed below:

7. Administration Expenses

These are cost incurred for the general operation of the company and they include office stationery, audit expenses & fees, legal fees, security, staff training & recruitment, bank charges, directors' expenses. The period under review, the company had a favorable variance of 16% which was saving contributed by reduced expenditure on staff training, fumigation costs, licenses, internal audit expenses and office stationery cost due to austerity measures put in place by management.

8. Operating Expenses

The operating expenses are expenses that relates to general maintenance of vehicles, building, machineries and which enables these assets to be fully utilized to generate the company income. During the period the positive variance of 42% was attributed to reduced expenditure in utility cost, maintenance of building, machinery and motor vehicles and reduced insurance costs.

9. Research & Development Expenses

This expense is exclusively incurred during sampling and testing and research expenses of the seed and due seed stock outs, the anticipated quantity of seeds to be sampled and tested was not achieved resulting in a positive variance of 84%. Equally due to cash flow of the Research activities were postponed to the next financial year.



10. Finance costs

Finance costs are cost incurred in getting resources to finance operation like interest as well as gain or loss on foreign transactions. During the period under review the company had a more than 100% loss on foreign exchange attributed to depreciation of the Tanzanian shillings against foreign currencies as per Central Bank of Tanzania report of which its average exchange rate has been used to calculate the foreign gain or loss.

A significant drop in Kenya Shillings from the 1 Kshs to TZS 16.5718 in the year ended June 30, 2023 to an average of 1 Kshs to TZS 20.34 as at June 30, 2024 was reported resulting in a loss of TZS. 3.7682 against Kenyan shillings. Equally the dollar exchange rate increased from 1 US Dollar to TZs. 2,327.5203 as at June 30, 2023 to 1 US Dollar to TZs. 2,626.9307 resulting in a loss of TZs. 299.4104 while the Euro exchange rate increased from 1 Euro to TZs. 2,543.982 as at 30 June 2023 to 1 Euro to TZs. 2,816.5977 resulting in a loss of TZs. 272.6157. This accumulated loss led to foreign exchange loss of TZS. 2.511 billion at the Bank of Tanzania rate however, for the commercial bank rates of which the transactions were done these rates were extremely high.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

Accounting Concepts and Conventions

General Information

Kibo Seed was originally set up as a sales satellite of Kenya Seed Company with the sole objective of distributing seed maize. The company has diversified over time to include farm inputs and horticultural seeds. The company has started to implement the strategies as laid out in the strategic plan for the year 2023-2028 which has been finalized awaiting official launch.

Statement of Compliance and Basis of Preparation

Presentation of financial statements

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the entity's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements.

Items included in the Financial Statements of each of the entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Tanzania shillings (TZS), which is the Company's functional and presentation currency.

The Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and Tanzanian laws. The accounting policies adopted have been consistently applied to all the years presented.

Going Concern

The Company is involved in the production and sale of top-quality certified seed competitively through research and development to the satisfaction of stakeholders. The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realization of assets and settlement of liabilities in the ordinary course of business. However, the auditors would draw attention of the company's ability to meet its short maturing obligations and its margin of safety as the company's liquidity is less than one (1).

The company has a total current asset amounting to TZS 8.58 billion while the current liabilities of TZS 13.39 billion making a current ratio of 0.64. However, 88% of the current liabilities are owned to the holding company.

Summary of significant accounting policies

a. Revenue recognition

- i) Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable and represents the value of goods invoiced to customers during the year less discounts allowed to customers, sales returns and Value Added Tax.

- Revenue from sale of goods is recognized when the company has transferred to the buyers the significant risks and rewards incidental to the ownership of the goods; and
- Interest income is recognized on time basis, using the effective interest method. Effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected useful life of the financial asset to that asset's net carrying amount.



- ii) Other income is recognized on an accrual basis. It mainly relates interest on growers' advances, sale of chemicals, fertilizers, rental income and gain on disposal on assets.

b. Property, plant and equipment

Property, plant and equipment are stated initially at cost and subsequently revalued amounts less accumulated depreciation and any impairment losses. The basis of valuation is as follows:

- i) Buildings, warehouses, go-downs and houses – based on the Depreciated Replacement Cost taking into account the age of the building and the cost of replacing the same. The existing use was also considered since the buildings are part and parcel of the production process.

ii) Machinery

The valuation analysis took into account the following factors:

- Cost of the machines;
- Existing use;
- Depreciation;
- Appreciation of the same in value (inflation);
- Function ability; and
- Cost of assembly of the various machines to make it a plant.

iii) Other assets – based on their fair market values

Professional valuations are carried out in accordance with the company's policy of revaluing property, plant and equipment every three to five years. No valuation has been done.

Increases in the carrying amounts of property, plant and equipment resulting from revaluations are credited to the revaluation surplus, except to the extent that they represent a reversal of a decrease in the value of an asset previously recognized as an expense, in which case the increase is credited to the income statement to the extent the decrease was previously charged. Decreases in carrying amounts of property, plant and equipment are charged to income statement to the extent they exceed the balances, if any, held in the revaluation surplus relating to previous revaluation of the relevant assets.

On subsequent disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation surplus is transferred directly to the retained earnings.

Properties in the course of construction for administrative or other purposes are held in the books of account as work-in-progress at historical cost less any accumulated impairment losses. The cost of such assets includes professional fees and costs directly attributable to the asset. Such assets are not depreciated until they are ready for the intended use.

Gains or losses arising on disposal of an asset are determined as the difference between the net sales proceeds and the carrying amount of the asset at the time of sale and are recognized in the profit or loss in the year in which the sale occurred.

c. Depreciation

Depreciation is charged so as to write off the cost or valuation of the property, plant and equipment in equal annual installments over their estimated useful lives at the following annual rates:

- | | |
|--|--------|
| • Industrial and residential buildings | 5% |
| • Farm works | 5% |
| • Plant and machinery | 10% |
| • Tractors, trailers and forklifts | 10% |
| • Furniture and equipment | 20% |
| • Motor vehicles | 25% |
| • Computers | 33.33% |
| • Freehold land is not depreciated. | |

The useful life of property, plant and equipment and the pattern of utilization of economic benefits arising from the use of the assets are reviewed at each reporting date to take into account any



changes in the market, economic and industry trends.

d. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership to the lessee.

All other leases are classified as operating leases.

Payments to acquire leasehold interest in land are treated as prepaid operating lease rentals and stated at historical cost less accumulated amortization and any accumulated impairment losses. Annual amortization is charged on a straight-line basis over the remaining period of the lease. Rentals payable under operating leases are charged to the profit or loss on a straight-line basis over the term of the relevant lease.

Assets held under finance leases are recognized as assets of the Group at the lower of the fair value of the leased asset and the present value of the minimum lease payments determined as the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease liability to income statement over the lease term so as to produce constant annual rate of charge on the remaining balance of the obligations for each accounting year.

e. Intangible assets

Intangible assets represent computer software and are stated at their historical cost less accumulated amortization and any accumulated impairment losses.

Amortization is calculated to write off the cost of computer software on a straight-line basis over its estimated useful life of three years. The useful life of intangible assets and the pattern of utilization of economic benefits arising from the use of the intangible assets are reviewed at each reporting date to take into account any changes in the market, economic and industry trends.

Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses.

Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

f. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises expenditure directly incurred in purchasing, field inspection and monitoring costs and processing the inventory, together with appropriate allocation of processing overheads. Cost is calculated using the weighted average method

Net realizable value represents the estimated selling price less all estimated costs of completion and the estimated costs necessary to make the sale.

g. Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the relevant asset's recoverable amount is estimated in order to determine the extent of the impairment loss. Whenever the carrying amount of an asset exceeds its



recoverable amount, an impairment loss is recognized in the income statement unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a decrease in revaluation.

Impairment gains that represent reversal of losses previously recognized in relation to certain assets are captured as income unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in revaluation. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less selling costs, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the market reassessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Trade and other receivables

Trade receivables are carried at amortized cost less impairment. An estimate made for bad and doubtful receivables based on a review of all outstanding amounts, on an account-by-account basis, at the year end. Bad debts are written off in the year in which they are identified as irrecoverable. Trade and other receivables fall under the category loans and receivables.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents include short term liquid investments which are readily convertible to known amounts of cash, treasury bills maturing within three months of the acquisition date and which are subject to an insignificant risk of changes in value, net of any outstanding overdrafts.

Offsetting

Financial assets and liabilities are offset and the net amounts reported on the reporting date when there is a legally enforceable right to set off the recognized amount and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously.

Accounts payable

Accounts payable are non-interest-bearing financial liabilities and are carried at amortized cost, which is measured at the fair or contractual value of the consideration to be paid in future in respect of goods and services supplied by the suppliers, whether billed to the Company or not, less any payments made to the suppliers.

h. Foreign currency transactions

Transactions in foreign currencies are initially recorded by the Company entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the profit or loss with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognized in other comprehensive income until the disposal of the net investment, at which time they are recognized in the profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

i. Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions for liabilities



are recognized when there is a present obligation (legal or constructive) resulting from a past event, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the monetary value of the obligation.

j. Employee benefits

(i) Accrued leave pay

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for outstanding annual leave entitlement as a result of services rendered by employees up to the reporting date. The monetary value of the unutilized leave by staff as at year end is recognized within 'payables and accrued expenses and the movement in the year is charged to profit or loss.

(ii) Gratuity

Entitlements to gratuity are recognized when they accrue to qualifying employees and directors. A provision is made for the estimated annual gratuity as a result of services rendered by employees and directors up to the reporting date.

k. Contingent liabilities

Contingent liabilities arise if there is a possible obligation; or present obligations that may, but probably will not, require an outflow of economic resources; or there is a present obligation, but there is no reliable method to estimate the monetary value of the obligation.

l. Taxes

Current Tax

Current tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation. The current income tax charge is calculated on the basis of the tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the income statement.

Taxation

Judgment is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognizes liabilities for anticipated tax issues based on the estimates of whether additional taxes will be due. Where the final tax and outcome of matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax provisions in which such determination are made.

Changes in Accounting Policy and Disclosures

(i) New and amended standards adopted by the Company

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after January 01, 2021:

- Amendments to IFRS 9 Financial Instruments', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' - interest rate benchmark (IBOR) reform (Phase 2). The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.
- IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment - The IASB has provided lessees 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.

The, new standards/ amendments listed above did not have any material impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(i) New and amended standards issued but not yet effective

The following are new standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted but are relevant to the Company

| Amendment | Effective Date | Summary |
|---|--|--|
| Amendments to IAS 1 Presentation of financial statements on classification of Liabilities as current or non – current. | Annual periods beginning on or after January 01, 2023 | The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment. |
| Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction | Annual periods beginning on or after 1 January 2023. Earlier application is permitted. | Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Narrow scope amendments to IAS 1 Presentation of Financial Statements', Practice statement 2 and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors' | Annual periods beginning on or after 1 January 2023. Earlier application is permitted. | The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates. |

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

Application of New and Revised International Financial Reporting Standards (IFRS)

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2024



| | 2024 | 2023 |
|--|------------------------------|-----------------------------|
| | TZS | TZS |
| 1 SALES REVENUE | | |
| Vegetable seeds | 5,046,349,287 | 5,291,983,504 |
| Maize seeds | 4,641,666,100 | 3,385,344,340 |
| Sunflower Seeds | 247,857,250 | 500,391,550 |
| Other seeds and packing materials | 105,474,425 | 47,312,913 |
| Agrochemicals | 98,977,500 | 109,478,470 |
| | <u>10,140,324,562</u> | <u>9,334,510,777</u> |
| 2 COSTS OF SALES | | |
| Opening Inventories | 3,863,266,058 | 3,379,135,752 |
| Purchases | 5,810,260,255 | 5,043,348,061 |
| Closing Inventories | (4,672,401,167) | (3,863,266,058) |
| | <u>5,001,125,145</u> | <u>4,559,217,755</u> |
| 3 OTHER INCOME | | |
| Gain on Inventory | 1,358,176 | 28,311,319 |
| Miscellaneous sales | 1,877,693 | 1,747,200 |
| Rent Waiver | 7,058,000 | 122,100,000 |
| Simlaw Tanzania Account Closure | - | 5,209,316 |
| Tender income | 12,110,005 | - |
| Income as a result of litigation | - | 109,956,050 |
| Gain on disposal of assets | - | 15,408,362 |
| Interest Income on cash advance to growers | 9,627,600 | 2,876,700 |
| | <u>32,031,474</u> | <u>285,608,949</u> |
| 4 SELLING AND DISTRIBUTION EXPENSES | | |
| Local Travelling | 189,986,658 | 168,390,470 |
| Agricultural shows | 112,545,451 | 56,204,392 |
| Freight | 188,160,565 | 198,719,390 |
| Advertising | 4,322,418 | 5,886,573 |
| Entertainment | 264,000 | 1,712,000 |
| Production Packing | 17,419,099 | 27,838,552 |
| Import/Export/Custom | 808,004 | 1,224,000 |
| Corporate Social Responsibility | 280,000 | 1,224,333 |
| Bad and Doubtful debts | 427,420,886 | 583,869,009 |
| | <u>941,207,080</u> | <u>1,045,068,718</u> |



| | 2024 | 2023 |
|--|-----------------------------|-----------------------------|
| | TZS | TZS |
| 5 ADMINISTRATIVE EXPENSES | | |
| Wages & salary | 1,318,033,987 | 1,299,218,523 |
| Staff welfare | 83,162,903 | 176,893,613 |
| Legal & professional | 99,125,583 | 56,009,970 |
| Directors Allowances | 119,112,576 | 41,117,036 |
| Security | 86,797,260 | 70,676,000 |
| Office Stationery | 30,097,090 | 50,381,985 |
| Telephone & postages | 21,295,023 | 20,148,473 |
| Subscriptions | 18,698,153 | 7,580,316 |
| External Audit Fees | 30,953,996 | 38,036,600 |
| External Audit Expenses | 3,200,600 | 3,914,000 |
| Internal Audit Expenses | 17,945,200 | 7,807,934 |
| Gratuity | 145,768,481 | 160,928,993 |
| Municipal levy | 30,340,537 | 27,955,298 |
| Licenses | 850,000 | 1,183,000 |
| Accounting package | 9,294,381 | 8,850,000 |
| Fumigation | 4,303,000 | 6,027,000 |
| Leave pay | 8,268,462 | 10,536,509 |
| Bank Charges | 18,949,517 | 18,254,349 |
| Staff Training & Recruitment | 24,237,655 | 23,097,752 |
| Internet Access Cost | 57,467,074 | 58,440,222 |
| Parent Company Support Expenses | 36,762,447 | 14,443,581 |
| Tender Expenses | 6,125,400 | 313,000 |
| Stock Write Off Expense | - | 16,237,874 |
| | <u>2,170,789,324</u> | <u>2,118,052,028</u> |
| 6 OPERATING EXPENSES | | |
| Generator Expenses | 4,478,000 | 3,716,900 |
| Utility Expenses | 11,674,605 | 11,288,188 |
| Motor Vehicle Fuel | 114,986,059 | 145,151,719 |
| Repair and Maintenance | 62,511,020 | 65,770,240 |
| Depreciation and Amortization | 157,131,820 | 241,347,111 |
| Insurance | 43,190,339 | 45,979,775 |
| Motor Vehicle Repairs | 109,652,174 | 174,907,181 |
| Rent Rates | 160,574,974 | 128,224,430 |
| Obsolete Stock Expenses | - | 209,079,037 |
| | <u>664,198,990</u> | <u>1,025,464,581</u> |
| 7 RESEARCH AND DEVELOPMENT EXPENSES | | |
| Strategic plan Development | 7,823,911 | - |
| Seed Sampling and Testing | 105,311,513 | 55,442,649 |
| | <u>113,135,424</u> | <u>55,442,649</u> |



| | 2024 TZS | Restated 2023 TZS |
|--|----------------------|-------------------------|
| 8 INCOME TAX EXPENSE | | |
| The major components of income tax expense during the year ended June 30, 2024 are as follows: | | |
| a) Income tax expenses / (credit) | | |
| Current year tax | 61,832,086 | 149,228,030 |
| | 61,832,086 | 149,228,030 |
| b) Reconciliation of tax expense to tax based on accounting profit: | | |
| Accounting (loss)/profit before tax | (1,234,449,830) | 2,453,540,968 |
| Add back: | | |
| Depreciation as per accounting rates | 157,131,820 | 239,537,528 |
| Increase in general provisions | 154,036,942 | 964,413,549 |
| Expenses not deductible for tax purposes | 20,423,202 | 17,492,305 |
| Unrealized foreign exchange loss | 2,765,400,975 | - |
| | 1,862,543,109 | 3,674,984,350 |
| Less: | | |
| Realized general provision | (1,014,088,272) | (206,665,196) |
| Depreciation as per tax brackets | (161,431,662) | (159,964,176) |
| Gain on disposal of assets | - | (15,408,362) |
| Unrealized foreign exchange gain | - | (1,634,857,394) |
| Reconciled taxable profit/(loss) | 687,023,175 | 1,658,089,222 |
| Allowable taxable loss to be carried forward is 70% of prior year cumulative tax losses | 480,916,222 | 1,160,662,455 |
| Adjusted taxable profit/(loss) | 206,106,952 | 497,426,766 |
| Tax applicable at 30% | 61,832,086 | 149,228,030 |
| c) Current income tax recoverable | | |
| As at 01 July 01 | 355,578,678 | 444,806,708 |
| Provisional tax paid during the year | 82,500,000 | 60,000,000 |
| Prior year tax paid during the year | 89,228,030 | - |
| Current Year Tax | (61,832,086) | (149,228,030) |
| As at 30 June | 465,474,622 | 355,578,678 |



9 PROPERTY AND EQUIPMENT

| | Land | Buildings | Motor Vehicles & Cycles | Furniture & Fittings | Computers, Printers & Devices | Office Equipments | Processing Plant | Solar Power System | Total |
|---------------------------|--------------------|----------------------|-------------------------|----------------------|-------------------------------|--------------------|--------------------|--------------------|----------------------|
| | TZS | TZS | TZS | TZS | TZS | TZS | TZS | TZS | TZS |
| Cost/Valuation | | | | | | | | | |
| As at 01 July 2023 | 435,876,420 | 1,263,603,448 | 710,841,193 | 85,577,219 | 126,522,480 | 626,575,116 | 511,805,884 | 196,025,642 | 3,956,827,402 |
| Additions | - | - | 15,660,000 | 170,000 | 28,740,900 | 16,260,260 | 5,087,127 | - | 65,918,287 |
| Disposals | - | - | - | - | - | - | - | - | - |
| As at 30 June 2024 | 435,876,420 | 1,263,603,448 | 726,501,193 | 85,747,219 | 155,263,380 | 642,835,376 | 516,893,011 | 196,025,642 | 4,022,745,689 |
| Acc. Depreciation | | | | | | | | | |
| As at 01 July 2023 | - | 264,631,335 | 671,625,798 | 79,744,656 | 116,222,550 | 588,322,521 | 434,739,032 | 183,740,232 | 2,339,026,124 |
| Depreciation charge | - | 62,889,462 | 18,565,917 | 2,411,513 | 11,228,019 | 26,192,993 | 27,042,402 | 8,868,608 | 157,198,915 |
| Acc. Depr on disposals | - | - | - | - | - | - | - | - | - |
| As at 30 June 2024 | - | 327,520,798 | 690,191,714 | 82,156,169 | 127,450,569 | 614,515,515 | 461,781,434 | 192,608,840 | 2,496,225,039 |
| Net Book Value | | | | | | | | | |
| As at 30 June 2024 | 435,876,420 | 936,082,650 | 36,309,479 | 3,591,050 | 27,812,811 | 28,319,761 | 55,111,479 | 3,416,802 | 1,526,520,550 |
| As at 30 June 2023 | 435,876,420 | 998,972,113 | 39,215,395 | 5,832,563 | 10,299,930 | 38,252,595 | 77,066,755 | 12,285,410 | 1,615,991,594 |



| | 2024 TZS | 2023 TZS |
|---------------------------------------|-----------------------------|-----------------------------|
| 10 INTANGIBLE ASSETS | | |
| Cost | | |
| As at July 01, 2023 | 31,725,050 | 31,725,050 |
| Additions | - | - |
| As at June 30, 2024 | 31,725,050 | 31,725,050 |
| Depreciation | | |
| As at July 01, 2023 | 31,725,050 | 31,725,050 |
| Charge for the year | - | - |
| As at June 30, 2023 | 31,725,050 | 31,725,050 |
| Net Book Value | | |
| As at June 30, 2024 | <u>-</u> | <u>-</u> |
| As at June 30, 2023 | <u>-</u> | <u>-</u> |
| 11 INVENTORIES | | |
| Beans | 146,078 | 146,078 |
| Maize | 1,345,036,771 | 1,027,268,841 |
| Vegetables | 3,009,170,741 | 2,727,819,965 |
| Miscellaneous | 16,831,131 | 16,881,866 |
| Sunflower | 164,349,174 | 28,837,486 |
| Agro-Chemicals | 33,977,571 | 46,925,551 |
| Pasture | 9,043,568 | 34,623,668 |
| Packing Material | 413,674,975 | 284,716,686 |
| Dressing Chemicals | 32,657,977 | 52,758,500 |
| Basic Seed Maize | 88,882,380 | 87,163,338 |
| Basic Seed Vegetable | 4,116,063 | 3,433,129 |
| Basic Seed Sunflower | 4,807,996 | 5,673,679 |
| Stock Adjustment | 2,689,482 | - |
| Provision for Obsolete Stocks | (452,982,738) | (452,982,738) |
| | <u>4,672,401,167</u> | <u>3,863,266,051</u> |
| 12 TRADE AND OTHER RECEIVABLES | | |
| Trade Receivables | 2,328,904,748 | 3,653,673,420 |
| Prepayments | 28,531,600 | 27,291,600 |
| Other Receivables | 3,425,134 | 1,635,188 |
| | <u>2,360,861,482</u> | <u>3,682,600,208</u> |
| Provision for bad debts | (569,311,427) | (1,496,234,631) |
| | <u>1,791,550,054</u> | <u>2,186,365,577</u> |



13. TAX RECOVERABLE

| | 2024 | 2023 |
|--------------------------------------|---------------------------|---------------------------|
| | TZS | TZS |
| As at July 01, | 355,578,678 | 444,806,708 |
| Provisional Tax Paid during the year | 82,500,000 | 60,000,000 |
| Prior year Tax paid during the year | 89,228,030 | - |
| Current Year Tax | <u>(61,832,068)</u> | <u>(149,228,030)</u> |
| At June 30, | <u>465,474,622</u> | <u>355,578,678</u> |

14. CASH AND CASH EQUIVALENTS

| | | |
|--------------|-----------------------------|-----------------------------|
| Cash in hand | 1,364,250 | 2,788,150 |
| Cash at bank | <u>1,086,904,328</u> | <u>1,038,645,047</u> |
| | <u>1,088,268,578</u> | <u>1,041,433,197</u> |

15. SHARE CAPITAL

Authorized Share Capital

| | | |
|------------------------------------|---------------|---------------|
| 10,000 ordinary shares @ 500,000/= | 5,000,000,000 | 5,000,000,000 |
|------------------------------------|---------------|---------------|

Issued and fully paid-up share capital

| | | |
|---------------------------------|---------------------------|---------------------------|
| 1,651 ordinary shares @ 500,000 | <u>825,518,035</u> | <u>323,172,497</u> |
| | <u>825,518,035</u> | <u>323,172,497</u> |

16. ADVANCE TOWARDS SHARE CAPITAL

Previous financial years, parent company / shareholders advance capital toward financing a new company in Tanzania SIMLAW Seed Tanzania amounting to TZS 521,793,137. Out of these TZS 19,447,599 was spent towards setting up the company and it was payable to Kibo Seed Company by Simlaw Seed Tanzania. The company did not take-off and therefore management requests the parent company to transfer the balance TZS 502,345,538 towards share capital and approval to transfer was granted and the entry has been passed in the books for the period ending 30 June 2024 thus increasing the amount of shares issued to Kenya Seed Company.

17. TRADE AND OTHER PAYABLES

| | 2024 | RESTATED 2023 |
|----------------|-----------------------------|-----------------------------|
| Trade Payable | 1,543,391,755 | 1,866,154,019 |
| Other Payables | <u>197,179,371</u> | <u>279,041,400</u> |
| | <u>1,740,571,126</u> | <u>2,145,195,420</u> |

18. RELATED PARTY BALANCES

18(a) Dues from Related Parties

| | | |
|--------------------------------------|-------------------------|--------------------------|
| Kenya Seed Company Limited | - | 47,651,169 |
| Simlaw Seeds Company Limited-Nairobi | <u>7,959,761</u> | <u>7,959,263</u> |
| | <u>7,969,761</u> | <u>55,610,432</u> |

18(b) Dues to Related Parties

| | | |
|--|------------------------------|-----------------------------|
| Kenya Seed Company Limited | 10,515,148,076 | 8,599,219,330 |
| Simlaw Seeds Company Limited – Nairobi | <u>1,147,469,063</u> | <u>930,294,873</u> |
| | <u>11,662,617,139</u> | <u>9,529,514,203</u> |



| | 2024 TZS | Restated 2023 TZS |
|-------------------------------------|-------------|-------------------------|
| 19. PRIOR YEAR ADJUSTMENT | | |
| Unrecognized invoice for FY 2022/23 | - | 3,150,000 |
| | <u>-</u> | <u>3,150,000</u> |

In the prior year, the Company's tax recoverable balance was misstated due to the fact that tax paid and current income tax charge for the year were not passed under tax recoverable account instead they were passed under trade and other payables.

The prior year errors have been corrected in these financial statements. The following is the impact of correcting the errors on the corresponding financial information:

| | As previously stated, | Adjustments | As restated |
|--------------------------------------|-----------------------------|----------------------------|-----------------------------|
| Tax recoverable | | | |
| As at 01 July 01 | 444,806,708 | - | 444,806,708 |
| Provisional tax paid during the year | - | 60,000,000 | 60,000,000 |
| Prior year tax paid during the year | - | - | - |
| Current Year Tax | - | (149,228,030) | (149,228,030) |
| As at 30 June | <u>444,806,708</u> | <u>(89,228,030)</u> | <u>355,578,678</u> |
| Trade and other payables | | | |
| Trade Payables | 1,866,154,019 | (89,228,030) | 1,776,925,989 |
| Other Payables | 368,269,430 | - | 368,269,430 |
| | <u>2,234,423,449</u> | <u>(89,228,030)</u> | <u>2,145,195,419</u> |



20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's principal financial instruments comprise cash and cash equivalents, trade receivables, trade payables and amounts due from related parties. These instruments arise directly from its operations.

The company does not enter into derivative transactions.

The company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Market risk;
- Liquidity risk;
- Operational Risk.

The policy of the company is to minimize the negative effect of such risks on cash flow, financial performance and equity.

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 directors have adopted various measures to minimize losses that may arise from these exposures. These are explained as follows.

a) *Credit Risk*

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss.

The largest concentrations of credit exposure within the company relate to cash and cash equivalents held with banks, trade receivables and amounts due from related parties. The maximum exposures for credit risk are therefore in regards to the carrying amount of cash and cash equivalents, trade receivables and amount due from related parties net of any impairment losses. The company only places significant amounts of funds with recognized financial institutions with strong credit ratings and does not consider the credit risk exposure to be low. Amounts due from related parties do not expose the company to significant credit risk. Customer credit risk is managed by each business unit subject to the company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer risk assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by valid contracts. For the growers the credit risk arises when there is a crop failure due adverse weather condition.

The amount that best represents the company's maximum exposure to credit risk as at June 30, 2023 is made up as follows:



| | 2024 | 2023 |
|-----------------------|-----------------------------|-----------------------------|
| | TZS | TZS |
| Net Trade Receivables | <u>1,791,550,054</u> | <u>2,186,365,577</u> |
| | <u>1,791,550,954</u> | <u>2,186,365,577</u> |

The trade and other receivables consist of growers' advances, staff receivables and trade receivables. The grower's advances consist of inputs and cash advances given to the contracted growers to enable carry out seed production for the company. The amount advanced are recovered immediately the seeds are received from the contracted growers and this has been achieved by almost 90% while staff receivables are recovered from the payroll. Trade receivables are debts that dates back to when the company was incorporated and for those doubtful debts the company has provided for the same and the same was approved by the board of directors for write off to the tune of TZs. 1,358,876,069.

Past due but not impaired:

| | | |
|--------------------|-----------------------------|-----------------------------|
| - by up to 30 days | 128,025,481 | 791,007,096 |
| - by 31 to 60 days | 31,040,956 | 8,666,545 |
| - by 61 to 90 days | 108,983,554 | 50,165,900 |
| - over 90 days | 1,523,500,064 | 1,336,526,036 |
| | <u>1,791,550,054</u> | <u>2,186,365,577</u> |

i) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Movement in provisions for doubtful debts: -

| | | |
|----------------------------|---------------------------|-----------------------------|
| As at July 01, | 1,496,234,631 | 912,365,622 |
| Recoveries During the year | - | - |
| Provisions for the year | | 583,869,009 |
| Write off | <u>(926,923,204)</u> | - |
| As at June 30, | <u>569,311,427</u> | <u>1,496,234,631</u> |



Cash and Cash Equivalents

The Company held cash and cash equivalents of TZS 1,088,268,578 as at June 30, 2024: and TZS 1,041,433,197 as at June 30, 2023. The cash and cash equivalents were held with reputable banks and financial institutions.

b) Market Risk

The objective of market risk management policy is to protect and enhance the statement of financial position and income statement by managing and controlling market risk expenses within acceptable parameters and to optimize the funding of business operations and facilitate capital expansions.

Interest Rate Risk

Interest rate risks arise from fluctuations in the bank borrowing rates. The interest rates vary from time to time depending on the prevailing economic circumstances. Since the base rates charged by the banks are determined by the market forces, the company has not formulated any practical measures to minimize the exposure

| | Change in Interest Rate % | Effect on Profit Before Tax TZS | Effect on Equity TZS |
|------|---------------------------------|---------------------------------------|-------------------------|
| 2022 | -10.00% | 80,431,842.25 | 56,302,289.58 |
| | 10.00% | (80,431,842.25) | (56,302,289.58) |
| 2021 | -10.00% | 63,487,769.51 | 44,441,438.66 |
| | 10.00% | (63,487,769.51) | (44,441,438.66) |

Exchange Risks

The Company sales and buys its products from Kenya, Uganda, Congo, Zambia, Malawi, South Africa, India, Italy and Netherlands. Most of the transactions are carried out in the local currencies. Other transactions in the foreign currency are carried out in the relatively stable Euro, US Dollars and Kenya Shillings. Therefore, the transactions with these countries are exposed to foreign exchange risk upon preparations of the financial statements and any losses/ (gains) are charged / (credited) to other comprehensive income.

ii) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

| USD | Change in currency rate | Effect on profit Before Tax (TZS) | Effect on Equity (TZS) |
|------|-------------------------|-----------------------------------|------------------------|
| 2022 | -10.00% | 445,292.72 | 311,704.90 |
| | 10.00% | (445,292.72) | (311,704.90) |
| 2021 | -10.00% | 396,298.57 | 277,409.00 |
| | 10.00% | (396,298.57) | (277,409.00) |

c) 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. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.



d) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as from legal and regulatory requirements and generally accepted standards of corporate behavior. The company seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and legal requirements;
- Documentation of controls and procedures;
- Requirements for the yearly assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective

Operational risk is managed by a program me of regular reviews undertaken by the Internal Audit and the results of the reviews are discussed with the management, with summaries submitted to the Audit Committee and senior management of the company

iii) CAPITAL MANAGEMENT

The Company defines capital as the total equity of the Company. The Company's long-term objective for managing capital is to deliver sustainable returns to maximize long-term shareholder value.

The Company is not subject to any externally imposed capital requirements.

The major items that impact the equity of the Company include the following:

- Revenue received from seed sales (which is a function of price and sales volume);
- Seed purchase cost;
- Cost of operating the business;
- Cost of expanding the business to ensure that capacity growth is in line with seed sales demand;
- Taxation.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The company's policy is to keep the gearing ratio between 10% and 25%. The Company includes within net debt, interest bearing loans and borrowing, trade and other payables, less cash and cash equivalent.

**iv) FAIR VALUES**

In the opinion of the directors, the carrying value of the Company's financial assets and liabilities on the statement of financial position approximate their fair values. The loans from the parent company are interest free and have no specific repayment period. The resolution was passed to be capitalized to equity

v) INCORPORATION AND ULTIMATE HOLDING ENTITY

The company is domiciled and incorporated in the United Republic of Tanzania under the Companies Act, 2002, Laws of Tanzania. The Company is a limited Liability by virtue of majority shareholding by Kenya Seed Company 99.98%.

vi) CURRENCY

These financial statements are presented in Tanzania Shillings (TZS). However, the rate of conversion of USD, Kshs. and EUROS are as follows; 2626.9307, 20.34 and 2,816.5977 respectively derived from the Central Bank of Tanzania as at 30 June 2024.

**vii) COMPARATIVE INFORMATION
FIVE YEAR PERFORMANCE TREND**

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | | TZS | TZS | TZS | TZS |
| Turnover | 10,140,324,562 | 9,334,510,777 | 8,567,300,666 | 8,715,715,019 | 8,701,744,788 |
| Profit before tax | (1,234,516,944) | 2,451,731,390 | 432,354,023 | 171,108,296 | (741,929,992) |
| Tax charge | (61,832,086) | (149,228,030) | (43,218,607) | (32,151,826) | (43,508,724) |
| Profit/Loss for the year transferred to retained earnings | (1,296,349,030) | 2,302,503,360 | 384,554,563 | 138,956,470 | (785,438,716) |
| Dividends | | | | - | - |
| Share Capital and shareholders' Funds | | | | | |
| Ordinary Share capital | 825,518,035 | 323,172,497 | 323,172,497 | 323,172,497 | 323,172,497 |
| Shareholders' funds | (4,676,521,568) | (3,381,982,120) | (4,681,335,480) | (4,902,976,910) | (5,470,285,673) |
| Earnings and Dividend per Share | | | | | |
| Earnings per share | (1.57) | 7.12 | 1.20 | 0.40 | (2.43) |
| Dividend per share (TZS) | | | - | - | - |



viii) GEARING

| | | 2024 | | 2023 |
|--|--|-----------------------|--|-----------------------|
| | | TZS | | TZS |
| Trade and other payables | | 13,403,188,265 | | 11,763,937,653 |
| Less: Cash and other short-term deposits | | (1,088,268,578) | | (1,041,433,197) |
| Net debt | | 12,314,919,687 | | 10,722,504,456 |
| | | | | |
| Total Capital (Equity) | | (3,851,003,533) | | (2,566,464,085) |
| | | | | |
| Capital and net debt | | 8,463,916,147 | | 8,166,040,371 |
| Gearing ratio | | 145% | | 131% |

Though the company's gearing ratio is higher, however, the directors consider this to be favorable since a greater percentage of debts are owed to related parties.



APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

| Ref. No. | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue | Status as at 30 th June 2023:(Resolved / Not Resolved) | Time frame: |
|----------|--|---|---|---|-------------|
| | BASIS FOR QUALIFIED OPINION | | | | |
| 1 | <p>Unsupported Trade and Other Payables Included in Note 11 under trade and other payables balance of Tshs. 2,384,578,097, is trade payable of Tshs. 2,338,643,418 and other payables of Tshs. 45,934,679. However, the balances were not supported by analysis and schedules making it difficult to ascertain the composition and aging of the outstanding creditors. In the circumstances, it has not been possible to confirm that trade and other payable balance of Tshs. 2,384,578,097 as at 30 June 2020 is fairly stated.</p> | <p>The suppliers aging analysis with the supporting statements of each supplier are readily available and since this query was not raised during the draft report then the same could not be adequately responded to by the auditee. The draft report has been shared for the auditors' review</p> | <p>Charles Osii Senior Associate Country Strategist.</p> | Resolved | |
| 2 | <p>Trade and Other Receivables The increase in trade and other receivables of Tshs. 227,260,663 reflected in the statement of cash flows differs with Tshs. 186,459,627 recomputed from the balances reflected in the statement of financial position as at 30 June 2020, resulting to unreconciled variance of Tshs. 40,801,036. In the circumstances, it was not possible to ascertain the accuracy and completeness of the statement of cash flows and the trade and other receivables balance as at 30 June 2020.</p> | <p>The auditors in re-computing the changes in trade and other receivables only considered the changes in general trade other receivables without considering the changes in receivables for related parties. Therefore, the variance reported by the auditor was the changes in the receivable for related parties. However, as per the attached extract of the statement of financial position and the excel re working of the statement of cash flow there was no variance in trade & other</p> | <p>Charles Osii Senior Associate Country Strategist</p> | Resolved | |



| Ref. No. | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue | Status as at 30 th June 2023:(Resolved / Not Resolved) | Time frame: |
|----------|--|--|--|---|-------------|
| | | <p>receivables. Given that this was not part the query during the draft audit report it was not possible for the auditee to adequately respond.</p> | | | |
| | EMPHASIS OF MATTER | | | | |
| 1 | <p>Going Concern The company registered a loss of Tshs. 785,517,046 for the year under review compared to Tshs. 2,546,783,513 posted in the year 2018/19, resulting to accumulated losses of Tshs. 5,79,536,500. In addition, the current liabilities balances of Tshs. 15,310,634,697 exceeded the current assets balances of Tshs. 7,589,895,877 resulting in negative working capital of Tshs. 7,720,788,820. The company is therefore technically insolvent and the financial statements have been prepared on a going concern basis on the assumption that it will continue to receive financial support from the creditors.</p> | <p>The company registered a profitability of TZs. 427 before tax.</p> <p>The observation of the auditors' is correct with respect to the solvency status since indeed from the books the company is insolvent. However, the large amount of current liability i.e TZs. 9,529,514,203 is due to related parties and related party will not demand for payment soon. Its worth noting that without the liability owed to related party then the company will have a liquidity ratio of 3.4:1 (i.e total current assets of TZs. 7,591,481,974 against Total liabilities of TZS. 2,234,423,449) hence the reason for preparing the financial statements in a going concern.</p> <p>Secondly, most of the subsidiaries were undercapitalized and this situation is not unique for Kibo Seed but the same is happening in the sister companies. The matter has been taken at the board level</p> | <p>Charles Osii Senior Associate Country Strategist.</p> | <p>Partially Resolved</p> | |



| Ref. No. | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue | Status as at 30 th June 2023:(Resolved / Not Resolved) | Time frame: |
|----------|--|--|---|---|-------------|
| | | for consideration and plans are underway to capitalize the liability owed to the parent company. | | | |
| 2 | <p>Contingent Liability</p> <p>The company has a contingent liability of Tshs. 2,015,971,949 in respect to the uncertainty related to the outcome of the findings from Tanzania Revenue Authority regarding the various unpaid tax claims covering the financial year 2014 to 2016 as per Tanzania Revenue Authority Audit. The claim includes unpaid corporate tax, transfer pricing penalty, skill and development levy, withholding tax, stamp duty and misuse of Electronic Fiscal Device (EFD). The company responded to the findings, and the Tanzania Revenue Authority rejected the response, however, Kibo Seed Company filed an appeal for the waiver to allow for admitting of objection of which is yet to be heard and determined by the Tax Tribunal.</p> | <p>The company paid all the undisputed claims such as transfer pricing penalty, skill and Development Levy, Withholding Tax, Stamp duty and Misuse of EFD Machine and the objection was admitted and final determination was given. The company is currently paying the final determined tax.</p> | <p>Charles Osii Senior Associate Country Strategist.</p> | <p>Resolved</p> | |
| | OTHER MATTER | | | | |
| 1 | <p>Budget Control and Performance</p> <p>The comparative analysis of the Company's budget revealed that the revenue collection budget was Tshs. 16, 803,264,000. However, the company realized only Tshs. 8,701,744,788 resulting in under collection of Tshs. 8,101,519,212 or approximately 52% of the budgeted revenue for the year. Further, the Management had budgeted to spend</p> | <p>The financial year 2019/20 commenced very well however, the effect of COVID-19 adversely affected the operation since lock down was instituted in most countries which are the sources of most of the seeds and this affected the supply of seeds despite the fact that Tanzania did not implement the lock down. This affected the cash flow which led to</p> | <p>Charles Osii Senior Associate Country Strategist.</p> | <p>Resolved</p> | |



| Ref. No. | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue | Status as at 30 th June 2023:(Resolved / Not Resolved) | Time frame: |
|----------|---|--|--|---|-------------|
| | Tshs.14,905,797,908 for recurrent and capital expenditure compared to the actual total expenditure of Tshs. 9,476,343,486 resulting to under expenditure of Tshs. 5,402,060,687, approximately 36% under expenditure. The under collection and under expenditure of revenue is indicative that the company did not meet its planned programmes. | suspension of some expenses that were initially planned for. The company has put measures to promote local production of both vegetables and maize and this will stabilize the supply and budget for the products. The cash flow has significantly improved as well as the revenue. | | | |
| | REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE | | | | |
| 1 | Lack of Approved Information Communication Technology and Human Resources Policy During the year under review, the company was noted to run its activities without having an approved Information Communication Technology and Human Resource Policy. Further, it noted that the company ICT unit backup procedures are done only for Sage Pastel data but no backup for other areas such as payroll which is processed under PAYTAN as well as Management reports, meeting minutes, letters and the like. The CCTV recorded footage is stored for a maximum duration of one month for a hard disk of 4 terabytes, which is too small for keeping the company's records. This is an indication of poor internal controls and risk management. | The policies were approved and now in use. The company back up all the data in the company server as shared with the auditors. Indeed, the CCTV memory is not adequate to save data for several months. The number of internal hard disk for the CCTV camera has been increased from 2TB to 4TB which can hold data for approximately three months. | (HRO) Ezekiel Makale (ICT officer) | Resolved. | |



| Ref. No. | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue | Status as at 30 th June 2023:(Resolved / Not Resolved) | Time frame: |
|----------|---|---|--|---|-------------|
| 2 | <p>Lack of Approved Suppliers List and Suppliers Reconciliations</p> <p>The review of the e-procurement procedures and controls in place revealed that, the company did not have an approved list of suppliers as required and as the best procurement practices. Further, the Company does not perform routine reconciliations between suppliers' accounts in the accounting system and statements obtained from suppliers leading to number of errors including multiple supplier's accounts in the system remaining outstanding for long. In some cases, the suppliers' accounts included growers paid in advance for which the recovery of the recovery of the funds remain uncertain.</p> <p>In the circumstances, it was not possible to ascertain the company exercised economical procurement.</p> | <p>The company did prequalification and list of evaluated suppliers is available for audit review.</p> | <p>Ms. Catherine Nyange Ass. Procurement Officer</p> | Resolved | |
| 3 | <p>Improper Controls of Company Assets</p> <p>The verification procedure performed on the company assets, revealed that laptops purchased on 10 July 2019, had its specifications in the invoice different from the laptops delivered with invoice indicating HP Probook 440 GS Core i5 4B ram 500GB, 14 inches screen but actual PC specifications being HP 250 G6 Note Book PC Core i3, 2.3 GHZM, 4GB Ram,1TB). In addition, fixed asset register did not have asset code numbers, asset reference and serial numbers and fixed asset items were not labelled for identification purposes. Further, it was noted</p> | <ul style="list-style-type: none"> • The issue of lap top was resolved. • The assets are now tagged upon purchase since the company purchased the tags. • The process of evaluation has been planned for the FY 2024/25 | <p>Mr. Charles Osii Senior Associate Country Strategist</p> | Partially Resolved. | |



| Ref. No. | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue | Status as at 30 th June 2023:(Resolved / Not Resolved) | Time frame: |
|----------|---|---------------------|---|---|-------------|
| | some assets had zero net book value yet they were still in good working conditions. In the circumstances, there may not have been proper controls and security for the Company assets. | | | | |

Name: Patrick Thuo.....Signature.....*for TP*
General Manager

Date.....*12/12/2024*.....



APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

| Project title | Project Number | Donor | Period/ duration | Donor commitment | Separate donor reporting required as per the donor agreement (Yes/No) | Consolidated in these financial statements (Yes/No) |
|---------------|----------------|-------|------------------|------------------|---|---|
| 1 | N/A | N/A | N/A | N/A | N/A | N/A |
| 2 | N/A | N/A | N/A | N/A | N/A | N/A |

Status of Projects completion

(Summarize the status of project completion at the end of each period, i.e. total costs incurred, stage which the project is etc)

| | Project | Total project Cost | Total expended to date | Completion % to date | Budget | Actual | Sources of funds |
|---|---------|--------------------|------------------------|----------------------|--------|--------|------------------|
| 1 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 2 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 3 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |



APPENDIX III: INTER-ENTITY TRANSFERS

| ENTITY NAME: | | | | |
|------------------------------|----------------------------|----------------------|--|--|
| Breakdown of Transfers | | | | |
| FY 2023/24 | | | | |
| a. Recurrent Grants | | | | |
| | <u>Bank Statement Date</u> | <u>Amount (Tshs)</u> | <u>Indicate the FY to which the amounts relate</u> | |
| | N/A | N/A | N/A | |
| | Total | N/A | N/A | |
| b. Development Grants | | | | |
| | <u>Bank Statement Date</u> | <u>Amount (Tshs)</u> | <u>Indicate the FY to which the amounts relate</u> | |
| | N/A | N/A | N/A | |
| | Total | N/A | N/A | |
| c. Direct Payments | | | | |
| | <u>Bank Statement Date</u> | <u>Amount (Tshs)</u> | <u>Indicate the FY to which the amounts relate</u> | |
| | N/A | N/A | N/A | |
| | Total | N/A | N/A | |
| d. Donor Receipts | | | | |
| | <u>Bank Statement Date</u> | <u>Amount (Tshs)</u> | <u>Indicate the FY to which the amounts relate</u> | |
| | N/A | N/A | N/A | |
| | Total | N/A | N/A | |



APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

| Name of the MDA/Donor Transferring the funds | Date received as per bank statement | Nature: Recurrent/Development/ Others | Total Amount - Tshs | Where Recorded/recognized | | | | | Total Transfers during the Year |
|--|-------------------------------------|---------------------------------------|---------------------|------------------------------------|--------------|-----------------|-------------|---------------------------|---------------------------------|
| | | | | Statement of Financial Performance | Capital Fund | Deferred Income | Receivables | Others - must be specific | |
| Ministry of Planning and Devolution | N/A | Recurrent | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Ministry of Planning and Devolution | N/A | Development | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| USAID | N/A | Donor Fund | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Ministry of Planning and Devolution | N/A | Direct Payment | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Total | | | N/A | N/A | N/A | N/A | N/A | N/A | N/A |



APPENDIX V- INTER-ENTITY CONFIRMATION LETTER

Name of Transferring entity.....

Name of Beneficiary entity.....

| Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30th June (Current FY) | | | | | |
|--|----------------|---------------|-----------------|-----------------|---------|
| Reference Number | Date Disbursed | Recurrent (A) | Development (B) | Total (C)=(A+B) | Remarks |
| N/A | N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |
| Total | N/A | N/A | N/A | N/A | N/A |

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department - Disbursing Entity:

Name **Sign** **Date**

Head of Accounts Department - Beneficiary Entity:

Name **Sign** **Date.....**



APPENDIX VI: REPORTING OF CLIMATE RELEVANT EXPENDITURES

Name of the Organization
 Telephone Number
 Email Address
 Name of CEO/MD/Head

Name and contact details of contact person (in case of any clarifications)

| Project Name | Project Description | Project Objectives | Project Activities | | | | | Source Of Funds | Implementing Partners |
|--------------|---------------------|--------------------|--------------------|----|----|----|----|-----------------|-----------------------|
| | | | | Q1 | Q2 | Q3 | Q4 | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |



APPENDIX VII: REPORTING DISASTER MANAGEMENT EXPENDITURE

| Column I | Column II | Column III | Column IV | Column V | Column VI | Column VII |
|-----------------|------------------|-------------------|--|-------------------|------------------|-------------------|
| Program me | Sub-program me | Disast er Type | Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness) | Expendit ure item | Amou nt (Kshs.) | Comme nts |
| | | | | | | |



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