REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA SEED COMPANY RWANDA LIMITED

FOR THE YEAR ENDED 30 JUNE, 2025

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REPORT OF THE AUDITOR-GENERAL ON KENYA SEED COMPANY RWANDA LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

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.

An Unmodified Opinion is issued when the Auditor-General concludes that 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

Opinion

I have audited the accompanying financial statements of Kenya Seed Company Rwanda Limited set out on pages 1 to 70, which comprise of the statement of financial position as at 30 June, 2025, 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, the financial statements present fairly, in all material respects, the financial position of Kenya Seed Company Rwanda Limited as at 30 June, 2025 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 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Seed Company Rwanda 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 opinion.

Emphasis of Matter

1. Material Uncertainty Related to Going Concern

Review of the statement of profit or loss and other comprehensive income revealed that although revenues increased from an amount of Kshs.38,816,839 (Rwfs.393,602,750) in the year 2023/2024 to Kshs.47,131,523 (Rwfs.518,446,750) due to significant increase in maize seed sales, the Company still faces material issues related to going concern. The Company made trading losses of Kshs.15,707,523 (Rwfs.173,861,191) hence diminishing shareholder funds to negative Kshs.115,044,910 (Rwfs.1,265,494,014) in the year under review. In addition, the Company was not able to collect debts balance of Kshs.105,500,228 (Rwfs.1,160,502,512) which included an amount of Kshs.77,076,203 (Rwfs.847,838,233) due from a major trading partner. If the turnaround strategy of increased maize seed and other cereals production is not monitored and evaluated for successful take off, the Company may face issues of going concern.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget of Kshs.79,154,414 (Rwfs.870,698,554) against actual revenue of Kshs.47,390,473 (Rwfs.521,295,203) resulting in a budget under-realization of Kshs.31,763,941 (Rwfs.349,403,351) or 40% of the budgeted revenue. However, the Company spent an amount of Kshs.31,379,264 (Rwfs.345,171,404) out of the actual revenue of Kshs.47,390,473 (Rwfs.521,295,203) resulting in an under performance of Kshs.16,011,209 (Rwfs.176,123,299) or 34% of the actual revenue receipts.

The under realization and under performance of the budget may have affected the profitability and service delivery of the Company.

3. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.32,018,717 (Rwfs.352,205,884) as disclosed in Note 39 to the financial statements. Included in the balance is an amount of Kshs.30,123,747 (Rwfs.331,361,217) relating to payables to the Kenya Seed Company Limited. Further analysis revealed that some payables had remained outstanding for more than a year. However, no explanation for failure to settle the long outstanding trade payables was provided for audit.

In the circumstances, the non-payment of debts may distort the financial stability of the Company and risk future litigations from the creditors.

My opinion 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. There were no key audit matters to report in the year under review.

Other Information

Management is responsible for the Other Information set out on page iii to xxx which comprise of Key Entity Information and Management, The Board of Directors, Management Team, Chairman's Statement, Report of the Chief Executive Officer, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities, and Statement of Performance Against Predetermined Objectives. 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 thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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. Failure to Dispose Obsolete Inventory

The Company set up an Inventory Management System for the purpose of controlling and managing its inventory, stores and assets. However, scrutiny of the stock take report provided for audit revealed that obsolete seeds valued at Kshs.7,483,714 (Rwfs.82,320854) was held in Company stores. No satisfactory explanation was provided for failure to dispose the obsolete inventories leading to increased carrying costs on storage, handling, insurance, and potential write-offs, which can significantly impact on the Company's profitability. This was contrary to Section 161(4) of the Public Procurement and Asset Disposal Act, 2020 which provides that for effective, economic, efficient, and transparent use of government inventory, stores and assets at all levels, an accounting officer of a procuring entity shall take full responsibility of the management or control of inventory and assets and shall ensure that— (a) preventive measures are put in place to eliminate theft, security and safety threats, losses, wastage and misuse.

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

2. Failure to Hold Annual General Meeting (AGM)

Review of the Company's certificate of foreign company registration revealed that the Company was registered on 19 April, 2011 with the Memorandum of Association disclosing the number of shares subscribed were 5,000. This includes parent Company holding four thousand nine hundred and ninety-nine (4,999) shares and one (1) individual shareholder holding 1(one) share. However, the Company has not held the Annual General Meeting once every year since its incorporation, despite having more than one (1) shareholder. This is contrary to Section 275(A) of the Companies Act, 2015 that provides (1) every company shall convene a general meeting once a year (2) Subsection (1) does not apply to single member companies.

In 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

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. Lack of Risk Management Policy

Review of documents and policies provided for audit verification revealed that the Company did not have an approved risk management policy that gives guidelines on how to prevent risks and mitigate the effect of any risk that may affect the operations. In the absence of a risk Management Policy, the Company's ability to create a system of internal controls that builds robust business operations could not be confirmed.

In the circumstances, the Company's risk preparedness could not be confirmed.

2. Lack of Pricing Policy

During the year under review, the Management did not maintain an approved Pricing Policy that provides strategies and guidelines to be used to develop the applicable price list taking into consideration factors like costs, market conditions and competition. It was also noted that without the approved pricing policy, the pricing position, pricing segmentation, and competitive pricing reaction strategy could not be achieved hence leading to possible negative impact on revenue maximization or optimization.

In the circumstances, the effectiveness of the Company's pricing strategy could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 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

Conclusion

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 pages xxviii is consistent with the financial statements; and

iii. The auditable part of the Directors' remuneration report on pages 1 to 70 has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

The Companies Act requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 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 comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors is 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 of 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 ISSAIs 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, CBS
AUDITOR-GENERAL

Nairobi

16 December, 2025