

BAYER LIFE SCIENCE TANZANIA LIMITED  
REPORTS AND FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 DECEMBER 2023

BAYER LIFE SCIENCE TANZANIA LIMITED

REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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## BAYER LIFE SCIENCE TANZANIA LIMITED

## CORPORATE INFORMATION

DIRECTORS	Name	Nationality	Position	Remarks
	Mwinyi Sango	Tanzanian	Director	Appointed 1 December 2023
	Joern Krageloh	Deutsch	Director	Appointed 1 November 2022
	Emily Kigume	Kenyan	Director	Resigned 30 November 2023
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	Plot no. 14 Themu Industrial Area P.O. Box 2039 Arusha			
COMPANY SECRETARY	Adili Corporate Services Tanzania Limited Plot number 1040, Masaki P.O. Box 75839 Dar es Salaam			
LAWYER	FB Attorneys 8th Floor, Amani Place Ohio Street P.O. Box 19813 Dar es Salaam Tanzania			
AUDITOR	Deloitte & Touche Certified Public Accountants (Tanzania) 3 <sup>rd</sup> Floor, Aris House Plot 152, Haile Selassie Road P.O. Box 1559 Dar es Salaam Tanzania			
MAIN BANKERS	Standard Chartered Bank Tanzania Limited P.O. Box 9011 Dar es Salaam Tanzania			
	NMB Bank Plc Arusha Business Center P.O. Box 632 Dar es Salaam Tanzania			
	Citibank Tanzania Limited Citibank House, Plot 1962 P.O. Box 71625 Dar es Salaam Tanzania			

BAYER LIFE SCIENCE TANZANIA LIMITED

THE REPORT BY THOSE CHARGED WITH GOVERNANCE  
FOR THE YEAR ENDED 31 DECEMBER 2023

1. INTRODUCTION

Those charged with governance, the Board of Directors (the “Directors”) present their report together with the audited financial statements for the year ended 31 December 2023, which disclose the state of affairs of the Company as at that date.

*Incorporation and registered office*

The Company was incorporated on 7 November 2014 under the Companies Act, 2002 as a private limited liability company.

*Vision*

The Company remains committed to broadly licensing our seed and trait technologies to other companies throughout the world. This approach ensures that farmers can access Company’s products in the varieties that mean the most to their farms. In addition to seeds and traits business, the Company also offers weed control options that form the basis of integrated solutions with other products.

*Mission*

The Company’s mission is to deliver products and solutions, to meet the world’s growing food needs, conserve natural resources and protect the environment.

2. PRINCIPAL ACTIVITIES

The principal activity is to engage in production, processing, distribution and selling seeds, crop protection and other agriculture products.

3. OPERATING AND FINANCIAL REVIEW

The financial performance of the Company for the year is detailed on page 13 of the financial statements. During the year, the Company achieved a net sales of TZS 59.7 billion, compared to TZS 40.5 billion for the year ended on 31 December 2022, a growth of 32% from prior year. Furthermore, the Company's total comprehensive income for the year amounted to TZS 1.4 billion, indicating a decrease of 150% compared to the previous period's income of TZS 3.5 billion. This notable decrease is primarily attributable to high production costs contributed by the depreciation of Tanzania Shillings.

Additionally, the Company generated a cash flow from operating activities of TZS 30.1 billion during the year, a substantial increase from the previous period's TZS 14.9 billion.

The business growth can be largely attributed to the escalating demand for hybrid corn seeds in Tanzania, which has been supported by the Company's enhanced ability to produce seeds to meet this growing demand.

The Directors do not recommend the declaration of a dividend for the year ended 31 December 2023 (2022: Nil).

BAYER LIFE SCIENCE TANZANIA LIMITED

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

4. ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Protecting the environment and ensuring the safety of employees and local communities are among the Company's highest priorities. The Company is dedicated to reducing the environmental impact of its business activities while developing product solutions that benefit the environment. The Company maintains a strong focus on safety by implementing consistent precautions in its day-to-day work, production facilities, and transportation routes.

Recognizing climate change as one of the greatest challenges for humankind, the Company places significant importance on climate protection and reducing greenhouse gas emissions. The Company actively support the Paris Agreement and its objective of limiting global warming to 1.5 °C compared to preindustrial levels. The Company's target for emissions reduction has been validated by the Science Based Targets initiative (SBTi), confirming its contribution towards fulfilling the Paris Agreement. It is anticipated that the Company's healthcare and agriculture business areas will be impacted by climate change while also being part of the solution.

Corporate governance practices at the Company extend beyond legal requirements and are derived from its vision and shared values. These practices foster respectful working relationships among employees and external partners. Compliance with responsible practices throughout the Company's value chain is a crucial aspect of its corporate governance. Bayer Group regulations on compliance, human rights, fairness and respect at work, along with its Supplier Code of Conduct and the Bayer Societal Engagement (BASE) principles, serve as the main guidelines. Furthermore, the Company have established compliance management and risk management systems to ensure adherence to these principles.

5. FUTURE PROSPECTS OF THE COMPANY

Experts predict our planet will need to double agricultural output by 2050 to feed a growing population. By some estimates, that means producing more food in the next 50 years than has been grown in the last 10,000 years. Meeting this immense global challenge requires putting the best available tools into farmers' capable hands. These include the latest advancements in hybrid and biotech seeds, fertilizer and improved agricultural practices and methods. In their lifetime, today's farmers already doubled agricultural production once. Now they must do it again. Provided the right tools, the Company believe farmers can meet that challenge.

6. SOLVENCY EVALUATION

The Company's state of affairs as at 31 December 2023 is set out on page 14 of these financial statements. The Board of Directors have reviewed the current financial position of the Company and the existing short-term borrowings from the ultimate parent company. On the basis of this review, the continued support received from the ultimate parent Company together with the current business plan, the Board of Directors are satisfied that the Company is solvent.

## BAYER LIFE SCIENCE TANZANIA LIMITED

## THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

## 7. CAPITAL STRUCTURE AND SHAREHOLDING

	2023	2022
	TZS'000	TZS'000
<i>Capital structure</i>		
The Company's capital structure for the year is as shown below:		
Authorised, issued and fully paid up capital is 22,301,000 ordinary shares (2022: 22,301,000 ordinary shares) of TZS 100 each.		
	<u>2,230,100</u>	<u>2,230,100</u>
	Number of shares	Number of shares
<i>Shareholding</i>		
The shares of the Company were held as follows:		
Monsanto Invest BV	22,300,999	22,300,999
Bayer Hispania, S.L.U	<u>1</u>	<u>1</u>
	<u>22,301,000</u>	<u>22,301,000</u>

## 8. DIRECTORS' INTEREST

Directors do not have beneficial interest in the issued and paid up share capital of the Company.

## 9. DIRECTORS' REMUNERATION

No remuneration was paid by the Company for services rendered by the Directors for the year ended 31 December 2023 (2022: Nil).

## 10. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties' transactions and balances are disclosed in note 22 to these financial statements.

## 11. EMPLOYEE WELFARE

*Management and employee relationship*

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

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

BAYER LIFE SCIENCE TANZANIA LIMITED

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

10. EMPLOYEE WELFARE (CONTINUED)

*Training facilities*

The Company provides on-the-job training to all its employees in order to improve their technical skills and effectiveness. Where necessary, employees are also considered for external training courses that upgrade skills and enhance development.

*Medical assistance*

The Company has arranged medical insurance cover for its staff. It covers the staff member, their spouse and a maximum of four dependants.

*Health and safety*

A safe working environment is ensured for all employees and consultants by providing adequate and proper training and supervision as necessary.

*Persons with disabilities*

Applications for employment by disabled persons are always considered, bearing in mind the attitudes of the applicants concerned. In the event an employee becomes disabled, every effort is made to ensure that his/her employment with the Company continues and appropriate training is arranged. It is the policy of the Company that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

*Employees benefit plan*

The Company pays contributions to the National Social Security Fund, which is a publicly administered mandatory pension plan and qualifies to be a defined contribution plan.

11. CORPORATE GOVERNANCE

*Code of corporate practice and conduct*

The Company is committed to the principles of effective corporate governance and the Board of Directors of the opinion that the Company currently complies with principles of good Corporate Governance.

*Risk management and internal control*

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

- The effectiveness and efficiency of operations;
- The safeguarding of the Company's assets (including information);
- Compliance with the applicable laws, regulations and supervisory requirements;
- The reliability of the accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviour towards all stakeholders.

BAYER LIFE SCIENCE TANZANIA LIMITED

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

## 11. CORPORATE GOVERNANCE (CONTINUED)

### *Risk management and internal control (continued)*

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Company's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board is directly responsible for risk and internal control assessment as a separate audit committee is not considered necessary.

### *Ethical behaviour*

The Company's Code of Conduct governs all its activities, internal relations and interactions with stakeholders in accordance with its ethical values. It is expected of all staff to maintain the higher level of integrity and honesty in dealing with customers, suppliers, service providers and colleagues.

Compliance with the Code of Conduct is the ultimate responsibility of the Board of Directors, with day-to-day monitoring delegated to line management with the support of personnel officers.

The Code of Conduct is supplemented by the Company's responsibility philosophy as well as its employment practices, occupational health and safety controls.

### *Business ethics and organizational integrity*

The Company's Code of Conduct commits it to the highest standards of integrity, conduct and ethics in its dealings with all parties concerned, including its Directors, managers, employees, customers, suppliers, competitors, investors, shareholders and the public in general. The Directors and staff are expected to fulfil their ethical obligations in such a way that the business is run strictly according to fair commercial competitive practices.

### *Financial reporting and auditing*

The Directors accept final responsibility for the preparation of the annual financial statements which fairly present:

- The financial position of the Company as at the end of the year under review;
- The financial results of operations; and
- The cash flows for that year.

The responsibility for compiling the annual financial statements was delegated to management.

The Directors are satisfied that during the year under review:

- Adequate accounting records were maintained;
- An effective system of internal control and risk management, monitored by management, was maintained;
- Appropriate accounting policies, supported by reasonable and prudent judgments and estimates, were used consistently; and
- The financial statements were compiled in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002.

BAYER LIFE SCIENCE TANZANIA LIMITED

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

11. CORPORATE GOVERNANCE (CONTINUED)

*Financial reporting and auditing (continued)*

The Directors are also satisfied that no material event has occurred between the financial year-end and the date of this report.

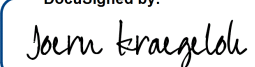
The Directors are of the opinion that the Company has sufficient resources and commitments at its disposal to operate the business for the foreseeable future, the financial statements have been prepared on a going concern basis.

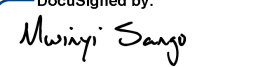
12. AUDITORS

The auditors, Deloitte & Touche, having expressed their willingness, continue in office in accordance with section 170(2) of the Companies Act, 2002.

Deloitte & Touche with PF No 025 and TIN 100-148-692 is an audit firm registered by the National Board of Accountants and Auditor (NBAA).

**BY ORDER OF THE BOARD**

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Joern Kraegeloh  
Director

DocuSigned by:  
  
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Mwinyi Sango  
Director

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BAYER LIFE SCIENCE TANZANIA LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES


The Companies Act, 2002 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its operating results for that year. It also requires the Directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

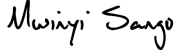
The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act, 2002 and for such internal controls as Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act, 2002. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its 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.

As disclosed in note 5 to the financial statements, the Directors acknowledge that the continued existence of the Company as going concern depends on the continued support of its parent company.

Signed on behalf of the Board of Directors by:

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Joern Kraegeloh  
Director

DocuSigned by:  
  
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Mwinyi Sango  
Director

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BAYER LIFE SCIENCE TANZANIA LIMITED

DECLARATION BY THE PROFESSIONAL ACCOUNTANT

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance responsible for the preparation of financial statements of the entity concerned.

It is the duty of a professional accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable accounting standards and statutory financial reporting requirements.

Full legal responsibility for the preparation of financial statements rests with the Directors as under the Statement of Directors' Responsibilities on an earlier page.

I, Mwinyi Sango, being the Director and Territory Manager of Bayer Life Science Tanzania Limited, hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2023 have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of Companies Act, 2002.

I thus confirm that the financial statements comply with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act, 2002 as at that date and that they have been prepared based on properly maintained financial records.

DocuSigned by:  
*Mwinyi Sango*  
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Mwinyi Sango  
**Director and Territory Manager**  
NBAA Membership No. ACPA 3520

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INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF BAYER LIFE SCIENCE TANZANIA LIMITED

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Bayer Life Science Tanzania Limited ("the Company"), set out on pages 13 to 45 which comprise the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023 and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act, 2002.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the National Board of Accountants and Auditors (NBAA) Code of Ethics, which is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with other ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material Uncertainty Related to Going Concern**

We draw attention to note 5 of the financial statements which state that the Company had profit for the year of TZS 1,382,779,000 (2022: TZS 3,459,935,000) and as at that date, it had a net current liabilities of TZS 1,516,295,000 (2022: TZS 3,472,482,000) and shareholders' surplus of TZS 1,012,409,000 (2022: Deficit TZS 370,370,000). These conditions, along with other matters as set forth in note 5, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Other Information

The Directors are responsible for the other information. The other information comprises the information included in the report by those charged with governance but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard, except for the matter below in respect of Tanzania Financial Reporting Standards No.1.

We have concluded that the report by those charged with governance, has not disclosed all information as required by the Tanzania Financial Reporting Standards No.1 – The report by those charged with governance ("TFRS 1").

### Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS and the requirements of the Companies Act, 2002, and for such internal control as Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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 Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Report on Other Legal Requirements**

As required by the Companies Act, 2002, we report to you, based on our audit, that:

- (i) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- (ii) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- (iii) the Company's statement of financial position (balance sheet) and the statement of profit or loss and other comprehensive income (profit and loss account) are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditors' report is Y.F. Kasenge.

**Deloitte & Touche**

Certified Public Accountants (Tanzania)

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Signed by: Y.F. Kasenge  
NBAA Registration No. ACPA -PP4063  
**Dar es Salaam**

.....2023

## BAYER LIFE SCIENCE TANZANIA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 TZS' 000	2022 TZS'000
Revenue	6	59,742,276	40,572,983
Cost of sales		<u>(38,768,230)</u>	<u>(24,603,249)</u>
<b>Gross profit</b>		20,974,046	15,969,734
Other income	7	400,517	-
Administrative expenses		(14,740,963)	(7,932,050)
Net foreign exchange loss	8	(2,867,057)	(229,294)
Finance costs	9	<u>(1,241,794)</u>	<u>(483,862)</u>
<b>Profit before tax</b>	10	2,524,749	7,324,528
Income tax expense	11(a)	<u>(1,141,970)</u>	<u>(3,864,593)</u>
<b>Profit for the year</b>		1,382,779	3,459,935
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>1,382,779</u>	<u>3,459,935</u>

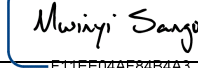
## BAYER LIFE SCIENCE TANZANIA LIMITED

STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2023

ASSETS	Notes	2023 TZS'000	2022 TZS'000
<b>Non-current assets</b>			
Property and equipment	12	2,650,540	2,288,542
Intangible assets	13	-	1,170
Deferred tax asset	14	2,031,456	887,393
Right-of-use assets	15(a)	<u>675,420</u>	<u>887,916</u>
<b>Total non-current assets</b>		<u>5,357,416</u>	<u>4,065,021</u>
<b>Current assets</b>			
Inventories	16	4,771,291	5,612,908
Trade and other receivables	17	4,558,463	3,175,888
Income tax recoverable	11(c)	470,591	-
Bank balances	18	<u>51,424,198</u>	<u>20,880,393</u>
<b>Total current assets</b>		<u>62,224,543</u>	<u>29,669,189</u>
<b>Total assets</b>		<u>66,581,959</u>	<u>33,734,210</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	19	2,230,100	2,230,100
Accumulated losses		<u>(1,217,691)</u>	<u>(2,600,470)</u>
<b>Total equity</b>		<u>1,012,409</u>	<u>(370,370)</u>
<b>Non-current liabilities</b>			
Lease liabilities	15(b)	<u>828,712</u>	<u>962,909</u>
<b>Current liabilities</b>			
Borrowing	20	21,448,808	14,413,820
Income tax payable	11(c)	-	669,241
Lease liabilities	15(b)	228,623	373,885
Trade and other payables	21	<u>43,063,407</u>	<u>17,684,725</u>
<b>Total current liabilities</b>		<u>64,740,838</u>	<u>33,141,671</u>
<b>Total liabilities</b>		<u>65,569,550</u>	<u>34,104,580</u>
<b>Total equity and liabilities</b>		<u>66,581,959</u>	<u>33,734,210</u>

The financial statements on pages 13 to 46 were approved and authorised for issue by the Board of Directors on 6/25/2024 at 11:55:54 AM CEST 2024 and were signed on its behalf by:

DocuSigned by:  
  
 TE50B5C42B23471...  
 Joern Kraegeloh  
 Director

DocuSigned by:  
  
 FT1EE04AF84B4A3...  
 Mwinyi Sango  
 Director

## BAYER LIFE SCIENCE TANZANIA LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital	Accumulated losses	Total
	TZS'000	TZS'000	TZS'000
At 1 January 2023	2,230,100	(2,600,470)	(370,370)
Total comprehensive income for the year	<u>-</u>	<u>1,382,779</u>	<u>1,382,779</u>
At 31 December 2023	<u>2,230,100</u>	<u>(1,217,691)</u>	<u>1,012,409</u>
At 1 January 2022	2,230,100	(6,060,405)	(3,830,305)
Total comprehensive income for the year	<u>-</u>	<u>3,459,935</u>	<u>3,459,935</u>
At 31 December 2022	<u>2,230,100</u>	<u>(2,600,470)</u>	<u>(370,370)</u>

## BAYER LIFE SCIENCE TANZANIA LIMITED

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2023

		2023 TZS'000	2022 TZS'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	Notes		
Profit before tax		2,524,749	7,324,528
<i>Adjustments for:</i>			
Interest expense on borrowing	9	1,155,971	404,508
Interest expense on lease liabilities	9	85,823	79,354
Depreciation of motor vehicles and equipment	10	550,484	275,957
Amortisation of intangible assets	10	1,170	3,552
Depreciation of right-of-use assets	10	364,585	531,504
Gain on disposal of motor vehicles	7	(82,429)	-
Unrealised foreign exchange loss on borrowing	20	1,452,425	149,128
Write off of items in capital work in progress	12	36,561	-
Operating cashflow before movements in working capital		6,089,339	8,768,531
<i>Movement in working capital:</i>			
Decrease in inventories		841,617	789,712
Increase in trade and other receivables		(1,382,574)	(508,241)
Increase in trade and other payables		25,378,682	8,969,879
<b>Cash generated from operations</b>		30,927,064	18,019,881
Tax paid	11(c)	(3,425,865)	(3,117,935)
Interest paid	20	(493,457)	-
<b>Net cash generated from operating activities</b>		27,007,742	14,901,946
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of motor vehicles and equipment	12	(950,611)	(1,505,227)
Disposal of motor vehicle and equipment		83,996	-
<b>Net cash used in investing activities</b>		(866,615)	(1,505,227)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings	20	4,920,049	-
Repayment of lease liabilities - interest	15(b)	(85,823)	(79,354)
Repayment of lease liabilities - principal	15(b)	(431,548)	(535,553)
<b>Net cash used in financing activities</b>		4,402,678	(614,907)
<b>Net increase in cash and cash equivalents</b>		30,543,805	12,781,812
Cash and cash equivalents at the beginning of the year		20,880,393	8,098,581
<b>Net cash and cash equivalents at the end of the year</b>		51,424,198	20,880,393

## BAYER LIFE SCIENCE TANZANIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2023

## 1. GENERAL INFORMATION

Bayer Life Science Tanzania Limited (formerly Monsanto Tanzania Limited), (“the Company”) was incorporated in the United Republic of Tanzania under the Companies Act, 2002 as a private limited liability company and is domiciled in Tanzania. The address of its registered office and principal place of business is shown on page 1. The principal activities of the Company are described in the report of those charged with governance.

## 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

***(i) New standards and amendments to published standards effective for the year ended 31 December 2023***

The following were new and revised Standards that have been effective in the current year. The Company’s application of the new and revised standards did not have material impact on the disclosures or on the amounts reported to these financial statements.

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Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023)	In May 2023, the IASB issued narrow-scope amendments to IAS 12, ‘Income Taxes’. This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the Organization for Economic Co-operation and Development’s (OECD) as a result of international tax reform.
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The amendments provide a temporary exception from the requirement to recognize and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. Companies may apply the exception immediately, but disclosure requirements are required for annual periods commencing on or after 1 January 2023.

The amendment did not have a material impact on these financial statements.

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Amendments to IAS 1 and IFRS Practice Statement 2: Making material judgments, Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).	IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity’s financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, ‘Making Materiality Judgements’ was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.  The amendments resulted in changes in the presentation of these financial statements, primarily by removing significant accounting policies that do not represent material accounting policy information.
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## BAYER LIFE SCIENCE TANZANIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

**(i) New standards and amendments to published standards effective for the year ended 31 December 2023 (Continued)**

Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023), Deferred tax related to assets and liabilities arising from a single transaction.

The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognized. The amendments clarify that the exemption does not apply and that entities are required to recognize deferred tax on such transactions. The amendments require companies to recognize deferred tax on transactions that, on initial.

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

The amendment did not have a material impact on these financial statements.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).

The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- *Effective date:* The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- *Expected recovery of insurance acquisition cash flows:* An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- *Contractual service margin attributable to investment services:* Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.

## BAYER LIFE SCIENCE TANZANIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

**(i) *New standards and amendments to published standards effective for the year ended 31 December 2023 (Continued)***


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<p>Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). <i>(Continued)</i></p>	<ul style="list-style-type: none"> <li>• Reinsurance contracts held – recovery of losses: When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.</li> </ul> <p><i>Other amendments:</i> Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.</p> <p>The adoption of the standard did not have a material impact on these financial statements.</p>
<p>IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).</p>	<p>IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers are now recognizing the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately.</p> <p>The amendment did not have a material impact on these financial statements.</p>

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## BAYER LIFE SCIENCE TANZANIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

**(i) New standards and amendments to published standards effective for the year ended 31 December 2023 (Continued)**

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).	The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.
Transition option for insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).	The amendment did not have a material impact on these financial statements.  The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The amendment relates to insurers' transition to IFRS 17 only and does not affect any other requirements in IFRS 17. The transition requirements in IFRS 17 and IFRS 9 apply at different dates and result in the following one-time classification differences in the comparative information presented on initial application of IFRS 17: accounting mismatches between insurance contract liabilities measured at current value and any related financial assets measured at amortised cost; and if an entity chooses to restate comparative information for IFRS 9, classification differences between financial assets derecognised in the comparative period (to which IFRS 9 will not apply) and other financial assets (to which IFRS 9 will apply). The amendment helps insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. When initially applying IFRS 17, entities are, for the purpose of presenting comparative information, permitted to apply a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. The transition option is available, on an instrument-by-instrument basis; allows an entity to present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of IFRS 9; and require an entity that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how that financial asset is to be classified applying IFRS 9
	The amendment did not have a material impact on these financial statements.

The application of the above amendments had no material impact on the Company's financial statements.

## BAYER LIFE SCIENCE TANZANIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)****(ii) Impact of new amended standards and interpretations in issues but not yet effective standards and amendments for the year ended 31 December 2023**

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 or later, and which the Company has not early adopted.

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Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).	The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognize any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.
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The Company is currently assessing the impact of the amendments on its financial statements.

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024).	These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.
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The Company is currently assessing the impact of the amendments on its financial statements.

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## BAYER LIFE SCIENCE TANZANIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

*(ii) Impact of new amended standards and interpretations in issues but not yet effective standards and amendments for the year ended 31 December 2023 (Continued)*

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023).	<p>In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier's finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements. The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2024.</p> <p>The Company is currently assessing the impact of the amendments on its financial statements.</p>
IFRS S1 ( <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> )	<p><b>IFRS S1</b> - Sets out overall requirements with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to the primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.</p> <p>IFRS S1 was issued in June 2023 and applies to annual reporting periods beginning on or after 1 January 2024.</p> <p>The Company is currently assessing the impact of the amendments on its financial statements.</p>
IFRS S2- (Climate-related Disclosures) (Continued)	<p><b>IFRS S2</b> - Sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.</p> <p>IFRS S2 was issued in June 2023 and applies to annual reporting periods beginning on or after 1 January 2024.</p> <p>The Company is currently assessing the impact of the amendments on its financial statements.</p>

Unless otherwise described above, the new standards and interpretations are not expected to materially affect the Company's financial statements.

***Early adoption of standards***

The Company did not early-adopt any new or amended standards in the year ended 31 December 2023.

BAYER LIFE SCIENCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES

**Statement of compliance**

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2002.

For the Companies Act, 2002 reporting purposes, in these financial statements the balance sheet is represented by/equivalent to the statement of financial position and the profit and loss account is included in the statement of profit or loss and other comprehensive income.

**Basis of preparation**

The financial statements are presented in Tanzania Shillings (TZS) and have been prepared on the historical cost basis, except where otherwise indicated.

The significant accounting policies adopted in the preparation of these financial statements are set out below:

**Revenue recognition**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates and value added tax where applicable.

The Company's main revenue is derived from the sale of corn seeds and crop protection products. Revenue from the sale of corn seeds is recognised once the goods are delivered and accepted by the customer, and when all performance obligations with respect to the sale have been met. Delivery does not occur until the control of goods and services passes to the customer unless specified otherwise by the sales contract.

**Taxation**

The income tax expense is determined based on taxable profit for the year and includes deferred tax.

*Current tax*

Current tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the tax 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 assets and liabilities are offset if, and only if, the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

*Deferred tax*

Deferred tax is provided using the liability method on some temporary differences at reporting date between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases of these assets and liabilities.

BAYER LIFE SCIENCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

**Taxation (continued)**

Deferred tax liabilities are recognised on some taxable temporary differences that exists between the carrying value and the tax bases. Deferred taxable assets are recognised on deductible temporary differences to the extent that it is probable that the related tax benefit will be realised in the foreseeable future against future taxable profit.

The carrying amount of the deferred income tax asset is reviewed at each reporting date and reduced to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities all measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

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

Value added tax (VAT)

Revenues, expenses, assets and liabilities are recognised at amounts net of Value Added Tax (VAT) except:

- Where VAT incurred on purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or part of the expense items, as applicable; and
- Where receivable and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the tax authority is included as part of the receivables or payables in the statement of the financial position.

**Translation of foreign currencies**

The financial statements are presented in the currency of the primary economic environment in which the Company operates-Tanzanian Shillings (functional currency).

Transactions during the year which are denominated in foreign currencies are translated into Tanzania Shillings at rates prevailing at the transaction dates. Monetary assets and liabilities which are denominated in foreign currencies are re-translated into Tanzania Shillings at rates ruling at the end of the reporting period. The differences arising from the re-translation of these transactions and balances are recognised in profit or loss in the year in which they arise.

## BAYER LIFE SCIENCE TANZANIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

**Motor vehicles and equipment**

Motor vehicle and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated to write off the cost of equipment in equal annual instalments over their useful lives.

The annual rates generally in use are as follows:

	<b>Rates</b>
Computers	30%
Motor vehicles	20% - 25%
Office equipment	10%
Fittings	12.5% - 14.28%
Leasehold improvement	14.28%

**Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis. The annual rate in use is 20%.

**Impairment of tangible and intangible assets**

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized if the recoverable amount of an asset is less than its carrying amount. The impairment loss is recognized as an expense in profit or loss immediately. The recoverable amount of an asset is the higher of the asset's fair value less cost of disposal and its value in use.

The fair value represents the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties.

The value in use of an asset represents the expected future cash flows, from continuing use and disposal that are discounted to their present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The impairment loss is allocated to reduce the carrying amount of the assets of the cash-generating unit on a pro-rata basis based on their carrying amounts. The carrying amount of individual assets are not reduced below the higher of its value in use, zero or fair value less cost of disposal.

## BAYER LIFE SCIENCE TANZANIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

**Impairment of tangible and intangible assets (continued)**

A previously recognized impairment loss related to assets is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in prior years. No goodwill impairment losses are reversed.

After the recognition of an impairment loss, any depreciation or amortization charge for the asset is adjusted for future periods to allocate the asset's revised carrying amount, less its estimated residual value, on a systematic basis over its remaining useful life.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the first-in-first-out (FIFO) basis and include the direct purchase cost, insurance, freight and other incidental costs. The cost of work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimate of the selling price in the ordinary course of the business. Specific provision is made for obsolete, slow moving and defective inventories.

**Financial instruments**

## Financial assets

*Initial recognition*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

*Subsequent measurement*

Financial assets are classified into the following specified categories;

Financial assets at amortised cost (debt instruments);

- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

## BAYER LIFE SCIENCE TANZANIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

**Financial instruments (continued)**

## Financial assets (continued)

*Subsequent measurement (continued)*

The Company's principal financial assets are trade and other receivables, and cash and cash equivalents.

Financial assets are recognised and derecognised on trade-date where the purchase or sale of the financial asset is under a contract whose terms require delivery of the instrument within the timeframe established by the market concerned.

All financial assets are initially measured at amortised cost or fair value, depending on the classification of financial assets.

*Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI.

*Trade and other receivables*

Trade and other receivables are stated at invoice amounts less provision for impairment. A provision for impairment is established using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the trade and other receivables.

*Cash and cash equivalents*

For the purposes of the cash flows statement, cash and cash equivalents include cash on hand, in banks and investments in money market instruments and duly reconciled to the related items in the statement of financial position.

## BAYER LIFE SCIENCE TANZANIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

**Financial instruments (continued)**

## Financial assets (continued)

*Impairment of financial assets*

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company applies a simplified approach in calculating ECLs for trade and other receivables. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

*De-recognition of financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

## Cash and cash equivalents

For the purposes of the statement of cash flows, cash is considered to be cash on hand and balances in operating bank accounts.

## Financial liabilities

Financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

The Company's financial liabilities include trade and other payables. The measurement of financial liabilities depends on their classification, as described below:

BAYER LIFE SCIENCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

**Financial instruments (continued)**

Financial liabilities (continued)

*Financial liabilities at FVTPL*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss

*Financial liabilities measured subsequently at amortised cost*

Financial liabilities that are not contingent consideration of an acquirer in a business, held-for-trading, or designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

*De-recognition of financial liabilities*

The Company de-recognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability de-recognised and the consideration paid and payable is recognised in profit or loss.

Offset

Where a legally enforceable right of offset exists for recognized financial assets and financial liabilities and there is an intention to settle the liability and realize the asset simultaneously, or to settle on a net basis, all related financial effects are offset

**Provisions and contingencies**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

BAYER LIFE SCIENCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

**Defined benefit obligations**

The Company makes statutory contributions to the National Social Security Fund (NSSF). This is the defined contribution plan established by the National Social Security Funds Act No 28 of 1997. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Company's obligation with respect to contribution is limited to 10% of the employees' gross emoluments. Contributions to the Fund is recognized as an expense in the period the employees render the related services.

**Leases**

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

## BAYER LIFE SCIENCE TANZANIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

**Leases (continued)**

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss.

## BAYER LIFE SCIENCE TANZANIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

**Leases (continued)**

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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

Payments made under operating leases are charged through profit or loss on a straight line basis over the period of the lease. At the end of the reporting period the Company did not have any assets held under finance lease.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the accounting policies, management has made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are regularly reviewed and revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The areas of critical judgements and key sources of estimation uncertainty are as set out below:

*Lease liability*

In order to make a judgement to determine the term of the lease and the corresponding lease liability, the directors consider any options regarding extension or termination of the lease contract which may be available and whether it is probable that such options will be exercised.

Unless there is an implicit interest rate contained in the lease contract, the discount rate used to calculate the net present value of the lease liability is the company's incremental borrowing rate. This rate is estimated by the directors to be the rate which would be paid by the company to purchase a similar asset.

*Impairment losses of financial instruments*

The Company reviews its asset portfolios regularly to assess impairment. In determining whether an impairment loss should be recorded in the profit or loss, the Company's directors make judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of assets, before a decrease can be identified with an individual asset in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of the borrowers, or national or local economic conditions that correlate with defaults on assets in the Company.

## BAYER LIFE SCIENCE TANZANIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

*Impairment losses of financial instruments (continued)*

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

*Impairment of non-financial assets*

The Company reviews the carrying amount of its non-financial assets to determine whether there is an indication that the assets have suffered impairment at the end of reporting period. If such indications exist, the assets recoverable amount is estimated and an impairment loss is recognised through the profit or loss whenever the carrying amount of the asset exceeds its recoverable amount.

*Useful lives of motor vehicles and equipment*

As set out in the accounting policy for property, plant and equipment in note 3, management reviews the useful lives and residual values of the items of property and equipment on a regular basis. During the financial period, the Directors determined no significant changes in the useful lives and residual values.

*Taxes*

The Company is subjected to several taxes and levies by various government and quasi-government regulations bodies. As a rule of thumb, the Company recognises liabilities for the anticipated tax/levies payable with utmost care and diligence. However, significant judgment is usually required in the interpretation and applicability of those taxes/levies. Should it come to the attention of managements in one way or other, that the initially recorded liability was erroneous, such differences will impact on the income and liabilities in the period in which such differences are determined.

## 5. GOING CONCERN

The Company had profit for the year of TZS 1,382,779,000 for the year ended 31 December 2023 (2022: TZS 3,459,935,000) and as at that date, it had a net current liabilities of TZS 1,516,295,000 (2022: TZS 3,472,482,000) and shareholders' surplus of TZS 1,012,409,000 (2022: Deficit TZS 370,370,000).

The financial statements have been prepared on a going concern basis on the assumption that the principal shareholder and related parties will continue their support by providing adequate funding for the foreseeable future to enable the Company to pay its debts as they fall due. The Company has received an undertaking from the principal shareholder to this effect.

The Directors are also pursuing various strategies aimed at turning around the Company to profitable operations and to generate sufficient funds to improve its solvency. The Directors are of the view that once these measures are fully implemented, the Company's solvency will be restored and it will continue to trade profitably in the future.

## BAYER LIFE SCIENCE TANZANIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2023 TZS'000	2022 TZS'000
6. REVENUE		
Sales	67,118,669	46,142,924
Less: Discounts	<u>(7,376,393)</u>	<u>(5,569,941)</u>
	<u>59,742,276</u>	<u>40,572,983</u>
7. OTHER INCOME		
Marketing cost reimbursement	(318,088)	-
Gain on disposal of equipment	<u>(82,429)</u>	<u>-</u>
	<u>(400,517)</u>	<u>-</u>
8. NET EXCHANGE LOSS		
Exchange losses	9,252,944	469,002
Exchange gains	<u>(6,385,887)</u>	<u>(239,708)</u>
	<u>2,867,057</u>	<u>229,294</u>
9. FINANCE COSTS		
Interest on borrowing (note 20)	1,155,971	404,508
Interest on lease liabilities (note 15(b))	<u>85,823</u>	<u>79,354</u>
	<u>1,241,794</u>	<u>483,862</u>
10. PROFIT BEFORE TAX		
(a) Profit before tax has been arrived after charging/(crediting) the following:		
Advertising and promotion expenses	1,295,016	2,304,571
Auditors' remuneration	57,842	52,461
Automobile expenses	257,431	287,185
Depreciation of motor vehicles and equipment (note 12)	550,484	275,957
Amortisation of intangible assets (note 13)	1,170	3,552
Amortisation of right-of-use assets (note 15(a))	364,585	531,504
Employee benefit expenses (note 10(b))	2,151,868	1,776,200
Expected credit losses (reversed)	(22,211)	(2,519)
Provisions for obsolescence in inventory/(reversed)	243,828	(18,858)
Tax expense other than corporate tax	<u>-</u>	<u>747,358</u>
(b) Employment costs		
Salaries	1,747,658	1,283,435
Post-employment benefits – defined contribution	234,381	129,974
Medical costs	169,829	54,090
Other staff incentives and benefits	<u>-</u>	<u>308,701</u>
	<u>2,151,868</u>	<u>1,776,200</u>

## BAYER LIFE SCIENCE TANZANIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2023 TZS'000	2022 TZS'000
11. INCOME TAX		
(a) Tax expense		
<i>Current tax:</i>		
In respect of current year	2,286,033	3,010,929
In respect of prior years	-	1,295,060
	<u>2,286,033</u>	<u>4,305,989</u>
<i>Deferred tax:</i>		
Deferred tax credit (note 14)	<u>(1,144,063)</u>	<u>(441,396)</u>
Income tax expense	<u>1,141,970</u>	<u>3,864,593</u>
(b) Reconciliation of income tax expense to expected tax based on the profit before tax:		
Profit before tax	<u>2,524,749</u>	<u>7,324,528</u>
Tax at the applicable rate of 30%	757,425	2,197,358
Tax effect of non allowable expenses	384,545	372,175
Current tax relating to prior years	-	1,295,060
Income tax expense	<u>1,141,970</u>	<u>3,864,593</u>
(c) Current tax recoverable/(payable)		
At the beginning of the year	(669,241)	518,813
Current tax expense	(2,286,033)	(3,010,929)
Current tax relating to prior years	-	(1,295,060)
Tax paid	<u>3,425,865</u>	<u>3,117,935</u>
At the end of the year	<u>470,591</u>	<u>(669,241)</u>

## BAYER LIFE SCIENCE TANZANIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 12. PROPERTY AND EQUIPMENT

	Leasehold improvement	Motor vehicles	Computer equipment and fittings	Work in progress	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
<b>Cost</b>					
At 1 January 2023	427,457	2,110,181	600,839	742,884	3,881,361
Additions	-	-	217,996	732,615	950,611
Transfers in/(out)	-	813,288	243,922	(1,057,210)	-
Disposals	-	(252,207)	(6,542)	-	(258,749)
Write off	-	-	-	(36,561)	(36,561)
At 31 December 2023	<u>427,457</u>	<u>2,671,262</u>	<u>1,056,215</u>	<u>381,728</u>	<u>4,536,662</u>
At 1 January 2022	427,457	841,939	600,839	505,899	2,376,134
Additions	-	-	-	1,505,227	1,505,227
Transfers in/(out)	-	1,268,242	-	(1,268,242)	-
At 31 December 2022	<u>427,457</u>	<u>2,110,181</u>	<u>600,839</u>	<u>742,884</u>	<u>3,881,361</u>
<b>Depreciation</b>					
At 1 January 2023	424,083	901,833	266,904	-	1,592,819
Charge for the year	614	326,894	222,976	-	550,484
Eliminated on disposals	-	(252,207)	(4,975)	-	(257,182)
At 31 December 2023	<u>424,697</u>	<u>976,520</u>	<u>484,905</u>	<u>-</u>	<u>1,886,121</u>
At 1 January 2022	423,469	697,826	195,567	-	1,316,862
Charge for the year	614	204,007	71,337	-	275,957
At 31 December 2022	<u>424,083</u>	<u>901,833</u>	<u>266,904</u>	<u>-</u>	<u>1,592,819</u>
<b>Net book value</b>					
At 31 December 2023	<u>2,760</u>	<u>1,694,742</u>	<u>571,310</u>	<u>381,728</u>	<u>2,650,540</u>
At 31 December 2022	<u>3,375</u>	<u>1,208,348</u>	<u>333,935</u>	<u>742,884</u>	<u>2,288,542</u>

## BAYER LIFE SCIENCE TANZANIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2023 TZS'000	2022 TZS'000
13. INTANGIBLE ASSETS		
<b>Cost</b>		
At the beginning of the year	<u>200,766</u>	<u>200,766</u>
At the end of the year	<u>200,766</u>	<u>200,766</u>
<b>Amortisation</b>		
At the beginning of the year	199,596	196,044
Charge for the year	<u>1,170</u>	<u>3,552</u>
At the end of the year	<u>200,766</u>	<u>199,596</u>
<b>Net book value</b>	<u>-</u>	<u>1,170</u>

## 14. DEFERRED TAX ASSET

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate of 30%. The net deferred tax asset as at the end of the reporting period is attributable to the following items:

	2023 TZS'000	2022 TZS'000
Accelerated capital allowances	(200,695)	(78,854)
Other timing differences	<u>2,232,151</u>	<u>966,247</u>
	<u>2,031,456</u>	<u>887,393</u>

Deferred tax asset has been recognised to the extent recoverable. A portion of deferred tax has not been recognised in these financial statements because of the uncertainty regarding the Company's ability to generate sufficient future taxable profits to utilise the tax losses and realise the asset.

	2023 TZS'000	2022 TZS'000
At the beginning of the year	887,393	445,997
Deferred tax credit (note 11)	<u>1,144,063</u>	<u>441,396</u>
At the end of the year	<u>2,031,456</u>	<u>887,393</u>

## BAYER LIFE SCIENCE TANZANIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2023 TZS'000	2022 TZS'000
15. LEASES		
(a) Right-of-use assets		
<b>Cost</b>		
At the beginning of the year	2,662,014	1,736,722
Increase due to lease modification	152,089	623,191
Addition	<u>-</u>	<u>302,101</u>
At the end of the year	<u>2,814,103</u>	<u>2,662,014</u>
<b>Armotisation</b>		
At the beginning of the year	1,774,098	1,242,594
Charge for the year	<u>364,585</u>	<u>531,504</u>
At the end of the year	<u>2,138,683</u>	<u>1,774,098</u>
<b>Net book value</b>		
At the end of the year	<u>675,420</u>	<u>887,916</u>
Right of use asset relates to lease of three godowns in Mbeya region and an office space, and two godowns in and an office space in Arusha region.		
	2023 TZS'000	2022 TZS'000
(b) Lease liabilities		
<i>Movement:</i>		
At the beginning of the year	1,336,794	947,055
Increase due to lease modifications	152,089	623,191
Addition	-	302,101
Interest expense on lease liabilities	85,823	79,354
Repayment of interest on lease liabilities	(85,823)	(79,354)
Repayment of lease liabilities principal	<u>(431,548)</u>	<u>(535,553)</u>
At the end of the year	<u>1,057,335</u>	<u>1,336,794</u>
<i>Maturity analysis:</i>		
Due within 1 year	497,627	463,383
Due in more than 1 year and no later than 5 years	607,758	1,005,482
Due in more than 5 years	<u>-</u>	<u>-</u>
	1,105,385	1,468,865
Less: Discount (unearned interest)	<u>(48,050)</u>	<u>(132,071)</u>
Present value of lease liability	<u>1,057,335</u>	<u>1,336,794</u>
<i>Classification:</i>		
Current	228,623	373,885
Non-current	<u>828,712</u>	<u>962,909</u>
	<u>1,057,335</u>	<u>1,336,794</u>

## BAYER LIFE SCIENCE TANZANIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2023 TZS'000	2022 TZS'000
15. LEASES (Continued)		
(c) Amounts recognised in profit or loss		
Depreciation expense on right-of-use assets (note 15 (a))	364,585	531,504
Interest expense on lease liabilities (note 15 (b))	<u>85,823</u>	<u>79,354</u>
16. INVENTORIES		
Finished goods	1,471,023	1,523,122
Raw materials	1,312,968	808,013
Work in progress	2,105,147	2,696,744
Goods in transit	166,988	626,036
Provisions for obsolescence	<u>(284,835)</u>	<u>(41,007)</u>
	<u>4,771,291</u>	<u>5,612,908</u>
17. TRADE AND OTHER RECEIVABLES		
Trade receivables	3,752,216	3,648,475
Less: expected credit loss	<u>(50,863)</u>	<u>(721,395)</u>
Net trade receivables	3,701,353	2,927,080
Due from related parties (note 22(c))	623,844	245,117
Deposits and prepayments	233,266	2,096
Other receivables	<u>-</u>	<u>1,595</u>
	<u>4,558,463</u>	<u>3,175,888</u>
18. BANK BALANCES		
Cash at bank	<u>51,424,198</u>	<u>20,880,393</u>
19. SHARE CAPITAL		
<i>Authorised, issued and fully paid up share capital:</i>		
22,301,000 ordinary shares of TZS 100 each	<u>2,230,100</u>	<u>2,230,100</u>
20. BORROWING		
Intercompany borrowing – Bayer World Investment BV (note 22(e))	<u>21,448,808</u>	<u>14,413,820</u>
<i>Movement</i>		
At the beginning of the year	14,413,820	13,860,184
Loan received during the year	4,920,049	-
Interest expense	1,155,971	404,508
Repayment of interest on loan	(493,457)	-
Unrealised foreign exchange loss	<u>1,452,425</u>	<u>149,128</u>
At the end of the year	<u>21,448,808</u>	<u>14,413,820</u>

## BAYER LIFE SCIENCE TANZANIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2023	2022
	TZS'000	TZS'000
21. TRADE AND OTHER PAYABLES		
Trade payables	843,443	837,148
Due to related parties (note 22(d))	35,313,182	14,191,356
Customer prepayments	1,461,929	83,740
Customer discount payables	4,174,629	1,849,350
Withholding tax payable	138,220	151,253
Accrued expenses	<u>1,132,004</u>	<u>571,878</u>
	<u>43,063,407</u>	<u>17,684,725</u>

## 22. RELATED PARTY TRANSACTIONS AND BALANCES

A related party is a person or entity that is related to the entity that is preparing its financial statements. Related party transaction is the transfer of resources, services, or obligations between reporting entity and a related party, regardless of whether a price is charged.

Parties are also considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Transactions with related parties during the year and balances at year end were as follows:

	2023	2022
	TZS'000	TZS'000
<b>a) Purchase of goods and services</b>		
Bayer Zambia Limited	21,097,510	7,590,355
Bayer Malawi Limited	2,173,752	5,335,484
Monsanto Kenya Limited	-	1,007,908
Bayer East Africa Limited	4,487,743	2,024,162
Bayer AG	328,819	-
Bayer Crop Science Schweiz AG	<u>343,163</u>	<u>-</u>
<b>b) Settlement on behalf of another entity</b>		
Monsanto Kenya Limited	-	642,344
Bayer East Africa Limited	<u>309,973</u>	<u>-</u>
<b>c) Due from related party</b>		
Monsanto Kenya Limited	<u>623,844</u>	<u>245,117</u>

## BAYER LIFE SCIENCE TANZANIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 21. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	2023 TZS'000	2022 TZS'000
<b>d) Due to related parties</b>		
Bayer Zambia Limited	26,593,763	7,205,865
Bayer Malawi Limited	832,793	5,335,483
Monsanto Kenya Limited	710,330	-
Bayer East Africa Limited	6,306,791	1,472,381
Bayer Crop Science Schweiz AG	343,163	177,627
Bayer AG	<u>526,342</u>	<u>-</u>
	<u>35,313,182</u>	<u>14,191,356</u>

**e) Loan from related party**

The balance is made up of a loan from Bayer Word Investment BV. The loan is for USD 8 Million with fixed rate of 7.95% per year. The loan is unsecured, and the entire loan will be due February 2023.

	2023 TZS'000	2022 TZS'000
Intercompany borrowing-Bayer World Investment BV (note 19)	<u>21,448,808</u>	<u>14,413,820</u>

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, including credit risk, foreign currency exchange rates and interest rates.

The Company's overall risk management programme seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by management under policies approved by the Board of Directors.

The most important types of risks are:

- Credit risk
- Liquidity risk
- Market risk which is mainly due to foreign exchange risk and interest rate risk

A description of the significant risk factors is given below together with risk management policies applicable.

**Credit risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

Credit risk arises mainly from deposits with banks and trade and other receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds with financial institutions is low because the counter parties are banks with high credit-ratings.

## BAYER LIFE SCIENCE TANZANIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

**Credit risk (continued)**

Trade receivables comprise a widespread customer base. The Company's management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors.

The Company does not consider there to be any significant concentration of credit risk which has not been insured or adequately provided for at the end of reporting period.

The amount that best represents the Company's maximum exposure to credit risk at 31 December 2023 was:-

	12-month or lifetime ECL TZS'000	Internal credit rating TZS'000	Gross carrying amount TZS'000	Loss allowance TZS'000	Net carrying amount TZS'000
Trade receivables	Lifetime ECL	Performing	3,752,216	(50,863)	3,701,353
Due from related parties	Lifetime ECL	Performing	623,844	-	623,844
Bank balances	Lifetime ECL	Performing	51,424,198	-	51,424,198
			<u>55,800,258</u>	<u>(50,863)</u>	<u>55,749,395</u>

The amount that best represents the Company's maximum exposure to credit risk at 31 December 2022 was:-

	12-month or lifetime ECL TZS'000	Internal credit rating TZS'000	Gross carrying amount TZS'000	Loss allowance TZS'000	Net carrying amount TZS'000
Trade receivables	Lifetime ECL	Performing	3,648,475	(721,395)	2,927,080
Due from related parties	Lifetime ECL	Performing	245,117	-	245,117
Bank balances	Lifetime ECL	Performing	20,880,393	-	20,880,393
			<u>24,773,985</u>	<u>(721,395)</u>	<u>24,052,590</u>

The debts that are impaired have been fully provided for. However, management is actively following up recovery of the impaired debts.

The Company has applied the simplified approach in IFRS 9 on receivables to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss and future economic conditions.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## BAYER LIFE SCIENCE TANZANIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash. The Company aims at maintaining flexibility in funding and aggressive collection efforts in respect of debtors' balances.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. All liquidity policies and procedures are subject to review and approval by the Company's Board of Directors.

The tables below analyses the Company's financial instruments into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date.

The table below indicates the contractual timing of cash flows arising from financial assets and liabilities as of 31 December 2023:

	Contractual cash flows (undiscounted)				Total TZS'000
	Current TZS'000	3-6 months TZS'000	6-12 months TZS'000	>1year TZS'000	
<b>Financial assets</b>					
Trade receivables net	3,701,353	-	-	-	3,701,353
Due from related party	623,844	-	-	-	623,844
Bank balances	<u>20,880,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,880,393</u>
<b>Total</b>	<u>25,205,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,205,590</u>
<b>Financial liabilities</b>					
Trade and other payables	5,018,072	-	-	-	5,018,072
Due to related parties	35,313,182	-	-	-	35,313,182
Lease liabilities	83,389	83,389	166,778	723,776	1,057,332
Borrowing	<u>21,448,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,448,808</u>
<b>Total</b>	<u>61,863,451</u>	<u>83,389</u>	<u>166,778</u>	<u>723,776</u>	<u>62,837,394</u>
<b>Difference in contractual cash flows</b>	<u>(36,657,861)</u>	<u>(83,389)</u>	<u>(166,778)</u>	<u>(723,776)</u>	<u>(37,631,804)</u>

## BAYER LIFE SCIENCE TANZANIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

**Liquidity risk (continued)**

The table below indicates the contractual timing of cash flows arising from financial assets and liabilities as of 31 December 2022:

	Contractual cash flows (undiscounted)				Total TZS'000
	Current TZS'000	3-6 months TZS'000	6-12 months TZS'000	>1year TZS'000	
<b>Financial assets</b>					
Trade receivables net	2,927,080	-	-	-	2,927,080
Due from related party	245,117	-	-	-	245,117
Bank balances	<u>20,880,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,880,393</u>
<b>Total</b>	<u>24,052,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,052,590</u>
<b>Financial liabilities</b>					
Trade payables and other payables	2,921,491	-	-	-	2,921,491
Due to related parties	14,191,356	-	-	-	14,191,356
Lease liabilities	115,846	115,846	231,691	1,005,482	1,468,865
Borrowing	<u>14,413,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,413,820</u>
<b>Total</b>	<u>31,642,513</u>	<u>115,846</u>	<u>231,691</u>	<u>1,005,482</u>	<u>32,995,532</u>
<b>Difference in contractual cash flows</b>	<u>(7,589,923)</u>	<u>(115,846)</u>	<u>(231,691)</u>	<u>(1,005,482)</u>	<u>(8,942,942)</u>

**Market risk***Foreign exchange risk*

The Company is exposed to foreign exchange risk arising primarily with respect to the US Dollar.

At 31 December 2023, if the Tanzanian Shilling had weakened/strengthened by 10% against the US Dollar with all other variables held constant, post tax profit for the period would have been TZS 5.5 billion (31 December 2022: TZS TZS 2.7 billion), mainly as a result of US dollar denominated bank balances, trade and other payables and borrowing.

The carrying amounts of the Company's material monetary assets and liabilities held in USD, that will have an impact on profit or loss when exchange rates change, as at 31 December are as follows:

	2023 TZS'000	2022 TZS'000
Bank balances	1,071,756	905,857
Due from related parties	623,844.00	245,117
Due to related parties	(35,313,182)	(14,191,356)
Borrowing	<u>(21,448,808)</u>	<u>(14,413,820)</u>
Open position	<u>(55,066,390)</u>	<u>(27,454,202)</u>

BAYER LIFE SCIENCE TANZANIA LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

**Categorization of financial instruments**

All financial assets and liabilities are classified as financial assets at amortised cost and financial liabilities at amortised cost respectively.

**Capital risk management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Company monitors total capital aiming at maintaining a positive capital amount. It considers total capital to comprise net debt and total shareholders' equity or deficit. Net debt is calculated as total borrowings less cash and cash equivalents and capital comprises of all components of share capital and retained earnings.

Debt to capital ratio as at 31 December are as follows:

	2023 TZS'000	2022 TZS'000
Total borrowings (note 19)	21,448,808	14,413,820
Less: Bank balances (note 17)	<u>(51,424,198)</u>	<u>(20,880,393)</u>
Net debt	<u>(29,975,390)</u>	<u>(6,466,573)</u>
Total shareholders' equity/ (deficit)	<u>1,012,409</u>	<u>(370,370)</u>
Gearing ratio	<u>-</u>	<u>-</u>

23. FAIR VALUE MEASUREMENT

The directors consider that there is no material difference between the fair value and carrying value of the Company's financial assets and liabilities where fair value details have not been presented.

IFRS 13 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significant of the inputs used in making the measurements.

The Company specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

BAYER LIFE SCIENCE TANZANIA LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. FAIR VALUE MEASUREMENT (CONTINUED)

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

**(i) Fair value of the Company financial assets and financial liabilities that are measured at fair value on recurring basis.**

The Company had no financial assets or financial liabilities that are measured at fair value on recurring basis at 31 December 2023 (2022: nil).

**(ii) Fair value of the Company financial assets and financial liabilities that are not measured at fair value on recurring basis.**

The Company's financial assets and liabilities are measured at amortised cost; their carrying amounts are reasonable approximation of their fair value.

24. CONTINGENT LIABILITIES

The Company is currently involved in a number of legal cases. However, no provisions have been made in these financial statements because in the opinion of the Directors, the amounts which are likely to be incurred by the Company in settlement of the related cases are likely to be insignificant.

25. CAPITAL COMMITMENTS

As at 31 December 2023, the Company did not have contractual commitments for any capital expenditure (2022: nil).

26. INCORPORATION AND ULTIMATE HOLDING COMPANY

The Company is incorporated and domiciled in the United Republic of Tanzania. 99% of the Company's issued share capital is owned by Monsanto Invest BV while 1% is owned by Bayer Hispania,S.L.U. The ultimate holding company is Bayer AG.

27. CURRENCY

The financial statements are presented in Tanzania Shillings rounded to the nearest thousand (TZS'000), which is also the functional currency.

28. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

At the date of signing the financial statements, the Directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in these financial statements, which significantly affected the financial position of the Company and results of its operations.