



**THE UNITED REPUBLIC OF TANZANIA  
NATIONAL AUDIT OFFICE**



**NATIONAL RANCHING COMPANY LIMITED  
(NARCO)**

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE  
FINANCIAL AND COMPLIANCE AUDIT FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2023**

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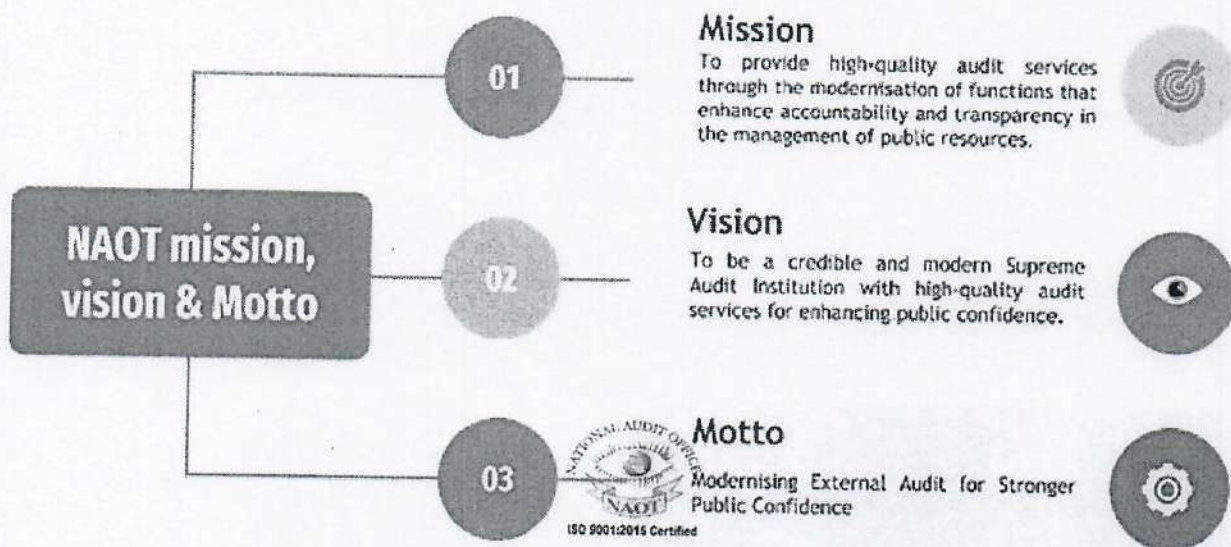
March 2024

AR/PA/NARCO/2022/23

## About the National Audit Office

### Mandate

The statutory mandate and responsibilities of the Controller and Auditor-General are provided for under Article 143 of the Constitution of the United Republic of Tanzania of 1977 and in Section 10 (1) of the Public Audit Act, Cap 418.



### Independence and objectivity

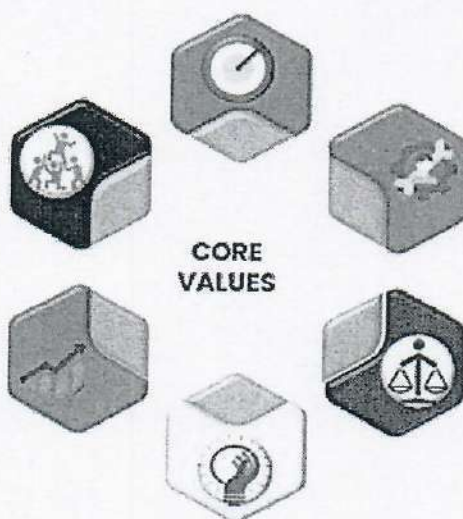
We are an impartial public institution, independently offering high-quality audit services to our clients in an unbiased manner.

### Teamwork Spirit

We value and work together with internal and external stakeholders.

### Results-Oriented

We focus on achievements of reliable, timely, accurate, useful, and clear performance targets.



### Professional competence

We deliver high-quality audit services based on appropriate professional knowledge, skills, and best practices

### Integrity

We observe and maintain high ethical standards and rules of law in the delivery of audit services.

### Creativity and Innovation

We encourage, create, and innovate value-adding ideas for the improvement of audit services.

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## Abbreviations

<b>COSTECH</b>	Commission for Science and Technology
<b>FIFO</b>	First-in-first-out
<b>IAS</b>	International Accounting Standards
<b>IFRS</b>	International Financial Reporting Standards
<b>ISSAIs</b>	International Standard of Supreme Audit Institutions
<b>LIDA</b>	Tanzania Livestock Development Authority
<b>NACO</b>	National Agricultural Company Limited
<b>NAFCO</b>	National Agricultural and Food Corporation
<b>NARCO</b>	National Ranching Company Limited
<b>NDC</b>	National Development Corporation
<b>NICOL</b>	National Investments Company Limited
<b>PSRC</b>	Parastatal Sector Reform Commission
<b>PSSSF</b>	Public Service Social Security Fund
<b>TIB</b>	Tanzania Investment Bank
<b>TMC</b>	Tanzania Meat Company Limited
<b>TZS</b>	Tanzanian Shillings





## 1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

The Chairperson,  
Board of Directors,  
National Ranching Company Limited,  
P.O. Box 1819,  
DODOMA.

### 1.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

#### Unqualified Opinion

I have audited the financial statements of National Ranching Company Limited, which comprise the statement of financial position as at 30 June 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly in all material respects, the financial position of National Ranching Company Limited as at 30 June 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) Accrual basis of accounting and the manner required by the Public Finance Act, Cap. 348.

#### Basis for Opinion

I conducted my audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the section below entitled "Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements". I am independent of National Ranching Company Limited in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. I have determined that there are no key audit matters to communicate in my report.

#### Other Information

Management is responsible for the other information. The other information comprises the Report by those charged with governance, statement of responsibilities by those charged with governance, and Declaration by the Head of Finance but does not include the financial



statements and my audit report thereon which I obtained prior to the date of this auditor's report.

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

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

If, based on the work I have performed on the other information that I obtained prior to the date of this audit report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as management determines 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, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

#### **Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements**

My 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 audit report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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



my 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 entity's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's 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 entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are, therefore, the key audit matters. I describe these matters in my audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

In addition, Section 10 (2) of the Public Audit Act, Cap 418 [R.E 2021] requires me to satisfy myself that the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Section 48(3) of the Public Procurement Act, Cap 410 [R. E 2022] requires me to state in my annual audit report whether or not the audited entity has complied with the procedures prescribed in the Procurement Act and its Regulations.



## 1.2 REPORT ON COMPLIANCE WITH LEGISLATIONS

### 1.2.1 Compliance with the Public Procurement laws

**Subject matter:** Compliance audit on procurement of works, goods, and services

I performed a compliance audit on the procurement of works, goods, and services in the National Ranching Company Limited for the financial year 2022/23 as per the Public Procurement laws.

#### **Conclusion**

Based on the audit work performed, I state that, except for the matter described below, procurement of goods, works and services of NARCO is generally in compliance with the requirements of the Public Procurement laws.

#### **Contract performed without performance security**

Regulation 29(1) of the Public Procurement Regulations, 2013 as amended by Regulation 12 of the Public Procurement (Amendment) Regulations, 2016 [GN No. 333 published on 30/12/2016] requires that the procuring entity shall require the successful tenderer to submit a performance security to guarantee the faithful performance of the contract and payment of all laborers, suppliers, mechanics and subcontractors, if any. Contrary to the regulation above, NARCO procured goods and services worth TZS 2,890,392,950 from suppliers without having the performance security.


### 1.2.2 Compliance with the Budget Act and other Budget Guidelines

**Subject matter:** Budget formulation and execution

I performed a compliance audit on budget formulation and execution in the NARCO for the financial year 2022/23 as per the Budget Act and other Budget Guidelines.

#### **Conclusion**

Based on the audit work performed, I state that Budget formulation and execution NARCO is generally in compliance with the requirements of the Budget Act and other Budget Guidelines.

  
Wendy W. Masoy  
Ag. Controller and Auditor General,  
Dodoma, United Republic of Tanzania.  
March 2024





**2.0 REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023**

**2.1 INTRODUCTION**

**2.1.1 Background**

In compliance with Public Corporations Act, 1992 and the Tanzania Financial Reporting Standard No.1 on Directors' Report, the Directors submit their report and the audited financial statements of National Ranching Company Limited (NARCO), for the year ended 30 June 2023.

**2.1.2 Establishment**

National Ranching Company Limited was originally incorporated under the name of National Agricultural Company Limited (NACO) on the 22 May 1968 under the Companies Ordinance (Cap 212). It was by then a wholly owned subsidiary of National Development Corporation (NDC). The Company ownership was transferred from NDC to National Agricultural and Food Corporation (NAFCO) in 1969, and later in October 1974 it was transferred from NAFCO to Tanzania Livestock Development Authority (LIDA).

On 14 October, 1975 LIDA changed its name to National Ranching Company Limited (NARCO). Tanzania Livestock Development Authority was dissolved in 1986 by the Livestock Development Authority Dissolution Act, 1985, and all the shares which were then held by LIDA were transferred to the Treasury Registrar vide the Ministry of Agriculture and Livestock Development Letter No. MAC.39/01 dated 26 January 1985. Through the same letter, the Ministry of Agriculture Livestock Development and Cooperatives authorized the Company to make use of the cold room facilities formerly used by the National Cold Chain Operations Co. Ltd.

Under Government policy of privatization, the Company was specified for privatization under the Parastatal Sector Reform Commission (PSRC) in 1992. Following a Cabinet decision, in 2002 the Company was instructed vide letter ref. No. BM/UW.2/2002 dated 06 March 2002 from the President's Office - State House to subdivide some of its ranches into plots for leasing to private small holdings Tanzanian individuals. Effective 2006 the Company was delisted from privatization and allowed to continue to operate commercially.

The principal mandate of NARCO is to improve the production of beef cattle, provision of training for livestock keepers and building processing facilities such as abattoirs in Tanzania.

**2.1.3 MISSION AND VISION**

**Mission**

To continually innovate and develop sustainable, efficient and profitable livestock cattle ranching operations that offers highest customer satisfaction and good return to shareholders.

**Vision**

To become a model ranching company and the excellent producer as well as provider of the highest quality livestock products and services of international standards.



## 2.2 NATURE OF ACTIVITIES CARRIED BY NARCO

The Company's main activity is ranching of beef cattle in the country. Under Government Policy of Privatization, the Company was instructed in June 2002 to allocate some of its ranch plots to small holdings for leasing to private individuals. During the period under audit the Company operated ranches as follows: -

Table 1: Ranches

No.	Ranch	Region	Total Area	Core	Sub Leased To	
			(HA)	Ranch	Ranches	
				NARCO		
				Area/Ha	Coverage Area (Ha)	No. Of Blocks
1	Kongwa	Dodoma	38,000	38,000	0	0
2	Kikulula	Kagera	10,820	7,175	3,645	1
3	Missenyi	Kagera	45,332	21,782	23,550	14
4	Kitengule	Kagera	11,012	0	11,012	10
5	Mkata	Morogoro	62,530	19,446	43,084	7
6	Ruvu	Pwani	44,012	44,012	0	0
7	Kalambo	Rukwa	64,650	26,053	38,597	13
8	W/Kilimanjaro	Kilimanjaro	30,364	30,364	0	0
9	Mzeri Hill	Tanga	44,246	10,236	31,010	9
10	Usangu	Mbeya	43,727	0	43,727	16
11	Uvinza	Kigoma	56,175	0	56,175	21
12	Dakawa	Morogoro	4,958	0	4,958	2
13	Mabale	Kagera	14,100	507	13,593	7
14	Kagoma	Kagera	57,700	22,749	34,951	18
	<b>Total</b>		<b>524,626</b>	<b>220,324</b>	<b>304,302</b>	<b>118</b>

## 2.3 NARCO OBJECTIVES AND STRATEGY

The Strategic Business Plan for 2019 - 2028 intends to achieve four main Strategic Goals during the period of implementation. NARCO's Strategic Goals are as follows: -

- Core Business Process:** This is the first goal of the company in which NARCO, boldly, aims to build, operate and maintain infrastructure for livestock projects to provide high quality livestock products and services;
- Financial Management:** The second aspect focuses on the financial stability of the company. NARCO envisages becoming a financially stable and cost efficiency company in all its operations;
- Customer Service:** NARCO objectively aims to deliver exceptional services to its esteemed customers that would make its brand a household name; and
- Workforce Quality:** for the other three goals to be successful, NARCO strategically focus on recruiting and retaining competent and skilled labour-force who are motivated to achieve the organizational goals.



## 2.4 STATEMENT OF SERVICE PERFORMANCE INFORMATION

Table 2: Service Performance Information

Objectives	Strategies	Expected outcome	Performance measure definitions	Performance measure	Target	Performance during the year
1. Core Business Process - Build, operate and maintain ranch resources to provide high quality livestock products and services (i) Improvement of basic Ranch infrastructure	1) Grazing land development and management	1) Land demarcation and fencing	Number of land cases with traditional livestock farmers and crop farmers	% of land cases reduced	100%	20%
	2) Ranches pasture development	2) Adequate and quality own-grown pasture	Reliance on own-produced pasture	% of animal fed from own-produced pastures	100%	100%
	3) Develop water infrastructure	3) Reliable water supply	Number of animals shifted / sold for lack of pasture	% of animal shifted / sold over total animals	100%	0
	4) Establish NARCO livestock research Unit	4) Livestock research centers are established	Water availability in ranches throughout the year	% of days in a year with water shortage	100%	40%
(ii) Improvement of Livestock support services	5) Establish training centers in the ranches	5) Livestock training centers in all ranches	Number of research conducted/total number of planned research activities	% of research conducted against target	100%	0%
	6) Establish extension service centers in the NARCO ranches	6) Extension service centers in all ranches	Number of training courses offered over desired training courses	% of training courses offered against target	100%	0%
			Number of training conducted /total number of training	% of training activities over planned	100%	0%
			Number of customers serviced over total number of customers	% of livestock farmers received services over total number of farmers	100%	85%
(iii) Animal disease control and monitoring infrastructure	7) Reinforce ranch boundaries	7) No trace passes of other livestock into NARCO ranches	Number of times other livestock entered onto NARCO ranches	% of reduction in trace passes events	100%	20%
	8) Establish animal disease surveillance system in the ranches	8) Surveillance system for animal disease established	Number of disease cases reported	% of disease cases reported over total disease cases occurred in the locality	100%	100%



NATIONAL RANCHING COMPANY LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (Cont'd)

Objectives	Strategies	Expected outcome	Performance measure definitions	Performance measure	Target	Performance during the year
	9) Develop animal disease laboratory diagnostic facilities	9) Well-equipped laboratory	Number of diseases diagnosed	% of disease cases diagnosed over reported disease cases	100%	100%
<b>2. Finance Management - Maintain financial stability and cost efficiency ranching operations</b>						
(i) Avail the Company with adequate financial resources	1) Prepare 10 - Year Budget	10) 10-Year budget plan prepared	Budget accuracy (Difference between actual and budget over budget)	% of variance	100%	65%
	2) Mobilize low-cost external finance resources	11) Long-term projects receive funding	Number of projects funded	% of projected received funds over total number of targeted projects	100%	0%
		12) Short-term projects receive funding	Number of projects funded by non-interest bearing funds	% of projects funded by non-interest bearing funds over targeted projects	100%	0%
			Number of short-term projects funded	% of short-term projects funded against target	100%	0%
(ii) Finance Resources management	3) Improve business processes	13) Improve profitability of the Company	Growth in Net Profits (Difference between actual and projected profits over projected profit)	% of variance	100%	100%
	4) Effective controls of resources	14) Improve ranches productivity	Growth in sales income (Difference between actual and projected sales revenue over projected sales revenue)	% variance	100%	65%
<b>3. Customer Services - Deliver exceptional customer service of livestock products and services</b>						
(i) Develop livestock marketing information bureau	1) Establish marketing research unit	15) Number of market research activities conducted	Number of market research activities over planned activities	% of research activities conducted	100%	0%
	2) Develop market information database	16) Database on market information disseminated	Number of customers satisfied with market information over total target customers	% of customers satisfied	100%	80%
(ii) Develop livestock marketing infrastructure	3) Develop modern meat slaughter facilities	17) Capacity of quality slaughter facilities established	Capacity of established slaughter facilities / total capacity requirement	% of animal slaughtered in modern facilities	100%	100%



NATIONAL RANCHING COMPANY LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (Cont'd)

Objectives	Strategies	Expected outcome	Performance measure definitions	Performance measure	Target	Performance during the year
	4) Develop meat and meat by-product handling and processing facilities	18) Number of modern retail outlets established	Number of modern retail outlets established over total targeted retail outlets	% of modern retail outlets established	100%	25%
	5) Increase access to market (local and export)	19) Capacity of handling and processing facilities developed	Number of types of livestock products processed over target	% of targeted types of livestock products processed	100%	100%
		20) Increased sales revenue in the domestic market	Growth in local sales revenue (difference between actual and projected local sales over projected sales)	% variance	100%	62%
		21) Increased sales revenue in the export market	Growth in export sales (Difference between actual and projected export sales over projected sales)	% variance	100%	100%
	6) Improve general ranch infrastructure	22) Increase capital expenditure for infrastructure and increased production	Increased investment infrastructure (difference between actual and budgeted capital expenditure over budgeted expenditure)	% variance	100%	100%
(iii) Provide wide range of highest quality livestock products	7) Promote animal fattening program	23) Increased number of fatten animals (cattle +goat)	Increased number of fattened animals over total animal targeted	% of fattened animal over target	100%	0%
	8) Develop animal breeding programs	24) Increased number of high breed animals	Number of high breed animals produced over total high breed animal desired	% of high breed animals produced over target	100%	45%
	9) Develop Value-Addition livestock product manufacturing projects	25) High technology livestock industrial projects with partners implemented	Number of high technology industrial livestock projects implemented over target	% of high technology industrial projects implemented over target	100%	0%
	10) Adopt animal identification program	26) Establish traceability system in the ranches	Number of compliance to indicators / total number of defined compliance indicators	% of compliance	100%	100%
	11) Promote environmental conservation	27) Environmental conservation plan established and implemented	Number of compliance to indicators / total number of defined compliance indicators	% of compliance	100%	100%
(iv) Livestock identification						
(v) Livestock regulatory framework						



NATIONAL RANCHING COMPANY LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (Cont'd)

Objectives	Strategies	Expected outcome	Performance measure definitions	Performance measure	Target	Performance during the year
	12) Establish network with different stakeholders	28) Participation in national and international gathering	Number of external meetings / seminar attended over target meetings	% of external meeting / seminar attended	100%	100%
4. Quality Workforce - Recruit and retain competent and skilled labour force who are motivated to achieve the organizational goals	1) Annual review of staff remuneration	29) Salary and staff benefits scheme prepared and implemented	Improve staff remuneration / (NARCO staff remuneration / remuneration of benchmarked employers)	% of staff compensation	100%	80%
	2) Gender mainstreaming in the organisation	30) Gender policy prepared and implemented	Number of women staff available/targeted number of women staff	% of women staff gap	0%	21%
	3) Develop mechanisms for staff compliance and participation	31) Periodical staff appraisal	Reduced ratio of staff turnover (number of staff turnover / total number of staff)	% of staff turnover	0%	0%
			Number of staff appraised over total number of staff	% of staff appraised	100%	100%
(ii) Develop qualified workforce	4) Staff training and certification program	32) Staff career enhancement	Number of staff attending training / total number of targeted staff	% of staff trained	100%	20%
	5) Develop performance-based culture	33) Staff compliance with corporate values	Number of internal innovations funded / total number of innovations	% of internal innovations funded	100%	0%
	6) Establish succession planning	34) Recruitment of internal staff to fill in vacant positions	Number of existing skills / total number of desired skills	% of skilled gap	0%	0%
			Number of staff complied to corporate values/total number of staff	% of compliance to corporate values	100%	100%
			Number of positions with candidates / total number of positions	% of succession plan	100%	85%



## 2.5 OPERATION MODEL

NARCO is a registered company whole owned by Government of United Republic of Tanzania. Its operation is mainly based in production of Beef cattle especial Boran type. Also, the company deals with selling of Beef popularly known as Kongwa Beef, live animal mainly cow, sheep, goat and Horse, animal by-product and leasing of ranching blocks.

## 2.6 CURRENT AND FUTURE DEVELOPMENT PERFORMANCE

### 2.6.1 Current Performance

#### (a) Financial Position, Results and Cash flows

The financial position, operating results, changes in equity and cash flows are as shown in the set of financial statements attached to this report.

The total assets of the Company for 2022/23 amounted to TZS 172.52 billion compared to TZS 167.03 billion for 2021/22, consisting of non-current assets of TZS 161.20 billion and current assets of TZS 11.32 billion. The amount of total assets is represented by equity of TZS 151.24 billion, non-current liabilities of TZS 6.46 billion and current liabilities of TZS 14.82 billion.

The statements of financial performance indicate that during the year under review, the Company made a profit of TZS 1.87 billion as compared to the profit of TZS 512 million of the prior year (2021/22).

ISO 9001:2015 Certified

During the year, the cash generated from operations was TZS 3.453 billion. Part of this was used for investing activities amounting to TZS 3.623 billion. Thus, the net cash generated during the year was negative TZS 168.7 million.

### 2.7 Future Development Plans

The Company plans to strengthen the operations of national ranches in the country. This includes the production (breeding and fattening) and selling of beef and by-products such as milk, manure, hides and skins. The long-term framework for NARCO is to revamp its commercial ranching operations in its fifteen ranches.

## 2.8 RESOURCES

The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board has reasonable expectation that NARCO has adequate resources to continue in operational existence for the foreseeable future.



However, the Directors have reviewed the current financial position of the Company and the short-term borrowings. On the basis of this review, the Directors are of the opinion that to effectively and efficiently perform its function, the Company needs additional external sources of financing. Subsidy from the Government is received unevenly and The inadequately. The source is not adequate to enable the Company to exploit opportunities in the industry as soon as opportunities arise. The Directors have been strongly recommending injection of more funds in line with the Company's business plan which will prove to be a more reliable source of financing instead of relying on Government budgetary allocations, which in actual fact, are not usually honoured in full for one reason or another. The annual operating results are as shown in the financial statements attached to this report. The future of the company is at stake if the government does not intervene.

## 2.9 RISKS, UNCERTANITIES AND OPORTUNITIES

The Board of Directors accepts final responsibility for the risk management and internal control systems of NARCO. It is the task of management to ensure that adequate internal 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 assets of the Company;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviours towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures.

Table 3: Risk Categories and Mitigations Measures

	Risk Categories	Mitigation
Strategic Risks	Strategic risks are risks that due to Company's strategy selection, prioritization, modification, and implementation jeopardize achievement of the Company's goals and objectives. Strategic risk is a function of business decisions, the execution of those decisions, and resources deployed against strategies. It also includes responsiveness to changes in the internal and external operating environments. Proper management of strategic risks is critical to ensure the Company's resilience and ability to continue to operate effectively	These risks are managed through detailed risk assessment processes that make a basis for risk tolerance which emphasize the importance of integrity, maintaining high quality staff, and public accountability.



	Risk Categories	Mitigation
Financial risks	Financial risks are risks that the Company financial resources may be impaired because of adverse economic conditions, reduction in assets under supervision, inefficient resource utilization, or increasing expenditures reducing the ability to successfully complete the Company's mission. These risks are also a function of financial stewardship, internal controls, and reporting.	The Company manages these risks carefully due to the inherent possibility of fraud and financial mismanagement. Due to its position, the Company has no appetite for any practices that may lead to financial waste, fraud, embezzlement or any form of financial mismanagement by its employees and other stakeholders.
Operational Risks	Operational risks are risks that people, processes, systems, or external events may impede the Company's ability to meet its objectives. These risks are a function of internal controls, employees conduct, processes efficiency, third-party oversight, physical security, and business continuity planning. Operational risks also include the breakdown of processes to comply with laws, regulations, or Governments directives.	The Company has a low appetite for operational risk. The Company makes resources available to control operational risks to acceptable levels. Acceptance of some risks is often necessary to foster innovation but this acceptance should in no way lead to non-compliance of applicable laws and regulations.
Reputation Risks	These risks are the negative perceptions that jeopardize the Company's credibility, achievement of mission and strategic objectives, or ability to maintain the Company's role of providing leadership in economic and financial management. Reputation risks are inherent in all Company's activities and encompasses factors such as regulatory capture; employees conduct; human resource practices; supervision, legal, licensing, and policy decisions; fiscal responsibility; and information security.	<p>The assessment of reputation risks considers the Company's culture, issue escalation and response, and communication strategies.</p> <p>The Company's reputation for integrity and competence is not compromised. There should be no incidences that put the Company's reputation in to questions. All staff and stakeholders are frequently reminded of the Company's zero tolerance towards fraud, corruption, or any other related activities which may lead to loss of reputation.</p>
Compliance risks	Compliance or legal risks are risks that the Company may not fulfill its obligations as required by laws and regulations. Compliance risks are inherent in all Company's activities and decisions. Compliance risk encompasses factors such as policy decisions; enforcement actions; employees conduct; human resource practices; contractual obligations; and regulations development and interpretation.	The Company has no tolerance for compliance breaches. There is no excuse for non-compliance to laws and regulations that are applicable in the daily conduct of the Company's operations.

The Company adopted and follow risk management procedures detailed in the risk management framework. Risk management processes are embedded into the Company's management systems, processes, operations and structures. Also, the Company regularly review and monitor the adequacy and effectiveness of risk management function and processes.



## 2.10 STAKEHOLDERS RELATIONSHIPS

The Company has a policy of aligning its activities with the social and environmental expectations of its stakeholders.

During the reporting period, the Company engaged on environmental conservation activities which included:

- Placing sign posts around the ranches warning the public not to litter plastic bags/bottle etc.
- Providing emergency transport facilities to the communities surrounding the ranches
- host a dispensary at Kongwa that provide health care services to ranches (i.e. sick people) and communities from 17 villages surrounding the ranch.
- Providing husbandry training to local livestock keepers.
- NARCO hosts Nursery and Primary Schools at Kongwa Ranch that provide primary education to the communities from 17 villages surrounding the ranch and beyond.
- Supplying manure to local farmers surrounding the ranches.
- Servicing source of quality cattle breed to local livestock keepers.
- Providing clean water services to villages surrounding the ranches.
- Planting trees around the ranches office and ranches residential areas.
- Maintain fire breaks and bush clearing
- A pit was dug and drums placed at the Kongwa Ranch main gate for collecting garbage.



## 2.11 LIQUIDITY

NARCO's liquidity position is strong. The company has a current ratio of 0.70:1 and an acid test ratio of 0.66:1.

## 2.12 KEY PERFORMANCE INDICATORS

Inadequate funds generated from operations and those expected to be received from the Government for both recurrent expenditure and development expenditure was not earned hence hampering the Company's activities and it was not possible to efficiently execute the Company's planned activities for the year 2022/23. The Company operated within the Board's approved budget.



The following financial ratios for year 2022/23 were attained compared to the last financial year 2021/22:

Table 4: Key Performance Ratios

	2022/23	2021/22
<b>Financial</b>		
Current ratio	0.70:1	0.84:1
Acid Test ratio	0.66:1	0.79:1
Working Capital (in TZS billions)	(4.456)	(1.909)
Operating Profit/(Loss) (in TZS billions)	1.024	512
Operating Margin	14%	9%
Return on Asset	4%	0.3%

## 2.13 CORPORATE GOVERNANCE MATTERS

### 2.14 GOVERNANCE STRUCTURE

The Board of Directors consists of nine (9) members. No director is holding an executive position in the Company. The Board takes overall responsibility of the Company, including responsibility for identifying key risks areas, considering significant financial matters, and reviews the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies procedure is in place, and for compliance with sound corporate governance principles.

The Board delegates the day-to-day management of the business to the Managing Director assisted by senior management team. Senior management team is invited to attend Board meetings and facilitates the effective control of all Company's operational activities, acting as a medium of communication and coordination between the business units

The Company is committed to the principles of effective corporate governance. The Directors also recognize the importance of integrity, transparency and accountability. As one of its several strategies of fostering a high standard of good corporate governance, the Board of Directors normally appoints committees. During report period, the Board had three committees namely; the Audit and Risk Management Committee, the Operations Committee and the Business Development Committee. Each committee was made up of four (4) members.

### 2.15 BOARD OF DIRECTORS

#### 2.15.1 Composition

During the year under review the Company had a Board of Directors which was appointed in May 2022 and inaugurated in June 2023 all of them were Tanzania citizens. The Directors who



NATIONAL RANCHING COMPANY LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (Cont'd)

served the Company during the period and up to the date of its tenure on May 2025 were as listed below:

Table 5: Composition of Board of Directors

No	Name	Institution	Qualification	Position	Age	Date appointed
1.	*Eng. Cyprian John Luhemeja	Permanent Secretary, Ministry of Labour, Youth, Employment and Persons with Disabilities.	MSc. MBA in Finance; B.Sc. in Engineering.	Chairman	44	May 2022
2.	Julius Fanuel Mollel	Program Coordinator - Maarifa ni Ufunguo/ Knowledge is the Key NGO	MSc. Mgt of Resources for Suitable Agriculture; BSc. in Animal Science	Member	56	May 2022
3.	Dr. Charles Ernest Mhina	Director of Administration and HRM Ministry of Livestock and Fisheries	PHD (Public Administration ) MSc in Public Administration	Member	44	May 2022
4.	Felix Herini Mlaki	Executive Director - Economic and Business Foundation T Ltd	MSc. MBA in Finance, Diploma in Management	Member	49	May 2022
5.	ACP Ibrahim Barnabas Mahumi	Director, Directorate of Human Capital Management President's Office, Public Service Mgt and Good Governance	MA and BA in Political Science and Public Administration	Member	47	May 2022
6.	CPA Halima Ramadhani Senzia	Treasury Accountant Ministry of Works, Transport & Communication. (Works)	CPA T, Master of Science in Finance	Member	51	May 2022
7.	Mayunga George	Katibu Mwenezi CCM Mkoa wa Simiyu	BA in Public Administration	Member	39	May 2022



No	Name	Institution	Qualification	Position	Age	Date appointed
			; Diploma in Education			
8.	Dr. Raphael Rasiel Macha	University of Dodoma	Msc. Economic, Phd in Economics in progress	Member	39	May 2022
9.	Fransis Mtete Chachah	Ministry of Finance and Planning	Msc. Finance; CSP(T)	Member	55	May 2022
10.	*Prof. Peter L. M. Msoffe	Managing Director NARCO	PHD (Veterinary Medicine)	Secretary	56	July 2021

The Board is required to hold at least four meetings during the year. Actual numbers of meetings held during the year were seven meaning that ordinary four meeting and three extra ordinary meeting were held. The Board managed to discuss at that meeting included, among others, the following:

- (a) Termination of contract between NARCO and investor plot 288/1 Kitengule;
- (b) Management to prepare the five-year strategic plan in respect of ruling party Manifesto and National Development Programme;
- (c) To conduct Monitoring and Evaluation to all investors to ensure they a bid to their business Plans;
- (d) Rehabilitation of staff houses at west Kilimanjaro and Kongwa Ranches;
- (e) Approved salary structure, Scheme of service, Annual procurement plan, Company Budget, Investment policy, Board Charter, Loan and Risk register;
- (f) Extended Credit Facility (ECF) funds usage following the stipulated directives be implemented in time to ensure timely implementations of the activities planned for;
- (g) Directed Management to prepare strategic plan to run Tanzania Meat Company Limited (TMCL) which were handled over to NARCO and owned by NARCO in 100%;
- (h) Management was directed to prepare new salary Scheme for the Financial year 2023/24;
- (i) Management to prepare the new NARCO scheme of services and be submitted to Ministry for Livestock and Fisheries for further deliberations on the same;
- (j) Review of all the debts in relations to ranch blocks and ensure all vacant blocks be rented to prospective investors with interest in the industry and not middlemen;
- (k) NARCO need to increase and ensure revenue collections is in place;
- (l) NARCO management need to request for exemption on Land rent and; and
- (m) NARCO to work and make Land management to avoid conflict.

## 2.15.2 Directors' Remuneration

The Company paid a total of TZS 254,706,000 for services rendered by the directors of the Company and members of the Business Development Committee, Audit and Risk Management Committee and Operations Committee. Out of the total cost of the directors' expenses, TZS



102,000,000 was Director's fee while TZS 152,706,000 was for transport costs and accommodation for directors to attend Board meetings.

### 2.15.3 Audit and Risk Management Committee.

During the year members in this committee were as below;

**Table 6: Members of Audit and Risk Management Committee**

SN	Name	Position	Qualification	Nationality
1.	CPA Halima Senzia	Chairperson	CPA(T), Master of Science in Finance	Tanzanian
2.	Dr. Raphael R.Macha	Member	Msc. Economic, Phd in Economics in progress.	Tanzanian
3.	Dr. Charles Mhina	Member	PHD (Public Administration) MSc in Public Administration.	Tanzanian
4.	Mr. Mayunga G.Ngokolo	Member	BA in Public Administration; Diploma in Education	Tanzanian

The Committee reports to the full Board and is required to meet on quarterly basis per year. During the year ended 30 June 2023 the Audit and Risk Management Committee held five meetings. The committee deliberated on approval of financial statement, Risk Register, Board charter, Annual Procurement Plan, Management to prepare instrument tools which guide day to day operation of the company, submission of list of the all-actual debtors of NARCO and conducting M & E to all sublease investors.

### 2.15.4 The Operations Committee

The Committee reports to the full Board. During the year ended 30 June 2023 the Operation Committee held four meetings where it deliberated the following issues:

- More emphasis stressed on increasing production and reducing death rates;
- Close supervision on subleased plots/investors and ensure that they operate in line with their business plans;
- To review the production and marketing manual based on the current situation;
- Stressed on the increase of pasture development which can be used during dry season; and
- Stressed on selective bush clearing to ensure visible boundaries while preventing intrusion



The members of this committee were as below:

**Table 7: Operations Committee**

SN	Name	Position	Qualification	Nationality
1.	Fransis Mtete Chachah	Chairperson	Msc. Finance; CSP(T)	Tanzanian
2.	Mayunga George	Member	BA in Public Administration; Diploma in Education	Tanzanian
3	Julius Fanuel Mollel	Member	MSc. Mgt of Resources for Suitable Agriculture; BSc.in Animal Science	Tanzanian
4	Felix Herini Mlaki	Member	MSc. MBA in Finance; Diploma in Management	Tanzanian

### 2.15.5 The Business Development Committee

The Committee reports to the full Board. During the year ended 30 June 2023 the Business and Development Committee held four meetings. The committee deliberated on:

- Approved the Budget of the Company and Annual Procurement plan, to activate Company website, agree to transfer shares from NICOL to NARCO, approved new scheme of service and salary structure for the company, approved Business plan of the company for loan requisition, all the vacant blocks to be subleased, committee resolved to sue SAAFI in order to compel her to pay the outstanding debts owed by NARCO. The Committee members were as below:

**Table 8: Members of Business and Development Committee**

SN	Name	Position	Qualification	Nationality
1.	Felix Herini Mlaki	Chairperson	MSc. MBA in Finance; Diploma in Management	Tanzanian
2.	Fransis Mtete Chachah	Member	Msc. Finance; CSP(T)	Tanzanian
3.	CPA Halima Senzia	Member	CPA(T), Master of Science in Finance	Tanzanian
4.	Dr. Charles Mhina	Member	PHD (Public Administration) MSc in Public Administration.	Tanzanian

**Table 9: Meetings attended by Members of the Board/Committee**

S/No.	Name of Director	Number of Meetings			
		BOD	BOC	BAMRIC	BBOC
1.	*Eng. Cyprian Luhemeja	4			
2.	Mr. Francis M Chacha	3	3	4	3
3.	Dr. Charles Mhina	3		4	2
4.	Halima R. Senzia	3		5	3
5.	Mr. Raphael Macha	4		4	3
6.	Mr. Felix Mlaki	3	3		4