REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

THE NATIONAL ASSEMBLY
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REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA SEED COMPANY LIMITED AND ITS SUBSIDIARIES

FOR THE YEAR ENDED 30 JUNE, 2019

KENYA SEED COMPANY LIMITED
AND SUBSIDIARIES

Top Quality Seed

ISO 9001:2015 CERTIFIED FIRM

Annual Report & Consolidated Financial Statements

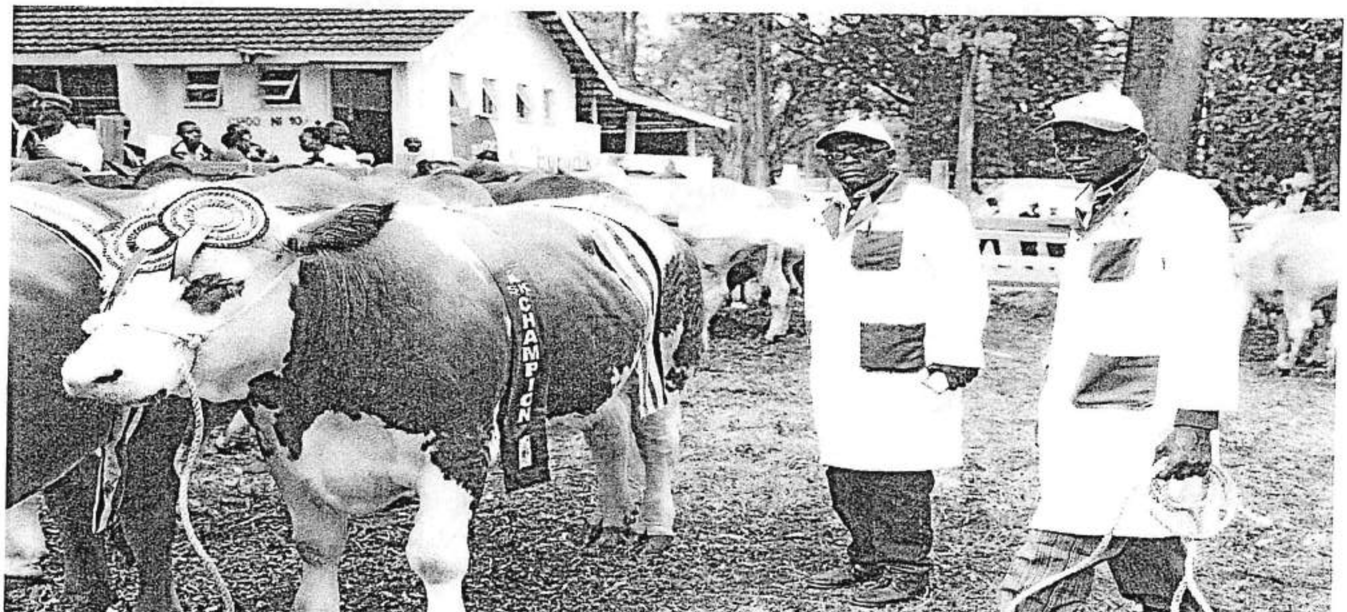
For the Financial Year Ended 30th June 2019

Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)

KENYA SEED COMPANY LTD – OVERALL WINNER 2018 CHAMPION BULL -NAIROBI INTERNATIONAL TRADE FAIR

This is a proud year for our company once again. The Company participates in the Agricultural Shows every year in a bid to educate our farmers on new technologies of farming to ensure our country is food secure.

Our Managing Director Mr. Azariah Soi receiving the Champion Bull trophy from H.E. President Uhuru Kenyatta



Our staff with the Champion Bull at the Nairobi International Trade Fair in October 2018

During the Nairobi International Trade Fair in October 2018, we emerged the winner in the following categories:

- Best seed producing and marketing stand,
- Best Agro-processing stand,
- Best medium commercial & industrial trade stand,
- the most striking display of locally manufactured products stand
- the best agricultural statutory board commission stand

The awards received by Kenya Seed Company at the Nairobi International Trade Fair-October 2018

Our staff with the trophies won at the Nairobi International Trade Fair in October 2018

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KEY ENTITY INFORMATION

Background Information

Kenya Seed Company Limited is a State Corporation by virtue of majority shareholding by Government through Agricultural Development Corporation (ADC) at 52.88% shareholding. Established under the Companies' Act, Cap 486 of the Laws of Kenya and is governed by the State Corporations Act Cap 446, the PFM Act 2012 and other relevant legislation. At the Cabinet level the Company is represented by the Cabinet Secretary for Ministry of Agriculture, Livestock, Fisheries and Irrigation, who is responsible for the general policy and strategic direction of the Company.

The Company was incorporated in Kenya on 2nd July 1956 to produce and market high quality certified seeds. The Company is domiciled in Trans Nzoia County, Kenya and has established various branches in Kenya to serve the farmers. As an expansion strategy into Eastern Africa market, the Company has incorporated subsidiaries namely Simlaw Seeds Kenya, Kibo Seed Tanzania, Simlaw Seeds Uganda and Kenya Seed Rwanda.

Where we operate:

Kenya Seed Co. Ltd	**Simlaw Seeds Kenya**	**Kibo Seed Tanzania**	**Simlaw Seeds Uganda**	**Kenya Seed Rwanda**
➢ Kapsabet	➢ Nairobi	➢ Arusha	➢ Kampala	➢ Kigali
➢ Kericho	➢ Loitoktok	➢ Makambako	➢ Kapchorwa	
➢ Kakamega	➢ Ruaraka	➢ Mbeya	➢ Mbale	
➢ Bungoma	➢ Karatina	➢ Morogoro	➢ Masindi	
➢ Eldoret	➢ Meru	➢ Iringa	➢ Nakivubo	
➢ Kitale		➢ Mwanza		
➢ Kisii				
➢ Nakuru				
➢ Narok				

KEY ENTITY INFORMATION (continued)

Principal Activities

The Company's main mandate is to carry out focused research and facilitate production of high yielding, better quality certified seed and to enhance food security and quality living standards for sustainable economic development. The Company's range of products has expanded to over 60 Certified Seed Varieties suitable for different agro-ecological zones in the region. The seed varieties are:

Maize Varieties

Variety	Altitude (Mtrs) Above Sea Level	Maturity Period (Days)	Yield (90kg Bag/ Acre)	Special Attributes	Recommended Growing Areas
H6218	1500-2800	175-210	56	Blight tolerant, good husk cover, Semi-flint.	These are Highland hybrids grown particularly in Trans-Nzoia, Uasin-Gishu, Nakuru, Laikipia, Kisii, Narok, Bungoma, Kakamega, Nandi, and Kericho, Tea zones of central Kenya, Nyahururu, Southern Highlands of Tanzania, Mt. kilimanjaro slopes, Bomet, Nyeri, Kiambu and Meru Tea Zones, Timau, Nkubu, Nanyuki, Kirinyaga, Igembe, Bukwa, Mbale, Bumula, Lanet,
H6213	1500-2800	160-190	52	Tolerant to lodging, ear rot, rust, Grey Leaf Spot and leaf blight	
H6210	1500-2800	160-190	50	Tolerant to lodging, ear rot, rust, Grey Leaf Spot, Stem and leaf blight.	
H629	1500-2800	160-190	48	Has good husk cover, very tolerant to lodging, ear rot, rust, stem and leaf blight.	
H628	1500-2800	150-180	46	Producer of more than one cob, Tolerant to most leaf diseases, blight and rust, tolerant to lodging.	
H626	1500-2800	150-180	42	Tolerant to most leaf diseases, blight and rust, Tolerant to lodging.	
H625	1500-2800	150-180	40	Tolerant to lodging, has good husk cover	
H624	1500-2800	90-110	32	Tolerant to Grey Leaf Spot, leaf blight and rust, excellent husk cover with flint kernels.	
H614	1500-2800	160-190	38	Tolerant to blight, leaf and ear diseases and weevil attack	
PH1	500-1300	75-90	16	Has better husk cover and can be intercropped with other crops.	The Lake region and the Coastal strip, Kilifi, Mpeketoni, Hola, Gariseni, Voi, Mwatate, Kwale, Kinangop.
PH4	500-1300	90-120	16	Tolerant to most leaf and ear diseases, excellent husk cover and tolerant to lodging	
H520	1700-2000	90-110	32	Tolerant to leaf rust, Grey Leaf Spot, lodging, has flint kernels and excellent husk cover	Western Kenya, Elgeyo Marakwet, Coffee growing areas of Central Kenya and Nyanza.
H517	800-2400	120-130	30	Tolerant to foliar diseases and pests. Has an excellent husk cover	Western Kenya, Elgeyo Marakwet, Coffee growing areas of Central Kenya and Nyanza.
H516	800-2400	100-110	28	Good husk cover, very tolerant to lodging, ear rot, rust, Grey Leaf Spot, Stem and leaf blight.	Early to medium transitional zones and lowland areas of Kirinyaga, West Pokot, Bungoma, HomaBay, Kerio Valley, Kagio, Mwea, Makueni, Kitui, Marakwet, Baringo and Koibatek, Voi, Mwatate, Mariakani, Garissa. Western Kenya, elgeyo marakwet, coffee zones of central Kenya, Tharaka Nithi, Nyanza (Migori, Kisii, Nyamira), Baringo, Embu, Chuka Lowland
H522	800-2400	100-110	26		
H515	800-2400	100-110	26	Tolerant to lodging, leaf blight, leaf rust and GLS.	
H513	800-2400	100-110	24	Partially tolerant to Maize streak virus	
DH01	500-1300	70-90	16	Long stay Green trait, drought tolerant, good level of tolerance to leaf blight, common rust and ear rot.	Arid and Semi-arid areas of Makueni, Machakos, Kangundo, Siaya, Kibos, Busia, Kibwezi, Kitui, Mwangi, Voi, Mwatate, Makayo, Turkana, Sigor, West Pokot, Isiolo, Mandera, Karachuonyo, Nyando, Kisumu, Bondo and some parts of Butere
DH02	500-1300	70-100	18	Early, tolerant to MSV, water stress, has a long stay green trait	
DH03	500-1300	95-120	22	A good level of tolerance to blight and MSV, good husk cover, better standability and drought tolerance	
DH04	500-1300	100-130	24	Short, drought tolerant, good husk cover and standability	Early to medium transitional zones and lowland areas of Kirinyaga, West Pokot, Bungoma, Homa Bay, Kerio Valley, Kagio, Mwea, Makueni, Kitui, Marakwet, Baringo Koibatek, Voi, Mwatate, Mariakani, Garissa.

KEY ENTITY INFORMATION (continued)

Wheat Varieties

Variety	Altitude (Mtrs) Above Sea Level	Yield (90kg Bags/ Acre)	Maturity Period (Days)	Special Attributes
KS Mwamba	1800-2400	22-25	125	High yielding. Tolerant to field stress conditions. Widely adapted to East African Conditions (especially in Trans– Nzoia, Uasin Gishu, Laikipia, Narok and Mt. Kenya areas.
Ks Farasi	1800-2400	16-30	119 (+/-5)	Tolerant to most foliar diseases Good baking Quality. High Yielding Hard red wheat highly recommended for Mount Kenya, Samburu, Laikipia West, Narok, Subukia, Rongai, Nyandarua, Nakuru, Trans-Nzoia, Kericho, Bomet and Uasin Gishu areas.
KS Chui	1800-2400	37-75	119 (+/-5)	Good Tolerance to foliar diseases Adapted to high potential and marginal environments. High tillering ability, high yields. Hard red wheat.
KS Simba	1500-2400	17-32	116-120	Good baking qualities. Good tillering ability. Hard red wheat. Hard red wheat highly recommended for Mount Kenya, Samburu, Laikipia West, Narok, Subukia, Rongai, Nyandarua, Nakuru, Trans-Nzoia, Kericho, Bomet and Uasin Gishu areas.
KS Ndume	1800-2400	37-75	100-110	High yielding. Good Tolerance to foliar diseases Resistant to sprouting and lodging. High tillering ability. Good baking qualities
KS Nyota	1800-2400	30-75	120-130	High yielding. Newly released with moderate resistance to stem rust Ug99 Good tillering ability. Bred for sprouting tolerance Makes a very stable dough.
KS Kanga	1800–2500	53-89	120-130	High yielding. Product of KSC CIMMYT Collaboration. Newly released with moderate resistance to stem rust Ug99 Good tillering ability. Good baking and milling qualities. Tolerant to most foliar diseases. Newly released with adult plant resistance to stem rust UG99 (slow rusting).

Sorghum Varieties

Sorghum Type	Duration to Maturity	Yield (90kg Bags/ Acre)	Special Attributes
Serena	3 - 4 months	12	It is a brown seeded variety It has a long stem and good root system It is widely adaptable Fairly tolerant to Striga, Rust, Leaf blight and Grey leaf spot. Performs well in the moist mid altitude regions and the semi-arid lowlands.
Seredo	3 - 4 months	12	It is a brown seeded variety It is taller than Serena with good tolerance to lodging Its head is conical and semi compact in shape with brown grains which are slightly bigger than those of Serena Sorghum Performs well in moist altitude and the semi-arid lowlands It is widely adaptable
Gadam	3 months	8	It is whitish in colour Has excellent malting qualities Good for human consumption (ugali) Does well in lowland to medium altitude.
E 1291	5 months	15 - 20	It is brown in colour Dual purpose variety with good beverage quality Performs well in the cool semi-arid highlands of Nakuru, Baringo, Laikipia, Naivasha, Narok, Trans Nzoia, Uasin Gishu, Kuria, Kericho, Trans Mara, and Taita Taveta. Good for silage making.

Finger Millet Varieties

Finger Millet Type	Altitude (Mtrs) Above Sea Level	Duration to Maturity	Yield (90kg Bags/ Acre)	Special Attributes
P 224	1150 - 1750	3 - 4 months	10-15	It is a brown seeded variety It is a tall type with uniform plant height It is tolerant to lodging. Average nutrient intake.
Katumani	250 –1150	3 months	7-10	It is a red seeded variety It is a short variety Drought tolerant. Average nutrient intake.

KEY ENTITY INFORMATION (continued)

Pasture Varieties

Pasture Type	Optimal Production Altitude	Duration to Maturity (Days)	Special Attributes
Boma Rhodes Masaba rhodes	1000 - 2500	90 – 105 Days	Soft and excellent herbage Slow growing and hence suited for lower stocking rates. Gives bottom tillers and forms a thick grass It is very popular in all altitude. It is drought tolerant
Elmba Rhodes Mbarara rhodes Pokot rhodes	110 - 130	15 to 20 Bags	Red mottled (Red with white specks)
Nandi Seteria	1000 – 2500	70 – 80 Days	Suitable for the high altitude and high rainfall areas Very persistent but good seed bed essential for proper establishment. Good forage quality Tolerant to mild water logging.
Nasiwa Seteria	1000 - 2500	75 – 90 Days	Good persistence under grazing Drought tolerant Good forage quality Tolerant to mild water logging.
Coloured Guinea	50 - 2000	50 – 60 Days	Good herbage quality Thrives well in a wide range of rainfall regimes Can withstand severe water lodging Establish well in coastal strips.
Desmodium	0 - 3000	3-4 Months	High crude protein levels Rich in minerals and vitamins Improve soil fertility through nitrogen fixation Controls Striga weed growth. Grows in all altitudes.
Lucerne	1000 - 3000	3-4 Months	Very palatable, nutritious and can sustain high milk production levels when fed to dairy cattle. Can last up to four years under good management. Can be fed to goats, rabbit and chicken.
Sudan grass	All altitudes	3 Months	A quick growing annual with smaller stems and thin leaves. Very palatable. Very good for making silage
Columbus grass	All altitudes	3 Months	A quick growing biannual crop with broader leaves which under good management can be harvested twice per annum. Good for silage making.
Oats	All altitudes	135 days	Suitable for forage and grain milling Tolerant to stem rust. High palatability. Good for human porridge.

Dry Shell Beans

Bean Type	Duration to Maturity (Days)	Yield (90kg Bags/Acre)	Special Attributes
GLP 92 Mwitemania	90 - 95	8	Cream seeds with black-brown spots Has a spreading growth habit with nearly flat pods which contain oval seeds Prefers the medium altitude and is tolerant to drought Tolerant to halo blight
GLP 2 Rose coco	75 - 90	10	Large, dark red with white flecks grains the plant is tall, erect and very vigorous with flat pods Prefers medium altitude zones Tolerant to bean common mosaic virus and anthracnose
GLP 1004 Mwezi moja	80- 90	6	Large beige or light brown speckled purple with long broad pods Medium yielder and performs best in warmer areas Well adapted for planting during the short rains
GLP 24 Canadian wonder	110 - 120	10	Shiny dark purple or reddish-purple seeds Vigorous plant with slight climbing tendency and flat pods Performs best in cool areas
GLP 1127 New mwezi moja	85 - 90	8	An improvement of GLP 1004 on yield and disease tolerance Relatively widely adaptable than GLP 1004 The colours are similar to those of GLP1004.Wairimu
Wairimu dwarf	70	6	An extra early bean type that performs well in most ecological zones but suited to medium to dry areas. It has excellent eating quality Good for intercropping.
Soya Beans SB 19	110 -120	10	High oil content High podding ability.

KEY ENTITY INFORMATION (continued)

Sunflower Varieties

Variety	Optimal Production Levels	Yield (90kg Bags/ Acre)	Special Attributes	Recommended Growing Areas
Hungarian White	12-2400	150-160	3.5-4 t/ha	Long white grains for bird feed Average oil content Livestock feed.
Kenya Fedha	12-2000	130-135	3.-3.5 t/ha	Open pollinated Uniform maturity Suited to all altitudes high oil content
H8998	12-2000	120-125	3.-3.5 t/ha	Uniform in plant height and maturity Tolerant to several plant diseases Has strong stems Matures earlier than the other varieties. High oil content Suited for all altitudes.

Nerica Rice Varieties

Nerica Type	Optimal Production Altitude (M) A.S.L	Duration to Maturity (Days)	Yield (Kg / Ha)	Special Attributes
NERICA 1	0 – 1700	100 – 115 days	4500	Aromatic Medium tolerance to blast Good tolerance to lodging Long grains
NERICA 4	0 – 1700	100 – 130 days	5000	Medium tolerance to blast Good tolerance to lodging Long grains. High aromatic rice
NERICA 10	0 – 1700	90 – 105 days	6000	Early maturing Long grains Good tolerance to blast Moderate tolerance to lodging. High aromatic rice. 6000
NERICA 11	0 – 1700	130 days	7000	Long grains Good tolerance to blast tolerance to lodging

Groundnuts

Crops	Optimal Production Altitude (M) A.S.L	Duration to Maturity (Days)	Special Attributes
KEN-G NUT 1	200—1000	101 - 110	Mid-brown in color High in oil content tolerance to rosette disease

SimSim

Crops	Optimal Production Altitude (M) A.S.L	Duration to Maturity (Days)	Special Attributes
KSS-6 (KENYA SEED SIMSIM SIX)	200 – 1200	90 – 105	Highly aromatic when roasted High podding ability (average of 52% per plant) Shoot fly tolerance. Tolerance to rust. High oil content.

Our top-quality seed packaged and ready for sale to farmers

KEY ENTITY INFORMATION (continued)

Simlaw Seeds Company Ltd Products

Tomato
Prostar F1, Libra F1, New Fortune Maker F1, Kentom F1, Cal J, Money Maker, Joy F1, Marglobe, M82, Simlaw Rio Grande, Superstar F1, Galaxy F1, Monica F1 and Novelle F1

Cabbages
Riana F1, Pruktor F1, Gloria F1, Rotanda F1, Thomas F1, Queen F1, Serena F1, Dunny F1, Karen F1, Polo F1, Chinese Cabbage, Copenhagen Market, Sugar Loaf , Red Rock, Queen F1, and Serena

Value vegetables
Cauliflower amazing f1, Brocolli conde f1

Eggplant
Black Beauty and Early Long Purple

Okra
Pusa Sawani and Crimson Spineless

Onions
Red Passion F1, Ruby F1, Red Nice F1, Spring Green Bunching, Texas Grano, Bombay Red and Red Creole

Carrots
Carrot Nantes, Napolitana f1

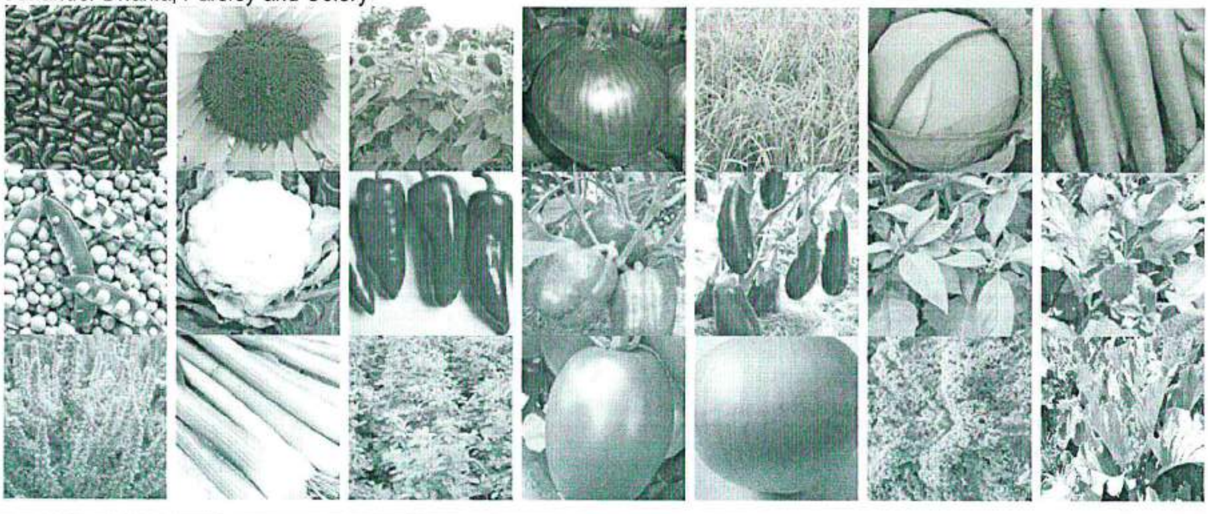
Pepper
California Wonder, Yolo Pepper Lafayette f1, Long Red Cayenne and Fresno (Bullet), Double up, Citrine.

Indigenous vegetables
Amaranthus (Terere), Spider Plant (Saga, Saget), Black Night Shade (Managu), Crotalaria (Mito) and (Murere) and Jews Mallow (murere, mrenda)

Water Melons
Sweet Rose f1, Sugar Belle f1, Julie f1 and Daytona f1, Sugar Baby, Charleston Grey and Crimson Sweet

Leafy vegetables
Spinach Fordhook Giant, Lucullus, Collard Sukuma Wiki- Simlaw Select, Kale 1000 Headed.

Herbs
Coriander Dhania, Parsley and Celery



OUR VISION

To be the leading supplier of Top Quality Seed in Africa and beyond

OUR MISSION

To avail sufficient quality certified seed competitively through research and development to the satisfaction of stakeholders

OUR CORE VALUES

- **Integrity**: In discharging our functions, we consistently uphold the highest ethical standards, demonstrating honesty and fairness in all our operations at all levels of the organization.
- **Teamwork and effective partnerships**: KSC staff work as a team committed to the realization of the Company goals. We endeavor to pull in one direction internally and externally in delivering on our mandate.
- **Professionalism**: We take a professional and objective approach in all our operations. We uphold competence, high standards, reliability and excellence in our work.
- **Innovativeness**: KSC recognizes that innovation and creativity in processes and products is key in improving service delivery. The Company is therefore committed to fostering innovation and creativity in the entire work force. Towards this, the Company supports and encourages learning among its staff.
- **Passion for quality**: We recognize that our customers are the reason we exist. We therefore endeavor to provide high quality services which meet customer needs and honor commitments that we have made to them.
- **Client focus**: We provide services that satisfy customer needs and exceed expectations. We strive to deliver reliable products and services to our customers.
- **Efficiency**: We provide services with the minimum time, resources and the rightful amount of resources. We strive to eliminate wastages in discharging our mandate.

Directors

The Directors who served the company during the year were as follows:

Non-Executive		
Hon. Nathan Anaswa	Chairman	Appointed on 7th February 2017
Dr. Kamau Thugge	Principal Secretary, The National Treasury	
Prof. Hamadi Iddi Boga	Principal Secretary, State Department of Crop Development & Agricultural Research	
Mr. Richard Aiyabei	Managing Director, ADC up to April 2019	
Mr. Mohamed Bulle	Ag. Managing Director, ADC from April 2019	
Mr. Simon Cherogony	Managing Director, KFA	
Mr. Lawrence Njiru		Appointed on 7th February 2017
Mr. William Kundu		Appointed on 7th February 2017
Dr. Nathaniel Tum		Appointed on 7th February 2017
Mr. Abraham Koech	Alternate Director to the Principal Secretary, The National Treasury	
Dr. Johnson Irungu	Alternate Director to the Principal Secretary, State Department of Crop Development & Agricultural Research	
Executive		
Mr. Azariah Soi	Managing Director	

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

KEY ENTITY INFORMATION (continued)

Registered office and Principal place of Business	Wamalwa Street P.O. Box 553 – 30200 Kitale, Kenya
Corporate contacts	Tel: (054)-31909-14 Mobile: 0722205144, 0726141856, 0733623668 Email: info@kenyaseed.co.ke Website: www.kenyaseed.com
Principal Bankers	Kenya Commercial Bank Limited P.O. Box 1974 – 30200 Kitale, Kenya. National Bank of Kenya Limited P.O. Box 1192 – 30200 Kitale, Kenya. Barclays Bank of Kenya Limited; Eldoret Branch P.O. Box 22 – 30100 Eldoret, Kenya. Equity Bank Kenya Limited Kitale Branch; P.O. Box 801 – 30200 Kitale, Kenya. Cooperative Bank of Kenya P.O. Box 1058 - 30200 Kitale, Kenya
Independent and Principal Auditors	Office of Auditor General P.O. Box 30084 – 00100 GPO Nairobi, Kenya
Principal Lawyers	Kidiavai & Company Advocates, Commissioners for Oaths and Notaries Public 2nd Floor, Mazop Building P.O. Box 437 – 30200 Kitale, Kenya. Albert Kamunde & Company Advocates, Commissioners for Oaths, Notary Public and Certified Public Secretaries, 4th Floor, Blue Violets Plaza Kindaruma Road, off Ngong Road P.O. Box 56936 – 00100 Nairobi, Kenya. Namachanja & Mbugua Advocates, Notaries Public and Commissioners for Oaths A4, Hurlingham Park, Arwings Kodhek Road P.O. Box 26301 – 00100 Nairobi, Kenya.

KEY ENTITY INFORMATION (continued)

Subsidiaries

Simlaw Seeds Company Limited
Kijabe Street
P.O. Box 40042 – 00100
Nairobi, Kenya.

Kibo Seed Company Limited
Mbegu House, Opposite Golden Rose Hotel
Plot No. 355 Block X, Area F
P.O. Box 25 Arusha, Tanzania.

Simlaw Seeds Company Tanzania Limited (Dormant Entity)
Mbegu House, Opposite Golden Rose Hotel
Plot No. 355 Block X, Area F
P.O. Box 25 Arusha, Tanzania.

Simlaw Seeds Company Uganda Limited
6th Street, Industrial Area
P.O. Box 21303
Kampala, Uganda.

Mount Elgon Seed Company (Dormant Entity)
Nakivubo Place
P.O. Box 23810 Kampala, Uganda.

MAIZE

OUR BOARD OF DIRECTORS

Hon. Nathan Sanya Anaswa

Hon. Nathan Anaswa, born in 1942 is the Chairman of the Board of Directors of Kenya Seed Company Limited, having joined the Board on 7th February 2017 and elected to the chairmanship's role on 13th April, 2017. Hon Anaswa served as a Member of Parliament for Malava Constituency (1988-1992). He also served as the Chairman of Malava County Hospital (2014-2016), chairman of Namagara Secondary School (2013-2015) and Chairman of Malava Constituency CDF (2010-2013). Hon. Anaswa had an accomplished career in the teaching profession from 1970 to 1987 which he served with distinction during which he was promoted and served as a principal of Lugali, Musingu, Bungoma and Ingotse High Schools. Hon. Anaswa holds a Diploma from Kenyatta College and a Bachelor of Arts (Education) degree from the University of Nairobi.

Dr Kamau Thugge

Dr. Kamau Thugge is the Principal Secretary at The National Treasury. Dr. Thugge was born in 1965. Prior to his appointment as Principal Secretary, he worked as a Senior Economic Advisor in the Ministry of Finance from the year 2010. He has also worked at the International Monetary Fund in various capacities for over twenty years. He was the Head of the Fiscal and Monetary Affairs Department, between 2004 and 2005, and the Economic Secretary and Head of Economic Affairs Department, between 2005 and 2008. He represented the Permanent Secretary, Treasury on various Boards. Dr. Thugge holds a Bachelor of Arts (Economics) from Colorado College, USA; Masters in Economics; and Doctor of Philosophy (PhD) in Economics, from Johns Hopkins University, USA.

Prof. Hamadi Iddi Boga is the Principal Secretary of the State Department for Crop Development and Agricultural Research in the Ministry of Agriculture, Livestock, Fisheries and Irrigation and was born in 1967. He is the former founding Principal of Taita Taveta University and was its Vice Chancellor between 2007 and 2017. He was a Professor in the department of Botany at the Jomo Kenyatta University of Agriculture and Technology. His skills and interests are in Biology, Agricultural Science, Sequencing, Microbiology, Molecular biological techniques and RNA genes. He also has an interest in microbial ecology of insects' guts, soils and soda lakes and has worked with termites, the soda lakes of Kenya, mangrove swamps, agricultural and forest soils and also on Mount Kenya glacier. He has a PhD in Biology from Universität Konstanz in Germany.

Mr. Azariah Soi

Mr. Azariah Soi is the Managing Director and CEO of Kenya Seed Company from 19th May 2016 and was born in 1960. He is responsible for the operational running of the Company to ensure that the mission is achieved. Mr. Soi has wide experience gained as the General Manager of Simlaw Seeds from 2006 until his appointment as the Managing Director of Kenya Seed Company. Mr. Soi is a holder of BSc (Agriculture) from University of East Africa, Baraton as well as MBA from Kenyatta University. Mr. Soi started his career in Kenya Seed Company where he joined on 1st August 1986 as field officer in the pasture department. He also served as a Research Officer in Research & Development department, in marketing department as market research and information officer and later as public relations and communication officer. Mr. Soi has made contribution to the seed industry as the Chairman of the Seed Trade Association of Kenya (STAK), a member of the Board of African Seed Trade Association (AFSTA) and in the global body as a Board member of the International Seed Federation (ISF).

OUR BOARD OF DIRECTORS (continued)

Mr. Lawrence Mark Njiru

Mr. Lawrence Mark Njiru was born in 1972. He holds a Bachelor of Commerce Accounting Degree from Kenyatta University and is a Certified Public Accountant. He is currently pursuing a Master's Degree in Business administration at Strathmore University. Mr. Njiru has over 20 years senior management experience in Business Strategy, Finance, Commercial, Audit and Accounting. He is also a Director at KCB Bank Group. He worked at Standard Media Group Kenya Ltd as Assistant Group Commercial Director and Group Financial Controller. Prior to this he worked as Senior Auditor at KPMG East Africa.

Mr. William Kundu Ndombi

Mr. William Ndombi was born 1948. He is a holder of Diploma in Range Management, Egerton University. Mr. Kundu has vast knowledge in the Seed industry while serving in the Production, marketing and quality management in Kenya Seed Company. In addition, he was also involved in the preparation of key budget documents including the Budget Statements, as well as providing strategic coordination of marketing function.

Mr. Symon Kipchumba Cherogony

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

Dr. Nathaniel K. Tum

Dr. Nathaniel K. Tum was born in 1948. He joined the Board on 7th February 2017. He has vast experience in both public and private enterprise management having served Kenya Seed Company and other organizations. He joined the Company in 1982 as Personnel Manager and rose to become the General Manager and later the Board appointed him the Managing Director from 1985 to 2003. He was the Founding Chairman of Kenya Agricultural Research Institute (now KALRO) and Board Member, Chair of Agricultural Society of Kenya, Founding President of the African Seed Trade Association (AFSTA 1999-2002) as well as the Seed Trade Association of Kenya (STAK) and was a Committee Member of FIS. He also worked as Trustee and Vice Chairman of United States International University-Africa (1997-2007) as well as Chairman of Moi University Council. He was Chairman of Kenya National Shipping Lines Ltd from (2013-2016). He holds Diploma in Science Education, Bachelor of Law (LLB) and MSc-Management and MBA-Finance & Marketing both from USIU San Diego. He is a recipient of EBS and CBS Head of State Commendations and was awarded the Doctor of Letters in 2002 by Egerton University in recognition of his contribution to the development of agriculture and institutional management. He is an Advocate of the High Court of Kenya and a member of Law Society of Kenya, a Governance Auditor and member of the Institute of Certified Public Secretaries of Kenya (ICPSK). He is also a Fellow of the Kenya Institute of Management (FKIM) as well as Board member of Fellows of KIM and a member of the Institute of Management (UK).

OUR BOARD OF DIRECTORS (continued)

Dr. Johnson Irungu Waithaka, Alternate Director to PS, State Department of crop development and Agricultural Research

Dr. Johnson Irungu Waithaka was born in 1960. He holds a PhD degree in Soil Science from the University of Reading (UK) and Msc in Agronomy and Bsc in Agriculture degrees from the University of Nairobi, Kenya. He is currently the Director of Agriculture, Crop Resources, Agribusiness and Market Development Directorate in the Ministry of Agriculture, Livestock and Fisheries. Dr Irungu worked at KALRO, rising to the position of Principal Research Officer before joining the Catholic Relief Services Kenya Program where he was the Agriculture Program Manager, before joining the Ministry of Agriculture. He has served as Alternate Director, Coffee Development Fund, Tobacco Control Board and KEPHIS Boards of Management. Dr Irungu serves as Alternate Director for Kenya Seed Company Board, representing Principal Secretary, Ministry of Agriculture, Livestock and Fisheries. Dr Irungu is also serving in the Board of Trustee of African Agricultural Technology Foundation (AATF) and has published widely.

Mr. Abraham Koech, Alternate Director to the PS, The National Treasury

Mr. Abraham Koech was born in 1969. He is currently serving as a Chief Investment Officer at the National Treasury and previously worked at Post Bank Kenya rising to the position of Manager, Strategy and Change. Mr. Koech holds a BA degree in Economics from the University of Nairobi and an MBA in Strategic Management from Jomo Kenyatta University of Agriculture and Technology. Mr. Koech is also serving as an alternate director to the Principal Secretary, The National Treasury in the Kenya Film Classification Board (KFCB).

Mr. Richard Aiyabei

Mr. Richard Aiyabei, who joined the Board on 18th December 2015 when he became the Managing Director of ADC, was born in 1966. He holds a Master's degree in Agronomy from the University of Eldoret and a Bachelor of Science in Agriculture from Moi University. Mr. Aiyabei sits in various Boards where he has represented ADC. Mr. Aiyabei has worked for various departments in ADC for the last 26 years where he rose through the ranks until December 2015 when he was appointed to the position of the Managing Director. He left in April 2019.

Mr. Mohamed M. Bulle

Mr. Mohamed Bulle, joined the Board on 17th April 2019 after Mr. Richard Aiyabei left. He is the current Acting Managing Director of ADC. Prior to being appointed acting MD he was the Director of Operations at ADC. He has over 30 years' experience. He holds a Master of Environmental Science from Antioch University, USA and Bachelor of science in Agricultural Education and Extension and a Diploma in Agriculture from Egerton university. He is a member of the Environmental Institute of Kenya-EIK and has accreditation with NEMA as an environmental impact assessment and audit (EIA and Audit) Lead Expert. He is also a member of the board of directors of Young Muslim Association (YMA) and North-Eastern Muslim Welfare Society.

CS. Wilkister Simiyu

CS. Wilkister Simiyu was born on 16th June, 1981 and is the Company Secretary and Head of Legal Services. She has 10 years' work experience both as a practicing advocate and an in-house counsel having worked with Kitiwa & Co., Nyaundi, Tuiyot & Co. and Moi University. She holds LLB degree from Moi University and postgraduate diploma in Law (KSL). She is a CS (K) holder and currently pursuing a Master of Laws. She joined the company in October 2016.

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

BOMA RHODES

OUR MANAGEMENT TEAM

The Company has a diverse and dedicated management team that assists the Managing Director in his role of achieving the company's strategic objectives.

Mr. Azariah Soi is the Managing Director and CEO of Kenya Seed Company from 19th May 2016 and was born in 1960. He is responsible for the operational running of the Company to ensure that the mission is achieved. Mr. Soi has wide experience gained as the General Manager of Simlaw Seeds from 2006 until his appointment as the Managing Director of Kenya Seed Company. Mr. Soi is a holder of B.Sc (Agriculture) as well as MBA degrees, from Kenyatta University. Mr. Soi started his career in Kenya Seed Company where he joined on 1st August 1986 as field officer in the pasture department.

CS. Wilkister Simiyu was born on 16th June, 1981 and is the Company Secretary and Head of Legal Services. She has over 10 years work experience both as a practicing advocate and an in-house counsel having worked with Kitiwa & Co., Nyaundi, Tuiyot & Co. and Moi University. She holds LLB degree from Moi University and postgraduate diploma in Law (KSL). She is a CS (K) holder and currently pursuing a Master of Laws. She joined the company in October 2016.

CPA Leonard Kibet was born in 2nd August 1980 and is the Internal Audit Manager. He is a Certified public Accountant (CPAK) and a Certified Internal Auditor (CIA), a member of the Institute of Internal Auditors (IIA) and Institute of Certified public Accountant (ICPAK). He has over 15 years of leadership and managerial experience having worked with Nation Media Group, Kenya Bureau of Standards, Vision Fund and University of Eldoret. He holds a Master's Degree in Finance and a Bachelor's Degree in Business Management. He joined the company on 2nd October 2017.

Mr. David Kiplagat Tum was born in 1978 and is the General Manager of Simlaw Seeds Company Kenya Ltd, a subsidiary of Kenya Seed Company. Mr Tum holds a BSc in Business Administration from USIU and Masters of Business Administration from Staffordshire University in UK. Mr Kiplagat worked as an Accountant at Simlaw Seeds between 2000 and 2003. He was a Director of Soet Group from 2003 to 2007 and the Managing Director of Commercial Grain Services Ltd from 2008 to 2016. Mr Kiplagat resigned from the Board in September 2016 when he was appointed as the General Manager of Simlaw Seeds Company Limited.

Mrs. Sylvia Nanteza Kyeyune was born in 1976 and is the General Manager of Simlaw Seeds Company Uganda Ltd, in Uganda, a subsidiary of Kenya Seed Company. She is responsible for coordinating all the activities of the Subsidiary to ensure its smooth operation. Mrs. Kyeyune holds a Master of Science degree in Crop Science and a Bachelor of Science degree in Agriculture from Makerere University, Kampala, Uganda. She has over 13 years leadership and managerial experience in the seed sector and is currently serving as the Chairperson, Uganda Seed Trade Association. She joined the company in August 2003.

OUR MANAGEMENT TEAM (continued)

Mr. Francis Chege Mwaura was born on 3rd June 1970 and is the General Manager, Kibo Seed Company Tanzania Ltd, a subsidiary of Kenya Seed Company since June 2014. Previously he was the Head of sales and marketing for the Group. He holds Bcom degree in Marketing from University of Nairobi and Msc. in Global Marketing from Liverpool University and a Diploma in Marketing and is a member of MSK and C.I.M. He has been in the company for 11 years and has over 20 years experience in management and marketing.

Mr. Stephen Malakwen was born on 12th July 1966 and is the Head of Human Resources. He has over 20 years' experience in human resource, administration, marketing and finance sectors. He holds a Masters in Human Resource Management from Open University of Tanzania, BA degree in Business Administration from Coventry University, United Kingdom and a Higher Diploma in Human Resource Management. He is a member of the Governing Council of the Institute of Human Resource. He is also a member of the Rural Employers' Association. He has been a member of National Industrial Training Authority (NITA) representing Federation of Kenya Employers. He joined the Company in 2004.

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

Mr. Alphonse K. Laboso was born on 1st November 1956 and is the Head of Research and Development. He joined the Company in 2000 as Pasture and Oil crops breeder, after over 18 years as a Maize Breeder at KALRO, later became Senior Agronomist before moving to the company's Elgon Downs Farm as Operations Manager. He is spearheading research in Maize, Pasture and Oil crops sub programs in the company. He holds a M.Sc. degree in Plant Breeding from Texas A&M University, B.Sc. from University of Nairobi and Diploma in Maize improvement from CIMMYT, Mexico. He has developed and released several crop varieties of wheat (Ks Mwamba, Ks Simba, Ks Farasi, Ks Chui, Ks Ndume); sunflower (H 4038, H 4088); sorghum (Kensorg 2); Barley (KSB 2) and groundnut (Ks Gnut-1). He is the founding member of the Plant Breeders' Association of Kenya.

OUR MANAGEMENT TEAM (continued)

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

Mr. Hosea Sirma was born on 28th August 1962 and is the Head of Production in charge of early generation Seeds. Mr. Hosea Sirma holds a BSC degree from University of Nairobi. Hosea Sirma joined the Company in 1991 and now has 25 years hands on experience in seed Business Management and Quality Management Systems, having worked in Research Department as a Research officer, Basic Seed Unit Seed maize production, Nakuru wheat production and also a Quality Management Systems Auditor. He was the company's management representative from 2008 up to 2011.

Ms Eunice Ombachi was born on 15th November 1965 and is the Head of Production in charge of maize, sunflower and pasture. Ms Ombachi has over 20 years' experience on matters of Seed, Accounting and Farm management. She is a holder of BSc (Hons) Agriculture, from the University of Nairobi. She is currently pursuing Masters in Business Administration. She has previously worked with Cooperative Bank of Kenya, Kenya National Trading Corporation and Agricultural Development Corporation. She is also passionate in charity activities and is a member of Lions Club International and the Red Cross Society of Kenya. She joined the company in May 1998.

Mr. Fred Oloibe was born on the 18th September 1974 and is the Head of Strategy and Business Development at Kenya Seed Company. He holds masters of Business Administration (MBA) from Jomo Kenyatta University of Agriculture and technology and a Bachelor of Science degree (Mathematics) from the University of Nairobi. He joined Kenya Seed on 1st October 2012 as a Planning and Strategy Manager. He previously worked in the cement industry with experience in Strategy, Performance Management, Corporate Planning and he is a full member of the Kenya Institute of Management (KIM).

Mr. Thomas Kiptoch Mukung' was born on 8th April 1962 and is the Security Manager. He holds a Diploma in Public Administration from Moi University and a Bachelor's Degree in Public Administration from Kisii University. He started his career in 1982 at Kenya post and telecommunications until 1998 when he joined Kenya Seed Company as a Security officer.

OUR MANAGEMENT TEAM (continued)

Eng. Erick Nyamburi was born on 30th April 1973 and is the Head of Processing and Engineering. Eng. Nyamburi is a holder of B.sc in Engineering (Mechanical), Master of Business administration from the University of Nairobi and training in Program for Management Development at Strathmore Business School joined the Company in 2016. He is a corporate member of the Institution of Engineers of Kenya (IEK) and a Registered Professional Engineer with Engineers Board of Kenya (EBK). Eng. Nyamburi has over 16 years of diverse experience in Engineering projects, Maintenance and Operations management from various companies.

Mr. Erick Tegei was born on 8th October 1978 and is the Quality Assurance Manager. He holds a Bachelor of Science in Biochemistry from Kenyatta University, a post graduate Diploma in Quality Management from Kenya Institute of Management, and pursuing MBA in strategic Management from JKUAT, MSc. Seed Science and Trade (Ongoing). He is a member of International Seed Testing Association based in Zurich, Switzerland. He joined Kenya Seed Company Ltd in 2010. He has over 14 years' experience in Quality Management systems and laboratory testing management.

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

Mrs. Joyce Aleyo Agufana was born on 25th November 1962. Mrs. Agufana has a diploma in Agriculture from Egerton University and BBA (Marketing) from Kenya Methodist University. She joined the company in 1989 as Computer Operator at Elgon Downs Farm and has held various positions in the company namely Production officer (1992-2006), Deputy Manager Pastures and Sunflower (2006-2010). She is currently the Operations Manager, Nakuru Branch.

Mr. Bethuel Bett Chemitei was born on 24th November 1978 and is the Manager Procurement and supplies. He has over 16 years' experience in Procurement, Supplies, Operations, Sales and Marketing having worked in private sector and banking industry and joined the company in 2016. He holds a Master of Science in Procurement and Logistics from JKUAT, Bachelor of commerce (Procurement & Supply Chain management) from University of Nairobi, Diploma in Procurement & Supply Management (CIPS), Diploma in Sales and Marketing from Technical University of Kenya. He is Member of Kenya Institute of Supplies Management (KISM), Chartered Institute of Procurement and Supply (CIPS). He has verse knowledge in procurement & Supply laws.

SOYA BEANS

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is with great pleasure that I present to you the annual report and financial statements of Kenya Seed Group for the year ended 30th June 2019. The Group managed to post commendable performance results despite a lot of challenges.

Business Environment Overview

The global economy slowed to 2.6% in 2019 compared to a growth of 3.1% in 2018 occasioned by constrained global trade and subdued investment. According to a report by the Economic Commission for Africa, East Africa last year recorded the fastest economic growth in the continent at 6.3% compared to other regions in Africa. The growth was fuelled by public infrastructure investment, agriculture development and increased consumption of goods and services.

Kenya's Big Four economic plan, introduced in 2017, focuses on manufacturing, affordable housing, universal health coverage, and food and nutrition security. It envisages enhancing structural transformation, addressing deep-seated social and economic challenges and accelerating economic growth to at least 7% a year. By implementing the Big Four strategy, Kenya hopes to reduce poverty rapidly and create decent jobs.

Kenya, East Africa's richest economy, is one of the fastest growing areas on the continent but its performance is often hit by drought. Kenya's GDP grew an estimated 5.9% in 2018, from 4.9% in 2017, supported by good weather, eased political uncertainties, improved business confidence, and strong private consumption.

The agricultural sector, which continues to be the mainstay of Kenya's economy contributing 23.7% of the GDP, experienced mixed results with tea and coffee sub sectors recording fair prices in the international market. The seed subsector faced challenges in land subdivision which has reduced acreage suitable for seed production. The implementation of the Comesa protocol on commodities has seen the flooding of cheap commercial maize into the country from member countries which has led to low commercial maize prices. This is likely to lower the demand of seed maize in the coming year as farmers may opt for alternative agricultural activities.

Financial Review

We are pleased to report that the Group posted a fairly impressive performance in the year under review despite the challenges experienced. The Company recorded a drop in profit before tax by 57% to Kshs 248 million in the year ended 30 June 2019 from Kshs 575 million in 2018. This was majorly due to decrease of seed maize sales that dropped by 16% from 28.67 million kilos in June,2018 to 24.03 million kilos in June, 2019 together with increase in total expenses by 12% from Kshs 1.831 billion in 2018 to Kshs 2.044 billion in 2019.The increase in expenses is as a result of the general inflation in the economy and other statutory measures like introduction of VAT on fuel, while the drop in sales of maize and other crops in the year is attributed to delayed long rains in March-April 2019 which forced farmers to engage in other competing enterprises.

The company assets grew by 2% from Kshs 12.29 billion in the year ended June 2018 to Kshs 12.59 billion in the current year ended June 2019.

Seed Supply

The Group made significant progress in increasing seed acreage under irrigation by enhancing partnership with key seed growers who have installed irrigation capacity in their farms. As a result, the Group was able to avail sufficient quantities of seed of all the major varieties for all agro-ecological zones. The Group is also in the process of introducing production of seed within the East African region in order to boost its seed production.

ISO 9001 Recertification

Kenya Seed Company Limited got the ISO 9001 recertification in September 2018 which was also a successful transition from the ISO 9001:2008 version to the ISO 9001:2015 version. This ISO certification is also in the process of being introduced in all our subsidiaries.

Future Outlook

The future outlook of Kenya Seed Group is bright. The Board is developing more strategies to grow the market and enhance financial management in order to increase profits and optimize operations. The Board is also putting in place strategies to expand business in the regional markets like Tanzania, Uganda, Rwanda, Burundi and Democratic Republic of Congo. In addition to expanding the regional market, the Company is also looking at expanding its product portfolio to include vegetable seeds, pasture and sunflower seeds. The Board of Directors will continually review the various business strategies in place to ensure sustained business profitability and growth. In the coming year, the Board will also continue to enhance governance and compliance practices and will focus relentlessly on risk management.

Appreciation

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

God bless Kenya Seed Group and each of you.

Hon. Nathan Anaswa
Chairman

NERICA RICE

REPORT OF THE CEO

I am delighted to present to you the performance of Kenya Seed Group for the year ended 30th June 2019.

During the year ended 30th June 2019, the Group ensured that it harnessed the experience of both management and the Board. In that respect, there were no movements in the key staff during the year. Maintaining a motivated and experienced staff will ensure optimal service delivery to all the stake holders.

Financial Performance

In the FY2018/19, the turnover decreased by 10% from Kshs. 6.27 Billion in 2018 to Kshs 5.67 Billion in 2019 occasioned by decreased sales of seed maize and other crops in the year as a result of the prolonged dry spell.

Operating profit of the Group decreased by 61% from Kshs 629 million in 2018 to Kshs 244 million in 2019. This decrease in operating profit is as a result of reduced sales and increase in expenses by 12% from Kshs 1.831 billion in 2018 to Kshs 2.044 billion.

Group Profit before Tax dropped by 57% from Kshs 575 million in 2018 to Kshs 248 million in 2019.

The Group closing Cash and Bank balance relatively reduced from Kshs 1.7 billion in 2018 to a Kshs 1.64 billion in 2019 due to reduced sales. The Group Balance Sheet improved marginally by 2% from Kshs 12.3 billion in 2018 to Kshs 12.6 billion in 2019, mainly as a result of additions of fixed assets.

Research and Development

In line with our mission of availing top-quality seed to the farmers, the Group has continued to focus on the production of foundation parental seed materials which is a prerequisite for the development of superior varieties that are high yielding and tolerant to pests and diseases. I am pleased to report that the Group has developed and commercialized two new maize varieties namely; WE1101 and MZ1202 which are tolerant to Maize Lethal Necrosis Disease (MLND). The bulking of these seed and the commercialization of the two varieties is currently being finalized. In the spirit of continued pursuit of product quality enhancement, the Group has continued to focus on defect reduction in H614D, H627, H6213 and H513 which are already commercialized maize varieties. The notable defects reduction in H6218 and H9401 are currently underway. The objective of this defect minimization exercise is to enhance varietal performance in key aspects such as grain quality, lodging tolerance and bare tips so as to optimize yields to the farmers.

The Group has also continued to invest in research which has enabled her to release three maize varieties, and four sorghum varieties which when fully commercialized, shall afford farmers an opportunity to maximize their productivity and diversify into other food crops. This is geared towards ensuring that there is food security and nutrition in support of the government's Big Four Agenda.

Operations

The global climatic change has impacted negatively rain-fed agriculture in the country. To mitigate against this challenge, the Group has enhanced collaboration with key Seed Growers who have invested in modern equipment and irrigation infrastructure to cushion the company against seed shortages. This initiative has gone a long way in ensuring consistency in the supply of top-quality seeds.

Timely availability of sufficient fertilizer is critical to efficient and effective seed production activity. To realize this, the company has continued to partner with the Ministry of Agriculture, Livestock and Fisheries in accessing the subsidized fertilizers to our growers in an effort to lower the production costs and thus increase farmers' gross margins.

This will not only encourage the contracted farmers to continue with seed production but also assist the company to maintain the stability of seed prices in the market.

In order to improve the Group performance and ensure sustainability, some initiatives have been made to harness potential in the external markets by releasing our varieties in countries such as Rwanda, Burundi and Democratic Republic of Congo. The objective of this is not only to expand the market and increase earnings from the sale of surplus seed but also fight competition head on from multinational companies who have invaded our domestic market.

Customer focus

At Kenya Seed Group, our key objective is to conduct business in a sustainable and responsible manner. The Group remains focused on achieving unrivalled customer satisfaction levels through effective communication, increasing direct customer contact through our distribution channels across the country and our subsidiaries, delivering top quality products on time and revamping our marketing activities.

Future Outlook

Going forward, the Group is on the right path to greater prosperity with numerous opportunities for business growth and expansion supported by anticipated national economic growth. We are committed to pursuing strategies aimed at ensuring attainment of our goals.

The Group's future growth will come from:

- Focus on adequate supply of short to medium season seed varieties whose demand is increasing with the changing weather patterns,
- Commercialization of MLND tolerant varieties which are high yielding,
- Commitment to provide resources towards promoting and expanding the vegetable seed market to increase profit margins,
- Turning around external subsidiaries to profitability, thus transforming them into profit generating units,
- Diversifying to non-maize seed product portfolios thus reducing over reliance on maize seed,
- Increasing the supply of pasture seeds to support the growing Dairy industry,
- Enhancing efficiencies and effectiveness in the entire value chain through complete automation of the new AMS/SAP computer software.

Acknowledgement

I take this opportunity to express my gratitude and that of my colleagues in the Group to our Customers for their loyalty and continued support. My appreciation also goes out to our Shareholders for their patience and commitment to our Strategy, to the Directors of the Board whose unwavering support, leadership and guidance have continued to inspire and challenge us, to our regulators and the government through the Ministry of Agriculture, Livestock and Fisheries whose invaluable oversight, assistance and encouragement have been key to our progress so far, to our stake holders and other business partners and to the communities that we have the privilege of serving.

I also wish to thank my staff in the Group for their focus, energy, and determination to succeed. Without them, our successes in all these years would neither have been possible, nor can our ambitions for the future be realized.

We remain indebted to you all, and look forward to your continued support and goodwill towards jointly building the company envisaged in our Corporate Vision – The Leading Supplier of Top-Quality Seed in Africa.

Thank you and God bless you.

Azariah Soi
Managing Director

AMARANTHUS (TERERE)

CORPORATE GOVERNANCE STATEMENT

Corporate governance is the manner in which the power of, and the power over a company is exercised in the stewardship of its assets and resources so as to enhance and sustain shareholders value while at the same time satisfying the needs and interests of all its stakeholders.

The Board is committed to the principle that the company and its subsidiary companies should operate with integrity and ethics and maintain a high standard of corporate governance in the interest of shareholders and all other stakeholders. The Board believes that the company has complied with the highest standards of Corporate Governance Practices. The spirit and practice of corporate governance in Kenya Seed Company is about commitment to values and ethical business practices. This implies timely compliances and correct disclosures of financial information on performance, ownership and governance of the company.

The key elements of corporate governance are transparency, disclosure, accountability, supervision and internal controls, risk management, internal and external communication and high standards of safety, health environment, accounting, and product and service quality.

The Board has empowered responsible persons to implement its board policies and guidelines and has set up adequate review Process. The Company is committed to optimizing long term value for its stake holders with strong emphasis on the transparency on its operations and instilling pride of association. The company follows best practice of corporate governance and reporting systems

Board of Directors

The composition of the Board is compliant with good corporate governance practices. The role of the Chairman and the Managing Director are segregated. The Managing Director is in charge of the day to day running of the business of the Company. A non-executive director acts as Chairman of the Board.

The directors are given appropriate and timely information to enable them to maintain full and effective control over all strategic, financial, operational and compliance issues.

The current Board of Kenya Seed Company is composed of one executive director and eight non-executive directors including the Chairman. The directors are committed members with diverse and complementary skills and expertise in the fields of strategy, management, production, finance, marketing and human resource development.

The Board provides leadership, strategic guidance, objective and independent view of the company's management while discharging its fiduciary responsibilities thereby ensuring the management adheres to high standards of ethics, transparency and disclosure.

The composition of board, date of appointment and position held as on 30th June 2019 is highlighted on Page (x) of this booklet.

Board Meetings

The Board meets at least once quarterly or more often in accordance with exigencies of the business. The Board work plan and calendar of meetings is prepared in advance. Adequate notice is given for each board meeting, the agenda and papers are circulated in good time. The Board held 9 meetings in the financial year ending 30th June 2019. During their meetings the Board reviews the Company's performance against the planned strategies and also approves issues of strategic nature.

CORPORATE GOVERNANCE STATEMENT (continued)

The attendance at the Board meetings during the financial year 2018/19 is as follows:

Member	Meetings Held	Meetings Attended	% attendance
Hon. Nathan Anaswa- Chairman	9	9	100
Mr. Azariah Soi	9	9	100
Mr. Richard Aiyabei	9	6	67
Mr. Mohamed Bulle-Ag MD ADC	9	2	22
Mr. Lawrence Njiru	9	6	67
Mr. William Kundu	9	9	100
Mr. Abraham Koech	9	8	89
Dr. Nathaniel Tum	9	9	100
Dr. Johnson Irungu	9	9	100
Mr. Symon Cherogony	9	8	89

Mr. Mohamed Bulle was appointed acting Managing Director for ADC in April 2019 and replaced Mr. Richard Aiyabei and hence attended two Board meeting held during the year ended 30th June 2019.

Governance Principles

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

At Kenya Seed Company Limited, we place a great deal of importance on robust corporate governance practices and are committed to applying the highest standards of business integrity and professionalism in all our activities. The Company achieves this by using a risk-based approach to establish a system of internal control and by reviewing the effectiveness of the system of internal control on a regular basis.

The Kenya Seed Company Limited has formulated and applies sound internal corporate governance guidelines, which address the responsibilities of management, the Board and its composition, selection procedures for new directors and relationships with stakeholders.

Board Committees

The Company has set up three key Board committees to help in the implementation of its policy guidelines and strategy. These committees meet regularly and are chaired by non-executive directors. The committees report their findings to the Board for further vetting and subsequent ratification by the Board. They include:

- The Audit Committee, which is responsible for the oversight of the integrity of financial statements, risk management, internal controls, compliance and ethics and effectiveness of internal and external audit activities in the company and its subsidiaries.
- The Finance, Staff and General Purposes Committee, which handles human resource and finance matters including sourcing and application of funds.
- The Production, Research and Marketing Committee, which handles production; research and development; and sales and marketing matters in the Company.
- The Board of the company's subsidiaries namely Simlaw Kenya, Simlaw Uganda and Kibo Tanzania.

The structure of the board and the planning of the board's work are key elements to effective governance. The company's board of directors has established board committees as one way of managing its work thereby strengthening the board's governance role. The company has three committees that focus on specific areas thereby allowing the board to concentrate on broader and strategic issues and directions.

CORPORATE GOVERNANCE STATEMENT (continued)

The Board has an additional three committees (Boards) for her three subsidiaries. These committees include:

1. Audit Committee

The board of directors has entrusted the audit committee to supervise the processes relating to financial reporting and disclosure on financial information in accordance with the financial reporting standards, safeguarding of assets, adequacy of financial systems and reviewing of the company's financial and risk management policies

Role of Audit Committee:

1) Overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible information is disclosed.

2) Reviewing the financial statements and draft audit report, including quarterly information.

3) Reviewing with management the annual financial statements before submission to the Board focusing primarily on:

- Any changes in accounting policies and practices;
- Major accounting entries based on exercise of judgment by management;
- Qualifications in draft audit report;
- Significant adjustments arising out of audit;
- The going concern assumption;
- Compliance with accounting standards;

Composition and other details of Audit Committee

The Audit Committee comprises of four members, all of whom are non-executive directors. The Audit Committee Meetings are usually held at the Registered Office of the Company and are usually attended by the Internal Auditor of the Company. The internal auditor acts as Secretary of the Audit Committee.

The attendance at the audit Committee meetings during the financial year 2018/19 is as under:

Member	Meetings Held	Meetings Attended	% attendance
Mr. Lawrence Njiru-Chairman	3	3	100
Dr. Johnson Irungu	3	3	100
Mr. Abraham Koech	3	2	67
Mr. William Kundu	3	3	100

2. Production, Research and Marketing Committee

The company has the production research and marketing committees that assist in discharging Board's responsibilities relating to matters of production, sales, marketing, research and development. The attendance at the Production Research and Marketing Committee meetings during the financial year 2018/19 is as under:

Member	Number of Meetings	Attendance	% of attendance
Mr. William Kundu-Chairman	5	5	100
Mr. Azariah Soi	5	5	100
Dr. Johnson Irungu	5	4	80
Mr. Richard Aiyabei	5	3	60
Mr. Mohamed Bulle-Ag MD ADC	5	1	20
Dr. Nathaniel Tum	5	5	100

Mr. Mohamed Bulle was appointed acting Managing Director-ADC in April 2019 and replaced Mr. Richard Aiyabei and hence attended one Research, Production, Marketing Committee meeting held during the year ended 30th June 2019.

CORPORATE GOVERNANCE STATEMENT (continued)

3. Finance, Staff and General-Purpose Committee

This committee assists the Board in matters relating to finances including sourcing and uses of Company funds, staff remuneration, recruitment, incentives and filling of vacancies.

The attendance at the Finance, Staff and General-Purpose Committee meetings for financial year 2018/19 is as under:

Member	Number of Meetings	Attendance	% of attendance
Mr. Symon Cherogony-Chairman	2	2	100
Mr. Azariah Soi	2	2	100
Dr. Nathaniel Tum	2	2	100
Mr. Abraham Koech	2	2	100
Mr. Richard Aiyabei	2	2	100
Dr. Johnson Irungu	2	2	100

The Board Committees remained fully active during the period under review. As required by the Company's Board Charter, Committee members were regularly exposed to training on corporate governance. In addition, each member of the Committee was given induction on the Company's code of conduct which stresses the importance for each member to fully understand corporate behavior expectations, compliance with Board ethics and regulatory requirements.

4. Board of Simlaw Seeds Kenya Limited

This Board oversees the strategies of Simlaw Seeds Kenya Limited.

The attendance of the Simlaw Seeds Kenya Limited Board meetings during the financial year 2018/19 is as under:

Member	Number of Meetings	Attendance	% of attendance
Mr. Lawrence Njiru-Chairman	3	3	100%
Mr. Azariah Soi	3	3	100%
Dr. Johnson Irungu	3	3	100%
Mr. Symon Cherogony	3	3	100%
Mr. William Kundu	3	3	100%

5. Board of Kibo Seeds Tanzania Limited

This Board oversees the strategies of Kibo Seed Tanzania Limited

The attendance of the Kibo Seeds Tanzania Limited Board meetings during the financial year 2018/19 is as under:

Member	Number of Meetings	Attendance	% of attendance
Mr. Symon Cherogony-Chairman	3	3	100%
Mr. Azariah Soi	3	3	100%
Dr. Nathaniel Tum	3	3	100%
Mr. Abraham Koech	3	3	100%

6. Board of Simlaw Seeds Uganda Limited

This Board oversees the strategies of Simlaw Seeds Uganda Limited

The attendance of the Simlaw Seeds Uganda Limited Board meetings during the financial year 2018/19 is as under:

Member	Number of Meetings	Attendance	% of attendance
Mr. William Kundu-Chairman	3	3	100%
Mr. Azariah Soi	3	3	100%
Mr. Lawrence Njiru	3	3	100%
Dr. Johnson Irungu	3	3	100%
Dr. Richard Aiyabei	3	3	100%

Board Evaluation

The Board undertakes an annual self-assessment to improve its members' individual and collective Performance for continuous growth and sustainability of the Company. The evaluation covers the Board as a whole, its committees, and individual members, the Chairman, the Managing Director and the Company Secretary. During the year, the Board carried out a self-evaluation exercise assisted by the State Corporations Advisory Committee. An action plan was developed from the evaluation focusing on areas that require improvement.

Directors' Remuneration

During every Board meeting, Directors are entitled to a sitting allowance, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable within government set limits for state corporations. The Chairman receives a monthly honorarium. Directors' fees are paid annually upon approval by shareholders during the Annual General Meeting in accordance with Government's guidelines for all state corporations.

Below is a summary of payments per Board Member in **Kshs '000:**

Director Name	Honoraria	Airtime Allowance	Sitting Allowance	Accommodation Allowance	Transport costs/mileage	Total
Hon. Nathan Anaswa	960	60	900	1,108	570	3,599
Mr. Abraham Koech	-	-	560	849	494	1,903
Dr. Johnson Irungu	-	-	560	774	411	1,745
Mr. Lawrence Njiru	-	-	640	920	429	1,988
Mr. Mohamed Bulle	-	-	40	77	77	194
Dr. Nathaniel Tum	-	-	920	550	1,168	2,638
Mr. Richard Aiyabei	-	-	460	578	257	1,295
Mr. Symon Cherogony	-	-	480	726	836	2,041
Mr. William Kundu	-	-	680	392	985	2,057
Total	**960**	**60**	**5,240**	**5,973**	**5,227**	**17,460**

Below is a summary of entitlements per Board Member

Type of payment	Chairman	Member
Honoraria	Kshs 80,000	N/A
Sitting allowance (per sitting)	Kshs 20,000	Kshs 20,000
Telephone – airtime for mobile phone per month	Kshs 5,000	N/A
Transport costs/mileage	AA rates	AA rates
Lunch allowance	Kshs 2,000	Kshs 2,000
Director's fees per annum on prorata basis	Kshs 450,000	Kshs 450,000
Accommodation Allowance when travelling for meeting venues in Kenya	Kshs 18,200	Kshs 18,200
Accommodation Allowance when travelling for Board meeting in Uganda	US$615	US$615
Accommodation Allowance when travelling for Board meeting in Tanzania	US$603	US$603

CORPORATE GOVERNANCE STATEMENT (continued)

Code of Conduct

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

Internal Control

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

Conflicts of Interest

All directors and management are under duty to avoid conflicts of interest. The conflict of interest requirements are embedded in the code of conduct and ethics as well as the directors' letters of appointment. The board and board committees have standing agenda item on declaration of interest where members declare actual, potential or perceived conflicts of interest. The declared items of interest are part of the minutes. The directors are required to disclose their business interests that would conflict with the Company business.

Going Concern

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

Company Shareholding

ADC acquired shares in KSC through periodic purchases and direct allotments which accumulated in acquiring majority shareholding of 52.88% in 1986. On 30th May 2001, a prospectus was issued for sale of 4 million ordinary shares by private offer to existing shareholders and officers, employees of the company, seed growers, sub-agents and stockists, who were specifically invited to subscribe. The issued and fully paid share capital excludes 3,370,000 ordinary shares worth Kshs 67,400,000 that were issued in the year ended 30 June 2002, which were revoked after the High Court of Kenya ruling on 6 April 2006. These shares are currently a subject matter before the Court in Nairobi HCCC No. 575 of 2004. The nominal share capital together with the premium on these shares was received and is now classified under trade and other payables which amount to Kshs 124.9 Million and has been used in the company's operations and trading since then.

CORPORATE GOVERNANCE STATEMENT (continued)

The ten largest shareholders of the company as at 30th June 2019 were as follows:

No.	List of Shareholders	No. of Shares	% Shareholding
1.	Agricultural Dev. Corporation	5,700,720	52.88
2.	KFA	1,601,256	14.85
3.	Soet Kenya Ltd	1,500,000	13.91
4.	Burch Colin Mr.	549,660	5.10
5.	Tum Nathaniel Kipkorir	419,131	3.89
6.	Woodland Kristin Annetta	206,172	1.91
7.	Anderson Robert Allen	103,032	0.96
8.	Gogar Farms Ltd	103,032	0.96
9.	Selly Neville Gordon	86,760	0.80
10.	Goes Eufrazio Juliao	79,470	0.74

Distribution of Shareholders

No. of Shares	No. of Shares Held	No. of Shareholders	% Shareholdings
Below 10,000	104,784	25	0.97
10,000-100,000	493,478	17	4.58
100,000-1,000,000	1,381,027	5	12.81
Above 1,000,000	8,801,976	3	81.64
Total	**10,781,265**	**50**	**100.00**

Director's Shareholding

The breakdown of the Directors personal shareholding in the Company as at 30 June 2019 is as follows:

No.	List of Shareholders	No. of Shares	% Shareholding
1	Dr. Tum Nathaniel Kipkorir	419,131	3.89

Independence

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

Activities and Achievements

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

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Hon. Nathan Anaswa
Chairman, Board of Directors

6/2/ 2020

MANAGEMENT DISCUSSION AND ANALYSIS

Kenya Seed Company's vision is to be the leading supplier of top-quality seed in Africa. The company has issued share capital of 10,781,265 shares of which the Government of Kenya through Agricultural Development Corporation (ADC) owns 5,700,720 shares or 52.88%

Section A: The entity's operational and financial performance

Maize Seed Sold in Million Kilos	Maize Seed Produced in Millions Kilos	**Turnover in Billions**
24.03	27.69	Kshs 5.8

A1. Five Year Performance Trend

Group Trend

	2019	2018	2017	2016	2015
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Turnover	5,786,404	6,226,108	6,213,021	5,427,011	5,472,101
Profit before tax	243,811	574,849	349,671	145,594	388,662
Tax charge	(280,635)	(341,074)	(215,550)	(64,319)	(160,935)
Profit for the year transferred to retained earnings	(36,824)	233,775	134,120	81,275	227,727
Dividends	-	-	-	-	56,602
Share Capital and shareholders' Funds					
Ordinary Share capital	215,625	215,625	215,625	215,625	215,625
Share holders' funds	11,270,642	10,847,642	10,182,665	9,863,682	6,321,362
Earnings and Dividend per Share					
Earnings per share	(3.42)	21.68	12.44	7.54	21.12
Dividend per share (Kshs)	5.25	5.25	5.25	5.25	5.25
Seed Maize Produced (Kg)	27,694	13,484	24,500	31,195	33,648
CIG Seed Maize Sales (Kg)	24,032	28,668	27,861	23,922	23,686

Company Trend

	2019	2018	2017	2016	2015
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Turnover	4,580,569	5,154,062	5,127,485	4,433,732	4,608,287
Profit before tax	396,298	619,601	383,244	182,115	431,805
Tax charge	(261,075)	(326,623)	(212,380)	(82,080)	(143,246)
Profit for the year transferred to retained earnings	135,223	292,978	170,864	100,034	288,559
Dividends	-	-	-	-	56,602
Share Capital and shareholders' Funds					
Ordinary Share capital	215,625	215,625	215,625	215,625	215,625
Share holders' funds	11,358,515	10,895,927	10,148,602	9,790,827	6,223,855
Earnings and Dividend per Share					
Earnings per share	12.54	27.17	15.85	9.28	26.76
Dividend per share (Kshs)	5.25	5.25	5.25	5.25	5.25
Seed Maize Produced (Kg)	27,694	13,484	24,500	31,195	33,648
CIG Seed Maize Sales (Kg)	24,032	28,668	27,861	23,922	23,686

A2: Revenues

The Group's revenue decreased from Kshs 6.2 Billion to Kshs 5.8 Billion as highlighted in the table below:

Product	2019	Product Contribution	2018	Product Contribution	Increase/decrease 2018 to 2019
	Kshs '000	(%)	Kshs '000	(%)	Kshs '000
Certified Maize Seeds	4,238,542	73%	4,926,728	79%	(688,186)
Basic Maize Seeds	52,824	1%	40,514	1%	12,310
Vegetable Seeds	987,080	17%	930,800	15%	56,281
Wheat Seeds	217,350	4%	184,753	3%	32,597
Pasture Seeds	104,951	2%	116,938	2%	(11,987)
Income from Other Seeds	61,425	1%	64,513	1%	(3,088)
Biological Assets (IAS41)	120,214	2%	(42,390)	-1%	162,604
Milk	4,018	0%	4,253	0%	(235)
Total	**5,786,404**	100%	**6,226,108**	100%	**(439,704)**

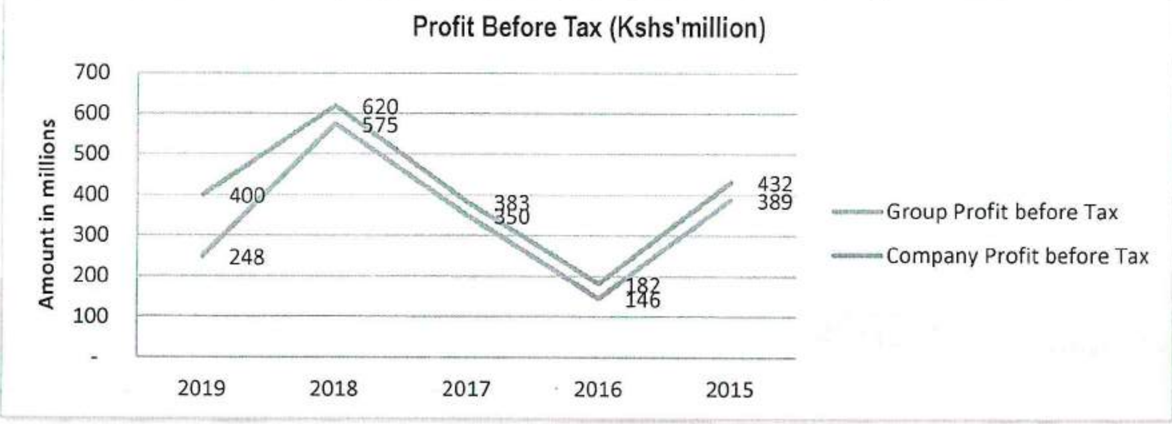
The Company's revenue decreased from Kshs 5.15 Billion to Kshs 4.58 Billion as highlighted in the table below:

Product	2019	Product Contribution	2018	Product Contribution	Increase/decrease 2018 to 2019
	Kshs '000	(%)	Kshs '000	(%)	Kshs '000
Certified Maize Seeds	3,885,697	85%	4,679,825	91%	(794,127)
Basic Maize Seeds	53,768	1%	40,514	1%	13,255
Vegetable Seeds	204,657	4%	163,828	3%	40,828
Wheat Seeds	217,471	5%	184,860	4%	32,611
Pasture Seeds	66,560	1%	87,213	2%	(20,653)
Income from Other Seeds	28,076	1%	35,684	1%	(7,608)
Biological Assets (IAS41)	120,321	3%	(42,115)	-1%	162,436
Milk	4,018	0%	4,253	0%	(235)
Total	**4,580,569**	**100%**	**5,154,062**	**100%**	**(573,493)**

From the above table the drop in Maize Seed Revenue was due to delay in long rains which came towards the end of April 2019 and not early March as expected. The prices of Commercial Maize also in the market dropped significantly which discouraged farmers from growing maize. These delayed rains which affected the maize planting season led to delay in harvesting of the maize crop and most farmers therefore had no fields to grow sunflower, hence drop in sunflower revenue. There was increase in Wheat Seed Revenue as a result of timely rains during the wheat planting season, and some farmers shifted from growing maize to wheat while the drop in pasture sales is attributable to lack of enough pasture seed in the year arising from lack of land for pasture seed growing, as most dairy farmers have also now established their own pasture fields for own livestock consumption. The increase in fair value of biological assets (Trees) was due to increased biological transformation for the crops that were planted at the company's Elgon Downs Farm and favourable timber prices in the market. Revenue from Other crops like Rice reduced as a result of availability of cheap imported rice in the market, which makes locally produced rice noncompetitive and most farmers have resorted to using farm saved seed for millet and sorghum production due to its slow consumption adoption in the market.

A2: Profit before Tax

The Group recorded a decrease in profit before tax by 57% to Kshs 248 million in the year ended 30 June 2019 from Kshs 575 million in 2018. This was majorly due to decrease in seed maize sales that dropped by 16% from 28.67 million kilos in 2018 to 24.03 million kilos in 2019, together with increase in total expenses by 12% from Kshs 1.83 billion in 2018 to Kshs 2.04 billion in 2019 while the Company recorded a decrease in profit before tax by 35% to Kshs 400 million in the year ended 30 June 2019 from Kshs 620 million in 2018. This was majorly due to decrease in seed maize sales that dropped by 16% from 28.67 million kilos in 2018 to 24.03 million kilos in 2019, together with increase in total expenses by 9% from Kshs 1.359 billion in 2018 to Kshs 1.482 billion in 2019.The increase in expenses is as a result of the general inflation in the economy, increase in VAT disallowed expenses and other statutory measures like introduction of VAT on fuel, while the drop in sales of maize and other crops in the year is attributed to delayed long rains in March-April 2019 which forced farmers to engage in other competing enterprises. The Profit before Tax for both the group and the company is highlighted in the following chart:



A3: Cash and Cash Equivalents

The Group's closing Cash and Bank balance relatively reduced from Kshs 1.7 billion in 2018 to Kshs 1.64 billion in 2019 while the company's closing cash and bank balance reduced from Kshs 1.58 billion in 2018 to Kshs 1.44 billion in 2019. The Group is running her operations from internally generated funds. The positive net cash inflows were attributed to stringent financial management and maintaining optimized inventory.

A4: Total Assets

The Group's assets increased by 2% during the year from Kshs 12.29 billion in 2018 to Kshs 12.59 billion while the company's assets increased by 4% in the year ended 30th June 2019 from Kshs 12.128 billion to Kshs 12.658 billion hence increasing the company's value and facilitate the running of our business.

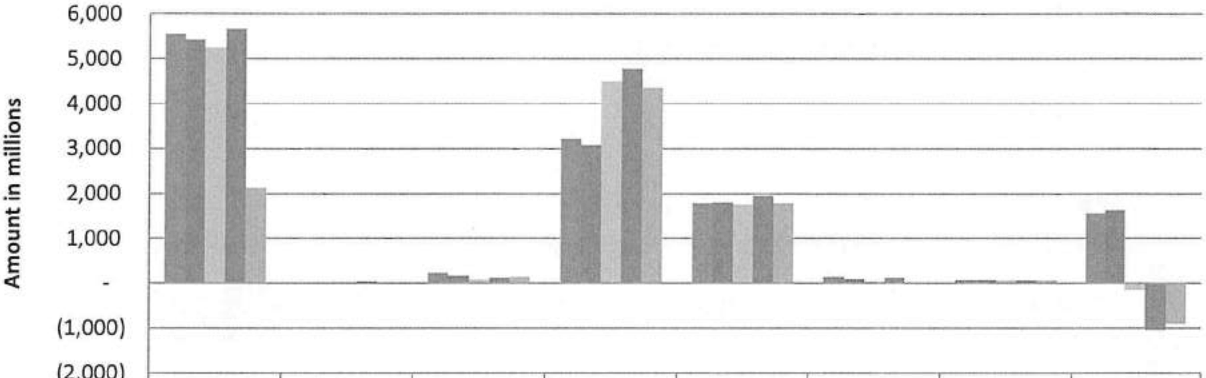
The table below shows the Group's five-year assets trend in Kshs 'millions:

Category	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
Fixed Assets	5,551	5,424	5,240	5,662	2,125
Deferred Tax asset	16	16	20	29	11
Biological Assets	233	178	82	120	153
Inventories	3,215	3,073	4,491	4,777	4,356
Receivables	1,783	1,801	1,750	1,959	1,782
Tax receivable	147	97	45	124	-
Fixed Deposit	68	66	61	58	57
Cash & Bank	1,573	1,632	133	139	181
Total	**12,585**	**12,287**	**11,823**	**12,868**	**8,665**

The table below shows the company's five-year assets trend in Kshs 'millions:

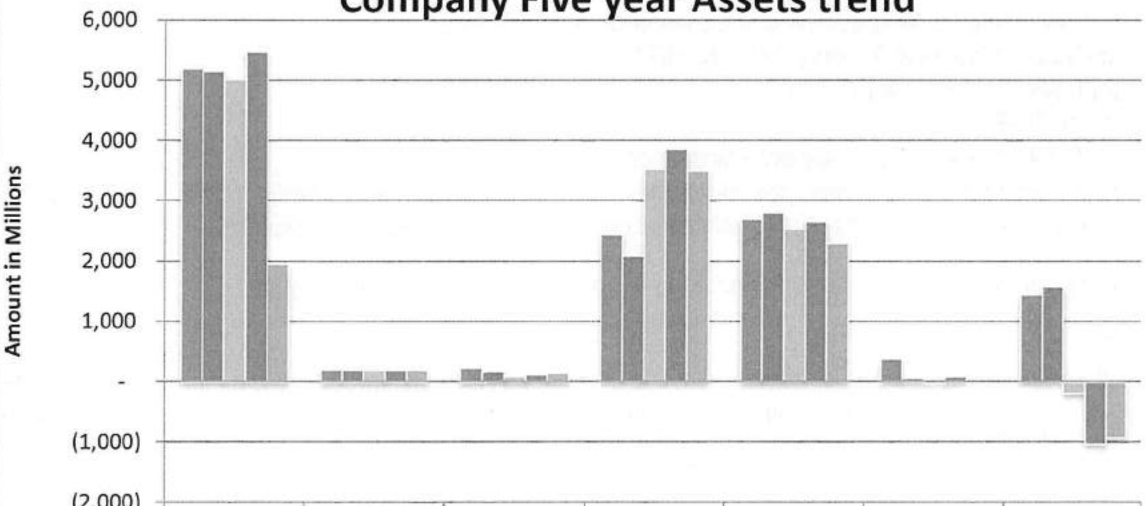
Category	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
Fixed Assets	5,201	5,154	5,014	5,474	1,947
Investment in Subsidiaries	56	56	56	56	56
Loan Capital to subsidiaries	209	207	195	195	195
Biological Assets	233	178	82	120	153
Inventories	2,439	2,086	3,520	3,865	3,493
Receivables	2,698	2,811	2,544	2,658	2,297
Tax receivable	379	57	10	79	-
Fixed Deposit	68	66	61	58	57
Cash & Bank	1,376	1,514	18	93	98
Total	**12,658**	**12,128**	**11,499**	**12,598**	**8,296**

Group of Five year Assets trend



	Fixed Assets	Deferred tax	Biological Assets	Inventories	Receivables	Tax receivable	Fixed Deposit	Cash & Bank
2018/2019	5,551	16	233	3,215	1,783	147	68	1,573
2017/2018	5,424	16	178	3,073	1,801	97	66	1,632
2016/2017	5,240	20	82	4,491	1,750	45	61	(142)
2015/2016	5,662	29	120	4,777	1,959	124	58	(1,047)
2014/2015	2,125	11	153	4,356	1,782	-	57	(898)

Company Five year Assets trend



	Fixed Assets	Loan Capital to subsidiaries	Biological Assets	Inventories	Receivables	Tax receivable	Cash & Bank
2018/2019	5,201	209	233	2,439	2,698	379	1,444
2017/2018	5,154	207	178	2,086	2,811	57	1,580
2016/2017	5,014	195	82	3,520	2,544	10	(196)
2015/2016	5,474	195	120	3,865	2,658	79	(1,034)
2014/2015	1,947	195	153	3,493	2,297	-	(924)

A5: Capital expenditures

The company had budgeted for Kshs 311 million to purchase capital items in the year ended 30th June 2019. Due to constrained cash flow and budgetary issues the company incurred capital expenditures of Kshs 35 million in the different classes of assets as shown in the chart and table below:

Class	2018/2019	2017/2018
Computers	2,680,651	2,877,979
Tools & Equipment	1,582,697	3,861,298
Furniture & Fittings	157,241	-
Motor Vehicle	12,600,000	26,019,052
Farm works	1,950,000	-
Tractors	15,937,383	-
Industrial Building	-	10,975,482
Machinery	-	47,931
Software	-	22,422,766
Total	**34,907,972**	**66,204,508**

Section B: Entity's compliance with statutory requirements

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

(a) Higher Education Loans Board (HELB)
(b) National Health Insurance Funds (NHIF)
(c) National Social Security Fund (NSSF)
(d) Taxes (KRA)
(e) Public Procurement Oversight Authority (PPOA)
(f) Environmental Management and Coordination Act (EMCA)
(g) National Industrial Training Authority (NITA)
(h) Cess (County Governments)
(i) KEPHIS
(j) Disability and Gender Mainstreaming among others

The Company ensured that it obtains the certificates of compliance from KRA, NHIF, NSSF and HELB. The company also ensured timely remittance of staff payroll deductions to the relevant beneficiaries.

Section C: Key projects and investment decisions the entity is planning/implementing

The Company plans to spend Kshs 280 million on capital items for the financial year 2019/2020.

The Board has deemed this Investment critical because of the need for efficiency and the fact that most of the assets need replacement. In FY2018/19, the Company acquired Fixed Assets totaling Kshs 35Million out of the Budgeted figure of Kshs 311 Million due to constrained Budgetary and Cash flow issues. This has necessitated the need to buy the items in the Budget for FY2019/20 as listed below:

- **Plant and Machinery**

The Company plans to spend Kshs 82.3 million on modernizing of its processing plant and machinery which have out lived their economic useful life which includes among others;

- 1&2kg Auto packaging machine Kshs 50 million
- Temperature monitoring system at Basic Seed Unit Lab Kshs 8 million
- Chemical batch Treater at Basic Seed Unit and Processing unit Kshs 13 million.
- Power generators at the Processing Unit and Nakuru branch Kshs 8 million.

- **Furniture and Fittings:**

A total of Kshs 4.0 million will be utilized in replacement of old and worn out furniture of various categories.

- **Buildings**

The total expenditure proposed for the construction and completion of various buildings during the budget period (2019/2020) amounts to Kshs 10.8 million in a bid to improve warehouse capacity and reduce on storage/rental costs.

Store 1 where Finished Seed products are stored before being distributed to Agents/Branches

- **Computer Hardware and Software totaling to Kshs 27.2 million are as detailed below:**

a) Computer Hardware

The total budgeted amount for the financial 2019/2020 under this vote head is Kshs 9.9 Million with the major item being Infrastructure Upgrade for Fiber Connectivity at Kshs 5 Million.

b) Computer Software

A total of Kshs 17.3 million has been planned to be utilized under this vote head and includes among others;

- Audit software Kshs 6.5 million
- Business intelligence (module of ERP) Kshs 5.0 million
- Help desk system Kshs 1.0 million
- Fleet and Asset management Software Kshs 4.8 million

- **Motor Vehicles/Motor Cycles**

The Company plans to purchase motor vehicles at a total cost of Kshs 61.7 million. This is meant to replace the aging fleet that is costly to maintain and hence increase efficiency.

- Nine Suzuki Jimny/Toyota Rush Kshs 28.8 million to be used by the field officers in monitoring the seed in the farms which are in various parts of the country.
- 3 4WD single cab pickups Kshs 12 million to assist in promoting sales of company products.
- Two 5tonne Canters Kshs 8.2 million.
- Two Saloon cars Kshs 9 million.
- One Forklift Kshs 3.5 Million and One Motorbike Kshs 0.25 Million

- **Tools and Lab Equipment**

The company proposes to spend Kshs 31.4 Million in acquisition of various Tools and Equipment and includes among others;

- Dockage machines at Processing unit Kshs 2.0 million
- Geared induction motors Kshs 7.9 million and Hydrant pump Kshs 1.0 million
- Thermometers Kshs 3.2 million and Digital moisture meters Kshs 2.1 million
- Sampling spikes and sieves Kshs 2.0 million and Sampling dividers Kshs 1.6 million

- **Irrigation and farm implements**

The company plans to acquire two new tractors at Kshs 16.0 million for Elgon Downs Farm to enhance farming activities and reduce operating costs. Kshs 47.3 million has been planned for replacement & modernization of various farm equipment including Pivot Irrigation Unit, Borehole complex, electric irrigation pumps, Multi-tillers, hay bailing machine, Lawn Mower, and wheat & maize precision planters.

Company tractor used for ploughing at the Elgon Downs Farm

Pivot irrigation unit installed at Company's Elgon Downs Farm

KSC Priority Projects/Programmes (Outcomes aligned to SDGs, MTP III & Sector Performance Standards)

i) "Big Four" Initiatives

In view of the Big Four Agenda, the Company will avail sufficient top-quality seeds to the Kenyan farmers in support of the 100% Food Security and Nutrition. The seeds include; Maize, Wheat, Pasture, Sunflower, Rice, Sorghum, Millet among others and indirectly by providing raw materials for agro-processing thus contributing towards the Manufacturing Agenda. In the medium term we are focusing on developing varieties that are high yielding, drought tolerant resistant to pests and diseases.

ii) Vision 2030 Flagship Projects

- **Research and Development of New Varieties (4)**

The Company has submitted four varieties to the National Performance Trials (NPT) for consideration and possible release by November 2019. The details are as per the table below;

	Variety	Name	Attributes
1	Maize	H1701	This is a Highland variety that performs better than all existing varieties with a yield of 55 bags per acre.
2	Maize	H1801	This is a Highland variety that performs better than all existing varieties with a yield of 55 bags per acre.
3	Wheat	KSWH4	It's best for the highland zones and has good milling qualities and rust tolerance.
4	Sunflower	H4653	It's for the late maturity zones, has good yield performance, black seeded and has high oil content.

- **Seed Quality Improvement (2)**

The Company will endeavor to improve two existing maize seed varieties to eliminate the reported defects. The two varieties targeted for improvement in FY2019/20 will be as follows;

	Variety	Defect(s)	Activity
1	H6218	Small seed grain size, easy rotting, susceptibility to moisture and weevil damage	Selecting parental for good seed grain size and resistance to easy rotting, susceptibility to moisture and weevil damage
2	H9401	Open tip cover on cobs leading to rotting	Selecting parietals for good husk cover.

N/B H6218 is on the second cycle and 60% defect elimination will be achieved in FY2019/20 whereas H9401 is at its first cycle of defect elimination.

- **Food Security**

Maize Seed Production (27,717 MT)

In the FY 2018-2019 seed maize production was 27,694 MT. In the FY2019/20 period production will be 27,717 MT which is slightly higher than the previous year. The production is derived from market demand and availability carryover stocks from the previous season.

Wheat Seeds Production (2,025 MT)

In the year 2018/2019 the Company produced 3,698 MT of Wheat seed, whereas in the FY2019/20 production will reduce to 2,025 MT due to availability of carryover stocks that will be sufficient for the market.

Sunflower Seed Production (140 MT)

The Company will produce 140 MT of Sunflower seed in FY2019/20 up from 97 MT produced in the prior year. The increase is attributed to growing demand.

Sorghum Seed Production (128MT)

The Company will produce 128 MT of sorghum seed in FY2019/20; in the previous year production was at 121 MT.

Pasture Seed Production (292MT)

In FY2019/20 the Company will increase Pasture seed production to 292 MT from 216MT in the previous year, the growth being driven by growth in the dairy industry. The varieties to be produced in FY2019/20 are; Rhode grasses 98 MT, Oats 125 MT, Columbus grasses 20MT and Sudan grass 50 MT.

Rice Seed Production (22MT)

The Company will produce 22 MT of rice seed in FY2019/20; in the previous year there was no production due to availability of sufficient stocks, to meet market demand.

Finger Millet Seed Production (15MT)

The Company will produce 15 MT of Finger millet seed in FY2019/20; in the previous year there was no production due to availability of sufficient stocks.

iii) Ease of Doing Business

a) Access to Credit facilities

The company will continue to facilitate access to affordable credit facilities to growers of all seed crops, by entering into Memorandum of Understanding (MOU) with financial institutions and issuing letters of undertaking for respective growers. The seed maize production target for FY 2019/20 will be 27,717 MT.

b)Access to Insurance facilities

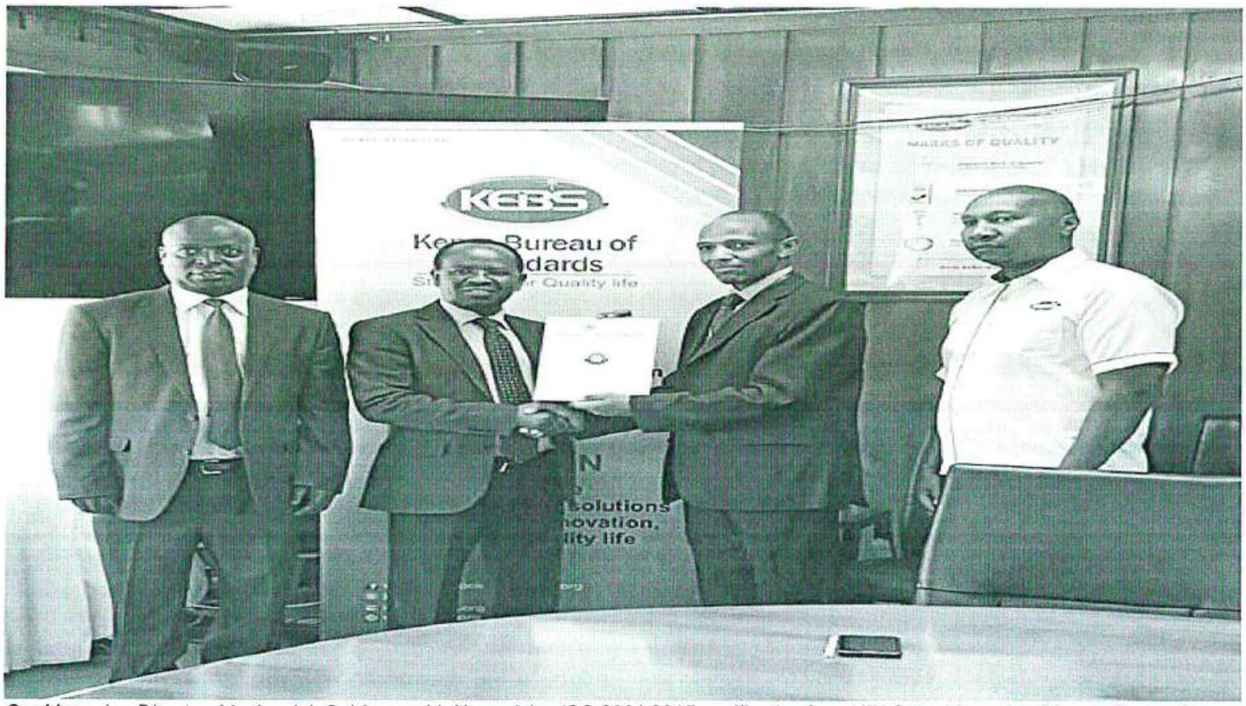
The Company will collaborate with service providers in the insurance industry for purposes of offering seed growers, insurance covers to mitigate against adverse weather and pest/disease infestations. The target is to increase from 130 to 140 growers and it will be completed by 31st May 2020.

iv) Implementation of Presidential Directives.

In the contract period KSC will support the Ministry of Agriculture, Livestock and Fisheries in implementing the Presidential directive on allocation of 10% of our Corporate Social responsibility (CSR) budget to production of fruit tree seedlings. In the FY 2019/20 our CSR budget will be Kshs. 8.3 million and will therefore allocate Kshs. 830,000 towards production/purchase of seedlings. In addition, KSC will adhere 100% to directives relevant to its mandate in Circulars and Executive Orders issued from time to time.

v) Quality Management Systems.

Currently the Company is certified ISO 9001-2015 and measures have been put in place to ensure continued compliance and conformity to the management system. The ISO coordinators were trained on risk management. A recertification audit is expected to be carried out by end of August 2019. Kenya Seed Company Ltd ensures continuous improvement in its processes and procedures in order to avail quality products and service delivery.



Our Managing Director, Mr. Azariah Soi (second left) receiving ISO 9001:2015 certification from KEBS Ag. Managing Director Bernard Nguyo (second right) in November 2018.

vi) Strategic Plan Implementation

The Company is implementing a five-year strategic plan for the period 2018/19 – 2022/23 whose aim is to further improve revenues, efficiency enhancements, enhanced communication and increased market share locally and in the region. In the Financial year 2018/19, the Company produced 27,600MT of seed maize against a plan of 30,600MT. Cumulative actual Maize Sales volumes for the year was 24,400 MT against a target of 31,350MT. During the second half of the year management reviewed the sales position informed by changes in the business environment, thus predicting a shortfall in attaining the target by 15%. The reasons attributed to the review were as follows;

- A long dry spell caused by delayed rainfall beyond the planting seasons of March/April
- Prices of commercial maize dropped from Kshs. 3,200 per bag in 2017 to Kshs. 2,300 per bag in 2018
- Government did not procure subsidized planting fertilizers on time
- Most leaders within the highland regions advised farmers against planting maize

The current SP is made up of twelve objectives each with several strategies and activities. The highlights of Year One performance were as follows;

- Acquisition of social media software (meltwater) which is used to track information about Kenya Seed Company in social media and online bloggers both locally and internationally.
- Addition of five new lines i.e. Safaricom and Airtel added to the existing ones within our switchboard making it convenient for customers to reach us.
- There was also increased email usage from 200 to 250 users and migration of the entire mailing system to the cloud.
- Improvement of three existing maize varieties – H624, H520 & H6218 to eliminate reported defects.
- The following varieties were submitted by R&D to the National Performance Trial (NPT);
    - 13 for maize varieties for different agro zones
    - 8 for sunflower varieties and
    - 2 for wheat varieties.
- Collaborations with various stakeholders in breeding of new technologies which are expected to result in commercialization of new superior varieties. Some of the institutions involved are University of Nairobi, Kenya Agricultural Research Organization (KALRO) and University of Eldoret (UOE).
- In order to modernize equipment at the farm and ensure optimum production of basic seeds, two tractors, one hay baler and one reversible plough were acquired in the year.
- It is envisaged that the Company will be the first in the Country and region to be authorised by the regulator to carry out seed self-regulation. To this end an additional ten inspectors and analysts were trained and management approved acquisition of additional equipment for the lab.
- Seed production commenced within the foreign subsidiaries mainly in Tanzania and Rwanda with support from the mother Company. Due to shortfalls of production areas in Kenya for some popular transition varieties, intervention measures have been put in place with a view of producing in Moshi (Tanzania), Kapchorwa (Uganda) and Gicheha Farm in Taveta.
- Discussions are on-going on the possibility of converting debt owed by the subsidiaries into equity
- On the risk framework, a draft policy is in place, as well as departmental risk champions who have developed respective risk registers
- Establishment of business partnership and relationship with strategic stakeholders e.g. the County Governments. There is synchronized Production, Processing and marketing demand to ensure product availability.

- Enhanced inter departmental linkage in Company and in the value chain. Critical subsidiaries plans have been incorporated into the Parent Company plans.
- A two-year Training Needs Analysis (TNA) is in place and is being rolled out, whereas a new performance management system will be implemented during the first quarter of FY 2019/20.
- The Citizens Service Delivery Charter was reviewed and is awaiting approval and subsequent implementation in the FY 2019/20.
- The three subsidiaries are implementing respective SPs that are aligned to mother Company SP.
- KSC has adopted the new ISO 9001:2015 Standard in its Quality Management System (QMS) which is aligned to the Company strategic direction and is risk based.

Section D: Major risks facing the entity

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

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

Section E: Material arrears in statutory/financial obligations

The company does not have any known material arrears in statutory/financial obligations as at the reporting date.

Section F: The entity's financial probity and serious governance issues

There is no reported case of financial impropriety and governance issues reported to any government agency.

The External and Internal audit queries raised have been adequately responded to by management.

SUNFLOWER

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Corporate Social Responsibility (CSR) is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line- Approach"), while at the same time addressing the expectations of shareholders and stakeholders.

Sustainability has been an often-mentioned goal of companies, yet measuring the degree to which a company is being sustainable or pursuing sustainable growth can be difficult. By using the Triple Bottom Line approach, Kenya Seed Company understands its position in the current economy and its ability to survive in the future.

To bring that value to the business, we ensure that we have the trust of all our stakeholders in communities in which we operate through our CSR undertakings. Kenya seed Company is aiming at building a more sustainable future, through development strategies that meet the needs of the present without compromising the ability of future generations to meet their needs. The corporate strategy approach is aimed at creating long term stakeholders' value through business strategy that focuses on economic, social and environmental pillars of doing business:

Economic sustainability

Financial sustainability

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

Capacity improvement

In order to avail sufficient top-quality seed products and services to the market, the company is upgrading its machines at the factories to increase the seed processing capacity.

With the challenge of scarcity of land, the company through its subsidiary in Tanzania and Rwanda, has recruited contracted seed growers to produce more seed to meet the growing market demand. The Board and Management have also approached the agricultural development corporation who are our largest seed grower and had discussions not to subdivide their land hence avail more acreage to the company for seed production.

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

Regulated environment

The aim of any government is to provide goods and services to the Public at affordable prices and therefore Kenya Seed Company being a state corporation, the prices for our seed products are set at a certain limit to enable farmers get quality seed at affordable prices.

The tax laws are changing fast and therefore the company has to comply with the set regulations regarding taxes.

But with the above, the company has to safeguard its stakeholder interests while operating in this regulated environment.

Occupational safety and health

During the year the company carried out the following:

- conducted a fire audit survey.
- Safety induction was conducted for new employees especially the interns.
- Maintenance of fire-fighting equipment was carried out.
- Warning signs are clearly marked in the company factories e.g. "Falling Stacks" etc.
- Workplace registration certificate renewals currently ongoing.
- Process has been started to undertake the fire drill and emergence responses to finally carry out OSH audit.

Technology and Automation

One of our company strategic objectives is to leverage on Information Technology to improve on operational efficiency. In the year under review, we implemented a number of initiatives and upgrades geared towards improving the turnaround time for our business processes.

1. Initiatives
   i. Conversion of manual payment system to electronic. For many years, the company has been paying out suppliers and other creditors through the cheque system. This was not only time laborious and time consuming, but also inefficient. The ERP system was configured to output the payment data to a bank software, thus enabling real time payment of creditors and staff salaries.
   ii. Purchases through MPESA. Our customers have been paying for seed purchases through MPESA platform for a short while. The pay-bills amounts are aggregated at the end of the day and the funds transferred to the bank automatically without human intervention. This has increased efficiency in cash management.
   iii. Travel management- Our staff per diem are conveniently paid through MPESA.
   iv. KCB Agency – Our retail customers on seed cash purchases pay through a bank agent and our staff do not handle cash. We therefore do not incur the cost of transporting money to the bank and the security thereof.
   v. Mobile POS applications for our route sales staff- Hitherto, our route sales staff would carry seed and sell manually to customers on their routes. Hover, with advent of technology, they are now able to sell using a mobile application App installed on a cell phone and a Blue tooth printer for cash sale receipts. The systems are updated in real time for inventory and sales.

2. Cloud Applications

   With the deployment of key corporate applications such as email and ERP workflows, staff mobility has been enhanced. Issues of security and hardware failures have been transferred to the cloud vendor thus reducing down time and increasing accessibility.

KSC staff can now work anywhere, anytime and access corporate resources, thus increasing efficiency and productivity. Some of noticeable gains already realized from automation include the following:

- Integration of operations into single real time system spreading across all the departments which has resulted in optimal resource use utilization.
- Introduction to designed workflow which has resulted to in efficiency in human resource.
- Improved reporting as departments are now enabled to timely share the information.
- Reduced inventory cost, resulting from better planning, tracking and forecasting or requirements.
- General Low cost of operation.
- Improved information access and provision of consolidated picture of company activities for better decision making.

The company has also embarked on establishment of disaster recovery facility. This project is critical in order to safeguard the gains made in event of a natural calamity/disaster. In this case, normal business operations can be resumed without difficulty.

SAP/AMS systems have greater capability to automate more functions of the company. In this regard, the company is still pursuing to implement other modules to fully utilize the software that has been heavily invested in. Some of the improvements being:

- SAP Employee Self Service/ MSS modules implementation
- SAP Production Planning & Quality Management modules Implementation.

Social sustainability

1. Education

The company has continued to promote education by sponsoring school activities and individual school going children through donation of cash and other materials to enhance the process of learning within schools in our business environment.

Kenya Seed sponsored the ongoing construction of classrooms at Mugeiyot Primary School, Kwanza Constituency, Trans Nzoia County.

2. Economic empowerment

Kenya Seed Company enables the surrounding communities to improve their livelihoods by offering jobs to the locals. The company provided casual/temporary employment to 1,642 locals in the company's Elgon Downs Farm and the processing factories during the peak seasons of the year.

The company assists various county governments to collect county Cess from the contracted maize seed growers and remit to the respective County governments. This ensures that the county governments provide the required services to the general public.

Our Managing Director Mr. Azariah Soi (left) accompanied by Export Manager Mrs. Beatrice Aiyabei and other staff members present a cheque for cess payment to the Governor Trans Nzoia County P.S Khaemba together with his deputy Dr. Tarus at the County Government of Trans Nzoia headquarters Kitale.

Our Managing Director Mr. Azariah Soi presented a sponsorship cheque to ASK Kitale National Show committee members led by branch chairman Mr. Fredrick K. Tarus in preparation towards the 2019 Kitale Agricultural Show. This will go a long way in ensuring the show becomes successful and a platform for exhibitors and networking that spurs development in agriculture for realization of Big Four agenda by the government.

3. Innovation and capacity development

During the year, the company collaborated with various stakeholders in breeding of new technologies which are expected to result in commercialization of new superior seed varieties. Some of the institutions involved are University of Nairobi, Kenya Agricultural Research Organization (KALRO), CIMMYT and University of Eldoret (UOE). The company established business partnership and relationship with strategic stakeholders e.g. the County Governments. This has ensured that there is synchronized Production, Processing and marketing demand to ensure product availability.

4. Internship and industrial attachment

Recently the government of Kenya set a goal to prepare the youth for economic development. It's with this in mind that the company has taken to commit to developing talent for the students to prepare them for the job market. The company offered industrial attachment opportunities (three months) to various students from various colleges and universities in Kenya to acquire skills and experience in the various departments within the company.
The company also has offered internship opportunities to various students who have graduated from various colleges and universities.

Program	**2019**	**2018**
Internship beneficiaries	2	4
Industrial attachments	128	80
Total	**130**	**84**

5. Sports

Sporting activities rejuvenate people's lives and provides an opportunity for networking. Many engage in sports as a way of assisting them avoid dangerous activities or reliving themselves from strenuous work activity. The company utilizes such forum to nurture young talent and promote our products. During the year the company sponsored the Classic Golf Tournament at the Kitale Golf Club grounds where winners were awarded various prizes.

A participant playing at the Kenya Seed Company Sponsored golf tournament

The golf winner Faith Chemtai receives her prize of an incalf heifer, Ayrshire breed from our Managing Director Azariah Soi.

KENYA SEED COMPANY LTD.
Top Quality Seed

SPONSORED

VENUE: Kitale Golf Club ON: 4th and 5th MAY 2019

FOR MORE INFORMATION CONTACT: info@kenyaseed.co.ke

6. Talent management

The company recognizes the importance of having skilled employees who can deliver on the company objectives. The company continues to invest in employee technical development and hence has developed the employee Training Needs Analysis programs where staff are trained in various skills and recent changes in the regulations.

The table shows the number of staff trained:

2019	2018
189	142

Performance appraisal frameworks

The company has performance appraisal framework whereby performance of employees is assessed in the first half and the second half. The employees meet with their supervisors to discuss on their job descriptions and targets, accomplishments and the results are used to either promote the staff or offer rewards. This exercise is carried out to measure performance and improve employee motivation.

Knowledge sharing platforms

The company through Corporate Communications Department has continued to provide inhouse information sent through staff mails on articles related to work related issues and industry information, through feedback reports that are targeted on improving services offered to various employees in the different departments.

7. Procurement

Kenya Seed Company adheres to principles of transparency, integrity and fairness in its drive to implement best procurement practices across all its engagements with its both internal and external customers. The main objective of procurement function is to form the basis for implementation of procurement strategies through improved processes, increased value creation and delivery of shareholder's value. Procurement plays a key role in timely procurement of quality goods, works and services as well as disposal of obsolete and unserviceable materials and equipment. The procurement process is guided by the Public Procurement and Assets Disposal Act 2015, relevant regulations, company procedures and best business practices. Procurement is a strategic function in the company assisting in the achievement of best returns on key initiatives like cost reduction and enhanced availabilities of supplies and value addition.

The strategies in procurement target procurement planning, tendering process, contract management, inventory management and disposals. It is the company policy to consolidate procurement requirements while acquiring goods, works and services of the right quality in order to guarantee continuity of supply, external provider service responsiveness and to achieve value for money. The organization maximizes return on money spent through the procurement of goods, works and services throughout the entire procurement process. Value addition has been enhanced through the following initiatives;

- Procurement Planning

The Company prepares Procurement plans on an annual basis, which guide all procurements as per approved budgets. The Procurement plan is approved by the Accounting Officer in the organization and executed by management to support company strategic objectives. The plans are implemented in accordance with the Public Procurement and Asset Disposal Act, 2015, ensuring all companies requirements are met.

- Buy Kenya Build Kenya

Our Company provides growth and development avenues through procurement of goods, works and services from citizens. This has continued to create wealth sustainably. The following approaches were used under this initiative:

a) Creating Value for Special Groups

The Public Procurement and Asset Disposal Act, 2015 provides for public procuring entities to set aside a reservation of procurement opportunities for Youth, Women and Persons living with Disabilities (YWPD). Our focus in the target group is anchored on our strong belief that local firms support employment creation, and create value for stakeholders. In the year, we awarded these special groups procurement contracts equivalent to Kshs 80,413,221.

Category	2018/19FY (Awards in Kshs.)
Women	68,897,781
Youth	11,515,440
Total	**80,413,221**

To improve uptake of the given allocations we have to undertake the following initiatives: -

- Sensitization and awareness programs to these groups to take advantage of the scheme.
- Management of Supplier relationships
- Continuous supplier registration of the disadvantaged groups.
- Effective planning, monitoring and implementation of the allocations

b) Empowering Local Firms

Promotion of local content in procurement (Buy Kenya, Build Kenya) initiatives is continuously supported whereby 40% of the company's procurement budget is spent on local products and services supplied by citizen contractors. The department endeavors to give opportunities to many vendors and contractors as possible to participate in its tendering processes whereby there is enhancement of local economic growth and maintenance of good trade relations with the locals. This supports growth of the local industry for sustainable development for its stakeholders. During the year, procurement of locally produced goods and services awarded to citizen contractors was Kshs 756,322,987.50.

Period	**2018/19FY (Awards in Kshs.)**
1st Half	411,518,605.96
2nd Half	345,322,987.50
Total	**756,322,987.50**

- Process Improvement

Our procurement processes require continuous improvement to address emerging challenges and compliance with legal requirements. To achieve this there has been enhanced confidentiality of procurement information from the tendering process to award of contracts and also increased transparency and accountability of the tendering process. We have also had continuous training of various heads of user departments and procurement staff on how to handle emerging challenges and the importance of compliance in all procurement processes. The department through the use of SAP system platform enables the tracking of procurement proceedings through a single integrated system after user department raises an online request.

- Compliance to Statutory Requirements

The procurement function is guided by the Public Procurement and Asset Disposal Act (PPADA), 2015 and relevant regulations as established. All our procurements are processed with due compliance to all these statutory requirements and company procedures.

We submit statutory reports to the Public Procurement Regulatory Authority (PPRA)/The National Treasury, Ministry of Trade and Industry and Ministry of Agriculture, Livestock, Fisheries and Irrigation. The reports demonstrate commitment to compliance requirements that enhances transparency, fairness and value for money for sustainable growth We complied and submitted the following reports;

No.	**Report**	**Body**
1.	Buy Kenya Build Kenya-40%	Ministry of Trade and Industry
2.	Implementation of procurement plans	PPRA
3.	Approved Procurement Plan	PPRA
4.	Quarterly reports on procurement contracts awarded to the Special Groups	PPRA
5.	Procurement proceedings terminated before award.	PPRA
6.	Direct Procurement contracts awarded for Value above Kenya Shillings Five Hundred Thousand	PPRA
7.	All procurement contracts awarded for value above Kenya Shillings Five million.	PPRA
8.	Big Four Agenda compliance report	MOALFI
9.	Quarterly progress reports summarizing procurements allocated to target groups	PPRA

8. Other forms of supporting the community

Kenya Company is committed to partnering with the society through different means and ways by giving back. Our initiative to give back to society is through the CSR Program; our staff participates in these programs to give back to society/community around us using their different gifted expertise. This has created a positive relationship with the society, who in turn promotes our business by buying our products.

Below are our staff, giving back to the society.

Kenya Seed joined Kitale Press Welfare and other organisations for a CSR activity in feeding street families in Kitale town in March 2019

Kenya Seed and Simlaw Seeds Companies donating food stuffs and other items to SSJ Shanzu orphanage

9. Enterprise risk management

Risk is a state of uncertainty where some of the possibilities involve a loss, catastrophe or other undesirable outcome. Mitigating risks, or lessening their adverse impacts, is at the heart of its effective management. If attention were not paid to expected risks, planned activities would end in disaster. If implemented correctly a successful risk mitigation strategy reduces any adverse variations in the financial returns or outputs.

Some of the key risks that were identified, together with corresponding mitigating measures are highlighted below:

Risks	Mitigation
Effects of climate change i.e. global warming	• Use of insurance • Expansion into irrigated areas • Use of improved varieties
Loss of plant efficiency due to age	• Continuous plant improvement • Effective maintenance and retirement of old equipment • Adoption of new technologies
Loss of production area due to land subdivision, competition	• Creation of seed villages • Long term contracts with the growers • Competitive seed pricing to the Growers
Emerging diseases and pests	• Equipped company laboratories for pathological and entomological tests. • Technical staff training on emerging issues. • Collaboration with research and relevant institutions • Production of tolerant varieties • Develop disease/pest resistant varieties
Decrease in yields	• Growers training • Soil analysis • Encourage minimum/conservation tillage • Embrace emerging technologies
Drought	• Expansion of dam and irrigation system at the Elgon Downs Farm
Loss of market to competitors	• Availing customer driven seed varieties/as per eco zone. • Timely marketing planned activities • Production of drought resilient seed varieties
High turnover of skilled labour to competition thereby affecting department performance	• Ensuring there is knowledge sharing among workers. • Embracing knowledge management strategy
Terrorism	• Conduct regular staff sensitizations to create awareness
HIV and Aids, Cancer, drug and substance abuse and other lifestyles diseases	• Sensitization programmes • Put in place employee support programs (establish wellness unit, collaborate with relevant institutions
Erratic weather pattern	• Research and Development to release preferred varieties • Sensitize farmers on superior varieties once released • Produce crops in the right Agro-ecological zones
Fake seeds	• Frequent surveillance visits, Informers

Environmental sustainability

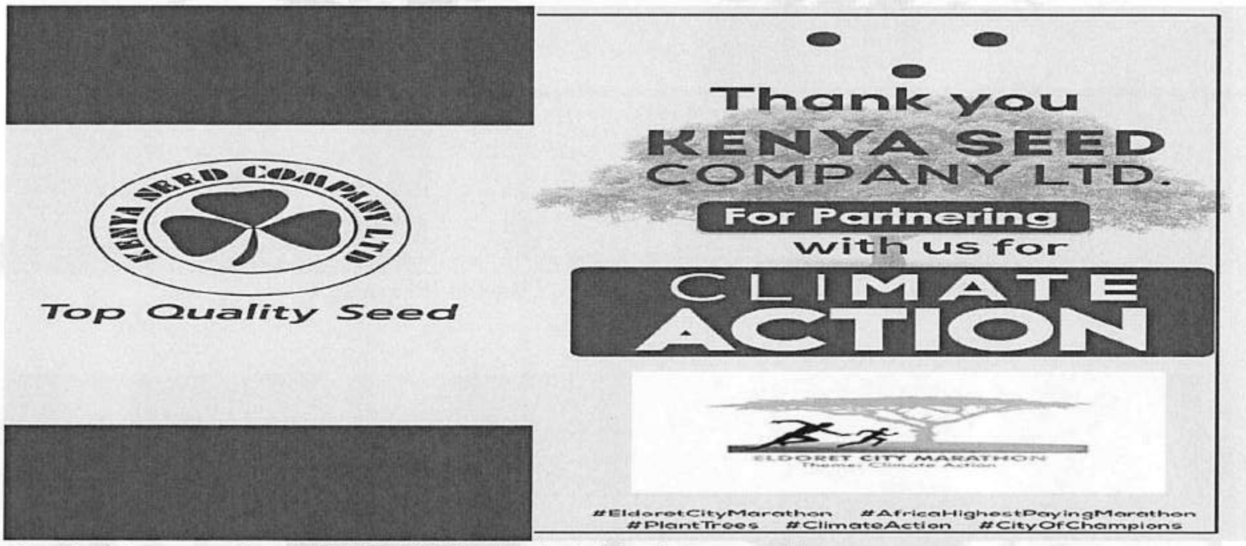
Climate change has never been more important than it is today in order to secure the sustainability of not only humans but also that for other species as well. Good environmental practices are encouraged as they secure the wellbeing of the general economic divide.

One of the major environmental factors impacting on the way Kenya Seed Company operates is climate change which results in erratic weather patterns which in turn affects planting times and also currently allows for two cropping seasons. Farmers are moving to early maturing varieties.

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

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

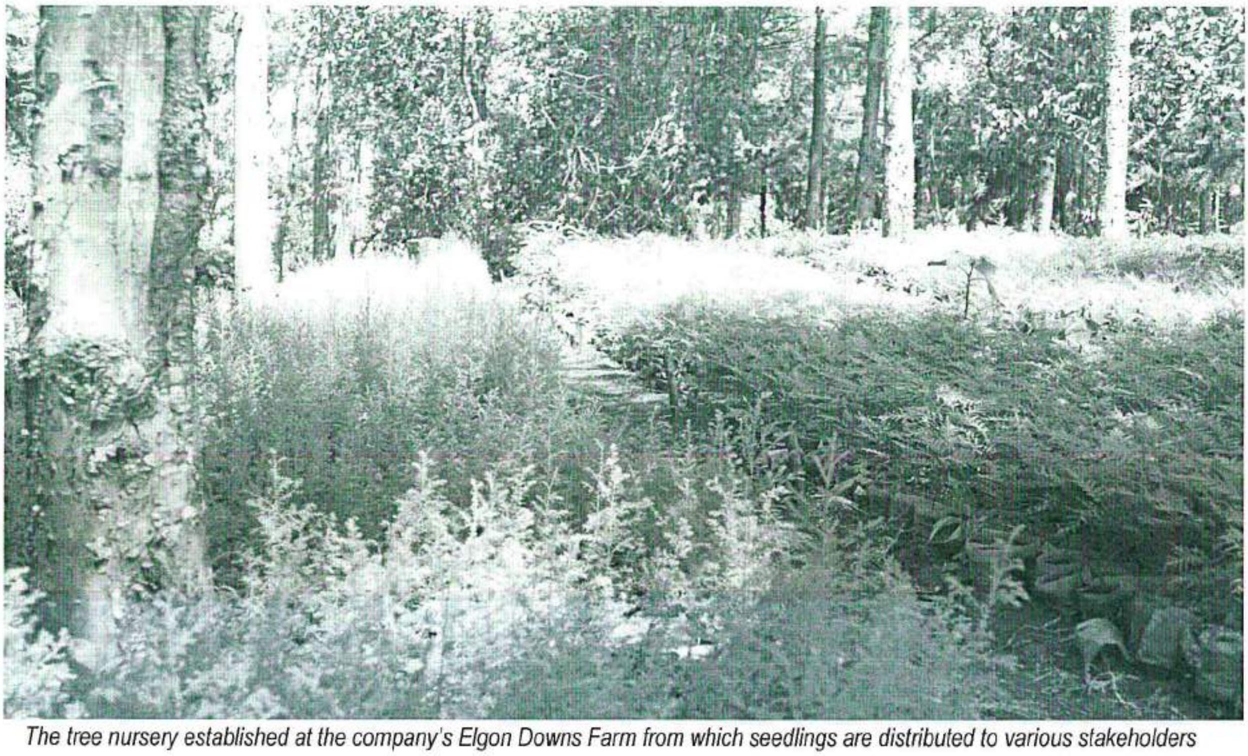
The company distributes tree seedlings to various stakeholders in the society to achieve the objective of forestation. All seeds are packaged in papers/ use of gunny bags and the company has since stopped using the poly bag materials. Every harvest is preceded by the sowing of seeds. We cannot expect a harvest of a bright and secure future without sowing and nurturing tree seedlings today.



Kenya Seed Company partnered with Eldoret City Marathon to plant trees to secure our future.

Kenya Seed Company partnered with Eldoret City Marathon Committee and the Ministry of environment and natural resources in the tree planting exercise to plant trees in 2019 to secure our future.

Kenya Seed Company staff planting trees in Eldoret on 15th June 2019.



The tree nursery established at the company's Elgon Downs Farm from which seedlings are distributed to various stakeholders

WHEAT

REPORT OF THE DIRECTORS

The Directors submit their audited consolidated financial statements for the year ended 30th June 2019 which show the state of the Group and Group affairs.

Principal Activities

The company and its subsidiaries carry on the business of seed growers and seed merchants. It operates a seed maize shelling and drying plant and a small cereal drying plant. The Group also distributes vegetable seeds under the brand name of "Simlaw Seeds".

Results

The results of the Group for the year ended 30th June 2019 are set out in the statement of comprehensive income on page 1.

Dividends

The Board of Directors approved a dividend policy where dividend paid will be the higher of Kshs 5.25 per share and 20% of the after-tax profit. Subject to the Shareholders approval, the Directors propose payment of a first and final dividend of Kshs 5.25 (2018: Kshs 5.25) per share totaling Kshs 56,601,641 in respect of the year ended 30 June 2019 (2018: Kshs. 56,601,641). The dividend is payable subject to, where applicable, deduction of withholding tax as required under the Kenyan Income Tax Act, Chapter 470, Laws of Kenya.

Directors

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

Auditors

The Auditor General is responsible for the statutory audit of the company's financial statements in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act, 2015.

BY ORDER OF THE BOARD

....
Company Secretary
Kitale, Kenya

.... 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, and Kenyan Companies Act 2015 require the Directors to prepare financial statements in respect of the company, which give a true and fair view of the state of affairs of the company at the end of the financial year and the operating results of the company for that year. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year ended on June 30, 2019. This responsibility includes:

(i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
(ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company;
(iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
(iv) safeguarding the assets of the company;
(v) selecting and applying appropriate accounting policies; and
(vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the Kenya Company's Act 2015. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of the company's transactions during the financial year ended June 30, 2019, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approval of the financial statements

The financial statements and the accompanying notes from pages 1 to 59 were approved by the Board of Directors on .... and were signed on its behalf by:

Mr. Azariah Soi	**Mr. Symon Chelogony**	**Hon. Nathan Anaswa**
Managing Director	Director	Chairman of the Board

REPORT OF THE AUDITOR GENERAL ON KENYA SEED COMPANY LIMITED

SORGHUM

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA SEED COMPANY LIMITED AND ITS SUBSIDIARIES FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Seed Company Limited and its Subsidiaries set out on pages 1 to 67, which comprises the statement of financial position as at 30 June, 2019, statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Seed Company Limited and its Subsidiaries (the Group) as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Unconfirmed Investment in Subsidiaries

The statement of financial position as at 30 June, 2019 reflects investments in subsidiaries valued at Kshs.55,696,000, as further disclosed under Note 19 to the financial statements. The balance includes Kshs.1,000,000 in respect of 10,000 shares with a nominal value of Tanzanian Shillings 1,000(one thousand) each in Kibo Seed Company Limited located in Arusha, Tanzania. However, the financial statements for Kibo Seed Company Limited for the year under review indicated that Kenya Seed Company owned 323,173 Kibo Seed Company Limited shares with nominal value of Tanzanian Shillings 1000 each as at 30 June, 2019. The difference amounting to 313,173 shares with a nominal value of Tanzanian Shillings 313,173,000 was not explained.

In view of the anomaly, the valuation and validity of the investment in subsidiaries valued Kshs.55,696,000 reflected in the statement of financial position as at 30 June, 2019 has not been confirmed.

2.0 Unconfirmed Ownership of Land

The statement of financial position as at 30 June, 2019 reflects land valued at Kshs.2,675,100,000, as further disclosed in Note 17 to the financial statements. However, as previously reported, the land includes parcels measuring 364.99 acres and 192 acres, located at Endebess in Trans Nzoia County, valued at Kshs.186,595,000 but whose title deeds were not presented for audit verification. Management indicated that the title deeds were held by the Kenya Commercial Bank as security for loans advanced to the Company. However, the confirmation certificate issued by the bank did not include the two titles among the Company's legal documents in its possession as at 30 June, 2019.

In the absence of the respective title deeds, valuation and ownership by the Company of the two parcels of land valued at Kshs.186,595,000 has not been confirmed. As a result, the completeness and valuation of the aggregate land reflected in the statement of financial position as at 30 June, 2019 was not confirmed.

3.0 Missing Vehicle Log Books

The statement of financial position as at 30 June, 2019 further reflects property, plant and equipment with net book value amounting to Kshs.2,778,171,000, as further disclosed in Note 16(a) to the financial statements. Included in the balance are motor-vehicles worth Kshs.83,561,000. However, as previously reported, log books for vehicle KAQ 253W valued at Kshs.650,000 and for two tractors, KAN 369V and KBL 167G, valued at Kshs.800,000 and Kshs.7,000,200 respectively were not provided for audit verification.

Consequently, the existence and ownership of the motor vehicle valued at Kshs.650,000 and tractors valued at Kshs.7,800,200 has not been confirmed. As a result, it is not possible to confirm the accuracy and validity of the property, plant and equipment balance totalling Kshs.2,778,171,000 reflected in the statement of financial position as at 30 June, 2019.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Information

The Directors are responsible for the other information. The other information comprises the report of Directors as required by the Companies Act, 2015, and the statement of the Directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.

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

In connection with the 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 the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is material misstatement of this other information, I am required to report that fact.
In connection with the 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 the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Other Matter

Unresolved Prior Year Audit Matters - Unpaid Post-dated Cheques

As reported in the previous year, the Company had as at 30 June, 2018 accumulated unpaid post-dated cheques totalling Kshs.29,229,996. However, cash records as at 30 June, 2019 indicated that most of the cheques were not paid during the year under review. Management previously explained that the cheques arose as a result of staff, in particular at the Eldoret Branch, flouting the Company's cash management policies. However, corrective measures taken by Management on the errant staff was not disclosed. Further the efforts, if any, made by Management to collect the debts have not been disclosed.

Failure to take action on the matter may imply that the Company's internal control systems are not effective.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregular Procurement of Consultancy Services

During the year under review, Management paid Kshs.6,224,534 to a consulting firm contracted to offer tax management services to the Company. However, contrary to Section 116 (1) of the Public Procurement and Asset Disposal Act, 2015, the firm was hired through direct procurement method instead of request for proposals.

Although Management has indicated that the Company had a renewable annual long-term contract with the firm, no evidence was presented to confirm whether approval for extension of the contract was granted by the Accounting Officer after due process, as prescribed in Section 139(2a) of the Public Procurement and Asset Disposal Act, 2015.

Therefore, the tax management services were procured irregularly. Further, in the absence of a competitive procurement process, the Company may not have received value for the money spent on the services.

2. Unmitigated Financial Losses

Review of internal audit reports and minutes of Board of Directors (BOD) meetings revealed that the Company lost funds totalling Kshs.20,803,153 during the year under review. The losses were occasioned by various forms of irregularities and misconduct by its employees.

However, Management did not provide for audit verification, evidence on the measures taken to recover or write-off the losses in line with Regulation 148(1) of the Public Finance Management (National Government) Regulations, 2015. The Regulation specifies the procedure for handling losses by National Government entities.

In addition, Management did not maintain an updated loss register and did not notify the relevant institutions of the losses as required by Regulation 153 of the Public Finance Management (National Government) Regulations, 2015

3. Lack of Ethnic Diversity in Staff Establishment

Analysis of the Company's payroll for the month of June, 2019 indicated that out of the three hundred and fifty one (351) permanent employees, two hundred and two (202) or about 58% were from one community contrary to Section 7 of the National Cohesion and Integration Act, 2008 which provides for ethnic diversity in staffing of public entities. In addition, during the year under review, the Company recruited sixteen (16) new staff out of whom eleven (11), or 67%, were drawn from one community.

Consequently, the Company has not adhered to the law on national cohesion and integration.

4. Irregular Salaries Increase

The statement of profit and loss and other comprehensive income for the year ended 30 June, 2019 indicates that the Company incurred operating expenses totalling

Kshs.1,077,249,000. Included in the balance were expenditures totalling Kshs.734,823,000, as disclosed in Note 7 to the financial statements. These included salaries and allowances totalling Kshs.454,035,000. The Company had previously engaged a local consultant to re-categorize employee salaries after which the changes proposed were approved by the Board of Directors (BOD) in April, 2011. Management thereafter sought authority to implement the new structure from the Salaries and Remuneration Commission (SRC) in November, 2017. However, the Commission held that the Company's salaries were higher than the recommended thresholds taking in view affordability and fiscal sustainability. The Commission recommended that Management retain the old salary structure with annual increments until the next review cycle.

However, during the year under review, Management increased basic salaries for staff and as a result, aggregate salary expenses rose by Kshs.25,496,640 over the previous year. Therefore, Management did not observe the recommendation made by the Commission.

5. Unclaimed Dividends

The statement of financial position as at 30 June, 2019 reflects unclaimed dividends totalling Kshs.9,203,000 as disclosed in Note 32 to the financial statements. The dividends ought to have been transferred to the Unclaimed Financial Assets Authority as provided for under the Unclaimed Assets Act, No 40 of 2011.

Consequently, Management has not adhered to the provisions of the law on unclaimed assets.

6. Long Outstanding Imprests

The staff receivables balance totalling Kshs.17,876,000 shown in the statement of financial position as at 30 June, 2019 includes outstanding imprests totalling Kshs.5,221,855, as further disclosed in Note 25 to the financial statements. About half of the imprests, amounting to Kshs.2,301,231 were due from former employees of the Company while the remainder amounting to Kshs.2,493,116 were due from serving officers. Of the amount owed by serving staff, Kshs.2,465,816 or 99% had been outstanding for over 180 days as at 30 June, 2019.

Long delays in surrendering imprests are contrary to Regulation 93(5) of the Public Finance Management (National Government) Regulations, 2015 which requires staff to account or surrender temporary imprests within seven (7) working days after returning to their duty stations.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Unsatisfactory Corporate Governance

1.1 Irregular Composition of the Board of Directors

During the year under review, the Company had twelve (12) Directors out of whom only one, the Company Secretary, was of the female gender. The remainder eleven (11) members were of the male gender. This is contrary to the guidelines issued in the Mwongozo Code of Governance for State Corporations which requires that the size and composition of the Boards of Directors be diverse in gender, competencies and skills for effective leadership of the organisation. Further, the Company's large twelve-member Board of Directors (BOD) is contrary to the Code which prescribes maximum seven to nine members for BODs of all state corporations.

1.2 Irregular BOD Postings

Further, eight (8) Directors sat in three (3) to five (5) sub-committees of the BOD including directorships in the Company's three (3) subsidiaries namely Simlaw Seed Company Limited, Simlaw Seeds Uganda Company Limited and Kibo Seed Company Limited. This was contrary to Mwongozo Code of Governance for state corporations which prescribes that a board member shall not hold such position in more than two (2) state corporations and that the BOD should not have more than four (4) committees at any one time.

1.3 Failure to Appoint Managing Directors and Company Secretaries for Subsidiaries

The Company's Articles of Association provide that the BOD shall appoint the Company Secretary and Managing Director. However, Management has not provided documentary evidence to confirm appointments for these positions in the Company's three (3) subsidiary companies.

Consequently, I am unable to confirm the effectiveness of the Company's corporate governance.

2. Unrecovered Staff Loans and Advances

The statement of financial position as at 30 June, 2019 reflects staff receivable balance totalling Kshs.2,460,000 under non-current assets which is net of provision amounting Kshs.83,410,000. The gross staff receivables balance amounting to Kshs.103,747,000 disclosed under Note 21 to the financial statements includes Kshs.73,470,000 advanced to both current and former staff as salary advances, car loans and laptop loans which however, were not recovered.

Although the unrecovered advances totalling Kshs.73,469,573 are included in the provision for bad and doubtful debts balance amounting to Kshs.83,410,000, no explanation has been provided for failure to recover the loans as provided for under the Company's policy. Further, the following issues were noted in regard to management of the advances:

(i) Out of the reported advances balance amounting to Kshs.70,073,000, advances totalling Kshs.63,436,830 were owed by former staff and Kshs.5,430,642 by serving ones and had been outstanding for more than two (2) years respectively. This was contrary to Clause M2(Vi) of the Company's human resource policy and procedure manual dated July, 2015.The manual provides that the maximum period for the repayment of an advance shall be twelve (12) months. The manual further provides that in the event that an employee is due to leave the Company in one year's time or less, the advance must be fully recovered before the period lapses.

In addition, the staff receivables balance included outstanding laptop loans totalling Kshs.341,490, out of which loans totalling Kshs.212,272 were due from former staff and Kshs.125,131 from those in service. The loans were outstanding for more than two (2) years contrary to the Company's human resource policy which prescribes recoveries for laptop loans in twelve months or less.

(ii) The car loan balance amounting to Kshs.10,229,000, included outstanding loans totalling Kshs.4,264,690 due from former Company staff. This was contrary to the Company's Staff Car Loan Policy, 2001 which provides that employees serving on contract and those fifty (50) years or older in age shall have their loans set against their contract terms, and time to retirement, respectively.

In view of these matters the Company's internal control and risk management policies on management of staff loans and advances are not effective.

3.0. Long Outstanding Debts

3.1. Amounts Due from Subsidiaries

The statement of financial position as at 30 June, 2019 reflects amounts due from subsidiaries totalling of Kshs.1,284,298,000, as disclosed in Note 23(b) to the financial statements. The balance is net of provision amounting to Kshs.112,381,000 in respect of Mount Elgon Seed Company Limited. However, analysis of the balance showed that the debts had exceeded the 30-day period prescribed in Clause 3.7 of the Company's Credit Policy (Revised, May 2015) Framework. The policy provides that all supplies to subsidiaries shall be done against confirmed Local Purchase Orders (LPOs) with trade terms of up to 30 days or more depending on the stocks held.

3.2. Debts Owed by Parastatals and Other Government Controlled Organizations

The statement of financial position as at 30 June, 2019 reflects amounts due from parastatals and other Government controlled organizations totalling Kshs.963,772,000 as further disclosed under Note 23(c) to the financial statements. However, analysis of the sum of Kshs.930,084,000 indicated that debts totalling Kshs.930,026,000 were outstanding for over thirty (30) days with some dating back to the year 1995. This was contrary to Clause 3.4 of the Company's credit policy framework dated May, 2015. The framework provides that all supplies to NGOs and Government related entities shall be done against confirmed Local Purchase Orders with trade terms of up to thirty (30) days and forty-five (45) days respectively.

3.3. Long Outstanding Debts on Sales made by Travelling Staff

The statement of financial position as at 30 June, 2019 further reflects net trade and other receivables amounting to Kshs.806,566,000 as disclosed in Note 25 to the financial statements. The balance includes a sum of Kshs.11,698,000 being travel expenses for sales persons who were allowed to sell seeds to farmers and stockists during their routine visits. The said sales relate to stocks issued in 2007/2008 financial year and earlier and which have remained unaccounted for since.

No plausible explanation has been provided for the failure to recover the balances.

4. Long Outstanding Trade and Other Payables

The statement of financial position as at 30 June, 2019 reflects trade and other payables totalling Kshs.481,200,000 as disclosed under Note 31 to the financial statements. The balance includes trade payables balance totalling Kshs.25,731,000 that had been outstanding for more than thirty (30) days as at 30 June, 2019 contrary to the Company's debt management policy which provides that all supplies should be settled within thirty (30) working days upon issue of the respective invoices.

Failure to observe the Company's credit polices has raised the risk of loss on sales made on credit.

5. Obsolete Inventories

The statement of financial position as at 30 June, 2019 reflects inventories totalling Kshs.3,214,865,000, as further disclosed under Note 24 to the financial statements. The balance includes low-germinating seed varieties, expired chemicals, fertilizers and packaging materials valued at Kshs.231,022,000 held in the Company's stores since 1997.

Although the inventories form part of the provision for obsolete stock of Kshs.500,091,000 as disclosed in Note 24 to the financial statements, no plausible explanation was provided by Management why the items had remained in the stores for such a long period.

Consequently, Management may not be following efficient stock management practices.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;

ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,

iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and Board of Directors

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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 are aware of the intention to liquidate the Company or cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

The audit 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 my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express an opinion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the 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 Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's 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 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.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I 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 are identified during the audit.

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

Nancy Gathungu
<u>AUDITOR-GENERAL</u>

Nairobi

27 October, 2021

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

		Group		Company	
		2019	2018	2019	2018
	Notes	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Revenue	4	5,786,404	6,226,108	4,580,569	5,154,062
Cost of sales	5	(3,540,963)	(3,825,637)	(2,738,823)	(3,193,476)
Gross profit		2,245,441	2,400,471	1,841,746	1,960,586
Other income	6	42,072	59,561	27,336	50,621
		2,287,513	2,460,032	1,869,082	2,011,207
EXPENSES					
Operating expenses	7	(1,077,249)	(962,231)	(775,320)	(696,917)
Administration expenses	8	(640,145)	(539,621)	(512,765)	(450,222)
Selling and distribution expenses	9	(266,745)	(275,892)	(143,347)	(167,208)
Research and development costs	10	(64,236)	(53,708)	(54,322)	(45,100)
		(2,048,375)	(1,831,452)	(1,485,754)	(1,359,447)
Operating Profit	11	239,139	628,580	383,328	651,759
Finance Income	12 (b)	23,573	4,267	18,710	4,112
Finance cost	12 (a)	(18,901)	(57,998)	(5,741)	(36,271)
Profit before taxation		243,811	574,849	396,298	619,601
Income Tax expense	13 (a)	(280,635)	(341,074)	(261,075)	(326,623)
Profit for the year		**(36,824)**	**233,775**	**135,223**	**292,978**
Profit attributable to:					
Owners of the parent company		(36,824)	233,775	135,223	292,978
Earnings per share attributable to:					
Basic (Kshs per share)	14	(3.42)	21.68	12.54	27.17
Other comprehensive income:					
Profit for the year		(36,824)	233,775	135,223	292,978
Exchange differences on translating foreign operations	35	6,184	(15,516)	-	-
Income tax effect	35	(1,855)	4,655	-	-
Fair value gain on Bearer Plants	22(c)	(2,023)	(25,092)	(2,023)	(25,092)
Revaluation Surplus			-	-	-
Total comprehensive income		**(34,518)**	**197,823**	**133,200**	**267,886**
Attributable to:					
Owners of the parent		**(34,518)**	**197,823**	**133,200**	**267,886**

The notes set out from page 9 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2019

	Notes	Group 2019 Kshs '000	Group 2018 Kshs '000	Company 2019 Kshs '000	Company 2018 Kshs '000
ASSETS					
Non-current assets					
Property, plant and equipment	16	2,778,171	2,923,272	2,432,192	2,655,529
Land	17	2,675,100	2,389,603	2,675,100	2,389,603
Intangible assets	18	97,541	110,836	93,863	108,704
Investment in subsidiaries	19	-	-	55,696	55,696
Deferred tax asset	29(b)	15,928	16,091	-	-
Staff receivables	21	2,460	3,540	2,460	3,540
Bearer biological assets	22(a)	183,909	125,700	183,909	125,700
Loan capital to subsidiaries	23(a)	-	-	208,547	207,123
		5,753,110	5,569,042	5,651,769	5,545,896
Current assets					
Consumable biological assets	22(b)	49,349	52,237	48,774	51,805
Staff receivables	25(b)	17,876	23,468	8,076	13,457
Investment in FDR	34(b)	68,406	65,556	68,406	65,556
Cash and Bank	34(a)	1,572,680	1,632,377	1,377,581	1,514,468
Inventories	24	3,214,865	3,073,337	2,438,707	2,085,589
Trade and other receivables	25(a)	806,566	889,901	487,098	538,140
Amounts due from subsidiaries	23(b)	-	-	1,284,298	1,383,430
Due from Parastatal and other Government controlled organizations	23(c)	963,772	884,142	930,084	872,211
Tax recoverable	13(c)	146,988	96,702	114,938	57,499
		6,840,502	6,717,720	6,757,962	6,582,154
Total assets		**12,593,612**	**12,286,762**	**12,409,731**	**12,128,051**
EQUITY AND LIABILITIES					
Equity					
Share capital	26	215,625	215,625	215,625	215,625
Share premium	26	281	281	281	281
Revaluation surplus	27	4,209,364	3,944,108	4,143,495	3,920,310
Translation reserve	35	(40,072)	(44,401)	-	-
Retained earnings	28	6,885,444	6,732,029	6,999,113	6,759,711
		11,270,642	10,847,642	11,358,515	10,895,927
Non-current liabilities					
Deferred tax liability	29(c)	681,988	713,198	681,988	713,198
Bank Loan	33(b)	59,397	61,854	-	-
Amounts due to directors	23(d)	17,128	16,414	17,128	16,414
		758,513	791,467	699,116	729,613

STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2019 (continued)

		Group		Company	
		2018	2018	2018	2018
	Notes	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Current liabilities					
Bank overdraft	33(a)	-	-	-	-
Amounts due to directors	23(d)	3,600	4,029	3,600	4,029
Due to subsidiaries	20	-	-	25,997	88,870
Due to Parastatal and other government controlled organizations	23(e)	8,743	33,228	8,743	33,228
Employee benefits obligations	30	61,712	41,061	54,061	33,027
Trade and other payables	31	481,200	559,584	250,496	333,607
Unclaimed dividends	32	9,203	9,751	9,203	9,751
		564,457	647,652	352,100	502,511
Total equity and liabilities		**12,593,612**	**12,286,762**	**12,409,731**	**12,128,051**

The financial statements and the notes set out from page 1 were approved by the Board of Directors on ....and signed on its behalf by:

Azariah Soi
Managing Director

Mr. Patrick Thuo
Head of Finance
ICPAK M/NO: 4045

Hon. Nathan Anaswa
Chairman, Board of Directors

STATEMENT OF CHANGES IN EQUITY

GROUP	Share capital	Share premium	Revaluation reserve	Translation deficit	Retained earnings	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Year ended 30 June 2018						
As at 1 July 2017	215,625	281	3,802,244	(33,540)	6,198,055	10,182,665
Prior year adjustment	-	-	-	-	2,277	2,277
Total comprehensive income for the year	-	-	-	(10,861)	197,823	186,962
Fair value Gain of Bio Assets	-	-	-	-	-	-
Revaluation adjustments	-	-	207,629	-	235,284	442,913
Transfer of excess depreciation	-	-	(65,765)	-	98,590	32,825
As at 30 June 2018	**215,625**	**281**	**3,944,108**	**(44,401)**	**6,732,029**	**10,847,642**
Year ended 30 June 2019						
As at 1 July 2018	215,625	281	3,944,108	(44,401)	6,732,029	10,847,642
Total comprehensive income for the year	-	-	-	4,329	(32,495)	(28,166)
Fair value Gain of Bio Assets	-	-	-	-	(2,023)	(2,023)
Revaluation adjustments	-	-	343,133	-	81,731	424,864
Transfer of excess depreciation	-	-	(77,877)	-	106,202	28,325
As at 30 June 2019	**215,625**	**281**	**4,209,364**	**(40,072)**	**6,885,444**	**11,270,642**

COMPANY	Share capital	Share premium	Revaluation reserve	Translation deficit	Retained earnings	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Year ended 30 June 2018						
As at 1 July 2017	215,625	281	3,778,445	-	6,154,250	10,148,601
Prior year adjustment	-	-	-	-	3,700	3,700
Total comprehensive income for the year	-	-	-	-	292,978	292,978
Fair value Gain of Bio Assets	-	-	-	-	(25,092)	(25,092)
Revaluation adjustments	-	-	207,629	-	235,284	442,913
Transfer of excess depreciation	-	-	(65,765)	-	98,590	32,825
As at 30 June 2018	**215,625**	**281**	**3,920,310**	**-**	**6,759,711**	**10,895,927**
Year ended 30 June 2019						
As at 1 July 2018	215,625	281	3,920,310	-	6,759,711	10,895,927
Total comprehensive income for the year	-	-	-	-	135,223	135,223
Fair value Gain of Bio Assets	-	-	-	-	(2023)	(2023)
Revaluation adjustments	-	-	301,062	-	-	301,062
Transfer of excess depreciation	-	-	(77,877)	-	106,202	28,326
As at 30 June 2019	**215,625**	**281**	**4,143,495**	**-**	**6,999,113**	**11,358,515**

The notes set out from page 9 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

	Notes	Group 2019 Kshs '000	Group 2018 Kshs '000	Company 2019 Kshs '000	Company 2018 Kshs '000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Profit before taxation		243,811	547,849	396,298	619,601
Adjustment for:-					
Depreciation and amortization	40	301,974	288,369	279,009	270,795
Gain/Loss on Bearer Plants	22c	2,023	25,092	2,023	25,092
Gain on disposal of Assets					-
		547,807	888,309	677,330	915,487
Changes in working capital:-					
Inventories	24	(131,528)	1,417,755	(353,118)	1,434,738
Biological Assets	22	(55,322)	276	(55,179)	615
Trade and other receivables	40	115,126	(143,282)	55,306	(102,629)
Trade and other payables	40	(57,631)	110,066	(61,974)	41,640
Amounts due from/to Parastatals	40	(74,116)	66,885	(82,359)	75,440
Amounts due from/to directors	23h	285	6,489	285	6,489
Amounts due from/to related parties		-	-	36,260	(191,089)
Cash flows used in operations		344,622	2,346,499	216,550	2,180,692
Finance costs	12a	(18,901)	(57,998)	(5,741)	(36,271)
Finance income	12b	23,573	4,267	18,710	4,112
Tax paid	13c	(320,688)	(326,557)	(321,399)	(310,286)
Net cash flows used in operating activities		**28,606**	**1,966,211**	**(91,879)**	**1,838,248**
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment	16	(90,554)	(108,916)	(34,908)	(43,782)
Purchase of Land	17	-	-	-	-
Purchase of intangible assets	18	(3,279)	(23,240)	-	(22,423)
Interest on FDR		-	-	-	-
Disposal proceeds from sale of assets		-	-	-	-
Net cash flows from investing activities		**(93,833)**	**(132,156)**	**(34,908)**	**(66,205)**
CASH FLOW FROM FINANCING ACTIVITIES:					
Dividends paid		-	-	-	-
Loan movement		(2,457)	(1,420)	-	-
Net cash flows from financing activities		**(2,457)**	**(1,420)**	**-**	**-**
Cash and cash equivalents:					
Movement during the year		(67,684)	1,832,636	(126,787)	1,772,043
Effect of movements in exchange rates on cash held		10,837	9,072	(7,250)	4,213
As at 1 July		1,697,933	(143,774)	1,580,024	(196,233)
As at 30 June	34	**1,641,086**	**1,697,933**	**1,445,987**	**1,580,024**

The notes set out from page 9 form an integral part of the financial statements.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget Line	Original & Final Budget	Actual on Comparable basis	Performance Difference	% change
	2018-2019	2018-2019	2018-2019	
Revenue:				
Maize Seeds	4,144,185,000	3,939,465,309	204,719,691	5%
Wheat Seeds (note 1)	153,556,034	217,471,228	(63,915,193)	-42%
Pasture Seeds (note 2)	183,449,546	66,560,403	116,889,143	64%
Sunflower seeds (note 3)	38,712,485	14,674,421	24,038,064	64%
Vegetable Seeds (note 4)	190,000,000	171,209,186	18,790,814	10%
Farm produce (note 5)	70,997,000	122,315,636	(51,318,636)	-72%
Sorghum seeds (note 6)	14,843,749	9,002,146	5,841,602	39%
Rice seeds (note 7)	10,806,250	4,431,217	6,375,033	59%
Millet Seeds (note 8)	3,940,125	129,256	3,810,869	97%
Beans & Pulses seeds (note 9)	25,317,480	33,447,485	(8,130,005)	-32%
Other Seeds (note 10)	8,082,056	539,400	7,542,656	93%
Total Revenue	**4,843,889,725**	**4,579,245,687**	**264,644,038**	**5%**
Cost of Sales	(3,101,650,600)	(2,738,822,500)	(362,828,100)	12%
Gross Profit	**1,742,239,125**	**1,840,423,187**	**(98,184,062)**	
Other income (note 11)	59,560,386	45,346,453	14,213,933	23%
Total Income	**1,801,799,511**	**1,885,769,640**	**(83,970,129)**	
Operating expense (note 12)	(990,451,427)	(771,542,353)	(218,909,074)	22%
Administration expense (note 13)	(254,085,016)	(512,765,291)	258,680,275	-102%
Selling & Distribution expense (note 14)	(194,170,276)	(143,346,863)	(50,823,413)	26%
Research & Development expense (note 15)	(64,456,847)	(54,322,368)	(10,134,479)	16%
Total Expenses	**(1,503,163,566)**	**(1,481,976,875)**	**(21,186,690)**	**1%**
Finance Charges (note 16)	(16,870,000)	(5,740,550)	(11,129,450)	66%
Profit Before Taxes	**281,765,945**	**398,052,215**	**(116,286,269)**	
Tax Charges	(112,706,378)	(262,207,969)	149,501,590	
Surplus for the Period	**169,059,567**	**135,844,246**	**33,215,321**	

Budget Notes for the variances of more than 10%:

1. **Wheat Seed sales**
   The increase in Wheat Seed Revenue was as a result of timely rains during the wheat planting season, and some farmers shifted from growing maize to wheat.

2. **Pasture Seed sales**
   The decrease in pasture sales is attributable to lack of enough pasture seed in the year arising from lack of land for pasture seed growing, as Most dairy farmers have also now established their own pasture fields for own livestock consumption.

3. **Sunflower seed sales**
   The delayed rains which affected the maize planting season led to delay in harvesting of the crop and most farmers therefore had no fields to grow sunflower, hence drop in sunflower revenue.

4. **Vegetable seed sales**
   There was increase in demand for vegetable seeds during the year after the maize season was over. Farmers preferred vegetable seeds over sunflower seeds due to prolonged drought experienced in the period under review.

5. **Farm produce**
This relates to the milk sales from the farm and the fair value gains from biological assets in the farm. The farm planted Basic seeds (parents) during the year unlike the previous year when they planted commercial maize. This led to the farm not having farm produce to sell during the year. Hay and commercial wheat had not been harvested by the end of 30th June 2019 hence the decrease in revenue from farm produce.

6. **Sorghum seed sales**
Sorghum planting season was also affected by delayed long rains in the year in South Nyanza Region and hence led to the drop in its revenue.

7. **Rice seed sales**
The reduction rice revenue is as a result of availability of cheap imported rice in the market, which makes locally produced rice noncompetitive.

8. **Millet seed sales**
Most farmers have resorted to using farm saved seed for millet production due to its slow consumption adoption in the market.

9. **Beans & pulses seed sales**
The increase in beans sales is attributable to its price stability in the market and therefore most farmers planted the crop as an alternative to maize, since maize prices were not favourable in the year.

10. **Other seed sales**
This comprises of oats, SimSim, cotton and groundnuts seeds that were sold during the year. The reduction was as a result of delayed rains in the year and the ever fluctuating consumption of alternative food by the Kenyan population.

11. **Other Income.**
Other incomes decreased by 23% due to lower proceeds from Coffee Sales, Interest from grower advances as there were few advances to the contracted farmers and minimal scrap sales during the year as compared to the previous reporting period.

12. **Operating expenses**
The operating expenses decreased by 28% due to reduction in machinery and establishment mainly due to reduction in depreciation charge for the year and as part of managements resolve to cut costs.

13. **Administration expenses**
These expenses increased is as result of VAT disallowed by KRA and time barred invoices which grew in the year from Kshs 59M in 2018 to Kshs 139M in 2019 and the actual obsolete inventory was more than the budgeted provisions for inventory.

14. **Selling and distribution expenses**
These expenses reduced as a result of decrease in sales which led to drop in transport, travelling and publicity costs. The company also used its Lorries to ferry seed to the various stores hence reduction in the transport charges incurred during the year below the budgeted figures.

15. **Research and development expenses**
Expenses relating to testing and inspection at the research plots and laboratory decreased during the year than the budgeted figure due to reduced costs of the Kephis labels, inspection and testing fees charged

16. **Finance costs**
Finance costs reduced in the year of reporting as the company had no overdraft facility with any bank. This represents the loss on foreign currency valuation during the year.

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) General Information

Kenya Seed Company Limited is a private liability company incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya. The company has a number of subsidiaries in Kenya, Uganda and Tanzania. The registered office is as shown on page **xi**.

b) Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with, and comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB), and the manner required by the Kenyan Companies Act.

The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Kshs), rounded to the nearest thousand, which is also the functional currency.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates as detailed in note 1(d) below. It also requires management to exercise its judgment in the process of applying the company's accounting policies. These accounting policies are consistent with the previous period.

c) Critical judgments and sources of estimation uncertainty

In preparing the financial statements conformity with International Financial Reporting Standards, management (representing directors) is required to make certain critical accounting estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. It also requires directors to exercise their judgment in the process of applying the Company's accounting policies.

Use of available information and the application of judgment is inherent in the formation of estimates. Although these estimates are based on directors' best knowledge of current events and actions they may undertake in the future, actual results in the future could differ from these estimates which may be material to the financial statements. In particular, critical judgments applied include:

- Trade receivables, held to maturity investments and loans and other receivables;
- Available for sale assets;
- Taxation;
- Valuation of biological assets – detailed in Note 22;
- Estimation of useful lives of property, plant and equipment, land and intangible assets; Notes 1(e); 1(f); and 1(g).
- Determination of revalued amounts of property, plant and equipment; Notes 1(e) and 16.

Where applicable, the directors consulted experts to determine accounting estimates that require special or technical knowledge and experience.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade receivables, held to maturity investments and loans and other receivables

The Company assesses its trade receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows of a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Available for sale assets

The company follows the guidance of IAS 39 to determine when an available for sale financial asset is impaired. This determination requires significant judgment.

In making this judgment, the company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

d) Revenue recognition

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

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

• Revenue from sale of goods is recognized when the company has transferred to the buyers the significant risks and rewards incidental to the ownership of the goods; and

• Interest income is recognized on time basis, using the effective interest method. Effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected useful life of the financial asset to that asset's net carrying amount.

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

e) Property, plant and equipment

Property, plant and equipment are stated initially at cost and subsequently revalued amounts less accumulated depreciation and any impairment losses. Increases in the carrying amounts of property, plant and equipment resulting from revaluations are credited to the revaluation surplus, except to the extent that they represent a reversal of a decrease in the value of an asset previously recognized as an expense, in which case the increase is credited to the income statement to the extent the decrease was previously charged. Decreases in carrying amounts of property, plant and equipment are charged to income statement to the extent they exceed the balances, if any, held in the revaluation surplus relating to previous revaluation of the relevant assets. On subsequent disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation surplus is transferred directly to the retained earnings.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

• Industrial and residential buildings	5%
• Farm works	5%
• Plant and machinery	10%
• Tractors, trailers and forklifts	10%
• Furniture and equipment	20%
• Motor vehicles	25%
• Computers	33.33%

Freehold land is not depreciated.
The useful life of property, plant and equipment and the pattern of utilization of economic benefits arising from the use of the assets are reviewed at each reporting date to take into account any changes in the market, economic and industry trends.

f) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership to the lessee.
All other leases are classified as operating leases.
Payments to acquire leasehold interest in land are treated as prepaid operating lease rentals and stated at historical cost less accumulated amortization and any accumulated impairment losses. Annual amortization is charged on a straight line basis over the remaining period of the lease. Rentals payable under operating leases are charged to the profit or loss on a straight line basis over the term of the relevant lease.

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Intangible assets

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

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

Research and development costs

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

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

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

h) Investment in subsidiaries

The investments in subsidiaries are stated at their acquisition cost less any accumulated impairment losses in the separate (company) annual financial statements.

i) Biological assets

Living plants and animals with probable future economic benefits which are owned and controlled by the Company are accounted for as biological assets. Biological assets are measured on initial recognition and at the end of each reporting period at its fair value less costs to sell. They are subsequently measured at lower of cost and net realizable value in accordance with IAS 2 once harvested.

The fair value of the biological assets and agricultural produce that have an active market is determined using the quoted price in the market. The fair value of the biological assets that do not have an active market is determined at the present value of the expected net cash flows discounted at the current market determined pretax borrowing rate.

The fair value of the Company's newly planted crops is estimated by reference to costs incurred on the crops up to the reporting date.

Point of sale costs include commissions to brokers and dealers, levies by regulatory agencies and transfer taxes and duties but exclude transport and other costs necessary to get the assets to the market.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For financial reporting purposes, the Company classifies its biological assets as follows:

i) Consumable biological assets

Consumable biological assets are those that are to be harvested as agricultural produce or to be sold as biological assets. These are seasonal crops grown by the Company i.e. maize, wheat, sunflower, pasture, millet, oats and vegetables.

ii) Bearer biological assets

Other biological assets are classified as bearer biological assets.

Gains or losses arising on initial recognition of biological assets and agricultural produce and from changes in fair value less point of sale costs is recognized in the income statement for the year.

j) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises expenditure directly incurred in purchasing, field inspection and monitoring costs and processing the inventory, together with appropriate allocation of processing overheads. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and the estimated costs necessary to make the sale.

k) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the relevant asset's recoverable amount is estimated in order to determine the extent of the impairment loss. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a decrease in revaluation. Impairment gains that represent reversal of losses previously recognized in relation to certain assets are captured as income unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in revaluation. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Recoverable amount is the higher of fair value less selling costs, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the market reassessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

l) Financial instruments– under IAS 39 –up to 31 December 2017

(i) Classification

The Company classifies its financial assets in the following categories; at fair value through profit or loss, loans and receivables and available for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'other receivables' in the statement of financial position.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, which is the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(iv) Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Financial instruments – under IFRS 9 – Effective 1 January 2018

(i) Recognition and initial measurement

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

(ii) Classification and subsequent measurement

The Company classifies its financial assets in the following categories; amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). 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 and their subsequent accounting will be determined by the application of dual tests examining the contractual cash flow characteristics of the financial instruments and the Company's business model for managing the assets. Financial assets may be held at amortised cost only where both the asset is held in a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that consist solely of principal and interest on the outstanding principal.

Under IAS 39, all financial liabilities were initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate (EIR) model, unless the option to fair value liabilities was taken. This accounting is the essentially the same under IFRS 9.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments – under IFRS 9 – Effective 1 January 2018 (Continued)

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(iv) Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVOCI, trade receivables and contract assets, as well as on financial guarantee contracts. 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 "incurred loss" model is replaced by the "expected credit loss" model in IFRS 9. This applies to all financial assets not held at fair value through profit and loss (FVTPL) – certain investments, loans, trade receivables and other receivables.

For financial assets carried at amortised cost (including loans and other receivables such as trade debtors), impairment losses should be recognised under the "expected loss model", building up a debtors' provision / allowance account against credit losses over the life of the financial asset (including an estimate of initial credit risk), rather than the "incurred loss model" used under IAS 39, where a loss was recognised only if there was a specific event (such as default) triggering an impairment review. Under the impairment approach in IFRS 9 it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, the Company will account for expected credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

(v) Derecognition 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 recognizes 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.

m) Foreign currency transactions

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Foreign operations

The subsidiary companies operating in Tanzania and Uganda are classified as foreign entities since their operations are carried out with significant level of autonomy. In translating the financial statements of the subsidiary companies;

i) The assets and liabilities, both monetary and non-monetary are translated at the closing rate;

ii) Transactions of the subsidiaries for the year are translated at the average exchange rates ruling in the year;

iii) All the resulting exchange differences are recognized in other comprehensive income and accumulated in the translation reserve in equity until the disposal of the net investment. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the profit or loss.

o) Provisions

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

p) Provisions for debtors

Debts are considered for provision when; the debt has remained for twelve months and there is documented evidence that all collection avenues have been exhausted without success; when there is lack of supporting evidence for the debt; when the company has lost court case and will not be able to collect the debt; when the debtor is declared bankrupt; and when the debtor dies and debt cannot be recovered from any other means possible.

q) Provisions for obsolete stocks

The company declares provisions for obsolete stocks based on KEPHIS and the company's Quality Assurance Department results and Board approval. The amount declared has been certified by KEPHIS as low germ and are not meant for sale. These seeds are yet to be destroyed thus provided for as per the schedule.

r) Loan capital to subsidiaries

The loan capital relates to amounts advanced to the subsidiaries to help start operations. The directors resolved that the loans should be treated as loan capital as they will be used to increase the share capital of the parent company in the subsidiaries.

s) Dividends

Dividends payable on ordinary shares are charged to retained earnings in the period in which they are declared. Proposed dividends are not accrued for until ratified in an Annual General Meeting.

t) Employee benefits

(i) Defined benefits scheme

The Company operates a defined benefits pension scheme for its employees. The scheme was administered independently by Aon Minet Insurance Brokers Limited and was funded by contributions from both the Company companies and employees at rates which were determined every three years by certified actuaries. The employer contributed 15% while the employee contributed 10% of the employee's basic pay to the scheme. The scheme's funds were managed by Old Mutual Asset Managers (Kenya) Limited.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The scheme is subjected to valuations by independent actuaries once every three years to fulfill the requirements under the scheme rules and the requirements of the Income Tax (Retirement Benefits) Rules 1994 and the Retirement Benefits Act, 1997. The actuarial valuation method adopted entailed the comparison of the value of the scheme's assets at the valuation date with its liabilities and an assessment of the ability of the scheme to meet its obligations to members.

The company's obligations to all staff retirement benefits schemes are charged to the profit or loss as they fall due. Gains and losses on the actuarial valuation were dealt with in the statement of comprehensive income.

(ii) Defined contribution scheme

The Company also contributes to the statutory National Social Security Funds (NSSF) in Kenya, Uganda and Tanzania. Contributions to the NSSF are determined by local statutes.

The Company's contributions to the retirement benefit schemes are charged to the profit or loss in the year to which they relate.

(iii) Accrued leave pay

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for outstanding annual leave entitlement as a result of services rendered by employees up to the reporting date.

(iv) Gratuity

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

u) Contingent liabilities

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

v) Income Taxes

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the income statement.

Deferred tax

Deferred tax is provided for using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognized directly in other comprehensive income or equity is recognized in equity and not in the profit or loss.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax liabilities are recognized for all taxable temporary differences, except:

• Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and,

• In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

• Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

• In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will.

• reverse in the foreseeable future and taxable associates and interests in joint Ventures, deferred tax assets are recognized only to the extent e profit will be available against which the temporary differences can be utilized;

• The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered; and,

• Deferred tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

IFRS 16: Leases

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee.

IFRIC 23: Uncertainty Over income tax treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017.

The amendments, applicable to annual periods beginning on or after 1st January 2019, provide additional guidance on applying the acquisition method to particular types of business combination.

Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019 (continued)

Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2018)

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

IFRS 17 Insurance Contracts (Issued 18 May 2017)

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018- Applicable for annual periods beginning 1 January 2020)

Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

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

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year ending 30th June 2019.

3. OWNERSHIP OF KENYA SEED COMPANY LIMITED

Kenya Seed Company Limited was incorporated as a limited company under the Kenyan Companies Act, Chapter 486 of the Laws of Kenya on 2 July 1956 and its subscribers were private individuals. In 1960, it was converted to a public limited liability company. Until the year 2002, the Company was a 52.88% subsidiary of Agricultural Development Corporation (ADC), which is wholly owned by the Government of Kenya.

During the year 2002, the Company increased the authorized share capital from 11 million to 20 million ordinary shares of Kshs 20 each. Subsequently, the Company issued 3,370,000 shares following a board resolution. By December 2003, the company had issued 14,151,265 shares, resulting in a dilution of ADC shareholding to 40%.

Following this, Agricultural Development Corporation (ADC) filed a suit in the High Court of Kenya (Case reference number 575 of 2005) seeking various declarations to stop the issue of 3,370,000 ordinary shares and to restore the Company's original memorandum and articles of association. This case has not yet been decided.

In addition, by Kenya Gazette notices No. 976/2003 and 3/2005, the Minister for Agriculture invoked his powers under section 6(1) of the Kenya State Corporations Act and appointed a new management team to take over from the existing management and declared the 3,370,000 shares issued as void. The former company management and some seed growers, moved to court on 31 December 2003 seeking judicial review for orders of Certiorari, mandamus and prohibition.

The court ruling was delivered on 6 April 2006 in which the application by the former management and seed growers was dismissed with costs. Subsequently, the former management and seed growers filed a case at the Court of Appeal on 30 June 2006 requesting the court to quash the High Court ruling. The case was ruled upon on 10 December 2010 and the net result of the decision was that the appeal must fail. The court of appeal ordered that it be dismissed and the ex parte appellants bear two thirds of the costs in the court of appeal and in the courts above.

The 2001 Share Issue

Discussion on the 2001 share issue was carried out between various stakeholders under the chairmanship of the Principal Secretary, State Department of Agriculture in the ministry of Agriculture, Livestock and Fisheries. As a result of this meeting, the Principal Secretary pursuant to the AGs advisory to settle the 2001 share issue out of court, appointed a Verification Committee consisting of officers from the ministry of Agriculture, Attorney General's office, Treasury, Capital Markets Authority, Agricultural Development Corporation (ADC), Kenya Seed Company and representatives of the private shareholders. The committee was tasked with the responsibility of verifying the names of individuals who bought the 2001 shares, amounts paid and scrutinize the Share Certificates issued. The committee also verified the bank statements to establish that all the money paid was banked in the Company's bank account. Upon completion of the exercise the committee presented a report to the Principal Secretary for onward submission to the AG for further guidance. The AG has since given his advisory that a Deed of Settlement between Kenya Seed Company and ADC is prepared for his review before it is registered in court to facilitate withdrawal of Nairobi HCCC No. 575 of 2004. This process is now ongoing and once it is completed the 2001 share issue will be settled.

	Group		Company	
	2019	2018	2019	2018
4. REVENUE	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Income from Certified Maize Seeds	4,238,542	4,926,728	3,885,697	4,679,825
Income from Basic Maize Seeds	52,824	40,514	53,768	40,514
Income from Vegetable Seeds	987,080	930,800	204,657	163,828
Income from Wheat Seeds	217,350	184,753	217,471	184,860
Income from Pasture Seeds	104,951	116,938	66,560	87,213
Income from Other Seeds	61,425	64,513	28,076	35,684
Income from sale of milk	4,018	4,253	4,018	4,253
Fair value gain/loss on biological assets	120,214	(42,390)	120,321	(42,115)
	5,786,404	6,226,108	4,580,569	5,154,062

	Group		Company	
	2019	2018	2019	2018
5. a) COST OF SALES	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Opening stock	3,073,337	4,491,092	2,085,589	3,520,327
Purchases	4,023,500	2,841,799	2,602,413	1,290,004
Factory overheads	558,063	523,827	489,528	468,733
Less:				
Closing stock	(3,214,865)	(3,073,337)	(2,438,707)	(2,085,589)
Low germinating seed	-	(1,529)	-	-
Intra-Group purchases	(899,072)	(956,214)	-	-
Cost of goods sold	3,540,963	3,825,637	2,738,823	3,193,476
5. b) COST OF SALES				
Cost for Certified Maize Seeds	2,561,163	2,856,753	2,280,142	2,710,823
Cost for Basic Maize Seeds	52,824	40,514	53,768	40,514
Cost for Vegetable Seeds	641,432	596,765	187,242	148,809
Cost for Wheat Seeds	138,652	178,291	138,641	178,460
Cost for Pasture Seeds	87,694	86,737	58,046	73,590
Cost for Other Seeds	59,197	66,578	20,984	41,280
Total	3,540,963	3,825,637	2,738,823	3,193,476

The above is a presentation of the cost of sale by Product sold

	Group		Company	
6. OTHER INCOME	2019	2018	2019	2018
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Bad debts recovered - trade debtors	10,021	5,913	6,617	5,644
Gain on disposal of property	612	804	-	-
Rental income	4,660	4,689	4,660	4,689
Interest on subsidiary loan	1,424	1,167	1,424	1,167
Interest on growers advances and car loans	4,968	3,150	4,968	3,150
By-products	9,715	21,536	9,715	21,536
Coffee sales	144	4,088	144	4,088
Sale of chemicals and fertilizer	1,978	5,306	1,751	5,163
Sale of gunnies & sundry items	(2,020)	774	(2,020)	774
Miscellaneous	10,571	12,136	77	4,411
	42,072	59,561	27,336	50,621

	Group		Company	
7. OPERATING EXPENSES	**2019**	**2018**	**2019**	**2018**
	Kshs '000	**Kshs '000**	**Kshs '000**	**Kshs '000**
(a) EMPLOYMENT COSTS				
Salaries and allowances	454,035	417,813	291,271	264,966
Wages	122,309	79,407	111,685	71,316
Staff welfare	87,704	80,731	50,686	54,136
Leave pay accrual	11,207	79	7,258	-
Pension scheme contributions	19,191	18,028	11,774	10,724
Staff gratuity accrual	36,558	36,163	29,293	27,601
National Social Security Fund (NSSF)	3,819	3,197	1,356	1,185
	734,823	635,417	503,323	429,927

The average number of employees at the end of the year was:				
	Group		**Company**	
	2019	**2018**	**2019**	**2018**
Permanent employees- Management	111	108	52	46
Permanent employees- Unionisable	131	133	100	107
Temporary and contracted employees	426	453	200	228
Total	**668**	**694**	**352**	**381**

	Group		**Company**	
Gender distribution in numbers	**2019**	**2018**	**2019**	**2018**
Female	275	284	126	137
Male	393	410	226	244

	Group		Company	
	2019	**2018**	**2019**	**2018**
(b) ESTABLISHMENT COSTS	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**
Depreciation	75,206	69,671	70,090	67,158
Amortization (Note 18)	13,738	14,943	13,463	14,854
Rent and rates	53,067	49,840	27,878	27,034
Power and light	11,838	12,490	9,405	9,998
Repairs and maintenance–buildings	9,984	10,019	4,947	5,964
Water supply	1,602	1,604	1,172	757
	165,435	158,568	126,954	125,765
(c) MACHINERY COSTS				
Depreciation	119,465	108,235	105,291	98,318
Fuel and oil costs	29,183	28,571	21,295	21,260
General repairs	27,251	30,265	17,365	20,472
Weighbridge costs	32	-	32	-
Other workshop costs	1,060	1,174	1,060	1,174
	176,992	168,246	145,043	141,225
TOTAL OPERATING EXPENSES	1,077,249	962,231	775,320	696,917

		Group		Company	
8.	**ADMINISTRATION EXPENSES**	**2019**	**2018**	**2019**	**2018**
	Provisions for:	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**
	- Trade receivables	34,272	30,154	32,956	25,366
	Provision for obsolete stocks	196,646	250,177	159,526	228,404
	Directors' remuneration - fees	3,600	4,029	3,600	4,029
	- other expenses	38,679	24,168	21,336	13,381
	Legal and professional fees	39,150	11,203	27,629	4,098
	Insurance	23,651	13,729	12,104	7,304
	Training expenses	12,212	-	12,212	-
	Postage and telecommunications	19,635	19,253	11,606	12,506
	Bank charges	4,751	8,285	2,142	5,443
	Mpesa charges	170	20	170	20
	Printing and stationery	13,684	10,122	6,868	5,818
	Auditors remuneration	13,438	16,120	6,833	8,223
	Office equipment	3,924	1,414	-	-
	Licenses and trade subscriptions	19,493	11,683	7,266	5,049
	AMS/SAP Maintenance	17,301	24,567	17,301	24,567
	VAT disallowed expenses	138,948	58,507	138,948	58,507
	Security Services	28,842	27,526	21,376	20,512
	Fixed Asset loss on revaluation	9,091	2,346	9,091	2,346
	ISO/Corruption prevention	1,808	735	1,808	735
	Fumigation & hygiene maintenance	868	713	658	444
	Tender expenses	1,447	841	1,447	841
	Withholding tax Rwanda	2,937	4,321	2,937	4,321
	Miscellaneous expenses	648	1,607	206	244
	Corporate social responsibility	4,645	547	4,439	510
	Other expenses	2,972	717	2,972	717
	Farm expenses	7,337	16,837	7,337	16,837
		640,145	539,621	512,765	450,222

VAT disallowed expenses relate to the Amounts for VAT claimable or recoverable from KRA whose invoices were time barred or were disallowed by Tax authorities during the VAT refund Audit. Training expenses in 2019 have been reclassified from Employment costs to Administration costs as per the National Treasury template. Legal and professional expenses relate to the amounts paid in respect to the concluded court cases and legal fees for ongoing cases.

		Group		Company	
		2019	**2018**	**2019**	**2018**
9.	**SELLING AND DISTRIBUTION EXPENSES**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**
	Transport and travelling	192,239	198,936	126,221	138,414
	Publicity	70,789	71,762	14,447	25,520
	Entertainment	80	-	-	-
	Demonstrations	3,637	5,195	2,678	3,274
		266,745	275,892	143,347	167,208
10.	**RESEARCH AND DEVELOPMENT EXPENSES**				
	Research and development	35,639	40,909	27,709	34,667
	Laboratory and analysis of sample	28,597	12,799	26,614	10,433
		64,236	53,708	54,322	45,100

11. OPERATING PROFIT

	Group 2019 Kshs '000	Group 2018 Kshs '000	Company 2019 Kshs '000	Company 2018 Kshs '000
The operating profit is arrived at after charging:				
Provision for obsolete inventories	196,646	250,177	159,526	228,404
Provision for bad and doubtful debts	34,272	30,154	32,956	25,366
Depreciation	285,401	272,177	264,168	254,756
Amortization of intangible assets	16,573	16,192	14,841	1,184
Employment costs (note 7(a))	734,823	635,417	503,323	429,927
Directors' emoluments - fees	3,600	4,029	3,600	4,029
- other expenses	38,679	24,168	21,336	13,381
Auditors' remuneration	13,438	16,120	6,833	8,223
Effects of discounting of staff receivables	(6,335)	(92)	(6,335)	(92)
Gain on disposal of property, plant and equipment	612	804	-	-
Operating rentals receivable	(4,660)	(4,689)	(4,660)	(4,689)
Bad debts recovered	(10,021)	(5,913)	(6,617)	(5,644)

12. a) FINANCE COSTS

	Group 2019	Group 2018	Company 2019	Company 2018
Interest charged on overdraft	-	23,568	-	23,568
Bank Loan interest	8,598	8,648	-	-
Loan negotiation fees	-	4,950	-	4,950
Foreign exchange loss	10,304	20,832	5,741	7,753
	18,901	57,998	5,741	36,271
b) FINANCE INCOME				
Interest on FDR	(2,909)	(4,112)	(2,909)	(4,112)
Interest on treasury bills	(15,802)	-	(15,802)	-
Foreign exchange gain	(4,863)	(155)	-	-
	(23,573)	(4,267)	(18,710)	(4,112)

13. TAXATION

- Statement of comprehensive income:-

(a) Taxation charge

	Group 2019	Group 2018	Company 2019	Company 2018
Charge for the year	228,225	273,499	208,718	262,727
Deferred tax credit	(2,833)	67,575	(2,885)	63,896
Under provision in previous years	55,242	-	55,242	-
	280,635	341,074	261,075	326,623

(b) Reconciliation of tax based on accounting profit to tax expense:-

	Group 2019	Group 2018	Company 2019	Company 2018
Accounting profit before tax	353,644	658,654	396,298	619,601
Tax at the applicable rate of 30%	106,093	197,596	118,889	185,880
Tax effect of expenses not deductible for tax purposes	119,416	59,068	86,943	54,827
Tax effect of revenues that are not taxable	(544)	84,410	-	85,916
Prior year current tax under provision	55,669	-	55,242	-
	280,635	341,074	261,075	326,623

		Group		Company	
		2019	2018	2019	2018
13.	**TAXATION (Continued)**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**
	Statement of financial position:-				
(c)	Tax (payable)/recoverable				
	As at 1 July	87,806	44,038	57,499	9,940
	Exchange rate differences	(659)	(431)	-	-
	Taxation charge	(206,979)	(273,499)	(208,718)	(262,727)
	Tax paid	321,347	326,557	321,399	310,286
	Prior years understatement	(54,526)	37	(55,242)	-
	As at 30 June	146,988	96,702	114,938	57,499

14. EARNINGS PER SHARE

Earnings per share have been calculated on the after tax profit (loss) for the year of Kshs (37 million) and Kshs 135 million for the Group and Company respectively (2018: Kshs 234 million and Kshs 293 million for the Group and Company respectively), and the 10,781,265 shares in issue at the respective reporting dates.

There were no potentially dilutive shares in issue on either 30 June 2019 or 30 June 2018. Therefore, the diluted earnings per share are the same as the basic earnings per share.

15. PROPOSED DIVIDEND

In respect of the current year, the directors propose that a dividend of Kshs 5.25 (2018: Kshs 5.25) per share amounting to Kshs 56,601,641 be paid to shareholders (being the higher of 20% of the Profit after Tax and Kshs 5.25 per share). This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The following proposed dividends are subject to approval when the respective annual general meetings are held. The unpaid proposed dividends have not been recognized as liabilities in the financial statements. Once approved they will be paid from retained earnings.

Financial year	Proposed Dividend	Interim Dividend Paid	Unpaid proposed dividend
	Kshs '000	Kshs '000	Kshs '000
2014/2015	56,602	-	56,602
2015/2016	56,602	-	56,602
2016/2017	56,602	-	56,602
2017/2018	56,602	-	56,602
2018/2019	56,602	-	56,602
Totals	**283,010**	**-**	**283,010**

The dividends are payable subject to, where applicable, deduction of withholding tax as required under the Kenya Income Tax Act, Chapter 470 Laws of Kenya.

16. PROPERTY PLANT AND EQUIPMENT

a) Group –Year ended 30 June 2019

	Freehold Land	Residential Buildings	Farm works	Plant and machinery	Tractors and Forklifts	Furniture equipment	Motor vehicles	Computers	Work-in-progress	Coffee Bushes	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Cost or valuation											
As at 1 July 2018	123,933	2,164,465	332,603	968,119	49,685	227,826	275,205	78,117	72,428	96,255	4,388,635
Additions	804	22	1,950	2,479	15,937	4,599	29,156	14,683	20,923	-	90,554
Revaluation	37,357	4,714	-	-	-	-	-	-	-	-	42,071
Capitalization	-	55,254	-	-	-	-	-	-	(55,254)	-	-
Asset Impairment	-	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	(764)	(2,940)	(318)	-	-	(4,022)
Adjustment	1,464	6,562	-	251	-	476	384	270	26	-	9,432
As at 30 June 2019	163,556	2,231,018	334,553	970,849	65,622	232,138	301,805	92,752	38,123	96,255	4,526,670
Accumulated Depreciation											
At 1 July 2018	-	388,243	61,343	627,898	18,620	133,618	176,360	54,216	-	5,066	1,465,363
Charge for the year	-	108,102	15,407	51,965	6,583	36,308	44,407	17,563	-	5,066	285,401
Eliminated on Disposal	-	-	-	-	-	(284)	(2,940)	(159)	-	-	(3,382)
Costing adjustments	-	-	-	-	-	-	-	-	-	-	-
Adjustment	-	10	-	129	-	479	417	83	-	-	1,118
As at 30 June 2019	-	496,355	76,750	679,993	25,203	170,121	218,243	71,703	-	10,132	1,748,500
Net carrying amounts											
As at 30 June 2019	**163,556**	**1,734,664**	**257,803**	**290,857**	**40,419**	**62,016**	**83,561**	**21,049**	**38,123**	**86,123**	**2,778,171**

16. PROPERTY PLANT AND EQUIPMENT

b) Company –Year ended 30 June 2019

	Industrial, residential buildings Kshs '000	Farm works Kshs '000	Plant and machinery Kshs '000	Tractors, trailers and Forklifts Kshs '000	Furniture and Equipment Kshs '000	Motor vehicles Kshs '000	Computers Kshs '000	Work-in-progress Kshs '000	Coffee bushes Bearer Kshs '000	Total Kshs '000
Cost or Valuation										
At 1 July 2018	2,136,659	332,603	884,528	49,685	179,168	206,994	58,930	4,562	96,255	3,949,383
Additions	-	1,950	-	15,937	1,740	12,600	2,681	-	-	34,908
Adjustment on Revaluation	6,562	-	-	-	-	-	-	-	-	6,562
Capitalization	4,562	-	-	-	-	-	-	(4,562)	-	-
Disposals	-	-	-	-	(764)	-	(318)	-	-	(1,082)
At 30 June 2019	2,147,783	334,553	884,528	65,622	180,144	219,594	61,293	-	96,255	3,989,772
Accumulated depreciation										
At 1 July 2018	387,984	61,343	575,326	18,620	87,683	119,061	38,771	-	5,066	1,293,854
Charge for the year	106,350	15,407	44,541	6,583	34,713	39,057	12,452	-	5,066	264,168
Eliminated on disposal	-	-	-	-	(284)	-	(159)	-	-	(442)
At 30 June 2019	494,334	76,750	619,867	25,203	122,112	158,118	51,064	-	10,132	1,557,580
Net carrying amount										
At 30 June 2019	**1,653,449**	**257,803**	**264,661**	**40,419**	**58,031**	**61,476**	**10,229**	-	**86,123**	**2,432,192**

The Fixed Assets include assets that are fully depreciated as shown below:

SUMMARY OF FULLY DEPRECIATED ASSETS

Non-Current Assets	COST/VALUATION	ACCUMULATED DEPN as at 30.06.2019
Plant & Machinery	89,161.98	(89,161.98)
Office Equipment & Tools	10,355,429.32	(10,355,429.32)
Furniture and Fittings	8,566,837.93	(8,566,837.93)
Motor Vehicles	42,283,276.69	(42,283,276.69)
Fork Lifts	2,000,000.00	(2,000,000.00)
TR/TRAILERS	1,757,000.00	(1,757,000.00)
Computer Hardware	17,275,966.45	(17,275,966.45)
Software asset/Intangible Asset	28,982,159.85	(28,982,159.85)
TOTAL	**111,309,832.22**	**(111,309,832.22)**

16. PROPERTY PLANT AND EQUIPMENT

c) Group –Year ended 30 June 2018

	Freehold Land	Residential Buildings	Farm works	Plant and machinery	Tractors and Forklifts	Furniture equipment	Motor vehicles	Computers	Work-in-progress	Coffee Bushes	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Cost or valuation											
As at 1 July 2017	125,664	2,652,646	516,623	1,463,379	95,363	269,033	381,856	93,331	40,992	96,255	5,735,142
Additions	26,640	6,413	-	738	-	5,648	31,093	5,229	33,155	-	108,916
Revaluation	-	-	-	-	-	-	-	-	-	-	-
Capitalization	-										
Asset Impairment	-										
Disposal	-				(5,350)	(33)	(6,400)	(170)	-	-	(11,953)
Adjustment	(823)	(522,142)	(184,021)	(495,997)	(40,328)	(46,822)	(131,345)	(20,272)	(1,719)	-	(1,443,470)
As at 30 June 2018	151,481	2,136,917	332,603	968,119	49,685	227,826	275,205	78,117	72,428	96,255	4,388,635
Accumulated Depreciation											
At 1 July 2017	-	807,632	230,951	1,108,300	62,083	190,828	282,662	70,945	-	-	2,753,402
Charge for the year	-	49,447	12,645	36,145	2,989	38,653	15,170	22,783	-	5,066	182,897
Eliminated on Disposal					(4,129)	-	(5,275)	-	-	-	(9,404)
Costing adjustments	-	53,306	1,767	23,821	459	5,709	3,598	620	-	-	89,280
Adjustment	-	(522,142)	(184,021)	(540,368)	(42,781)	(101,572)	(119,796)	(40,132)	-	-	(1,550,812)
As at 30 June 2018	-	388,243	61,343	627,898	18,620	133,618	176,360	54,216	-	5,066	1,465,363
Net carrying amounts											
As at 30 June 2018	**151,481**	**1,748,675**	**271,260**	**340,221**	**31,064**	**94,208**	**98,845**	**23,902**	**72,428**	**91,189**	**2,923,272**

16. PROPERTY PLANT AND EQUIPMENT

d) Company –Year ended 30 June 2018

	Industrial, residential buildings Kshs '000	Farm works Kshs '000	Plant and machinery Kshs '000	Tractors, trailers and Forklifts Kshs '000	Furniture and Equipment Kshs '000	Motor vehicles Kshs '000	Computers Kshs '000	Work-in-progress Kshs '000	Coffee bushes Bearer Kshs '000	Total Kshs '000
Cost or Valuation										
At 1 July 2017	2,652,356	516,623	1,378,562	95,363	221,052	313,817	74,818	-	96,255	5,348,846
Additions	6,413	-	48	-	3,861	26,019	2,878	4,562	-	43,782
Adjustment on opening bal.	(522,110)	(184,021)	(539,637)	(42,781)	(101,295)	(117,063)	(37,962)	-	-	(1,544,869)
Adjustment on Revaluation	-	-	45,555	2,453	55,583	(11,379)	19,366	-	-	111,578
Capitalization										
Disposals	-	-	-	(5,350)	(33)	(4,400)	(170)	-	-	(9,953)
At 30 June 2018	2,136,659	332,603	884,528	49,685	179,168	206,994	58,930	4,562	96,255	3,949,383
Accumulated depreciation										
At 1 July 2017	807,342	230,951	1,064,741	62,083	147,251	223,564	55,439	-	-	2,591,371
Charge for the year	49,447	12,645	26,401	2,989	36,018	12,237	20,673	-	5,066	165,476
Adjustment on opening bal.	(522,110)	(184,021)	(539,637)	(42,781)	(101,295)	(117,063)	(37,962)	-	-	(1,544,869)
Adjustments to Costing	53,306	1,767	23,821	459	5,709	3,598	620	-	-	89,280
Eliminated on disposal	-	-	-	(4,129)	-	(3,275)	-	-	-	(7,404)
At 30 June 2018	387,984	61,343	575,326	18,620	87,683	119,061	38,771	-	5,066	1,293,854
Net carrying amount										
At 30 June 2018	**1,748,675**	**271,260**	**309,202**	**31,064**	**91,485**	**87,933**	**20,159**	**4,562**	**91,189**	**2,655,529**

The Fixed Assets include assets that are fully depreciated totaling to Kshs 121,946,456

17. LAND

	Group 2019	Group 2018	Company 2019	Company 2018
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Cost				
As at 1 July	2,389,603	2,389,603	2,389,603	2,389,603
Revaluation adjustments	(9,003)	-	(9,003)	-
Additions/Revaluation	294,500	-	294,500	-
As at 30 June	2,675,100	2,389,603	2,675,100	2,389,603
Amortization				
As at 1 July	-	235,285	-	235,285
Charge for the year	-	-	-	-
Elimination	-	(235,285)	-	(235,285)
As at 30 June	-	-	-	-
Net carrying amount				
As at 30 June	**2,675,100**	**2,389,603**	**2,675,100**	**2,389,603**

The amount eliminated as amortization in 2018 relates to the Leases which expired long ago but were still in the books of accounts and were eliminated to show the correct balances. Additions relate to three parcels of Land which have been now revalued but had not been revalued in 2015 due to lack of documentation.

18. INTANGIBLE ASSETS

	Group 2019	Group 2018	Company 2019	Company 2018
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Cost				
As at 1 July	191,654	168,414	173,819	151,396
Additions	3,279	23,240	-	22,423
As at 30 June	194,933	191,654	173,819	173,818
Amortization				
As at 1 July	80,818	64,626	65,115	49,076
Charge for the year	16,573	16,192	14,841	16,039
As at 30 June	97,391	80,818	79,956	65,115
Net carrying amount				
As at 30 June	**97,541**	**110,836**	**93,863**	**108,704**

The intangible assets consist of SAP and AMS systems, C4 Evo Premium tracking system, Anti-counterfeit software, Google Apps suite email service, Mobile retail POS software and ACL analytical audit software and Accounting systems used by the subsidiaries.

	2019	2018
19. INVESTMENT IN SUBSIDIARIES	Kshs '000	Kshs '000

Unquoted investments at historical cost in wholly owned subsidiaries are as follows:

	2019	2018
Simlaw Seeds Company Uganda Limited (327,000 shares of Ushs 5,000 each)	54,496	54,496
Kibo Seed Company Limited (10,000 shares of Tshs 1,000 each)	1,000	1,000
Simlaw Seeds Company Limited (5,000 shares of Kshs 40 each)	200	200
	55,696	55,696

The principal activities of the subsidiaries are importing and selling various types of plant seeds. The details of the above subsidiary companies are as follows:

Company	Percentage Holding	Country of Incorporation
Kibo Seed Company Limited	100%	Tanzania
Simlaw Seeds Company Limited	100%	Kenya
Mt Elgon Seed Company Limited	100%	Uganda
Simlaw Seed Uganda Limited	100%	Uganda
Simlaw Seed Company (TZ) Limited	100%	Tanzania

	Company	
	2019	2018
20. DUE TO SUBSIDIARIES	Kshs '000	Kshs '000
Simlaw Seeds Kenya Limited	25,997	88,870
	25,997	88,870

The amount due to Subsidiaries relates to the amounts owed to Simlaw Seeds Kenya for the different types of certified vegetables seeds delivered to Kenya Seed company.

	Group		Company	
	2019	2018	2019	2018
21. STAFF RECEIVABLES	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Gross staff receivables	103,747	100,593	92,242	88,216
Provision for bad and doubtful debts	(83,410)	(73,585)	(81,705)	(71,219)
Net receivables	20,336	27,008	10,536	16,997
Within one year (note 25)	(17,876)	(23,468)	(8,076)	(13,457)
Amounts receivable after one year	2,460	3,540	2,460	3,540

The balances represent staff car loans and other advances. Terms and conditions applicable are that the staff car loans and staff laptop loans are for a period of four years and two years respectively and are charged interest at the rate of 6% p.a. (2018: 6% p.a.) while other advances are given for varying periods and are interest free.

The company Staff receivables at the end of the year are made up of the following:

	2019 Kshs '000	2018 Kshs '000
Advances	70,073	69,255
Car Loan	10,229	9,371
Imprest	5,222	6,846
Others	6,718	2,744
Impairment	(81,705)	(71,219)
Net receivable	10,536	16,997

22. BIOLOGICAL ASSETS

	Group and Company	
	2019 Kshs '000	2018 Kshs '000
(a) Bearer biological assets		
Coffee	69,140	71,163
Livestock	52,252	45,644
Trees	62,517	8,893
	183,909	125,700
i Coffee:		
Fair value as at 1 July	71,163	-
Increase in fair value (note 22(c))	(2,023)	(25,092)
Transferred to note 16 (PPE)	-	96,255
Fair value as at 30 June	69,140	71,163

In the year ended 30th June 2017, Coffee was transferred to PPE in line with IFRS changes (IAS 16 and IAS 41).

22. BIOLOGICAL ASSETS (continued)

In the estimation of the fair value of the coffee plants, the following significant assumptions were made in 2019:

i) The coffee bushes will remain productive for the next 17years after year end;
ii) The biological transformation will remain at 100%;
iii) The pretax incremental borrowing rate will remain at 12.50%;
iv) The prevailing weather and climatic conditions will not change; and,
v) The sales and cost of sales are expected to escalate at an average of 5.16% p.a.

In the estimation of the fair value of the coffee plants, the following significant assumptions were made in 2018:

i) The coffee bushes will remain productive for the next 18years after year end;
ii) The biological transformation will remain at 100%;
iii) The pretax incremental borrowing rate will remain at 13.49%;
iv) The prevailing weather and climatic conditions will not change; and,
v) The sales and cost of sales are expected to escalate at an average of 4.28% p.a.

Livestock	Cattle Kshs'000	Sheep Kshs'000	Goats Kshs'000	Total Kshs'000
Year ended 30 June 2019				
Fair value as at 1 July 2018	44,329	997	318	45,643
Decreases due to sales	(5,711)	(757)	(81)	(6,549)
As at 30 June 2019	38,617	240	237	39,094
Gains arising from physical changes	11,813	865	167	12,845
Increases due to newborns	259	37	18	314
Fair value (loss)/gain on livestock (note 22 (c))	12,072	902	185	13,159
Fair value as at 30 June 2019	50,689	1,142	422	52,253
Year ended 30 June 2018				
Fair value as at 1 July 2017	39,152	1,094	221	40,467
Decreases due to sales	(6,374)	(609)	(34)	(7,017)
As at 30 June 2018	32,778	485	187	33,450
Gains arising from physical changes	11,382	480	113	11,975
Increases due to newborns	169	31	18	218
Fair value (loss)/gain on livestock (note 22 (c))	11,551	511	131	12,193
Fair value as at 30 June 2018	44,329	997	318	45,643

22. BIOLOGICAL ASSETS (continued)

Significant assumptions made in the estimation of the fair value of the livestock in 2019 include:

(i) The market conditions will remain constant;
(ii) The prevailing climatic conditions will not change;
(iii)The sales and cost prices are expected to escalate at an average rate of 5.16% p.a.;
(iv) The level of biological transformation for each category of livestock are follows: -

Category	Age	Percentage
Calves I	0 - 6 months	28%
Calves II	6 months - 1 year	19%
Weaners I	1 & half years - 2 years	11%
Weaners II	2 & half years - 3 years	6%
Mature	over 3 years	36%

For purposes of valuation, the livestock have been Grouped as above.
(v) The livestock will attain their full maturity at the age of 36 months.

During the year, the livestock yielded 124,614 litres of milk (2018 – 97,470 litres).

Significant assumptions made in the estimation of the fair value of the livestock in 2018 include:

(i) The market conditions will remain constant;
(ii) The prevailing climatic conditions will not change;
(iii) The sales and cost prices are expected to escalate at an average rate of 4.28% p.a.;
(iv) The level of biological transformation for each category of livestock are follows: -

Category	Age	Percentage
Calves I	0 - 6 months	22%
Calves II	6 months - 1 year	12%
Weaners I	1 & half years - 2 years	11%
Weaners II	2 & half years - 3 years	14%
Mature	over 3 years	41%

For purposes of valuation, the livestock have been Grouped as above.
(v) The livestock will attain their full maturity at the age of 36 months.

The livestock count at the end of the year is as summarized as below:

	2019	2018
	no.	no.
Cattle	591	508
Goats	160	128
Sheep	373	338
	1,124	974

The company intends to keep the livestock for milk and meat production. Accordingly, the livestock are classified as bearer biological assets.

22. BIOLOGICAL ASSETS (continued)

iii Trees

Significant assumptions made in the estimation of the fair value of the trees in 2019 include:

(i) The sales and cost prices are expected to escalate at an average rate of 5.16% p.a.;
(ii) Since the trees are not fully mature, their transformation is based on the current age of tree species;
(iii) Prevailing market lending interest rate of 12.50% has been used as the discounting factor;
(iv) Cash inflows and outflows accrue evenly throughout the useful life; and
(v) 20% of the trees planted will not attain maturity due to natural factors.

The maturity for the trees

Trees are categorized as follows:

Category	**Maturity**	**Number of trees**	**Value Kshs '000**
Eucalyptus Grandis	20 years	21,140	26,768
Ordinary Blue Gum	20 years	18,300	22,619
Cupressus Lusitanica	20 years	7,420	13,130
		46,860	62,517

The 46,860 trees cover 144 acres of land.

Significant assumptions made in the estimation of the fair value of the trees in 2018 include:

(i) The sales and cost prices are expected to escalate at an average rate of 4.28% p.a.;
(ii) Since the trees are not fully mature, their transformation is based on the current age of tree species;
(iii) Prevailing market lending interest rate of 13.49% has been used as the discounting factor;
(iv) Cash inflows and outflows accrue evenly throughout the useful life; and
(v) 20% of the trees planted will not attain maturity due to natural factors.

Tree are categorized as follows:

Category	**Maturity**	**Number of trees**	**Value Kshs '000**
Eucalyptus Grandis	10 years	29,780	3,718
Ordinary Blue Gum	10 years	18,700	5,174
Cyprus Lustanica	20 years	-	-
		48,480	8,893

The 48,480 trees cover 144 acres of land.

Trees	2019 Kshs '000	2018 Kshs '000
Fair value as at 1 July	8,893	8,984
Decrease in fair value (note 22(c))	53,624	(91)
Fair value as at 30 June	62,517	8,893

22. BIOLOGICAL ASSETS

(b) Consumable biological assets	Maize Kshs '000	Wheat Kshs '000	pasture Kshs '000	Sunflower Kshs '000	Sorghum Kshs '000	Oats Kshs '000	Millet Kshs '000	Beans Kshs '000	Vegetables Kshs '000	K
Group										
Fair value at 1 July 2018	33,634	4,563	9,548	64	75	2,547	-	1,373	432	
Additional costs for old crop	5,562	6,064	3,185	71	26	1,688	33	480	682	
Gains in fair values due to physical changes - 2017/2018 crop	54,974	(3,313)	(10,513)	81	(19)	(2,557)	(4)	1,412	(432)	
Decrease in fair value due to harvesting	(94,171)	(7,313)	(2,220)	(216)	(82)	(1,678)	(29)	(3,266)	-	(
Increase in fair value due to new planting	23,391	7,437	2,996	406	-	420	-	646	-	
Gain/(loss) in fair value due to physical changes - 2018/2019 crop	16,023	(6,360)	3,281	113	-	(291)	-	712	(107)	
Fair value at 30 June 2019	**39,414**	**1,077**	**6,277**	**519**	**-**	**129**	**-**	**1,358**	**575**	
Company										
Fair value at 1 July 2018	33,634	4,563	9,548	64	75	2,547	-	1,373	-	
Additional costs for old crop	5,562	6,064	3,185	71	26	1,688	33	480	-	
Gains in fair values due to physical changes - 2017/2018 crop	54,974	(3,313)	(10,513)	81	(19)	(2,557)	(4)	1,412	-	
Decrease in fair value due to harvesting	(94,171)	(7,313)	(2,220)	(216)	(82)	(1,678)	(29)	(3,266)	-	(
Increase in fair value due to new planting	23,391	7,437	2,996	406	-	420	-	646	-	
Gain/(loss) in fair value due to physical changes - 2018/2019 crop	16,023	(6,360)	3,281	113	-	(291)	-	712	-	
Fair value at 30 June 2019	**39,414**	**1,077**	**6,277**	**519**	**-**	**129**	**-**	**1,358**	**-**	

22. BIOLOGICAL ASSETS (continued)

The seed output from the company's biological assets were as follows:

	Group and Company	
	2019	2018
	Kgs '000	Kgs '000
Maize	730.62	306
Wheat	434.97	953
Sunflower	0.60	-
Pasture	13.17	19
Sorghum	4.05	1
Beans	30.23	25
Millet	0.74	-
Oats	41.67	27
	1,256.06	1,331

In valuation of crops, the following key assumptions have been made:

(i) That the crops mature after within four to nine months and biological transformation takes place uniformly over the life cycle of the crops;

(ii) That the market conditions will remain unchanged; and,

(iii) That climatic and weather condition will not change.

The financial risk management strategies formulated by the company to reduce various financial risk exposures relating to its biological assets are disclosed in note 37.

	Group		Company	
	2019	2018	2019	2018
Fair value gains/(losses)	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Coffee (IAS 16-Bearer Plants)	(2,023)	(25,092)	(2,023)	(25,092)
Livestock	13,158	12,193	13,158	12,193
Trees	53,624	(91)	53,624	(91)
Consumable biological assets	53,432	(54,217)	53,432	(54,217)
Total as per IAS 41	120,214	(42,115)	120,214	(42,115)

23. RELATED PARTIES TRANSACTIONS AND BALANCES

In the normal course of business, trading occurs among the related parties at terms and conditions similar to those offered to other clients.

The Government of Kenya through Agricultural Development Corporation (ADC) is the principal shareholder of the Kenya Seed Company, holding 52.88% of the company's equity interest.

Other related parties include:

i) The Parent Ministry
ii) County Governments
iii) Other Government of Kenya Parastatals
iv) The subsidiary companies
v) Shareholders
vi) Key management
vii) Board of directors

Details of related party balances and transactions are as follows: -

		Company	
		2019	2018
(a)	***Loans capital to subsidiary companies***	Kshs '000	Kshs '000
	Simlaw Seeds Company Limited	144,298	144,298
	Mt Elgon Seed Company Limited	50,078	50,078
	Kibo Seed Company Limited	21,452	21,452
	Simlaw Seeds Company Tanzania Limited	28,816	28,816
	Simlaw Seed Company Uganda Limited	13,981	12,557
		258,625	257,201
	Less provisions for Mt. Elgon Seed Company Limited	(50,078)	(50,078)
		208,547	207,123

The loan capital relates to amounts advanced to the subsidiaries to help start operations.

The directors resolved that the loans should be treated as loan capital as they will be used to increase the share capital of the parent Company in the subsidiaries in future. There are no fixed repayment terms.

		Company	
		2019	2018
(b)	***Amounts due from subsidiaries***	Kshs '000	Kshs '000
	Simlaw Seeds Company Limited	679,209	829,459
	Kibo Seed Company Limited	474,787	449,500
	Mt Elgon Seed Company Limited	112,381	112,381
	Simlaw Seed Company Uganda Limited	130,302	104,471
		1,396,679	1,495,811
	Less provisions for Mt. Elgon Seed Company Limited	(112,381)	(112,381)
		1,284,298	1,383,430

This relates to purchases by the subsidiaries from the parent company that has accumulated over time. The current credit period is 30 days. This category of receivables is non-interest bearing.

Aging Analysis for Amount due from Subsidiaries as at 30th June 2019:									
	Just not due	0-30	31-60	61-90	91-120	120-180	180-365	over 365	Total
Kibo	-	266	45	-	12,814	(13,320)	37,718	437,264	474,787
Mt. Elgon	-	-	-	-	-	-	-	112,381	112,381
Simlaw Kenya	(4)	1,623	34,794	14,936	-	22,704	-	605,156	679,209
Simlaw Uganda	-	-	-	4,500	32,250	19,496	7,500	66,556	130,302
Total	(4)	1,889	34,839	19,436	45,064	28,880	45,218	1,221,357	1,396,679

(c) Amounts due from Parastatal and other government-controlled organizations

	Group		Company	
	2019	2018	2019	2018
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Ministry of Agriculture	752,760	752,751	748,483	747,886
Various County Governments	145,280	64,773	116,726	57,707
Agricultural Development corporation	-	-	-	-
Kenya Farmers Association (KFA) – net	53,870	45,995	53,013	45,995
National Cereals and Produce Board	11,862	19,817	11,862	19,817
Kenya Agricultural Research Institute	-	806	-	806
	963,772	884,142	930,084	872,211

	2019	2018	2019	2018
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Kenya Farmers Association (KFA) – net				
Gross receivable amount	64,722	56,847	53,013	45,995
Provision for bad and doubtful debts	(10,852)	(10,852)	-	-
Net receivable amount	53,870	45,995	53,013	45,995

Aging Analysis for Government controlled organizations for the Company as at 30th June 2019:									
	Just not due	0-30	31-60	61-90	91-120	120-180	180-365	over 365	Total
Ministry of Agriculture	127	123	-	664	42	246	361	746,920	748,483
County Governments	-	-	16,712	6,744	48,626	20,432	(3,329)	27,540	116,726
Kenya Farmers Ass	(183)	456	2,798	11,700	7,527	4,023	(577)	27,270	53,013
ADC	-	-	-	-	-	-	-	-	-
NCPB	(189)	(275)	-	(61)	(18)	(319)	(3,417)	16,142	11,862
KARI	-	-	-	-	-	-	-	-	-
Total	**(245)**	**304**	**19,510**	**19,047**	**56,177**	**24,383**	**(6,962)**	**817,871**	**930,084**

Related parties are non-interest bearing and credit amount is limited to Kshs 100 million or a credit period of 60 days whichever comes earlier.

		Group and Company	
		2019	2018
(d)	***Amounts due to directors***	Kshs '000	Kshs '000
	Provision for accrued fees, gratuity, leave	20,728	20,443
	Due after one year	(17,128)	(16,414)
	Due within one year	3,600	4,029

(e) Amounts due to Parastatal and other government-controlled organizations

	Group		Company	
	2019	2018	2019	2018
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Kenya Plant Health Inspectorate (KEPHIS)	7,181	33,228	7,181	33,228
National Cereals and Produce Board	1,562	-	1,562	-
Agricultural Development Corporation	-	-	-	-
Kenya Agricultural Research Institute	-	-	-	-
	8,743	33,228	8,743	33,228

		Group and Company	
		2019	2018
(f)	**Transactions within the Group**	Kshs '000	Kshs '000
	Kenya Seed Company Limited sales to:		
	Simlaw Seeds Uganda	40,500	72,496
	Simlaw Seeds Company Limited	569,475	588,647
	Kibo Seed Company Limited	71,300	121,577
		681,275	782,720
	Simlaw Seed Company Limited sales to:		
	Kenya Seed Company Limited	206,344	180,663
	Simlaw Uganda	176	2,593
	Kibo Seed Company Limited	11,277	2,967
		217,797	186,223
	Payments made by Kenya Seed Company Limited on behalf of:		
	Simlaw Seeds Company Limited	316	-
	Mt Elgon Seed Company Limited	-	-
	Simlaw Seeds Uganda Limited	272	-
	Kibo Seed Company Limited	60	-
		648	-

(f) Transactions within the Group

	Group and Company	
	2019	2018
Payments made on behalf of Kenya Seed Company Limited:	Kshs '000	Kshs '000
Simlaw Seeds Company Limited	3,885	5,644
Simlaw Seeds Uganda Limited	-	-
Kibo Seed Company Limited	-	-
	3,885	5,644

(g) Transactions with Parastatal organizations

	Group and Company	
Sales to:		
National Cereals and Produce Board	-	-
Kenya Farmers Association	124,620	-
Agricultural Development Corporation	9,002	-
	133,622	-
Purchases from:		
Agricultural Development Corporation	551,001	16,322
The Kenya Power & Lighting Company Limited	63,756	49,674
Kenya Farmers Association	1,930	3,699
Telkom Kenya	264	290
Kenya Agricultural Research Institute	20,488	20,588
Agricultural Society of Kenya	3,682	3,776
National Cereals and Produce Board	51,744	98,929
	692,865	193,278

(h) Transactions with directors

Directors Fees	3,600	4,029
Managing Director's salary and gratuity provision	17,195	13,452
Board Salaries and allowances	21,336	12,482
	42,131	29,963

(i) Key management compensation

Salaries and allowances	119,743	100,882

(j) Transactions with the staff retirement benefit scheme

Contributions collected on behalf of the scheme	27,461	25,514

		Group		Company	
		2019	2018	2019	2018
24	**INVENTORIES**	Kshs '000	Kshs '000	Kshs '000	Kshs '000
	Certified Maize Seeds	1,704,291	1,433,473	1,600,698	1,280,966
	Basic Maize Seeds	365,801	323,028	365,790	322,768
	Wheat Seeds	176,585	157,376	176,257	157,203
	Pastures	61,674	69,303	47,666	52,536
	Sorghum/Finger millet	97,245	105,462	97,296	105,499
	Vegetables	715,009	859,769	71,566	65,502
	Sunflower	216,374	132,622	215,535	133,487
	Chemicals	102,595	97,823	99,091	92,849
	Fertilizers	10,469	28,707	7,465	28,065
	Packaging materials	148,100	126,334	131,635	106,495
	Fuel and other inventories	63,356	40,941	49,952	25,730
	Miscellaneous & Welfare items	24,678	24,948	16,849	11,527
	Cleanings and rejects	28,778	26,168	16,577	24,109
	Provision for Obsolete stocks	(500,091)	(352,617)	(457,670)	(321,148)
		3,214,865	3,073,337	2,438,707	2,085,589

25. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
Trade receivables	1,400,260	1,442,591	1,091,236	1,109,490
Other receivables	123,723	141,765	60,128	70,569
Provision for bad & doubtful debts	(717,417)	(694,455)	(664,266)	(641,919)
Trade & Other Receivables	**806,566**	889,901	**487,098**	538,140
Staff receivables (note 21)	**17,876**	23,468	**8,076**	13,457
Total	824,442	913,368	495,174	551,597

For trade receivables in respect of contracted seed growers, credit amount is limited to the deliveries of seeds expected from the growers. The credit would be in form of the cost of farm inputs and supplies taken by the grower to facilitate farm operations during a seed growing season in a year.

However, the seed grower is charged interest at the prevailing Overdraft rate per month on the inputs for the period of the credit.

The other trade receivables are non-interest bearing and credit amount is limited to the amount of bank guarantee and for a credit period of 30 days.

Customer orders are accompanied by 30 days post dated cheques that are within the customer's bank guarantee.

	2019	2018
26. SHARE CAPITAL	Kshs '000	Kshs '000
Authorized share capital:		
20,000,000 ordinary shares of Kshs 20 each	400,000	400,000
Issued and fully paid:		
10,781,265 ordinary shares of Kshs 20 each	215,625	215,625

The issued and fully paid share capital excludes 3,370,000 ordinary shares worth Kshs 67,400,000 that were issued in the year ended 30 June 2002, which were revoked after the High Court of Kenya ruling on 6 April 2006. These shares are currently a subject matter before the Kenyan Court of Appeal (Note 3). These shares had been issued at a premium and after the revocation the shares value of Kshs 67,400,000 was reversed hence remaining with the share premium of Kshs 281,338. The nominal share capital together with the premium on these shares is now classified under trade and other payables (Note 31).

27. REVALUATION RESERVE

The revaluation reserve relates to the revaluation for Property, Plant and Equipment. As indicated in the statement of changes in equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

28. RETAINED EARNINGS

The retained earnings represent amounts available for distribution to the company's shareholders. Undistributed retained earnings are utilized to finance the company's business activities.

	Group		company	
	2019	2018	2019	2018
29. DEFERRED TAX	Kshs '000	Kshs '000	Kshs '000	Kshs '000
(a) Statement of comprehensive income				
Deferred liability credit	2,885	(63,896)	2,885	(63,896)
Deferred asset credit/(charge)	(163)	(3,447)	-	-
Charge for the year	2,722	(67,343)	2,885	(63,896)

(b) Deferred tax asset

Deferred taxation is calculated on all temporary differences under the liability method using the enacted tax rate of 30%.

The net deferred tax liability for the Group is attributable to the following items:

Deferred tax assets:	As at 1 July 2018 Kshs '000	Income Kshs '000	As at 30 June 2019 Kshs '000
Unrealized foreign exchange losses	(104)	6	(98)
Leave pay provision	(1,248)	(825)	(2,073)
Tax losses carried forward	-	-	-
Excess depreciation of tax wear and tear allowances	(2,164)	196	(1,968)
Provision of impairment of inventories	-	-	-
Gratuity provision	(2,445)	150	(2,295)
General bad debt provision	(10,129)	635	(9,494)
Fair value gain on biological assets	-	-	-
Net deferred tax asset	(16,091)	163	(15,928)

(c) Deferred tax liability

Deferred taxation is calculated on all temporary differences under the liability method using the enacted tax rate of 30%.

The net deferred taxation liability movement is attributable to the following items:

	As at 1 July 2018	Statement of comprehensive Income	As at 30 June 2019
Deferred tax liabilities:	Kshs '000	Kshs '000	Kshs '000
Accelerated capital allowances	107,587	(33,633)	73,954
Revaluation surplus	627,346	(28,326)	599,020
Fair value gain on biological assets	-	-	-
Leave pay provision	56	(2,345)	(2,289)
	734,988	(64,304)	670,685
Deferred tax assets:			
Gratuity provision	(123)	(6,225)	(6,348)
General bad debts provision	(31,817)	21,241	(10,577)
Unrealized foreign exchange losses	(2,106)	2,648	542
Staff bad debt provision	9,668	(30,936)	(21,268)
Leave pay provision	-	-	-
Fair value gain on biological assets	2,589	46,365	48,953
	(21,790)	33,093	11,303
Net deferred tax liability	713,198	(31,211)	681,988

Deferred tax assets and deferred tax liabilities are not offset due to legal jurisdiction of the entities.

30. EMPLOYEE BENEFITS OBLIGATIONS	**Group**		**Company**	
	2019	**2018**	**2019**	**2018**
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Due to the defined benefit scheme's ex-staff	502	502	502	502
Gratuity provision	60,072	39,499	52,421	31,465
Benevolent fund	1,138	1,060	1,138	1,060
As at 30 June	61,712	41,061	54,061	33,027

31. TRADE AND OTHER PAYABLES	**Group**		**Company**	
	2019	**2018**	**2019**	**2018**
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Amounts due to disputed share-holders (note 26)	124,690	124,690	124,690	124,690
Trade payables	269,526	367,612	73,016	165,311
Accrued leave pay	26,134	17,205	19,059	12,881
Accruals and other payables	60,849	50,076	33,731	30,724
	481,200	559,584	250,496	333,607

32. UNCLAIMED DIVIDENDS

	Group and Company 2019	2018
	Kshs '000	Kshs '000
At beginning of the year	9,751	9,766
Unclaimed during the year	(548)	(15)
At end of the year	9,203	9,751

These are in respect of dividend that owners cannot be located or dividend uncollected by the owners. They are comprised of dividends that have been declared and paid, but the owners were either not found or they did not bank their payment cheques. The company is in the process of submitting these to UFAA. The Unclaimed Financial Assets Act was enacted as an Act of Parliament in Kenya in December 2011. The Act provides for the reporting and dealing with unclaimed financial assets and the establishment of the Unclaimed Financial Assets Authority (UFAA) and the Unclaimed Financial Assets Trust Fund. Under the provisions of the Act, unclaimed dividends payable are considered to be unclaimed assets. The Unclaimed Financial Assets Authority has set a cut-off of 3 years dormancy for unclaimed assets. During the year, the Company did not forward any unclaimed dividends to the Authority. Once unclaimed assets are paid to the Authority, the Authority assumes custody and responsibility for the safekeeping of the assets and indemnifies the payee against any future liability in respect of those assets

33. BANK OVERDRAFT AND BANK LOAN

	Group 2019	2018	Company 2019	2018
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
a) Bank overdraft-KCB	-	-	-	-
b) Bank Loan-KCB	(59,397)	(61,854)	-	-

- As at 30 June 2019, the company had no overdraft (2018: Kshs Nil) with Kenya Commercial Bank.
- As at 30 June 2019, Simlaw Seeds Kenya had an outstanding bank loan of Kshs 59.397 million (2018- Kshs 61.85 million). The loan was acquired from Kenya Commercial Bank for duration of 5 Years, at an interest rate of 17% for purchase of property at Number 2, Kijabe Street, L.R. no 209/4360/33 used as security for Loan.

34. CASH AND CASH EQUIVALENTS

	Company Account number	Group 2019 Kshs '000	Group 2018 Kshs '000	Company 2019 Kshs '000	Company 2018 Kshs '000
Cash on Hand		1,758	2,594	848	1,605
Mpesa		3,385	-	3,385	-
Barclays Bank-Kshs	0038202995	422,432	168,364	402,747	157,065
Barclays Bank-Dollar	227213949	10,728	8,851	8,500	8,851
KCB-Rwanda	4400617351	47,453	26,536	47,453	26,536
KCB-Kenya	1105122484	912,354	1,381,006	823,138	1,320,019
NBK-Kenya	01003048613200	5,703	55	5,703	55
Equity-Kenya	0330293593306	84,447	137	84,447	137
Cooperative Bank	1141502576900	1,360	200	1,360	200
KCB Tanzania		1,341	3,191	-	-
Standard Chartered Bank - Ug		57	53	-	-
KCB-Uganda		35,157	19,189	-	-
Centenary Bank Uganda		37,866	2,681	-	-
National Bank Of Commerce TZ		1,569	4,414	-	-
National Micro Finance Bank TZ		4,017	7,767	-	-
Stanbic Bank Ltd –UG		22	21	-	-
Stanbic Bank Ltd -TZ		3,030	7,318	-	-
Total Cash **(Note 34a)**		**1,572,680**	**1,632,377**	**1,377,581**	**1,514,468**
Fixed Deposits **(Note 34b)**	1126074047	**68,406**	**65,556**	**68,406**	**65,556**
Cash & Cash Equivalent **(34a +34b)**		1,641,086	1,697,933	1,445,987	1,580,024
Total Cash and Cash Equiv		1,641,086	1,697,933	1,445,987	1,580,024

Fixed Deposits (Note 34b) is an amount invested as a Fixed Deposit by the company for use by the bank to subsidize staff mortgage interest rates. The interest earned in this account is re-invested/ploughed back into the same account.

For the purposes of the statement of cash flows, cash and cash equivalents comprise the below:

	Group 2019 Kshs '000	Group 2018 Kshs '000	Company 2019 Kshs '000	Company 2018 Kshs '000
Fixed deposits	68,406	65,556	68,406	65,556
Cash at bank and in hand	1,572,680	1,632,377	1,377,581	1,514,468
	1,641,086	**1,697,933**	**1,445,987**	**1,580,024**

35. FOREIGN OPERATIONS TRANSLATION RESERVE

	2019	Change from 2018 to 2019	2018
Subsidiary	**Kshs**	**Kshs**	**Kshs**
Simlaw UG	10,407,964	(3,576,186)	13,984,150
Kibo	9,181,041	1,301,330	7,879,711
Simlaw TZ	5,310,137	(1,044)	5,311,181
MESC	15,172,866	(2,052,996)	17,225,862
	40,072,008	**(4,328,896)**	**44,400,903**

Exchange differences on translating foreign operations	(6,184,137)
Income tax effect at 30%	1,855,241
	(4,328,896)

36. CAPITAL EXPENDITURE COMMITMENTS

These are the budgeted capital expenditure made by the Group and company to purchase assets in future for which no provisions have been made in these financial statements include:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Authorised but not contracted for	341,040	419,068	280,829	311,068

37. OPERATING LEASE COMMITMENTS

Minimum lease payments committed under various operating leases:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Not later than 1 year	-	-	-	-
Later than 1 year but not later than 5 years	-	93,817	-	-
	-	93,817	-	-

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The company does not enter into derivative transactions.

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

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

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

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

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

(a) Credit risk

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

The largest concentrations of credit exposure within the company relate to cash and cash equivalents held with banks, trade receivables and amounts due from related parties. The maximum exposures for credit risk are therefore in regards to the carrying amount of cash and cash equivalents, trade receivables and amount due from related parties net of any impairment losses. The company only places significant amounts of funds with recognized financial institutions with strong credit ratings and does not consider the credit risk exposure to be low. Amounts due from related parties do not expose the company to significant credit risk.

Customer credit risk is managed by each business unit subject to the company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer risk assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by valid contracts. For the growers the credit risk arises when there is a crop failure due adverse weather condition.

The amount that best represents the company's maximum exposure to credit risk as at 30 June 2019 is made up as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Net trade receivables	806,566	889,901	487,098	538,140
Net staff receivables	17,876	23,468	8,076	13,457
	824,442	913,368	495,174	551,597

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Collateral is held in form of bank guarantees for trade receivables. No collateral is held for the other assets. All trade receivables that are neither past due nor impaired are within their approved credit limit, and no receivables have had their terms renegotiated.

None of the above assets are past due or impaired except for the following amounts (which were due within 30 days of the end of the month in which they are invoiced).

	Group		Company	
	2019	2018	2019	2018
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Past due but not impaired:				
- by up to 30 days	57,472	40,209	18,724	15,084
- by 31 to 60 days	87,583	55,461	39,274	35,731
- by 61 to 90 days	98,031	26,305	47,010	11,587
- over 90 days	581,356	791,394	390,166	489,196
	824,442	913,368	495,174	551,597

Movement in provisions for doubtful debts:

	Group		Company	
	2019	2018	2019	2018
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
As at 1 July	694,455	677,937	641,919	677,994
Recoveries during the year	(9,909)	(5,913)	(6,505)	(5,644)
Provisions for the year	36,936	30,154	35,621	25,366
Reversal of overprovision	(4,066)	(7,723)	(6,769)	(55,797)
As at 30 June	717,417	694,455	664,266	641,919

(b) Market risk

Market risk is the risk that the fair value or future value of instruments will fluctuate due to changes in market valuables such as interest rates and foreign exchange rates. The objective of market risk management policy is to protect and enhance the statement of financial position and income statement by managing and controlling market risk expenses within acceptable parameters and to optimize the funding of business operations and facilitate capital expansions. There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk

Interest rate risks arise from fluctuations in the bank borrowing rates in the market. The interest rates vary from time to time depending on the prevailing economic circumstances. Since the base rates charged by the banks are determined by the market forces, the Company has not formulated any practical measures to minimize the exposure. The interest earning financial assets that the company holds include investments in government securities and short-term deposits whose rates of return are predetermined.

	Change in Interest rate	Effect on profit Before Tax	Effect on Equity
		Kshs '000	Kshs '000
2019	-10.00%	(23,914)	(16,740)
	10.00%	23,914	16,740
2018	-10.00%	(62,858)	(44,001)
	10.00%	62,858	44,001

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Exchange risks

The Company operates in Kenya, Tanzania, Rwanda and Uganda. The operations in Tanzania and Uganda are significantly autonomous from those in Kenya and most of the transactions are carried out in the local currencies. Other transactions in the foreign currency are carried out in the relatively stable US Dollars. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rates. The carrying amount of the company's foreign exchange denominated monetary assets is:

Financial assets	**Group 2019** Kshs '000	**Company 2019** Kshs '000
Amount due from Rwanda customers (note 25)	253,985	253,985
Cash and cash equivalents (note 34)	58,181	55,953
	312,166	309,938

USD	Change in currency rate	Effect on profit Before Tax Kshs '000	Effect on Equity Kshs '000
2019	-10.00%	(618)	(433)
	10.00%	618	433
2018	-10.00%	(1,552)	(1,086)
	10.00%	1,552	1,086

(c) *Liquidity risk*

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

The following table analyses the company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

At 30 June 2019	Up to 1 month Kshs '000	1 – 3 Months Kshs '000	3 - 12 months Kshs '000	over 1 year Kshs '000	Total Kshs '000
Financial assets					
Trade receivables	273,137	136,569	170,711	102,426	682,843
Other receivables and prepayments	-	-	123,723	-	123,723
Amount due from related parties	-	-	1,492,845	-	1,492,845
Bank balances and cash deposits	1,641,086	-	-	-	1,641,086
Total financial assets	1,914,223	136,569	1,787,279	102,426	3,940,497
Financial liabilities					
Total financial liabilities	(192,480)	(96,240)	(120,300)	(72,180)	(481,200)
Net liquidity gap	**1,721,743**	**40,329**	**1,666,979**	**30,246**	**3,459,297**

	Up to 1 month	1 – 3 Months	3 - 12 months	over 1 year	Total
At 30 June 2018					
Financial assets					
Trade receivables	299,254	149,627	187,034	112,220	748,135
Other receivables and prepayments	-	-	141,765	-	141,765
Amount due from related party	-	-	1,590,553	-	1,590,553
Bank balances and cash deposits	1,697,933	-	-	-	1,697,933
Total financial assets	1,997,187	149,627	1,919,353	112,220	4,178,387
Financial liabilities					
Total financial liabilities	(223,833)	(11,917)	(139,896)	(83,938)	(559,584)
Net liquidity gap	**1,773,354**	**37,710**	**1,779,457**	**28,283**	**3,618,804**

(d) *Operational risk*

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

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

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

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

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

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

39. CAPITAL MANAGEMENT

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

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

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

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

In the short to medium term, profits are distributed via dividends, and extra profits retained in the company are used to self-fund investing and operating activities. The company does not have any long-term debt. The company aims to maintain capital discipline in relation to investing activities.

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

	2019	2018
	Kshs '000	Kshs '000
Trade and other payables (note 31)	481,200	559,584
Less: Cash and other short-term deposits (note 34)	(1,572,680)	(1,632,377)
Net debt	(1,091,480)	(1,072,793)
Total Capital (Equity)	11,270,642	10,847,642
Capital and net debt	10,179,162	9,774,849
Gearing ratio	-10%	-10%

Though the company's gearing ratio is below its' lower end, the directors considers this to be favorable. There were no changes in the company's approach to capital management as regards the objectives, policies or processes during the year.

40. CASH FLOW ITEMS

		2019	2018	2019	2018
		Group		Company	
Depreciation & amortization:	Notes	Kshs '000	Kshs '000	Kshs '000	Kshs '000
PPE	16	285,401	272,177	264,168	254,756
Intangible	18	16,573	16,192	14,841	16,039
		301,974	**288,369**	**279,009**	**270,795**
Inventories:					
Opening Inventory	24	3,073,337	4,491,092	2,085,589	3,520,327
Closing inventory	24	3,214,865	3,073,337	2,438,707	2,085,589
cash Increase/decrease		**141,528**	**(1,417,755)**	**353,118**	**(1,434,738)**
Biological Assets:					
Opening Biological asset	22	177,937	81,958	177,505	81,865
Opening bearer restated	22	-	96,255	-	96,255
Closing Biological asset	22	233,259	177,937	232,683	177,505
cash Increase/decrease		**55,322**	**(276)**	**55,179**	**(615)**
Receivables:					
Opening Trade receivables	25	913,368	790,894	551,597	494,661
Opening current staff receivables	21	-	25,095	-	12,261
Closing Trade receivables	25	824,442	913,368	495,174	551,597
		(88,926)	97,379	(56,423)	44,676
Opening corporation tax	13c	96,703	45,486	57,499	9,940
Prior years' tax assessments		(55,242)	-	(55,242)	-
Closing corporation tax	13c	146,988	96,703	114,938	57,499
		(4,957)	51,217	2,197	47,559
Opening deferred tax asset	29b	16,091	19,358	-	-
Closing deferred tax asset	29b	15,928	16,091	-	-
		(163)	(3,447)	-	-
opening Staff receivables	21	3,540	5,407	3,540	5,407
Closing Staff receivables	21	2,460	3,540	2,460	3,540
		(1,080)	(1,867)	(1,080)	(1,867)
cash Increase/decrease		**(95,126)**	**143,282**	**(55,306)**	**90,368**
Payables:					
Opening Trade Payables	31	559,584	543,384	333,607	326,209
Closing Trade Payables	31	481,200	559,584	250,496	333,607
		(78,384)	16,200	(83,110)	7,397
Opening unclaimed dividends	32	9,751	9,766	9,751	9,766
Closing unclaimed dividends	32	9,203	9,751	9,203	9,751
		(548)	(15)	(548)	(15)
Opening Employee benefits	30	41,061	41,525	33,027	29,839
Closing Employee benefits	30	61,712	41,061	54,061	33,027
		20,651	(464)	21,035	3,188
Opening Deferred Tax	29c	713,198	682,127	713,198	682,127
Deferred tax adjustment		31,861	-	31,861	-
Closing Deferred Tax	29c	681,988	713,198	681,988	713,198
		650	31,071	650	31,071
Cash Increase/decrease		**(57,631)**	**46,791**	**(61,974)**	**41,640**

		2019	2018	2019	2018
		Group		Company	
Amounts from Parastatals:	notes	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Opening due from Parastatals	23	884,142	928,306	872,211	924,930
Closing due from Parastatals	23	963,772	884,142	930,084	872,211
		79,630	(44,164)	57,873	(52,719)
Opening due to Parastatals	23	33,228	10,507	33,228	10,507
Closing due to Parastatals	23	8,743	33,228	8,743	33,228
		(24,485)	22,721	(24,485)	22,721
Cash Increase/decrease		**104,116**	**(66,885)**	**82,359**	**(75,440)**
Amounts due from/to Directors:					
Opening due to Directors	23	20,443	13,954	20,443	13,954
Closing due to Directors	23	20,728	20,443	20,728	20,443
Cash Increase/decrease		**285**	**6,489**	**285**	**6,489**
Amounts due from/to Related Parties:					
Opening due from Related Parties	23	-	-	1,383,430	1,106,360
Closing due from Related Parties	23	-	-	1,284,298	1,383,430
		-	-	(99,132)	277,069
Opening due to Related Parties	23	-	-	88,870	2,889
Closing due to Related Parties	23	-	-	25,997	88,870
		-	-	(62,873)	85,980
Cash Increase/decrease		**-**	**-**	**(36,260)**	**191,089**
Finance Costs:					
Finance Costs paid during the year	12	**18,901**	**57,998**	**5,741**	**36,271**
Finance income:					
Finance income during the year	12	**(23,573)**	**(4,267)**	**(18,710)**	**(4,112)**
Tax Paid:					
Tax paid during the year	13	**320,688**	**326,557**	**321,399**	**310,286**
Purchase of property, plant and equipment:					
Additions	16	**90,554**	**108,916**	**34,908**	**43,782**
Purchase of intangible assets					
Additions	18	**3,279**	**23,240**	**-**	**22,423**
Gain/loss on bearer assets					
Gain	22c	**(2,023)**	**(25,092)**	**(2,023)**	**(25,092**

41. SEGMENTAL INFORMATION

Business segments

The Group carries on the business of seed growers and seed merchants. It operates a seed maize shelling and drying plant and a small cereals drying plant. The Group also imports, produces and distributes vegetable seeds under the brand name of "Simlaw" seeds. Over 99% of the business of the Group involves production and sale of seeds hence segment analysis based on business lines is not deemed useful in these financial statements.

Geographical segments

The Group is organized on a regional basis into three main geographical segments:

- Kenya
- Tanzania
- Uganda

The analysis below is the summary of the Group's results, assets and liabilities by geographical segments:

	Kenya	Tanzania	Uganda	Eliminated on consolidation	Total
Statement of comprehensive income	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Year ended 30 June 2019					
Operating income					
External	6,083,333	328,101	274,042	-	6,685,476
Inter-segment	(899,072)	-	-	-	(899,072)
Total operating income	5,184,260	328,101	274,042	-	5,786,404
Segment profit	**60,668**	**(97,662)**	**(1,852)**	**-**	**(38,847)**
Statement of financial position:-					
Segment total assets	13,652,677	457,584	290,311	(1,806,960)	12,593,612
Segments liabilities	1,320,304	650,349	451,017	(1,780,688)	640,982
Non operating liabilities	681,988	-	-	-	681,988
Total liabilities	**2,002,291**	**650,349**	**451,017**	**(1,780,688)**	**1,322,970**
Other information:-					
Additions to property, plant and equipment	60,333	25,642	4,579	-	90,554
Additions to intangible assets	3,000	-	279	-	3,279
Depreciation of property, plant and equipment	271,453	12,974	974	-	285,401
Amortization of intangible assets	14,841	(223)	-	-	14,618
Provision for obsolete inventories	195,640	1,006	-	-	196,646
Provision for bad and doubtful debts	34,272	-	-	-	34,272
Bad debts recovered	10,021	-	-	-	10,021
Finance cost	16,262	718	1,922	-	18,901
Finance income	18,710	-	4,863	-	23,573
Income tax	280,635	-	-	-	280,635
Effects of discounting of staff receivables	-	-	-	-	-
	905,165	**40,116**	**12,616**	**-**	**957,898**
Off balance sheet items:					
Capital expenditure commitments	341,040	-	-	-	341,040
Operating lease commitments	-	-	-	-	-
Total	**341,040**	**-**	**-**	**-**	**341,040**

Inter-segment revenues are eliminated upon consolidation and reflected in the 'Eliminated on consolidation'

Statement of comprehensive income	Kenya Kshs'000	Tanzania Kshs'000	Uganda Kshs'000	Eliminated on consolidation Kshs'000	Total Kshs'000
Year ended 30 June 2018					
Operating income					
External	6,543,352	366,490	272,480	-	7,182,322
Inter-segment	(956,214)	-	-	-	(956,214)
Total operating income	5,587,138	366,490	272,480	-	6,226,108
Segment profit	**239,132**	**(9,680)**	**4,323**	**-**	**233,775**
Statement of financial position:-					
Segment total assets	13,404,776	487,017	266,081	(1,871,113)	12,286,762
Segments liabilities	1,583,138	582,726	417,995	(1,857,938)	725,921
Non operating liabilities	713,198	-	-	-	713,198
Total liabilities	**2,296,337**	**582,726**	**417,995**	**(1,857,938)**	**1,439,119**
Other information:-					
Additions to property, plant and equipment	67,860	19,546	21,511	-	108,916
Additions to intangible assets	22,423	651	166	-	23,240
Depreciation of property, plant and equipment	262,460	9,214	504	-	272,177
Amortization of intangible assets	16,039	153	-	-	16,192
Provision for obsolete inventories	250,177	-	-	-	250,177
Provision for bad and doubtful debts	30,154	-	-	-	30,154
Bad debts recovered	5,913	-	-	-	5,913
Finance cost	44,919	2,126	10,953	-	57,998
Finance income	4,112	-	155	-	4,267
Income tax	341,074	-	-	-	341,074
Effects of discounting of staff receivables	-	-	-	-	-
	1,045,130	**31,690**	**33,287**	**-**	**1,110,108**
Off balance sheet items:					
Capital expenditure commitments	419,068	-	-	-	419,068
Operating lease commitments	82,923	10,894	-	-	93,817
Total	**501,991**	**10,894**	**-**	**-**	**512,885**

Segmental Income Statement for the year ended 30 June 2019

	Kenya Seed Co. Kshs '000	Simlaw Kenya Kshs '000	Tanzania Kshs '000	Uganda Kshs '000	Group Total Kshs '000
Revenue	4,578,546	1,502,764	328,101	274,042	6,683,453
Cost of Sales	(2,738,823)	(1,136,935)	(235,233)	(219,211)	(4,440,035)
Gross Profit	**1,839,723**	**365,829**	**92,868**	**54,831**	**2,243,418**
Other Income	27,336	14,510	227	-	42,072
Operating Expenses	(1,485,754)	(312,957)	(190,039)	(59,625)	(2,048,375)
Finance Costs	(5,741)	(10,521)	(718)	(1,922)	(18,901)
Finance Income	18,710	-	-	4,863	23,573
Profit before Tax	**394,275**	**56,861**	**(97,662)**	**(1,852)**	**241,788**
Tax	(261,075)	(19,560)	-	-	(280,635)
Profit after Tax	**133,200**	**37,301**	**(97,662)**	**(1,852)**	**(38,847)**

Segmental Income Statement for the year ended 30 June 2018

	Kenya Seed Co. Kshs '000	Simlaw Kenya Kshs '000	Tanzania Kshs '000	Uganda Kshs '000	Group Total Kshs '000
Revenue	5,154,062	1,389,290	366,490	272,480	7,182,322
Cost of Sales	(3,193,476)	(1,093,132)	(207,719)	(203,720)	(4,781,852)
Gross Profit	**1,960,586**	**296,158**	**158,772**	**68,760**	**2,400,471**
Other Income	50,621	8,599	142	199	59,561
Operating Expenses	(1,359,447)	(251,698)	(166,468)	(53,839)	(1,831,452)
Finance Costs	(36,271)	(8,648)	(2,126)	(10,953)	(57,998)
Finance Income	4,112	-	-	155	4,267
Profit before Tax	**619,601**	**44,410**	**(9,680)**	**4,323**	**574,849**
Tax	(326,623)	(14,451)	-	-	(341,074)
Profit after Tax	**292,978**	**29,959**	**(9,680)**	**4,323**	**233,775**

Segmental Statement of Financial Position as at 30th June 2019

	KSC 2019 Kshs '000	Simlaw Kenya 2019 Kshs '000	Tanzania 2019 Kshs '000	Uganda 2019 Kshs '000	Elimination on Consolidation	Group Total 2019 Kshs '000
Non-Current Assets	5,440,761	210,696	108,830	30,131	(55,696)	5,734,722
Inventories	2,438,707	589,995	208,705	87,292	(109,833)	3,214,865
Receivables	3,103,907	314,833	129,957	98,800	(1,641,430)	2,006,068
Cash and Bank	1,377,581	110,920	10,092	74,087	-	1,572,680
Other Assets	48,774	16,503	-	-	-	65,277
Total Assets	**12,409,731**	**1,242,947**	**457,584**	**290,310**	**(1,806,960)**	**12,593,612**
Shareholders' Funds	11,358,515	291,871	(192,765)	(160,707)	(26,272)	11,270,642
Long-Term Liabilities	702,716	-	-	-	-	702,716
Payables	250,496	87,182	90,915	51,474	-	480,067
Other Payables	98,004	804,496	559,434	399,543	(1,780,688)	80,790
Bank loan	-	59,397	-	-	-	59,397
Over-Drafts	-	-	-	-	-	-
Total Liabilities	**12,409,731**	**1,242,947**	**457,584**	**290,310**	**(1,806,960)**	**12,593,612**

Inter-segment revenues are eliminated upon consolidation and reflected in the 'Eliminated on consolidation' column.

Segmental Statement of Financial Position as at 30th June 2018

	KSC 2018 Kshs '000	Simlaw Kenya 2018 Kshs '000	Tanzania 2018 Kshs '000	Uganda 2018 Kshs '000	Elimination on Consolidation	Group Total 2018 Kshs '000
Non-Current Assets	5,335,233	148,612	96,168	25,095	(55,696)	5,549,411
Inventories	2,085,589	713,948	244,386	113,218	(83,805)	3,073,337
Receivables	3,140,957	325,561	123,505	104,897	(1,731,611)	1,963,309
Cash and Bank	1,514,468	72,313	22,725	22,871	-	1,632,377
Other Assets	51,805	16,291	232	-	-	68,328
Total Assets	**12,128,051**	**1,276,725**	**487,017**	**266,081**	**(1,871,113)**	**12,286,762**

Shareholders' Funds	10,895,927	212,512	(95,709)	(151,913)	(13,175)	10,847,642
Long-Term Liabilities	733,642	-	-	-	-	733,642
Payables	333,607	106,913	53,000	66,064	-	559,584
Other Payables	164,875	895,446	529,726	351,930	(1,857,938)	84,040
Bank loan	-	61,854	-	-	-	61,854
Over-Drafts	-	-	-	-	-	-
Total Liabilities	**12,128,051**	**1,276,725**	**487,017**	**266,081**	**(1,871,113)**	**12,286,762**

42. CONTINGENT LIABILITIES

	2019	2018
	Kshs '000	Kshs '000
Pending litigation claims	53,590	53,590
Claim by a former employee	2,000	2,000
Claim by former contractor	786,477	786,477
Claim by supplier (CHEMRECTIC CO. LTD)	6,000	6,000
	848,067	848,067

Pending litigation claims

The pending litigation claims relate to cases instituted by third parties against the Company. Judgment in respect of these cases had not been determined as at 30 June 2019. Based on the advice by the Company's lawyers, the directors are of the opinion that no liabilities will crystallize. Therefore, no provision has been made for the amount in these financial statements.

Claims by a former employee

The claims by a former employee are in respect of a claim for wrongful dismissal. In the opinion of the directors, the claim may not crystallize since the employee was dismissed by the Minister for Agriculture who was exercising his powers under Section 6 of the State Corporations Act and not the Company. The final outcome is subject to court decision.

Claim by former contractor

There is a claim pending against the company by Kitek (K) Limited for unlawful termination of contract before arbitration in which the company is seeking Kshs 786 million arising from a building contract. Based on the advice by the Company's lawyers, the directors are of the opinion that no liabilities will crystallize. Therefore, no provision has been made for the amount in these financial statements.

Claim by a supplier

The supplier, Chemrectic company limited supplied a machine that was not fit for purpose and the company did not pay them for the machine. They filed suit in court demanding payment. The company put in a defense claiming that the machine as supplied did not meet the specifications and in any event was supplied without following due process.

43. FAIR VALUES

In the opinion of the directors, the carrying value of the company's financial assets and liabilities on the statement of financial position approximate their fair values. The loans to related party have no specific repayment period. Therefore, their fair value cannot be measured reliably.

44. INCORPORATION AND ULTIMATE HOLDING ENTITY

The Company is domiciled and incorporated in The Republic of Kenya under the Companies Act, Cap 486, Laws of Kenya. The company is a state corporation by virtue of majority shareholding by government through Agricultural Development Corporation (ADC) at 52.88%.

45. CURRENCY

These financial statements are presented in thousands of Kenya Shillings (Kshs '000).

46. COMPARATIVE INFORMATION

Where necessary, prior year comparative figures have been adjusted/extended to conform to changes in presentation in the current year. These changes did not have impact on results for the year, or on the net asset position of the Company.

47. EVENTS AFTER THE REPORTING DATE

No material events or circumstances have arisen between the accounting date and the date of this report.

CABBAGE

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Audit Report Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Expected Date of Resolution
1.1	**Land** The Statement of Financial Position as at 30 June 2018 reflects non-current assets balance of Kshs 5,569.042,000 which includes Land figure of Kshs 2,389,603,000 as disclosed in note 17 to the financial statement which is at variance with the Land register figure of Kshs 2,577,195,000 resulting in an unexplained difference of Kshs 187,592,000. Consequently, the accuracy and completeness of the land figure of Kshs 2,389,603,000 as at 30 June 2018 could not be confirmed.	The land value as per valuation report (and which is in the Financial Statements) was Kshs. 2,389,603,000. The Land value as per the Land Register was Kshs 2,577,195,000. The Difference is the deemed value of two parcels of land which were not valued by the Highland Valuers Limited citing unavailability of copies of title deeds to facilitate land search. The management adopted a value of Kshs. 335,000 per acre which was the value of land adjacent to the two parcels of land measuring 364.99acres and 192 acres respectively to ensure these parcels appears at a cost in the Land Register, but used the figure in the Valuation Report in the Financial Statements for 30th June 2018	Head of Finance	The two parcels of land were valued and report submitted on 29th June 2019 and the value stands at Kshs. 278,500,000 and it has been recognized in the financial statement for the 30th June 2019. Resolved	N/A
1.2	**Unconfirmed Land Ownership** Included in the Land figure of Kshs 2,389,603,000 are two parcels of Land registration L.R.N.O. 2989/6 with acreage of 364.99 acres and registration No. L.R.N.O 2989/9 of 192 acres in Endebess within Trans Nzoia County valued at Kshs 186,595,000 whose title deeds were not availed for audit verification. Although the management indicated that the title deeds were held by the Kenya Commercial Bank as security for loans advanced to the company, the bank confirmation certificate from Kenya Commercial Bank did not indicate whether these two titles were among the documents held by the bank for Kenya Seed Company. As a result, the validity, safety and ownership of the two parcels of	The documents in the company records clearly indicated that the two parcels of land were charged to KCB for facility negotiated in 14th November 2001. No records confirm that the titles were released to the company. The company will follow to ensure the documents are released back because the facility was cleared. The agreement between the bank and the company has been shared with the auditors. The follow up with KCB is on progress with the Company Secretary office to have the title released.	Company Secretary	Not Resolved	31st December 2019

Audit Report Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Expected Date of Resolution
	land valued at Kshs 186,595,000 could not be ascertained.				
1.3	**Motor Vehicle** Included in the Property, Plant and Equipment balance of Kshs 2,923,272,000 reflected in the Statement of Financial Position is net motor vehicle figure of Kshs 98,845,000 as disclosed under note 16(a) to the financial statements. However, the logbooks for vehicle KBG 380C valued at Kshs 1,655,965.50, KBG 384C valued at Kshs 1,655,965.50, KCD 166G valued at Kshs 9,789,878 and KAQ 253W valued at Kshs 650,000 were not made available for audit verification. Under the circumstances, the existence and ownership of motor vehicles valued at Kshs 98,845,000 as at 30 June 2018 could not be confirmed.	For Motor vehicles registration numbers KBG 380C, KCD 166G and KBG 384C log books got lost and the company has done a formal request for replacement through the NTSA portal. For Motor vehicles registration number KAQ 253W log books got lost and the company will initiate the process of replacement of the logbooks.	Company Secretary	The replacement of the log books for vehicles KBG 380C, KBG 384C and KCD 166G has been successful and the company has obtained the logbooks. The replacement of the log book for the vehicle KAQ 253W is in progress. Partially Resolved	31st December 2019
1.4	**Tractors, Trailers and Forklifts** The statement of Financial Position as at 30 June 2018 reflects Property, Plant and Equipment figure of Kshs 2,923,272,000 out of which Kshs 31,064,000 relates to tractors, trailers and forklifts as disclosed under note 16(a) to the financial statements. However, logbooks to tractors KAN 369V valued at Kshs 800,000 and KBL 167G valued at Kshs 7,000,200 were not made available for audit verification. Consequently, the existence and ownership of the tractors, trailers and forklifts of net book value of Kshs 7,800,200 could not be confirmed as at 30 June 2018.	The logbooks for tractors KAN 369V and KBL 167G were lost and the process of replacement has been initiated. The replacement of the log books is in progress.	Company Secretary	Not Resolved.	31st December 2019
1.5	**Valuation of Land and Building** As similarly reported in the previous year 2016/2017, note 16(a) to the group financial statements reflect free hold land and residential building totaling Kshs 2,778,310,000 at cost or	The company conducted valuation of all company assets in October 2015 and the valuation was based on the market value of the assets and the same was adopted by the company. Currently the land value stands in our books at Kshs. 2,389,603,000.	Head of Finance	Resolved	N/A

Audit Report Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Expected Date of Resolution
	valuation. It was further reported that the records available for audit review indicated that in the year 2008, a consultant was engaged to revalue the company assets in line with the IAS where land and building were valued at Kshs1,570,489,000 and Kshs. 1,539,001,000 respectively. However, the client adopted a conservative cost and valuation of Kshs 1,372,737,000 on land and buildings. In consequence, it has not been possible to ascertain whether, the group net property, plant and equipment balance of Kshs 2,923,272,000 as at 30 June 2018 is fairly stated. In view of the foregoing, the accuracy, completeness, existence, safety and valuation of the current non-current assets balance of Kshs 5,569,042,000 as at 30 June 2018 could not be ascertained.	Therefore, the historical cost of assets adopted in the 2008 valuation was corrected by the October 2015 valuation. The company land and building at held at the market value as per the valuation done in October 2015. *Management will discuss with the auditor to understand the reasons for retaining this audit comment and resolve accordingly.*			
2.0	**Trade and Other Receivables-Marketing Stores Cashbox Debtors** The statement of financial position as at 30 June 2018 reflects trade and other receivables figure of Kshs 889,901,000 as disclosed under note 25 to the financial statements which includes trade receivables figure of Kshs 1,442,591,000 out of which Kshs 15,069,014 relates to Marketing stores cashbox debtors. However, no schedules were produced to support marketing stores cashbox debtors' figure of Kshs 15,069,014. Consequently, it has not been possible to confirm the accuracy and completeness of the marketing stores cashbox debtor figure of Kshs 15,069,014 as at 30th June 2018.	The schedules were availed to the Auditor *Management will discuss with the auditor to understand the reasons for retaining this audit comment and resolve accordingly.*	Head of Finance	Resolved	N/A
3.0	**Administration Expenses-Irregular Procurement and Payment of Security Services** Kenya Seed Company Ltd during the year awarded security	Direct Procurement was used to source for security guarding services from M/S Lavington Security Ltd. A tender document was not prepared. However, negotiations were carried	Procurement Manager	Resolved	N/A

Audit Report Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Expected Date of Resolution
	services contract to the Gillys Security & Investigation Services Ltd for annual contract sum of Kshs 29,690,400 but due to non-performance the contract was terminated vide letter ref. KSC/CS/187/07/2017 dated 31 July 2017 and another contract signed between the company and M/s Lavington Security Ltd to provide the services for a period of 5 months to 31 December 2017. The contract was renewed on 11 December for 6 months with effect from 1 January 2018. However, examination of the documents provided for audit revealed that the services procured from M/s Lavington Security were through direct procurement. No tender documents were prepared to form the basis for negotiations as required by section 104 of the Public Procurement and Disposal Act 2015. Further, the contract signed included provision of security services to some areas which were not in the jurisdiction of the Kenya Seed Company. No explanation was provided by Management for providing security services to other independent entities. In the circumstances, the proprietary of Kshs 4,280,000 security services expenditure could not be confirmed as at 30 June 2018.	out based on the tender prices from the 2nd lowest bidder in the same tender KSC/T/SGS/12/2015/2016 award dated 21st January 2016. We have also noted section 104 of the Public Procurement and Asset Disposal Act and we are currently adhering to the due process. The practice of the company has been to procure security services including for Simlaw Seeds Kenya *Management will discuss with the auditor to understand the reasons for retaining this audit comment and resolve accordingly.*			
4.0	**Long Outstanding Travel Sales Persons Debt** The statement of financial position reflects net trade and other receivables figure of Kshs 889,901,000 as disclosed under note 25 of the financial statements out of which a figure of Kshs 1,442,591,000 relate to trade receivables. Examination of records revealed that out of the trade receivables of Kshs 1,442,591,000 there was an	As explained to the Auditor, travelling sales balances relate to disputed balances arising from un-accounted for stocks issued towards Field sales. The biggest challenge is lack of documentation to support the debts due to the fire incident in the year 2004. Since then most of the sales officers have already exited the service while others are deceased.	Head of Finance	Unresolved	31st December 2019

Audit Report Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Expected Date of Resolution
	amount of Kshs 11,698,052 that related to the sale officers who were allowed to sell seeds to farmers and stockists during their route visits. However, scrutiny of the documents produced for audit revealed that these debts have been outstanding since 2008. No reason was provided by Management for failure to recover the debts. No provision has been in the financial statements in respect to these long outstanding debts. Consequently, the validity, accuracy and recoverability of the trade receivables balance of Kshs 11,698,052 as at 30 June 2018 could not be ascertained.	However, efforts are being made to recover from those who are still in service and the management is in the process of requesting for approval from the Board to write off the debts which are unrecoverable. These Amounts have been provided for in the Financial Statements			
5.0	**Provision for Raw Maize Obsolete Stocks** The statement of profit and loss and other comprehensive income reflects a figure of Kshs 539,621,000 under administrative expenses out of which an amount of Kshs 250,177,000 was for provision of obsolete stocks. Examination of records made available for audit revealed that varieties of raw maize worth Kshs 217,848,520 was infected with Maize Lethal Necrosis Disease (MLND) and slow germination as reported by Kephis. Physical verification of the stores revealed that these slow germinations and infected raw maize was held in stores hence increasing the cost of storage. No reason was provided by the management on why these obsolete stocks were not disposed leading to voidable loss.	The process of disposal of low germinating seeds as clearly spelt out by the audit findings and the company's policy must be approved by the Board prior to disposal. Most of the KEPHIS Certificates of these seeds were received towards the end of the financial year. The company had not obtained the Board approval at the end of the Financial Year. The Board approval was obtained and the process of disposal is ongoing	Disposal Committee	Not Resolved.	31st December 2019
1	**Failure to Observe One Third Rule for Staff Establishment** An examination and analysis of the human resource records of the Kenya Seed Company Ltd revealed that during the year under review the company recruited seventeen (17) members	The Company strives to ensure compliance with the 33% ethnic requirement as provided for under the Act. However, it is clarified that the current trend in staff composition is attributed to the Company's location which is predominantly occupied by two ethnic Groups. The region is a	Head of HR	Not Resolved	To Be Determined

Audit Report Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Expected Date of Resolution
	of staff as at 30 June 2018. However, it was observed that 53% of the staff recruited were from the dominant ethnic community contrary to part III section 7(2) of the National Cohesion and Integration Act, No. 12 of 2008. As a result, the management is in breach of the law.	major catchment area for manpower to the Company particularly the lower cadre as is largely the case during the recruitment in FY2017/18. Notwithstanding the above the company will strive to comply with the requirements on ethnic composition and has made deliberate efforts to ensure there is balance in its recruitment for established positions. Such efforts include ensuring that there is adequate publicity for vacant positions in the company to afford equal opportunity to those eligible.			
2	**Amount Due from Government and Parastatals** The statement of financial position as at 30 June 2018 reflects the amounts due from Parastatals and other Government controlled organizations of Kshs 884,142,000 as disclosed under note 23(c) to the financial statements out of which an amount of Kshs 871,449,000 has been outstanding for over three (3) months period; Ministry of Agriculture Kshs 745,342,000, County Governments, Kshs 54,108,000, Kenya Farmers Association Kshs 46,002,000, NCPB Kshs 25,191,000 and KARI Kshs 806,000. Under the circumstances, the validity and recoverability of the Kshs 871,449,000 due from the Parastatals and other Government controlled organizations as at 30 June 2018 could not be confirmed.	The management recognizes that this category of Government and related entities are slow payer but a low risk as any seed supplies to the government is eventually paid. Management will continue to follow up the payment.	Head of Finance	Not Resolved	To Be Determined
3	**Unsurrendered Imprest** Included in the gross staff receivables figure of Kshs 100,593,000 as disclosed in note 21 to the financial statements is Imprest figure of Kshs 4,083,262 as at 30 June 2018. Available information revealed that some staff had multiple Imprests contrary to the company policy. In the circumstances, the institution was in breach of its own financial	Management has implemented a strict Policy of ensuring Nil advance to staff with unaccounted balances. This will be evidenced to the Auditor in the next Audit	Head of Finance	Resolved	N/A

Audit Report Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Expected Date of Resolution
	regulations.				
4	**Unpaid Postdated Cheques** During the year under review, the Kenya Seed Company Ltd has accumulated unpaid post-dated cheques totaling to Kshs 29,229,996. These cheques have remained unpaid for a considerably very long period contrary to the company's policy. Consequently, the effectiveness of the company's cash flow management could not be confirmed.	The circumstances such as presented in the sample arose as a result of staff in particular branch flouting the policy mainly in our Eldoret Branch Corrective measure was taken by the management as soon as the anomaly was sighted and administrative action was taken on the concerned staff. Management has continued to follow up the collection of this debt from the customers	Head of Finance	Not Resolved	30th June 2020

NB: Guidance Notes:

(i) Use the same reference numbers as contained in the external audit report;

(ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;

(iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;

(iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

....	....
Mr. Azariah Soi	**Hon. Nathan Anaswa**
Managing Director	**Chairman of the Board**
.... 2020	**6 / 2 / 2020**

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

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

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

Status of Projects completion

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

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

APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:			
	Break down of Transfers from the State Department of Crop Development			
	FY 2017/2018			
a.	**Recurrent Grants**			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		N/A	N/A	N/A
		Total	N/A	N/A
b.	**Development Grants**			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		N/A	N/A	N/A
		Total	N/A	N/A
c.	**Direct Payments**			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		N/A	N/A	N/A
		Total	N/A	N/A
d.	**Donor Receipts**			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		N/A	N/A	N/A
		Total	N/A	N/A

The above amounts have been communicated to and reconciled with the parent Ministry.

Head of Finance
Kenya Seed Company Ltd

Sign.......................... Kaniu

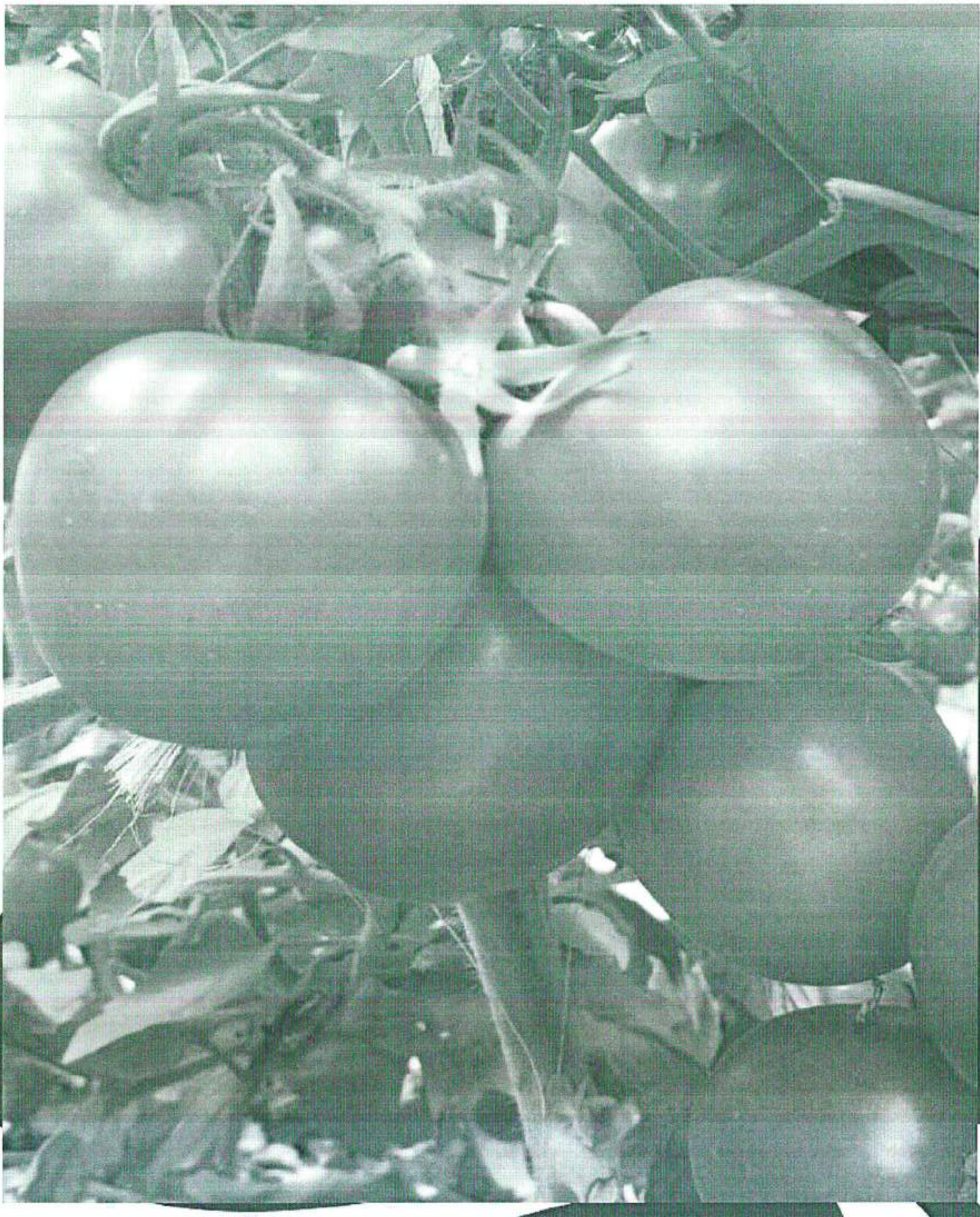
Head of Accounting Unit
Ministry of Agriculture, Livestock, Fisheries & Irrigation

Sign...........................

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

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

TOMATOES



Plant three rows of peas:
Peace of mind
Peace of heart
Peace of soul

Plant three rows of squash:
Squash indifference
Squash selfishness
Squash hate

Plant three rows of lettuce:
Lettuce be kind
Lettuce love one another
Lettuce grow our own food

Water freely with patience and
cultivate with love.
There is so much fruit in your garden
because you reap what you sow.