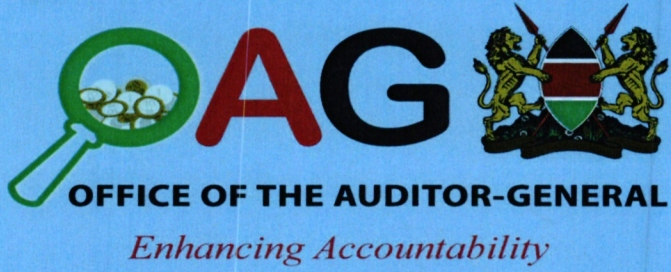

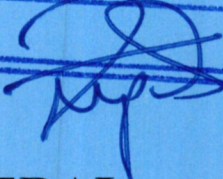


REPUBLIC OF KENYA



PARLIAMENT
OF KENYA
LIBRARY

REPORT

 THE NATIONAL ASSEMBLY PAPERS L.A.T.D	
DATE:	24 NOV 2021
DAY:	WED
TABLED BY:	L.O.M
OFFICER-AT-THE-TABLE:	 HTO

THE AUDITOR-GENERAL

ON

KIBO SEED COMPANY LIMITED

**FOR THE YEAR ENDED
30 JUNE, 2019**



KIBO SEED COMPANY LIMITED
UBORA WA KUAMINIKA



**Annual Report and Financial Statements
For the Financial Year Ending June 30, 2019**

P.O BOX 25 ARUSHA
Mobile: +255 785 555 112, +255 759 492 222
Email: info@kiboseeds.co.tz
www.kiboseeds.co.tz

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

Table of Contents

1.0	CORPORATE INFORMATION.....	1
1.1	Our seed business.....	3
1.2	Our Seed Brands	3
1.2.1	<i>Hybrid Seed Maize</i>	3
1.2.2	<i>Sunflower Seed</i>	3
1.2.3	<i>Pasture Seed</i>	3
1.2.4	<i>Indigenous Vegetables</i>	3
1.2.5	<i>Horticulture and other Crops</i>	3
1.3	Where We Operate.....	3
2.0	BOARD OF DIRECTORS	4
3.0	MANAGEMENT TEAM.....	7
4.0	CHAIRMAN'S STATEMENT	8
5.0	REPORT OF THE CHIEF EXECUTIVE OFFICER.....	9
6.0	STATEMENT OF CORPORATE GOVERNANCE.....	11
6.1	Board of Directors	11
6.2	Board Meetings.....	12
7.0	CORPORATE GOVERNANCE STATEMENT.....	12
7.1	Governance Principals	12
7.2	Board Evaluation	12
7.3	Directors' Remuneration.....	13
7.4	Code of Conduct	13
7.5	Internal Control.....	13
7.6	Conflicts of Interest	13
7.7	Going Concern.....	13
7.8	Company Shareholding.....	13
7.9	Director's Shareholding.....	14
7.10	Independence	14
7.11	Activities and Achievements	14
8.0	MANAGEMENT DISCUSSION AND ANALYSIS.....	15
8.1	Background.....	15
8.2	The entity's operational and financial performance	15
8.2.1	<i>Revenues</i>	15
8.2.2	<i>Profit before Tax</i>	16
8.2.3	<i>Cash and Cash Equivalents</i>	16
8.2.4	<i>Entity's compliance with statutory requirements</i>	16

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

8.2.5	Key projects and investment decisions the entity is planning/implementing.....	17
8.2.6	Major risks facing the entity.....	17
8.2.7	Material arrears in statutory/financial obligations	19
8.2.8	The entity's financial probity and serious governance issues.....	19
9.0	CORPORATE SOCIAL RESPONSIBILITY STATEMENT	19
10.0	REPORT OF THE DIRECTORS.....	20
10.1	Principal Activities	20
10.2	Results.....	20
10.3	Auditors	20
11.0	STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	21
11.1	Approval of the financial statements	22
12.0	FINANCIAL STATEMENTS.....	23
12.1	Statement of Comprehensive Income for the year ended 30 th June 2019.....	23
12.2	Statement of Financial Position as at 30 th June 2019.....	24
12.3	Statement of Changes in Equity for the year ended 30 th June 2019	25
12.4	Statement of Cash Flows for the year 30 th June, 2019.....	26
13.0	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	27
13.1	Maize seed:	28
13.2	Vegetable & Sunflower	28
13.3	Chemicals.....	28
13.4	Pastures & Miscellaneous:.....	28
13.5	Employment costs:.....	28
13.6	Administration Expenses	29
13.7	Selling and distribution expenses.....	29
13.8	Finance costs.....	29
13.9	Research and Development expenses:.....	29
14.0	NOTES TO THE FINANCIAL STATEMENTS	30
	ACCOUNTING CONCEPTS AND CONVENTIONS.....	30
	APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING	
	STANDARDS (IFRS).....	31
	APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING	
	STANDARDS (IFRS).....	39
	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	39
	APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	56
	APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY	58
	APPENDIX III: INTER-ENTITY TRANSFERS	59
	APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES.....	60

1.0 CORPORATE INFORMATION

VISION

“To be the preferred supplier of top-quality certified seed in Tanzania and beyond”

MISSION

“To avail quality certified seeds through best agronomic and value adding technologies to the satisfaction of our customers”

CORE VALUES

Teamwork: 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 entity during the year were as follows:

Non-Executive

Mr. Simon Cherogony	Chairman	-	Appointed on 7 th February 2017
Dr. Nathaniel Tum	Member	-	Appointed on 7 th February 2017
Mr. Abraham Koech	Member	-	Alternative Director to the Principal Secretary The National Treasury

Executive

Mr. Azariah Soi	Managing Director
-----------------	-------------------

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

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

Registered office and Principal place:

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

Principal Bankers

National Bank of Commerce Limited
Arusha Branch,
P.O Box 3004,

Stanbic Bank Tanzania Limited
Arusha Branch,
P.O Box 3062
Arusha, Tanzania

Kenya Commercial Bank Limited
Arusha Branch
P.O Box 3053
Arusha

National Micro Finance Bank Limited
Makambako Branch
P.O Box 1030
Makambako, Iringa

Independent and Principal Auditors

Auditor General
Kenya National Audit Office
P.O. Box 30084 – 00100 GPO
Nairobi, Kenya

Principal Lawyers

Kinabo & Co Advocates,
P.O Box 825,
Arusha

Branches

Mbeya Branch
P.O Box 2198,
Mbeya, Tanzania.

Mwanza Branch
P.O. Box 3149,
Mwanza, Tanzania.

Makambako Branch
P.O. Box 426,
Makambako, Tanzania.

Morogoro Branch
P.O Box 4186,
Morogoro, Tanzania

What we do:

1.1 Our seed business

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

1.2 Our Seed Brands

1.2.1 Hybrid Seed Maize

The varieties are: H628, H625, H614, H513, H519, DH04, and PH04

1.2.2 Sunflower Seed

These varieties perform well at altitude between 1200 and 2400 metres above sea level. They are: Kenya Fedha & 4038, 4088 under registration.

1.2.3 Pasture Seed

The pasture varieties include: Boma Rhodes, Elmba Rhodes, Nandi Seteria, Nasiwa Seteria, Coloured Guinea, Desmodium, Lucerne, Sudan Grass, Columbus Grass, Oats,

1.2.4 Indigenous Vegetables

The indigenous vegetables are: Amaranthus (Terere), Spider Plant (Saga), Night Shade (Managu), Jews Mallow (Murere/Mrenda), Crotolaria (Miro/Mito), Kunde Mboga.

1.2.5 Horticulture and other Crops

These are: Gloria F1, Pruktor F1, Spinach Fordhook Giant, Collard Simlaw Select, Riogrande, Cal J VF, Nyota F1, Red Creole, Bombay Red, California Wonder, Carrot Nantes, Squash Ambassador F1, Peas, Cucumber Ashley, Coriander Dania, Watermelon Sugar Baby, Watermelon Crimson Sweet, watermelon Zawadi F1, Watermelon Princes, Watermelon Juliana.

1.3 Where We Operate

Mbeya Branch	Mbeya Province	
Mwanza Branch	Mwanza Province	
Makambako Branch	Njombe Province	
Morogoro Branch	Morogoro Province	
Arusha Branch	Arusha Province	

2.0 BOARD OF DIRECTORS



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 R& D 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).



Simony 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 as 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 the Trustee and Vice Chairman of United States International University-Africa (1997-2007) as well as the Chairman of Moi University Council. He was Chairman of the Kenya National Shipping Lines Ltd from (2013-2016). He holds Diploma in Science Education, Bachelor of Law (LL.B) 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 also 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).



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).



Ms. Wilkister Simiyu

Ms. 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 CPS (K) holder and currently pursuing a Master of Laws. She joined the company in October 2016.

3.0 MANAGEMENT TEAM

The Company has a diverse and dedicated management team that assists the Managing Director in his role of achieving the company's strategic objectives. The Leadership team of Kibo Seed Company Limited and their roles which reports directly to the Managing Director as at 30th June 2019 is as set out below:



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.



C.P.A Gabrael Matanda was born on 7th July 1976 and is the System Analyst of Kibo Seed Company Ltd a Subsidiary of Kenya Seed Company Since 2016. Previously he was Chief Accountant Simlaw Seed Company Ltd for 3years and an Accountant at Kenya Seed Company Ltd for 11 years. He holds Masters Degree in Strategic Management from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Bachelors degree in Business Management Information Technology (BMIT) from Kabarak University, has both CPA (K) and CPS (K) from Strathmore and a Member of (ICPAK) in good standing. Has over 17 years work experience in finance, accounting, strategic planning and operations.



4.0 CHAIRMAN'S STATEMENT

Dear Shareholders,

I am privileged to present to you the annual report of financial statements of Kibo Seed Company for the year ended 30th June 2019.

The company managed to post a fair performance results despite a lot of challenges among them inadequate rainfall, stock outs of popular varieties and delayed supply.

Business Environment Overview

The global economy slumped 2.6% in 2019 compared to a growth of 3% in 2018 occasioned by constrained global trade and subdued investment. Closer home, The East Africa Community GDP is estimated to have dropped by 5.9% compared to 7% in 2018. The drop was caused by depreciation of local currency against the international currencies fuelled by stringent government policies affecting public infrastructure investment, buoyant private consumption and high oil prices.

Tanzania's economy experienced a relatively conducive environment for growth during the first three Quarters of 2019. However, the last quarter's growth was undermined by a severe drought

and non-exportation to East Africa States.

The agricultural sector, which continues to be the mainstay of Tanzania's economy contributing 30% of the GDP, experienced mixed results with maize. Sunflower and vegetables sub sectors recording fair prices in the international market. The seed subsector faced ordinary challenges with decrease in prices of commercial maize de-motivating many farmers to reduce their acreage of commercial maize crop therefore affecting the demand for certified seed negatively.

Financial Review

We regret to report that the Company posted poor performance in the year under review. The Company recorded over 100% decline in profit before tax from Tshs (210) million in 2018 to Tshs(2.2) billion for the year ended 30 June 2019.

Seed Supply

The company made significant progress in countering seed shortage by engaging in local production agreements to take effect in the coming financial year seed acreage under irrigation by enhancing partnership with key growers who have installed irrigation capacity in their farms. As a result, the Company will produce adequate seed to shore up its inventory of all the major varieties for all agro-ecological zones sufficient to meet her market demand in the following financial year.

Board Changes

The current Board was elected on 7th July 2017 after the expiry

of the term of the previous Board. It is after the constitution of the new Board that I was elected Chairman of the Board. Most of the directors who served in the previous board were elected to serve in the current term.

Future Outlook

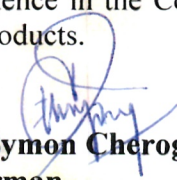
The future outlook of Kibo Seed Company is bright. The Board is developing more strategies to grow the market and enhance financial management in order to increase profits and reduce stock outs.

The Board is also putting in place strategies to expand business in the regional markets like Mozambique, Zambia, Malawi, 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.

Appreciation

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


Mr. Symon Cherogony
Chairman



5.0 REPORT OF THE CHIEF EXECUTIVE OFFICER

I take this pleasure to present to you the performance of Kibo Seed Company for the year ended 30th June 2019.

During the year ending 30th June 2019, there were no changes made in the Company's Board and management.

Financial Performance

In the FY2018/19, the turnover dropped by Tsh.7.4% from Tsh.8.1billion in 2017/18 to Tsh.7.5billion in the year under review.

Operating profit of the Company decreased by 34.4% from Tshs 3.2billion to Tshs2.1 billion

Profit before Tax for the company dropped by over 100% from Tshs (210) million in 2018 to Tshs (2.2) billion in 2019.

The closing Cash balance of the company dropped significantly from Tsh506 Million in 2018 to Tshs 221 Million in 2019, due to stock

outs, change of weather and depreciation of local currency. The Balance Sheet decreased by 4% from Tshs 10.4 Billion in 2018 to Tshs 10.1 Billion in 2019 as a result of decreased inventory balances and cash and cash equivalent.

The amounts owed to the parent company increased by 6.1% from Tshs 11.4 Billion to Tshs 12.1 Billion due to inability to service the debts thus channeling the proceeds of sales of seeds into the operations and development projects.

Research and Development

In line with our philosophy of ensuring farmers obtain superior varieties that are high yielding and tolerant to pests and diseases, I am pleased to report that we are in the process of acquiring hybrids of both vegetables and maize varieties resistant to both pests and diseases.

The company has continued to make investments in research and this has enabled the company to introduce Hybrid Seeds and fruits varieties of high yielding and resistant to pests and diseases these shall afford farmers an opportunity to maximize their productivity and diversify into other food crops thus make our nation food secure hence increased profitability.

Operations

During the year we have enhanced our collaboration with key growers who have invested in irrigation facilities. This will go a long way in ensuring consistency in the supply of quality seeds.

Timely availability of sufficient fertilizer is critical to efficient and effective seed production activity. To realize this we have continued to partner with the Ministry of Agriculture in accessing the subsidized fertilizers and technical field trainings in various regions for our growers and farmers in an effort to lower the production costs thus increase farmer earnings and maintain competitive prices of seed.

Efforts have been made to harness potential in the external markets by opening markets of our varieties in countries such as Zambia, Burundi, Mozambique, Zanzibar and DRC with the purpose of expanding the market and increase revenue earnings.

Future Outlook

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

The company's future growth will come from:

- Focus on adequate supply of short to medium season seed varieties whose demand could increase with the changing weather patterns
- Selling of MLND and MSV tolerant varieties which are high yielding
- Commitment of marketing effort and resources into the hybrid vegetable seed market which returns high profit margins
- Turning around the company to profitability, thus transforming them into revenue generating units.
- Diversifying to non maize seed product portfolios thus reducing over reliance on maize seed.
- Increasing the supply of sunflowers seed to meet the demand.
- Engaging in local maize production and enhance exportation of surplus to the parent

company and other subsidiaries to pay off the long time accumulating debt.

Customer focus

We remain focused on achieving unrivalled customer satisfaction levels through effective communication, increasing direct customer contact through our branches across the country and our export customers delivering quality products on time and revamping our marketing activities.

Acknowledgement

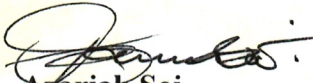
I take this opportunity to express my gratitude and that of my colleagues in the company to our Customers for their loyalty and continued support. My appreciation also goes out to our Shareholders for their patience and commitment to our Strategy, to the Directors of the Board whose unwavering support, leadership and guidance have continued to inspire and challenge us, to our regulators and the government through

the ministry of agriculture 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 company for their focus, energy, and determination to succeed. Without them, our successes in all these years would not 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 Tanzania and beyond.

Thank you and God bless you.


Azariah Soi
Managing Director

6.0 STATEMENT OF CORPORATE GOVERNANCE

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

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

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

The board has empowered responsible persons to implement its board policies and guidelines and has set up adequate review Process. The Company is committed to optimizing long term value for its 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

6.1 Board of Directors

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

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

The current Board of Kibo Seed Company is composed of one executive director and three non-executive directors including the Chairman.

The directors are committed members with diverse and complementary skills and expertise in the fields of strategy, management, production, finance, marketing and human resource development.

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

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

6.2 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 3 meetings in the financial year ending 30th June 2019. During their meetings the Board reviews the Companies performance against the planned strategies and also approves issues of strategic nature.

7.0 CORPORATE GOVERNANCE STATEMENT

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

Member	Meetings Held	Meetings Attended	% attendance
Mr. Francis Mwaura	3	3	100%
Mr. Azariah Soi	3	3	100%
Mr. Abraham Koech	3	3	100%
Dr. Nathaniel Tum	3	3	100%
Mr. Symon Cherogony	3	3	100%

7.1 Governance Principals

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 Group are acting in the interests of the shareholders and other key stakeholders.

At Kibo Seed Company Limited, we place a great deal of importance on robust corporate governance practices and are committed to applying the highest standards of business integrity and professionalism in all our activities. The Group 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 Kibo 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.

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.

7.2 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.

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

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.

7.3 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.

Below is a summary of entitlement per Board Member:

Type of payment	Chairman	Member
Sitting allowance (per sitting)	Tshs. 4,214,970	Tshs. 4,214,970

7.4 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.

7.5 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.

7.6 Conflicts of Interest

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

7.7 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.

7.8 Company Shareholding

Kenya Seed acquired 99.98% of shares in Kibo Seed Company through direct allotments which accumulated in acquiring majority shareholding in 2002. At the same time Nathaniel K. Tum and Eufrazio Julian Goes acquired 0.01% respectively ordinary shares of nominal of Tsh.10, 000 each.

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

No.	List of Shareholders	No. of Shares	% Shareholding
1	Kenya Seed Company Limited	998	99.98
Total		998	99.98

7.9 Director's Shareholding

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

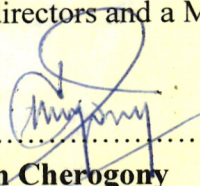
No.	List of Shareholders	No. of Shares	% Shareholding
1	Dr. Tum Nathaniel Kipkorir	1	0.01
1	Mr. Eufrazio Julia Goes	1	0.01

7.10 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.

7.11 Activities and Achievements

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



.....
Mr. Symon Cherogony
Chairman, Board of Directors
30th June 2019

8.0 MANAGEMENT DISCUSSION AND ANALYSIS

8.1 Background

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

Kibo seed was originally set-up as a sales satellite of Kenya Seed Company with the sole objective of distributing seed maize. However, in the Tanzanian market, the company's products have diversified over time to include farm inputs (herbicides, fungicides and insecticides) and horticultural seeds. The company has grown significantly since its inception in 2002. It has positioned itself as one of the most preferred seed suppliers of quality certified seed in Tanzania being the vegetable seed leader at 40% and doing 7% of the seed maize.

8.2 The entity's operational and financial performance

8.2.1 Revenues

Company Revenues decreased by 7% from Tshs 8.1Billions to Tshs 7.5Billions as highlighted in the table below

Product	Company		
	ACTUAL 2019	ACTUAL 2018	BUDGET 2018/2019
	TShs '000	TShs. '000'	TShs. '000'
Certified Maize Seeds	3,118,435	3,559,197	6,071,462
Vegetable Seeds	4,157,386	4,216,054	5,339,714
Miscellaneous	72,441	48,353	204,276
Pasture Seeds	66,162	35,164	446,300
Sunflower	53,988	206,290	261,774
Agro Chemicals	108,566	70,427	676,474
Total	7,576,978	8,135,485	13,000,000

The sales increased in agro chemical. The drop in seed maize sales was as a result of stock out of popular varieties like H614, H628, H513 and DH04 that were not available in the market as per the demand during their peak season in the country. Revenue from seed maize dropped by 12% while those of Vegetable seed dropped by 1%, with pasture increasing by 89% and Sunflower revenues decreasing by 74%. Seed maize contributed 44% of the company total revenue while Vegetable contributed 41% of the Company revenue as highlighted in the following table below:

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

Product	Company	
	2019	Product Contribution%
	Tshs '000	
Certified Maize Seeds	3,118,435	41%
Vegetable Seeds	4,157,386	55%
Miscellaneous	72,441	1%
Pasture Seeds	66,162	1%
Sunflower	53,988	1%
Chemicals	108,566	1%
Total	7,576,978	100%

Management is exploring diversification strategies to reduce overreliance on imported seed maize from parent company, by doing local production and maximizing on sale of hybrid vegetables that gives high margins unlike Open pollinated varieties (OPVs).

8.2.2 Profit before Tax

The Profit before Tax are highlighted in the following Table

Company Performance		
Year	2019	2018
	Tshs'000	Tshs'000
Profit before Tax	(2,223,000)	(210,203)

Kibo Seeds Company Tanzania reported a loss of Tshs. (2.223) Billion for the year ended 30th June 2019

8.2.3 Cash and Cash Equivalents

The Company closed the year with a net cash position of Tshs.221 million. This was a great decline from the closing net of Tshs. 505 million of 2018.

8.2.4 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 (HELSB)
- (b) National Health Insurance Funds (NHIF)
- (c) National Social Security Fund (NSSF)
- (d) Pay As You Earn (PAYE)
- (e) Workers Compensation Fund(WCF)

The Company ensured that it obtains the certificates of compliance from TRA, NHIF, NSSF, HELSB, and WCF.

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

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

8.2.5 Key projects and investment decisions the entity is planning/implementing

The Company had a major project in the FY2018/19 of the completion of the go down at our branch in Makambako and procurement of a cold room to preserve all imported vegetable seed varieties at Ngaramtoni. The company bought new motor vehicles fleet to aid in marketing and production of certified seeds. Also in collaboration with the parent company we did production of seed maize at Njombe Province southern part of Tanzania, and Eliya Mongo in Moshi Northern part of Tanzania.

8.2.5.1 Research and Development of New Varieties

Hybrids varieties we have engaged in registration of Kibo Star F1, Maize H6213, H520 and H624 and Sunflower 4038 & 4088, papaya, watermelon zawadi F1, Tomato Nyota F1, and Herbs.

8.2.5.2 Seed Quality Improvement

The company will improve five existing Horticultural seed varieties to eliminate the reported defects. The varieties targeted for improvement will be as follows;

No	Variety	Defect(s)	Activity
1	Tomato Mwanga	Mixtures/Purity	Proper selection, removing rogues, better crop husbandry
2	Tomato Tengeru	Purity	Proper selection, removing rogues better crop husbandry
3	Okra Clemsion, Pusa & Lulu	Purity	Proper selection, removing rogues better crop husbandry
4	Indigenous Vegetables	Purity,	Proper selection, removing rogues better crop husbandry
5	Cucumber	Purity	Proper selection, removing rogues better crop husbandry

8.2.6 Major risks facing the entity

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

	Risk Category	Description	Risk Treatment measures (Mitigations)
1		The risk of losses occurring as a result of political events either destruction of our properties or boycott of our	(i) Ensuring adherence to the strategic plan of the Company. (ii) Ensuring good co-existence with the stakeholders

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

	Political	products	(iii) Using risk management instruments and remaining neutral in the political scene (iv) Fairness and Diversity in our employment policies
2	Credit Risk	The risks that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Where customers default on their payment commitment to us, the financial condition, results of operations and cash flows could be materially and adversely affected.	-Rigorous vetting of customers before extending credit. -Regular review of receivables to ensure adherence to payment terms -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.
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 those outcompete 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.

8.2.7 Material arrears in statutory/financial obligations

The company have tax liability of Tsh. 2,015,971,948.72 in dispute arising from Tanzania Revenue Authority (TRA) following tax audit for 2014-2016. The matter is now in court of appeal this is known material arrears in statutory/financial obligations as at the reporting date

8.2.8 The entity's financial probity and serious governance issues

There is reported case of financial impropriety as the fraudsters were paid Tsh.80.850 million as they mis-represented to be our supplier GSN-Semence through the e-mail of the General Manager Mr. Francis Mwaura Chege. The matter was reported to our bank for investigation. The External and Internal audit queries raised have been adequately responded to by management. The amount has been posted in the supplier's account awaiting finalization of investigation.

9.0 CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

We exist because of the community. We are therefore a citizen driven Company and the welfare of the society is our concern. Since the community is the reason why we exist in the business environment, giving back to the very community is good business governance. We as an organization not only take pride when we excel in business but also while contributing to the local community and investing in the community as a whole. Our commitment is also centered on serving humanity where our business has mutual interest.

We conduct every aspect of our business with honesty, integrity, openness and respecting human rights and the interest of our employees, customers and the stakeholders.

During the year under review, the company undertook various Corporate Social Responsibility (CSR) initiatives. Our CSR focused on four areas; Education, Environment programs, Health services & sports activities, and social welfare.

10.0 REPORT OF THE DIRECTORS

The Directors submit their report together with audited financial statements for the year ended June 30, 2019 which show the state of the company affairs.

10.1 Principal Activities

The principal activity of the company and its Branches is to carry on the business of seed merchants. The Company also distributes vegetable seeds, sunflower, pasture and maize.

10.2 Results

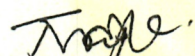
The results of the company for the year ended June 30, 2019. Below is summary of the profit or loss made during the year.

	2019	2018
Description	Tshs '000'	Tshs '000'
Profit before tax	(2,223,043)	(210,203)
Taxation charge	0	0
Profit for the year	(2,223,043)	(210,203)

10.3 Auditors

The Auditor General is responsible for the statutory audit of the company's financial statements in accordance to Section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to carry out the audit on his behalf.

BY ORDER OF THE BOARD



Ms. Wilkister Simiyu
Company Secretary
Kitale, Kenya.

Date.....

11.0 STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (*section 14 of the State Corporations Act, - (entities should quote the applicable legislation under which they are regulated)*) require the Directors to prepare financial statements in respect of that company, which give a true and fair view of the state of affairs of the company at the end of the financial year/period and the operating results of the company for that year/period. 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 (period) 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 judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act 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 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.

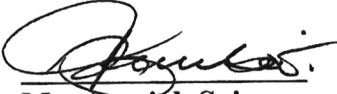
The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Kibo Seed Company Limited

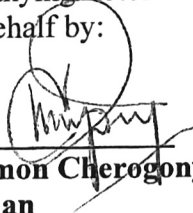
Annual Report and Financial Statements for the year ended June 30, 2019

11.1 Approval of the financial statements

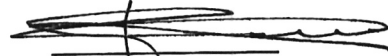
The financial statements and the accompanying notes were approved by the Board of Directors on 30th June 2019 and were signed on its behalf by:



**Mr. Azariah Soi
Managing Director**



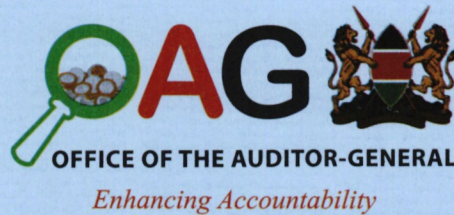
**Mr. Symon Cherogony
Chairman**



**Mr. Francis Mwaura
General Manager**

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KIBO SEED COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kibo Seed Company Limited set out on pages 23 to 60, which comprise the statement of financial position as at 30 June, 2019, and the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters discussed in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of Kibo Seed Company Limited 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 and comply with the Companies Act, 2015 and Tanzania Companies Act, 2002.

Basis for Qualified Opinion

1. Cost of Sales

The statement of comprehensive income reflects a cost of sales balance totalling Tshs.5,457,958,445.79. Available records indicated that the cost was arrived at after deducting closing inventory valued at Tshs.4,698,504,070.22 from the opening stock and purchases made during the year. However, the stock valuation sheets presented for audit reflected stocks valued at Tshs.4,281,649,999.64 as at 30 June, 2019 resulting to an unexplained variance of Tshs.416,854,070. As a result, the accuracy of the reported cost of sales totalling Tshs.5,457,958,445.79 and the profit for the year totalling Tshs.2,223,043,622 could not be confirmed.

2. Trade and Other Receivables

The statement of financial position reflects trade and other receivables totalling Tshs.2,241,888,802 as at 30 June, 2019, as further disclosed in Note 9 to the financial statements. Available records indicated that the balance was arrived at after deduction of

provisions for bad debts totalling Tshs.533,686,105, as was done in the previous year. Management did not explain the unchanged debtors provision over the two-year period, or the Company's policy on recognizing and providing for bad debts.

Further, as reported in the previous year, the trade and other receivables totalling Tshs.2,241,888,802 had been outstanding for over 120 days as at 30 June, 2019 contrary to the Company's credit policy which allows for 30-days of credit to customers.

In view of these issues, the accuracy of the trade and receivables balance totalling Tshs.2,241,888,802 as at 30 June, 2019 could not be confirmed.

3. Inventories

The statement of financial position reflects inventories totalling Tshs.4,698,504,049 as at 30 June, 2019 whereas the stock valuation sheets provided for audit review amounted to Tshs.4,281,650,000 resulting in an unexplained variance of Tshs.416,854,049.

Consequently, the accuracy of the inventories balance totalling Tshs.4,698,504,049 as at 30 June, 2019 could not be confirmed.

4. Share Capital

In the year under review, the Company increased its share capital by Tshs.10,000,000 from Tshs.313,172,497 as at 30 June, 2018 to Tshs.323,172,497 as at 30 June, 2019, as disclosed in Note 14 to the financial statements. The increase is reflected in Note 15 to the financial statements as an advance from the parent Company, Kenya Seed Company Limited which the Board of Directors had resolved to convert to equity and thereby increase the authorised share capital from Tshs.10,000,000 to Tshs.5,000,000,000 in a resolution dated 25 April, 2016. However, Paragraphs 7.8 of the statement of Company shareholding and Paragraph 7.9 of statement of directors shareholding included in the corporate governance statement indicate that as at 30 June, 2019, the Kenya Seed Company Limited held 998 out of the 1,000 shares issued and paid up shares of the Company. Two Directors of the Company held personal shareholding of two shares equivalent to 0.02% of the total shareholding.

Further, the minutes of the Annual General Meeting of the parent company that approved the conversion of the advance amounting to Tshs.313,172,497 into equity were not provided for audit review. As a result, the validity of the resolution and the share conversion could not be confirmed.

In view of these issues, the accuracy and validity of the share capital balance amounting to Tshs.323,172,497 as at 30 June, 2019 could not be confirmed.

5. Statement of Cash Flows

The statement of cash flows reflects purchase of property, plant and equipment totalling Tshs.524,518,636 whereas the fixed assets movement schedule disclosed at Note 16 shows additions of assets totalling Tshs.577,271,336 resulting to an unexplained variance of Tshs.52,752,700.

Consequently, the accuracy of the statement of cash flows for the year ended 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kibo Seed Company Limited 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. I have determined that there were no key audit matters to communicate in my report.

Other Matter

Material Uncertainty Related to Going Concern

As indicated in the statement of comprehensive income for the year under review, the Company recorded a loss of Tshs.2,223,043,622 up from Tshs.210,202,963 incurred in the previous year and as a result, its accumulated losses rose to Tshs.4,690,223,793 as at 30 June, 2019, as indicated in the statement of financial position. In addition, the statement of financial position reflects current assets totalling Tshs.7,623,509,156 and current liabilities totalling Tshs.14,440,623,960 as at 30 June, 2019 resulting to a negative working capital of Tshs.6,817,114,804.

The unfavourable financial position indicates that a material uncertainty may exist that may cast significant doubt on the Company's ability to continue as a going concern. Management has not disclosed the measures it has taken, or intends to take, to reverse the losses and put the Company back on the path to profitability.

My opinion is not modified in respect to this matter.

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. I report in this regard that the Directors' conclusion under the statement of the Board of Directors' responsibilities that, nothing has come to their attention to indicate that the Company will not remain a going concern for at least the next twelve months is not consistent with the operating results and working capital reflected in the financial statements.

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, I confirm that, except for the matter discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, 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

1.0 Wasteful Expenditure on Bank Charges

The statement of financial position reflects cash and bank balances totalling Tshs.221,285,110 as at 30 June, 2019 comprised of cash at bank balance and cash on hand amounting to Tshs.218,262,024 and Tshs.3,023,086 respectively, as further disclosed in Note 13 to the financial statements. Available records indicated that the Company maintained four Tanzanian Shilling and two United States Dollar bank accounts.

Examination of the respective cashbooks indicated that the Company incurred bank charges totalling USD.869.87 on the two dollar accounts in the year under review.

However, one of the accounts reflected two transactions only during the year under review but incurred bank charges totalling USD458.76 estimated as equivalent to Tshs.1,054,864 as at 30 June, 2019. No explanation was provided by Management for maintaining two USD accounts instead of one to avoid wasteful bank charges.

2.0 Directors Remuneration

Examination of expenditure records indicated that Directors fees and allowances totalling Tshs.164,768,484 were paid during the year under review, as disclosed in Note 4 to the financial statements. However, there were no records to show the payment rates applied were approved in a resolution passed in a general meeting of the Company as required by Article 74 of the Company's Articles of Association.

Consequently, the validity of the payments could not be confirmed.

3.0 Lack of Approved Scheme of Service and Salary Structures

Note 4 to the financial statements indicates that spending on salaries and wages totalled Tshs.1,283,689,850 during the year under review. However, the Company did not have a documented scheme of service and a formalized salary structure for its staff. In addition, needs analyses, requisitions and terms of service for new staff hired during the year under

review were not provided for audit verification. As a result, Management may have contravened Section B3(ii) of the Company's Human Resource Policies and Procedures Manual which requires line Managers to complete and submit staff requisition forms to the Head of Human Resource Department explaining the need for new staff. Further, there is risk that the expenditure incurred on the salaries and wages paid to the new staff was not well spent.

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

As required by Section 7(1)(a) of the Public Audit Act, 2015, except for the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that nothing 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. Corporate Governance

1.1 Lack of Distinct Board of Directors

In the year under review, the Company operated with a Board made up of five members all drawn from the parent company - Kenya Seed Company Limited. Failure to distinguish responsibility for oversight and governance in the parent and subsidiary companies was contrary to established practice and, in management of public entities. As a result, the risk of weak corporate governance in the group of companies was high.

1.2 Non-Retirement of Directors

During the financial year under review, none of the Directors of the Company retired and as a result, the Board was not replenished with new members as provided for in the Articles of Association which require not less than one-third of the Directors to retire from office at every Annual General Meeting. In addition, the financial statements provided for audit review did not include information on the dates the Members joined the Board. As a result, it was not possible to confirm their eligibility to sit on the Board.

1.3 Failure to Hold an Annual General Meeting

During the year under review, the Company did not hold an annual general meeting contrary to Section 133 of the Tanzania Companies Act, 2002 which states that every company shall in each year hold a general meeting as its annual general meeting in

addition to any other meetings in that year. The law further provides that not more than fifteen months shall lapse between the date of one annual general meeting of a company and that which follows. Article 89 of the Company's Articles of Association also requires the Directors to hold an Annual General meeting each year.

Consequently, the Board was in breach of the law and may not have fulfilled obligations on good corporate governance.

2. Internal Control Environment-Information Technology

Examination of the accounting system indicated that the Company uses an electronic system to manage its finances, including accounting for receipts and payments, across its five branches in Arusha, Mwanza, Morogoro, Makambako and Mbeya. The system was acquired in 2016/2017 at a cost of Tshs.31,387,550.18. It was expected to enhance efficiency, accountability and profitability of the Company in managing its operations, including human resource management. However, at the time of the audit in February, 2020, the Company had not deployed the system's human resource module.

Further, guidelines on use of the system were not observed and as a result, the security and integrity of the data generated in the system were at risk. In addition, Management had not established data recovery and business continuity plans and there were no user-management standards and procedures to control access to and use of the system.

Consequently, the security of the data in the system was at risk and the Company's operations may be disrupted were it to malfunction.

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 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 Tanzania Companies Act, 2002, 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 financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal control as Management determines is necessary to enable

the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

Auditor-General's Responsibilities for the Audit

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 a conclusion 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 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 noncompliance. 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 Management.
- 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 Management 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 Management 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
AUDITOR-GENERAL

Nairobi

27 October, 2021

**THE FINANCIAL STATEMENTS OF KIBO SEED COMPANY LIMITED
FOR THE YEAR ENDED 30 JUNE 2019**

12.0 FINANCIAL STATEMENTS


12.1 Statement of Comprehensive Income for the year ended 30th June 2019.


		2019	2018
DESCRIPTIONS	Notes	Tsh.	Tsh.
Sales Revenue	(1)	7,576,975,649	8,135,484,170
Cost of Sales	(2)	(5,457,958,466)	(4,638,390,840)
Trading Profit		2,119,017,183	3,497,093,330
Other Income	(2)(a)	50,000	2,817,297
TOTAL INCOME		2,119,067,183	3,499,910,627
OPERATING EXPENSES			
Selling & Distribution Expenses	(3)	(1,220,902,475)	(1,115,518,937)
Administration Expenses	(4)	(1,983,674,790)	(1,753,118,936)
Operating Expenses	(5)	(986,322,922)	(751,918,266)
Research & Development Expenses	(6)	(121,654,162)	(27,763,000)
Finance Cost	(7)	(29,556,456)	(61,794,451)
TOTAL OPERATING EXPENSES		(4,342,110,805)	(3,710,113,590)
Profit before Tax		(2,223,043,622)	(210,202,963)
Income Tax Credit		-	-
TOTAL COMPREHENSIVE PROFIT/LOSS		(2,223,043,622)	(210,202,963)

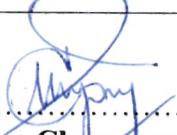


12.2 Statement of Financial Position as at 30th June 2019

	Notes	2019	2018
Non-Current Asset		Tsh.	Tsh.
Property, Plant & Equipment	(16)	2,434,277,971	2,152,326,509
Intangible Assets	(16)	15,785,538	20,816,485
Total Non Current Assets		2,450,063,509	2,173,142,994
Current Assets			
Inventories	(8)	4,698,504,070	5,502,040,253
Trade and other Receivables	(9)	2,241,888,802	1,986,498,448
Due from Related Parties	10(a)	19,447,599	19,447,599
Tax Recoverable	(12)	442,383,574	258,059,553
Cash & bank balances	(13)	221,285,110	505,705,982
Total Current Assets		7,623,509,155	8,271,751,835
Total Assets		10,073,572,664	10,444,894,829
Equity & Liabilities			
Capital and Reserve			
Share Capital	(14)	323,172,497	10,000,000
Advance towards Share Capital	(15)	-	313,172,497
Accumulated losses		(4,690,223,793)	(2,502,482,787)
Total Equity & Non Current Liabilities		(4,367,051,296)	(2,179,310,290)
Current Liabilities			
Trade & Other Payables	(11)	2,337,673,202	1,189,556,387
Related Party Transactions	10(b)	12,102,950,758	11,434,648,732
Total Current Liabilities		14,440,623,960	12,624,205,119
Total Equity and Liability		10,073,572,664	10,444,894,829

.....

Mr. Francis Mwaura
 General Manager

.....

CPA. Gabriel Matanda
 System Analyst
 ICPAK M/NO: 9112

.....

Mr. Simon Cherogony
 Chairman



12.3 Statement of Changes in Equity for the year ended 30th June 2019

Year Ended 30 June,2018	Share Capital	Advance Towards	Accumulated	Totals
		Share Capital	Losses	
	Tsh.	Tsh.	Tsh.	Tsh.
As at 1 July,2017	10,000,000	313,172,497	(2,292,279,824)	(1,969,107,327)
Total Comprehensive Income	-	-	(210,202,963)	(210,202,963)
As at 30 June,2018	10,000,000	313,172,497	(2,502,482,787)	(2,179,310,290)
As at 1 July,2018	323,172,497	-	(2,467,180,171)	(2,144,007,674)
Total Comprehensive Income	-	-	(2,223,043,622)	(2,223,043,622)
As at 30 June,2019	323,172,497	-	(4,690,223,793)	(4,367,051,296)

Kibo Seed Company Limited*Annual Report and Financial Statements for the year ended June 30, 2019***12.4 Statement of Cash Flows for the year 30th June, 2019**

	Notes	2019	2018
Cash flow from operating activities		Tsh	Tsh.
(Loss) before tax		(2,223,043,622)	(210,202,963)
Adjustment:			
Depreciation of Plant & Equipment		295,319,855	202,768,000
Amortization of intangible assets		5,030,947	3,759,000
		(1,922,692,820)	(3,675,963)
Working Capital Adjustments			
Decrease in inventory		803,536,203	(753,378,000)
Increase in trade & other receivables		(255,390,354)	(198,852,393)
including related parties			
Increase in trade & other payables		1,816,418,841	1,785,221,749
including related parties			
Income tax paid		(103,911,824)	(87,206,165)
Net cash flows (used in)/operating activities		337,960,046	742,109,228
Purchase of property and equipment		(524,518,636)	(455,417,432)
purchase of intangible asset		-	(15,374,000)
Net cash used in investing activities		(524,518,636)	(470,791,432)
Net(decrease)/increase in cash and cash equivalents		(284,420,872)	57,606,334
Cash and cash equivalents at the beginning of the year 2019		505,705,982	448,099,648
Cash and cash equivalents at 30 June, 2019		221,285,110	505,705,982

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

The company prepares its budget proposals which are then send to the parent company to be approved for expenditure.

13.0 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:	Tsh.	Tsh.	Tsh.	
Maize Seeds	6,071,462,000	3,118,432,265	(2,953,029,735)	-48%
Vegetable Seeds	5,339,714,000	4,157,386,059	(1,182,327,941)	-22%
Miscellaneous	204,276,000	72,441,000	(131,835,000)	-64%
Sunflower	261,774,000	53,987,500	(207,786,500)	-79%
Agro -Chemicals	676,474,000	108,566,425	(567,907,575)	-83%
Pastures	446,300,000	66,162,400	(380,137,600)	-85%
Total Revenue	13,000,000,000	7,576,975,649	(5,423,024,351)	-42%
Cost of Sales	8,060,370,982	5,457,958,466	2,602,412,516	32%
Gross Profit	4,939,629,018	2,119,017,183	(2,820,611,835)	-57%
Other income	-	50,000	(50,000)	-
Total Income	4,939,629,018	2,119,067,183	(2,820,561,835)	-57%
Employment expense	1,942,714,923	1,652,225,793	290,489,130	14%
Operating expense	998,363,000	986,322,922	12,040,078	1%
Administration expense	634,647,077	331,448,997	303,198,080	47%
Selling & Distribution expense	1,045,610,000	1,220,902,475	(175,292,475)	-16%
Research & Development expense	69,800,000	121,654,162	(51,854,162)	-74%
Finance Charges	41,008,000	29,556,456	11,451,544	28%
Total Expenses	4,732,143,000	4,342,110,805	390,032,195	8.24%
Profit Before Taxes	207,486,018	(2,223,043,622)	(2,430,629,640)	
Corporate Tax	(62,245,805)	-	-	
Net Profit After Tax	145,240,213	(2,223,043,622)	(2,430,629,640)	

Budget Notes for the variances of more than 10%:

13.1 Maize seed:

The negative variance of 48% was due to stock outs of popular varieties like H.628, H625 and H.614. Since we procure these varieties from the parent company Kitale the seeds were not available when there was demand in the market. We had done some of local production to mitigate the stock out of which will be ready the next season in the following financial year.

13.2 Vegetable & Sunflower

The negative variance in vegetable sales of 22% was due to low demand due to erratic weather conditions in the country. Another contributing factor was high competition due to sale of competing products from competitors and also stock outs of some hybrid varieties especially Gloria F1.

The negative variance of 79% of sunflower (Kenya Fedha) was due to an abrupt growth in demand of vegetable oils in the country but seed stock was not available both in Kenya and Tanzania. We produce in small scale in Tanzania but the bulk of it is from the parent Company of which was out of stock.

13.3 Chemicals

The negative variance of 83% of chemicals was due to favorable weather condition during the year to our maize and vegetable contracted growers who produce certified seed on our behalf. They did not require a lot of chemical application to control pests and diseases which mostly are caused by adverse weather either too much rains or sunshine.

13.4 Pastures & Miscellaneous:

The negative variance of 85% was due to stock outs of pastures like desmodium, Lucerne, kikuyu grass and boma Rhodes which all are procured from the parent company. There was high demand in the market however the seeds were not available.

Miscellaneous sales are for unclassified items like packets, tools and equipments, poly bags, Agro bags, water filter, Knap sack sprayers and pumps. The negative variance of 64% was due to low demand of these items and also high competition due to sale of competing or similar products.

13.5 Employment costs:

The positive variance of 14% on employment cost was due to high staff turnover. Since most of the staff are employed on contract, most of them whose contract came to an end were not renewed hence such a saving in the year under review.

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

13.6 Administration Expenses

These are expenses which are incurred for administrative purpose of the organization. In the year under review there was a positive variance of 47% this was low activities due to low sales during the year. This implies that budgeted activities did not take place due to low operating cash flow.

13.7 Selling and distribution expenses

These are expenses incurred on selling and distributing of the company products to customers. The negative variance of 16% was due to Inflation which increased prices of commodities and services especially freight and transport. Vigorous promotion of new varieties that were introduced in the market through vigorous advertising especially for Hybrid varieties of vegetables.

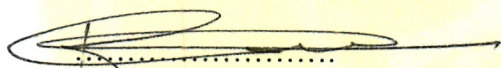
13.8 Finance costs

This consists of bank charges and foreign exchange loss which cannot be pre-determined the variance of positive variance of 27% was due bulk payments to our suppliers which are fairly cheap and also abrupt drop of foreign exchange rates.

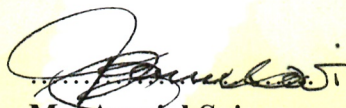
13.9 Research and Development expenses:

The negative variance of 74% of research and development expenses was due to increased activities of local production of seed maize production at Silver land, Ndolela Estate and Eliya Mongo areas of production that come after the budget had been approved.

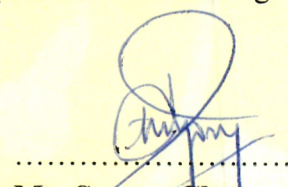
The financial statements were approved by the Board on 16th September 2019 and signed on its behalf by:



Mr. Francis Mwaura
General Manager



Mr. Azariah Soi
Managing Director



Mr. Symon Cherogony
Chairman of the Board

14.0 NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING CONCEPTS AND CONVENTIONS

I. GENERAL INFORMATION

Kibo Seed was originally set up as a sales satellite of Kenya Seed Company with the sole objective of distributing seed maize. The company has diversified over time to include farm inputs and horticultural seeds. Following expiry of the 2012–2016 Strategic Plan, the company has now developed a five-year Strategic Plan for the fiscal period 2018/19 – 2022/23, which draws from the company’s experience in implementing its previous Strategic Plans and it also takes into account the developments in the agricultural sector.

II. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Presentation of financial statements

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

Items included in the financial statements of each of the entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in Tanzania shillings (Tshs), which is the Company’s functional and presentation currency. All financial information presented in Tanzania shillings (Tshs).

The financial statements have been prepared in accordance with the PFM Act 2012, the State Corporations Act, Kenyan Companies Act 2015 and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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

Amendment/Interpretation to a standard	Effective date	Impact (State the impact of the standard if relevant to the entity)
IFRS 9: Financial Instruments (Issued 24 July 2014)	Effective for annual periods beginning on or after 1 January 2018	<p>Finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing <u>IAS 39</u> <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>The standard contains requirements in the following areas:</p> <ul style="list-style-type: none"> • Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however there are differences in the requirements applying to the measurement of an entity's own credit risk. • Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. • Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures • Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

Amendment/Interpretation to a standard	Effective date	Impact <i>(State the impact of the standard if relevant to the entity)</i>
<p>IFRS 15: Revenue from Contracts with Customers <i>(Issued 28 May 2014)</i></p>	<p>Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018</p>	<p>IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.</p> <p>The five steps in the model are as follows:</p> <ul style="list-style-type: none"> • Identify the contract with the customer • Identify the performance obligations in the contract • Determine the transaction price • Allocate the transaction price to the performance obligations in the contracts • Recognize revenue when (or as) the entity satisfies a performance obligation. <p>Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.</p>
<p>IFRIC 22: Foreign Currency Transactions and Advance Consideration <i>(Issued 8 December 2016)</i></p>	<p>Applicable to annual reporting periods beginning on or after 1 January 2018</p>	<p>The interpretation addresses foreign currency transactions or parts of transactions where:</p> <ul style="list-style-type: none"> • there is consideration that is denominated or priced in a foreign currency; • the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • The prepayment asset or deferred income liability is non-monetary. <p>The Interpretations Committee came to the following conclusion:</p> <ul style="list-style-type: none"> • The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

Amendment/Interpretation to a standard	Effective date	Impact (State the impact of the standard if relevant to the entity)
		<ul style="list-style-type: none"> If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.
<p><i>Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)</i> <i>(Issued 19 January 2016)</i></p>	<p>Effective for annual periods beginning on or after 1 January 2017</p>	<p>Amends <u>IAS 12</u> <i>Income Taxes</i> to clarify the following aspects:</p> <ul style="list-style-type: none"> Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. The carrying amount of an asset does not limit the estimation of probable future taxable profits. Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.
<p><i>Disclosure Initiative (Amendments to IAS 7) (Issued 29 January 2016)</i></p>	<p>Effective for annual periods beginning on or after 1 January 2017</p>	<p>Amends <u>IAS 7</u> <i>Statement of Cash Flows</i> to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.</p>
<p><i>Clarifications to IFRS 15 'Revenue from Contracts with Customers'</i> <i>(Issued 12 April 2016)</i></p>	<p>Effective for annual periods beginning on or after 1 January 2018</p>	<p>Amends <u>IFRS 15</u> <i>Revenue from Contracts with Customers</i> to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.</p>
<p><i>Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)</i></p>	<p>Effective for annual periods beginning on or after 1 January 2018</p>	<p>Amends <u>IFRS 2</u> <i>Share-based Payment</i> to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net</p>

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

Amendment/Interpretation to a standard	Effective date	Impact (State the impact of the standard if relevant to the entity)
<i>(Issued 20 June 2016)</i>		settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.
<p><i>Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)</i></p> <p><i>(Issued 12 September 2016)</i></p>	<p>Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date</p>	<p>Amends <u>IFRS 4 Insurance Contracts</u> provide two options for entities that issue insurance contracts within the scope of IFRS 4:</p> <ul style="list-style-type: none"> • an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; • An optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach. <p>The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.</p>
<p><i>Transfers of Investment Property (Amendments to IAS 40)</i></p> <p><i>(Issued 8 December 2016)</i></p>	<p>Effective for annual periods beginning on or after 1 January 2018</p>	<p>The amendments to <u>IAS 40 Investment Property</u>:</p> <ul style="list-style-type: none"> • Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. • The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.
<p><i>Annual Improvements to IFRS Standards 2014–2016 Cycle</i></p> <p><i>(Issued 8 December 2016)</i></p>	<p>The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or</p>	<p>Makes amendments to the following standards:</p> <ul style="list-style-type: none"> • IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

Amendment/Interpretation to a standard	Effective date	Impact (State the impact of the standard if relevant to the entity)
	after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017	<ul style="list-style-type: none"> • IFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity’s interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> • IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

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

Amendment/Interpretation to a standard	Effective date	Impact (State the impact of the standard if relevant to the entity)
<p><i>IFRS 16: Leases</i> (Issued 13 January 2016)</p>	Applicable to annual reporting periods beginning on or after 1 January 2019	IFRS 16 specifies how an IFRS reporter will recognize, measure, present and discloses leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

<p><i>IFRS 17 Insurance Contracts</i> (Issued 18 May 2017)</p>	<p>Applicable to annual reporting periods beginning on or after 1 January 2021</p>	<p>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 <i>Insurance Contracts</i> as of 1 January 2021.</p>
<p><i>IFRIC 23: Uncertainty over Income Tax Treatments</i> (Issued 7 June 2017)</p>	<p>Applicable to annual reporting periods beginning on or after 1 January 2019</p>	<p>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:</p> <ul style="list-style-type: none"> • 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
<p><i>Prepayment Features with Negative Compensation (Amendments to IFRS 9)</i> (Issued 12 October 2017)</p>	<p>Annual periods beginning on or after 1 January 2019</p>	<p>Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.</p>
<p><i>Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)</i> (Issued 12 October 2017)</p>	<p>Annual periods beginning on or after 1 January 2019</p>	<p>Clarifies that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.</p>

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

<p><i>Annual Improvements to IFRS Standards 2015–2017 Cycle</i> <i>(Issued 12 December 2017)</i></p>	<p>Annual periods beginning on or after 1 January 2019</p>	<p>Makes amendments to the following standards:</p> <ul style="list-style-type: none"> • IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. • IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits. • IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows <i>generally</i> when calculating the capitalization rate on general borrowings.
<p><i>Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)</i> <i>(Issued 7 February 2018)</i></p>	<p>Annual periods beginning on or after 1 January 2019</p>	<p>The amendments in <i>Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)</i> are:</p> <ul style="list-style-type: none"> • If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. • In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset

Kibo Seed Company Limited**Annual Report and Financial Statements for the year ended June 30, 2019**

		ceiling.
<i>Amendments to References to the Conceptual Framework in IFRS Standards</i> <i>(Issued 29 March 2018)</i>	Annual periods beginning on or after 1 January 2020	Together with the revised <i>Conceptual Framework</i> published in March 2018, the IASB also issued <i>Amendments to References to the Conceptual Framework in IFRS Standards</i> . 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 <i>Conceptual Framework</i> . 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 <i>Conceptual Framework</i>

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

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

iii) Early adoption of standards

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Revenue recognition

- i) Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group 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 group has transferred to the buyers the significant risks and rewards incidental to the ownership of the goods; and
- Interest income is recognized on time basis, using the effective interest method. Effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected useful life of the financial asset to that asset's net carrying amount.

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

b. Property, plant and equipment

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

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

- ii) Machinery

The valuation analysis took into account the following factors:

- Cost of the machines;
- Existing use;
- Depreciation;

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

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

iii) Other assets – based on their fair market values

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

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

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

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

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

c. Depreciation

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

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

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

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

d. Leases

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

All other leases are classified as operating leases.

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

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

e. Intangible assets

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

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

Research and development costs

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

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

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

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

f. Inventories

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

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

g. Impairment of non-financial assets

At each reporting date, the Group 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 Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

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

Trade and other receivables

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

Cash and cash equivalents

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

Offsetting

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

Accounts payable

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

h. Foreign currency transactions

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

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

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

i. Provisions

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

j. Employee benefits

(i) Accrued leave pay

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

(ii) Gratuity

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

k. Contingent liabilities

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

l. Taxes

Current Tax

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

Taxation

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

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

1 REVENUE

	2019 Tsh.	2018 Tsh.
Vegetable seeds	4,157,386,059	4,216,053,685
Maize seeds	3,118,432,265	3,559,196,459
Other seeds	192,590,900	289,807,326
Agrochemicals	108,566,425	70,426,700
Total	<u>7,576,975,649</u>	<u>8,135,484,170</u>

2 COST OF SALES

	2019 Tsh.	2018 Tsh.
Opening stock - 1 July	5,502,040,253	5,106,802,776
Purchases	4,654,422,262	5,033,628,317
Closing stock - 30 June	<u>(4,698,504,070)</u>	<u>(5,502,040,253)</u>
	<u>(5,457,958,466)</u>	<u>(4,638,390,840)</u>

2a) OTHER INCOME

	2019 Tsh.	2018 Tsh.
Sale of old tyres	50,000	2,817,297

3 SELLING AND DISTRIBUTION EXPENSES

	2019 Tsh.	2018 Tsh.
Local travelling	308,935,895	291,256,118
Sales discounts	304,735,593	309,172,653
Show	126,282,591	97,074,020
Freight & carriage	140,353,878	141,537,596
Advertising	186,706,320	132,647,000
Debt collection	1,087,250	6,954,700
Entertainment	1,279,800	2,893,100
Carriage outward	16,125,000	21,700,080
Production packing	113,371,266	91,811,070
Import/export/custom	2,989,882	2,107,600
Public relation	19,035,000	18,365,000
Total	<u>(1,220,902,475)</u>	<u>(1,115,518,937)</u>

4 ADMINISTRATIVE EXPENSES

	2019 Tsh.	2018 Tsh.
Wages & salary	1,283,689,850	1,165,784,346
Staff welfare	96,380,251	85,553,296
Legal & professional	136,481,949	104,768,840
Directors fees & allowances	164,768,484	89,902,653
Security	54,230,800	44,206,900

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

Office Stationery	77,551,563	42,899,602
Telephone & postages	60,320,209	52,385,796
Subscriptions	20,226,824	18,455,598
Audit fees	21,488,680	114,981,317
Gratuity	30,435,586	10,597,338
Municipal levy	21,678,049	9,115,918
Licenses	5,761,748	3,918,500
Accounting package	4,486,800	3,862,268
Fumigation	3,680,000	4,949,140
Leave pay	2,493,997	1,737,424
Total	<u>(1,983,674,790)</u>	<u>(1,753,118,936)</u>

5 Operating Expenses

	2019	2018
	Tsh.	Tsh.
Generator expenses	35,000	1,137,695
Water	4,516,688	7,953,250
Electricity	8,305,800	4,927,400
Motor fuel	129,922,971	102,668,231
R & m office	95,804,832	83,184,970
Depreciation	300,350,801	206,527,739
Insurance	78,537,977	46,602,492
Motor repairs	146,072,141	162,007,569
Rent rates	222,776,712	136,908,920
Total	<u>(986,322,922)</u>	<u>(751,918,266)</u>

6 Research and Development

	2018	2018
	Tsh.	Tsh.
Seed testing	<u>(121,654,162)</u>	<u>(27,763,000)</u>

7 FINANCE COST

	2019	2018
	Tsh.	Tsh.
Foreign exchange loss & bank charges	<u>(29,556,456)</u>	<u>(61,794,451)</u>

8 INVENTORIES

	2019	2018
	Tsh.	Tsh.
Maize	1,603,077,146	2,686,017,521
Vegetables	2,313,394,273	1,972,067,278
Miscellaneous	301,431,790	316,838,572
Sunflower	13,464,325	23,633,392
Chemicals	44,017,370	65,601,955
Pasture	6,265,095	21,027,465
Stock Adjustments	416,854,071	416,854,071
Total	<u>4,698,504,049</u>	<u>5,502,040,254</u>

Kibo Seed Company Limited**Annual Report and Financial Statements for the year ended June 30, 2019****9 TRADE AND OTHER RECEIVABLES**

	2019	2018
	Tsh.	Tsh.
Trade receivables	2,775,574,908	2,415,941,333
Prepayments	-	103,786,786
withholding tax receivables	-	456,434
	<u>2,775,574,908</u>	<u>2,520,184,553</u>
Provision for bad debts	(533,686,105)	(533,686,105)
	<u>2,241,888,802</u>	<u>1,986,498,448</u>

10 RELATED PARTY BALANCES**(a) Amounts due from related parties**

Simlaw Company Limited –Tanzania	19,447,599	19,447,599
	<u>19,447,599</u>	<u>19,447,599</u>

(b) Amounts due to related parties

Kenya seed company Limited	10,310,495,684	9,745,291,135
Simlaw seeds company limited – Tanzania	521,793,137	521,793,137
Simlaw seeds company limited – Nairobi	1,270,661,937	1,167,564,460
	<u>12,102,950,758</u>	<u>11,434,648,732</u>

(c) Transaction with directors

	78,994,302	89,902,653
--	------------	------------

11 TRADE AND OTHER PAYABLES

	2019	2018
	Tsh.	Tsh.
Trade payable	2,036,248,774	1,184,361,387
Other payables	14,842,666	5,195,000
Accruals	286,581,762	-
Total	<u>2,337,673,202</u>	<u>1,189,556,387</u>

12 TAX RECOVERABLE

	2019	2018
	Tsh.	Tsh.
As at 1 July	258,059,553	170,853,388
Payment during the year	184,324,021	87,206,165
Charge during the year	-	-
At 30 June	<u>442,383,574</u>	<u>258,059,553</u>

13 CASH AND CASH EQUIVALENTS

	2019	2018
	Tsh.	Tsh.
Cash at hand	3,023,086	794,100
Cash at bank	218,262,024	504,911,882
Total	<u>221,285,110</u>	<u>505,705,982</u>

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

14 SHARE CAPITAL

	2019 Tshs	2018 Tshs
Authorized, issued and fully paid 323,173 ordinary shares of TZS 1,000 each	323,172,497	10,000,000

15 ADVANCES TOWARDS SHARE CAPITAL

Kenya seed company limited Advance	-	313,172,497
------------------------------------	---	-------------

This represents amounts advanced to by the parent company for setting up the operations of the company. The board of directors resolved that this amount be treated as part of equity during the current year under review.

16. FIXED ASSET MOVEMENT SCHEDULE FOR THE YEAR ENDED 30 JUN 2019.

PLANT PROPERTY AND EQUIPMENT									
	LAND	BUILDINGS	WORK IN PROGRESS	INTANGIBLE ASSET	MOTOR VEHICLE	FURNITURE & FITTING	OFFICE EQUIPMENT	PROCESSING PLANT & SOLAR	TOTAL
	Tsh.	Tsh.	Tsh.	Tsh.	Tsh.	Tsh.	Tsh.	Tsh.	Tsh.
Cost as at 1 st July 2018	402,586,420	5,814,200	1,141,217,897	31,725,050	476,844,130.	80,800,493	335,041,400	719,991,712	3,194,021,302
Additions	18,090,000	1,141,717,897	(1,141,217,897)	-	238,830,684	3,223,200	262,736,772	53,890,680	577,271,336
Cost as at 30th June 2019	420,676,420	1,147,532,097	-	31,725,050.	715,674,814	84,023,693	597,778,172	773,882,392	3,771,292,638
Accumulated Depreciation									
As at 1 st July 2018	-	5,814,200	-	10,908,566	412,258,599	64,244,763	250,561,435	277,090,765	1,020,878,328
Charge for the year	-	21,267,314	-	5,030,947	50,076,186	5,999,662	112,396,074	105,580,619	300,350,802
As at 30th June 2019	-	27,081,514	-	15,939,513	462,334,785	70,244,426	362,957,509	382,671,384	1,321,229,131
Net Carrying Amount as at 30th June 2019	420,676,420	1,120,450,583	-	15,785,538	253,340,029	13,779,267	234,820,664	391,211,008	2,450,063,509

I. 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:

Market risk

- Credit risk;
- Liquidity risk;
- Market 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 is 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.

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

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

	Company	
	2019	2018
	Tshs '000	Tshs '000
Net trade receivables	2,241,889	2,415,941
Net staff receivables	0	219
	2,241,889	2,415,941

Collateral is held in form of post dated cheques 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).

	2019	2018
	Tshs '000	Tshs '000
Past due but not impaired:		
- by up to 30 days	79,418	55,122
- by 31 to 60 days	133,610	167,158
- by 61 to 90 days	14,837	242,292
- over 90 days	2,014,024	1,951,367
	2,241,889	2,415,941

II. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Movement in provisions for doubtful debts:

	2019	2018
	Tshs '000	Tshs '000
As at 1 July	533,686	536,503
Recoveries during the year	-	(2,817)
Provisions for the year	-	-
Reversal of overprovision	-	-
As at 30 June	533,686	533,686

Cash and cash equivalents

The Company held cash and cash equivalents of TShs'000 -221,285 (2018: TShs'000 -505,704).

The cash and cash equivalents were held with reputable banks and financial institutions

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.

Interest rate risk

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

	Change in Interest rate	Effect on profit Before Tax Tshs '000	Effect on Equity Tshs '000
2019	-10.00%		
	10.00%		
2018	-10.00%	18,365	12,856
	10.00%	(18,365)	(12,856)

Exchange risks

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

III. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

USD	Change in currency rate	Effect on profit Before Tax Tshs '000	Effect on Equity Tshs '000
2019	-10.00%		
	10.00%		
2018	-10.00%	(293)	(205)
	10.00%	293	205

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

d) Operational risk

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

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

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

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

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and legal requirements;
- Documentation of controls and procedures;
- Requirements for the yearly assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective

Operational risk is managed by a programme 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

IV. CAPITAL MANAGEMENT

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

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

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

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

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

V. FAIR VALUES

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

VI. INCORPORATION AND ULTIMATE HOLDING ENTITY

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

VII. CURRENCY

These financial statements are presented in Tanzania Shillings (Tshs). However, the rate of conversion of USD, Kshs. and EUROS are as follows; 2,300.90, 22.4697 and 2,615.8932 respectively.

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

VIII. COMPARATIVE INFORMATION FIVE YEAR PERFORMANCE TREND

Company	2019	2018	2017	2016	2015
	Tshs'000	Tshs'000	Tshs'000	Tshs'000	Tshs'000
Turnover	7,576,976	8,135,484	8,304,884	8,114,838	5,253,682
Profit before tax	(2,223,044)	(210,203)	(666,663)	87,513	(1,434,323)
Tax charge	0	0	39,683	(39,683)	(118,768)
Profit for the year transferred to retained earnings	(2,223,044)	(210,203)	(626,980)	47,830	(1,553,091)
Dividends	-	-	-	-	-
Share Capital and shareholders' Funds					
Ordinary Share capital	323,173	10,000	10,000	10,000	10,000
Share holders' funds	(4,690,222)	(2,502,483)	(2,008,791)	(1,342,128)	(1,389,958)
Earnings and Dividend per Share					
Earnings per share	(6.88)	(21.02)	(62.70)	4.78)	(155.31)
Dividend per share(Tshs)	0	0	0	0	0

IX. GEARING

	2019	2018
	Tshs '000	Tshs '000
Trade and other payables	14,440,624	12,624,205
Less : Cash and other short term deposits	(221,285)	(505,705)
Net debt	14,219,339	12,118,500
Total Capital (Equity)	(4,690,223)	(2,502,483)
Capital and net debt	9,529,116	9,616,017
Gearing ratio	149%	126%
Though the company's gearing ratio is below its' lower end, the directors consider this to be favorable.		

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
1.0	Inventory Variance	It was due to data migration from all system in 2012. Details was sent to the office of the auditor general	The matter was presented to the board	Not resolved	Completion of investigation
2.0	Unsupported amount due to related parties	The documents were availed for inspection during the audit	System Analyst	Resolved	13/01/2019
3.0	Cash and cash equivalents variance	The Auditor did not avail the formular of how he arrived at cash and cash equivalent of 719.4 Million	System Analyst	Not resolved	20/02/2020
4.0	Financial Performance	The company had put in strategies to recover from accumulated losses by investing in local production	General Manager	Partly resolved	30/06/2023
5.0	Long outstanding Debtors	The Company engaged more debt collectors and also instituted legal actions to the Debtors with huge balances	General Manager	Partly resolved	Continuous
6.0	Irregular over expenditure	The Company engaged in sales promotion & publicity for the seeds. But as a resolved there	General Manager	Partly resolved	Continuous

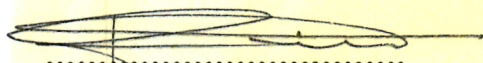
Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

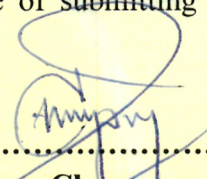
Audit Report Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Expected Date of Resolution
		was stock out			

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. Francis Mwaura
 General Manager
 13th Dec 2019



.....
Mr. Simon Cherogony
 Chairman
2019

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 2018/19			
a. Recurrent Grants			
	<u>Bank Statement Date</u>	<u>Amount (Tshs)</u>	<u>Indicate the FY to which the amounts relate</u>
	N/A	N/A	N/A
	Total	N/A	N/A
b. Development Grants			
	<u>Bank Statement Date</u>	<u>Amount (Tshs)</u>	<u>Indicate the FY to which the amounts relate</u>
	N/A	N/A	N/A
	Total	N/A	N/A
c. Direct Payments			
	<u>Bank Statement Date</u>	<u>Amount (Tshs)</u>	<u>Indicate the FY to which the amounts relate</u>
	N/A	N/A	N/A
	Total	N/A	N/A
d. Donor Receipts			
	<u>Bank Statement Date</u>	<u>Amount (Tshs)</u>	<u>Indicate the FY to which the amounts relate</u>
	N/A	N/A	N/A
	Total	N/A	N/A

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2019

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor or Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - Tshs	Where Recorded/recognized					Others - must be specific	Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables			
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	



7

350

100

70

100

100