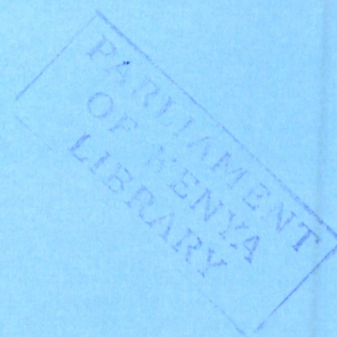
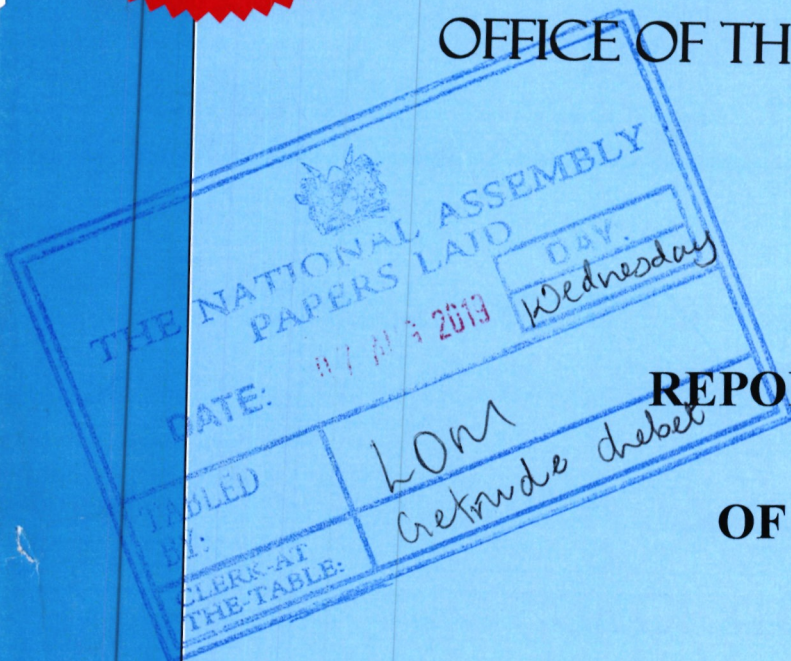


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA SEED COMPANY LIMITED AND
ITS SUBSIDIARIES**

**FOR THE YEAR ENDED
30 JUNE 2018**





KENYA SEED COMPANY LTD.

Top Quality Seed

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100 NAIROBI
REGISTRY
29 MAY 2019
RECEIVED

OFFICE OF THE AUDITOR GENERAL
ELDORET HEADQUARTERS
09 MAY 2019
RECEIVED
P. O. Box 2774 - 30100, ELDORET

ANNUAL REPORT & FINANCIAL STATEMENTS

For the Financial Year Ending June 30, 2018

LAURENCE GUYON
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2099-2100

VISION

The leading supplier of top quality seed in Africa

MISSION

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

CORE VALUES

Integrity: In discharging our functions, we consistently uphold the highest ethical standards, demonstrating honesty and fairness in all our operations at all levels of the organization.

Teamwork: 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.

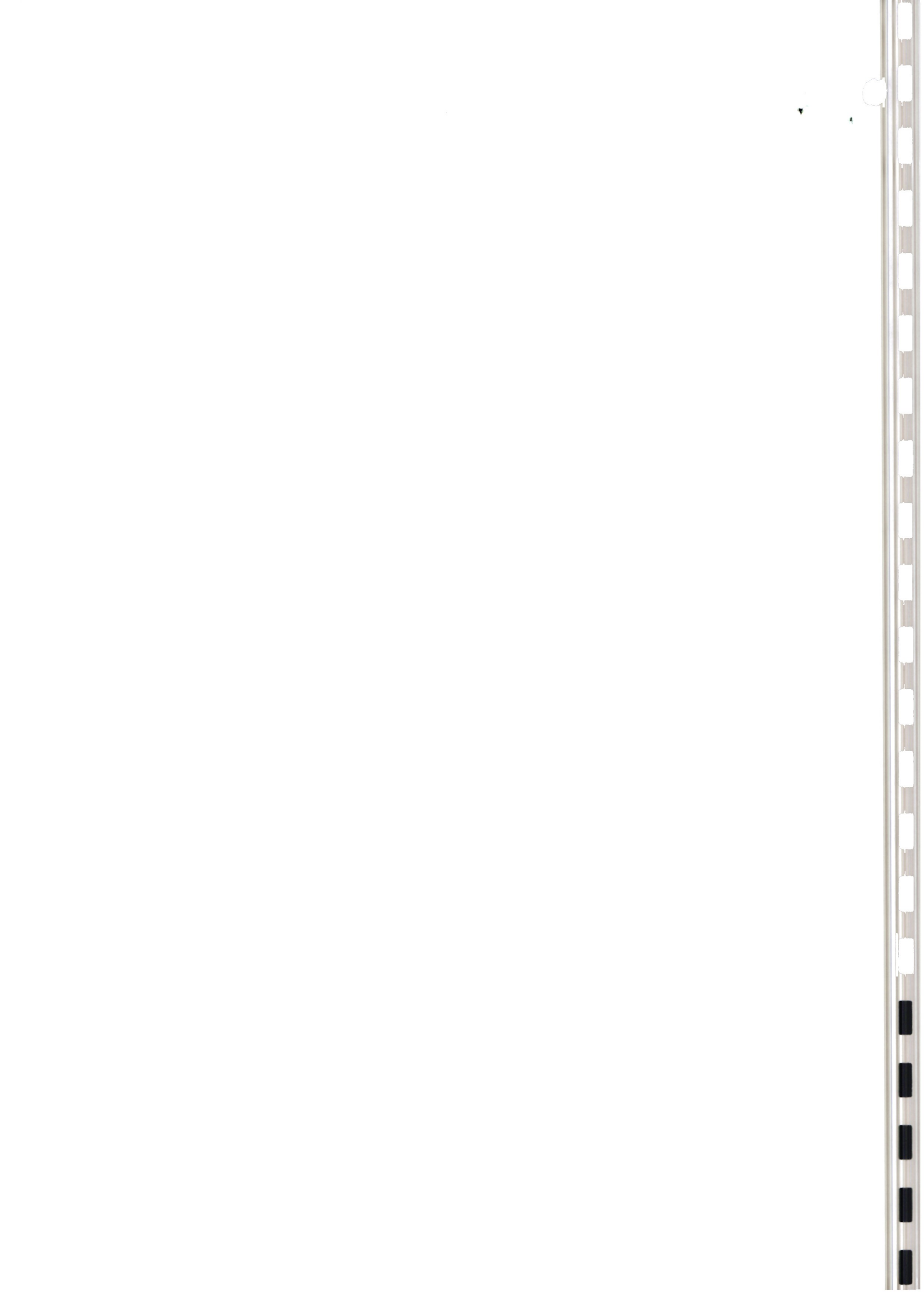
Innovation: KSC recognizes that innovation and creativity in processes and products is key in improving service delivery. The Company is therefore committed to fostering innovation and creativity in the entire work force. Towards this, the Company supports and encourages learning among its staff.

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.

Customer Focus: We provide services that satisfy customer needs and exceed expectations. We strive to deliver reliable products and services to our customers.

Timeliness: We provide services with the minimum time, resources and the rightful amount of resources. We strive to eliminate wastages in discharging our mandate.

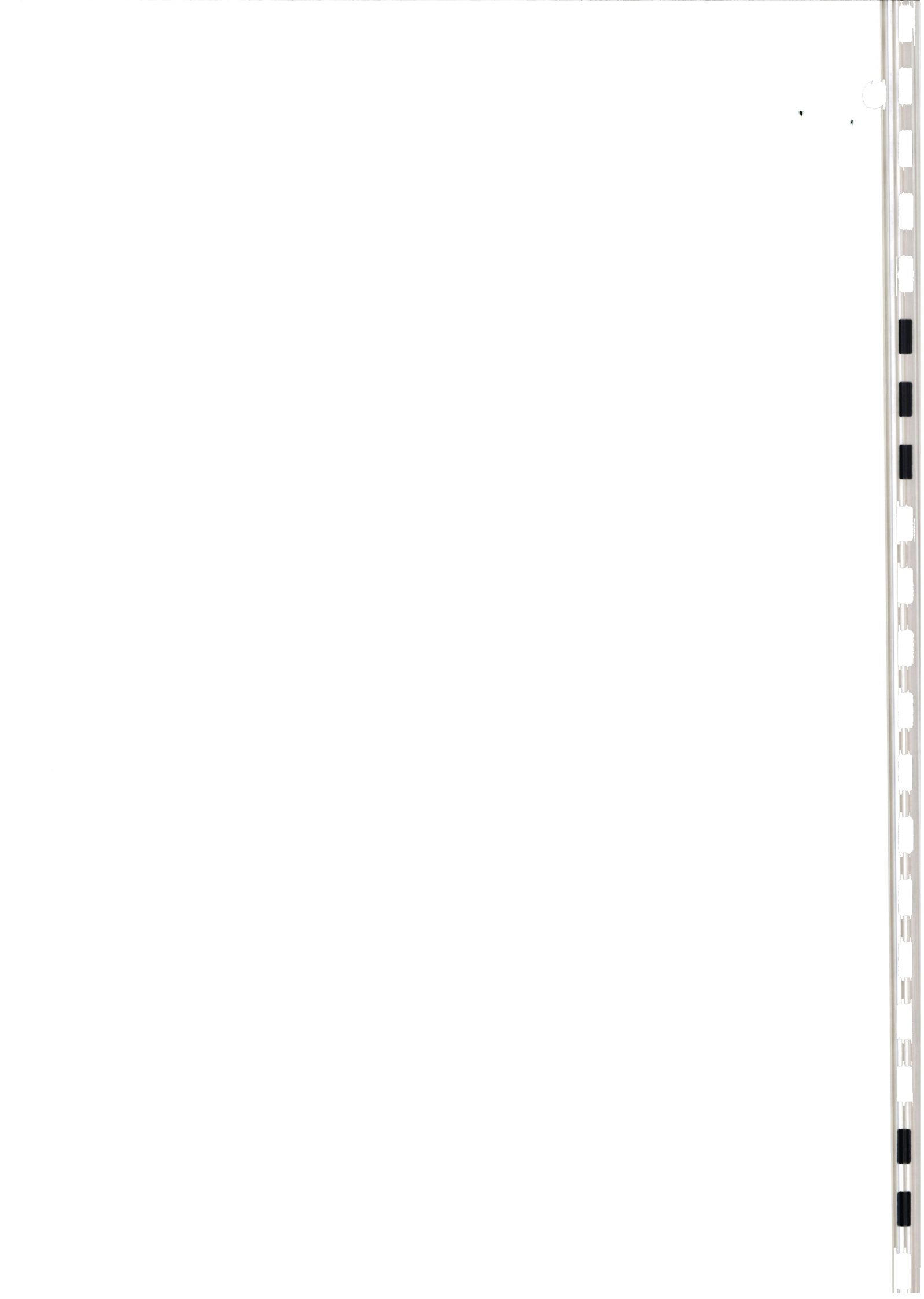




**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

KEY ENTITY INFORMATION

Directors

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

Non-Executive

Hon. Nathan Anaswa	Chairman
Dr. Kamau Thugge	Principal Secretary, The National Treasury
Dr. Richard Lesiyampe	Principal Secretary, State department of Agriculture

Mr. Richard Aiyabei	Managing Director, ADC
Mr. Simon Cherogony	Managing Director, KFA

Mr. Lawrence Njiru
Mr. William Kundu
Dr. Nathaniel Tum
Mr. Abraham Koech

Alternate Director to the Principal Secretary,
The National Treasury

Dr. Johnson Irungu

Alternate Director to the Principal Secretary,
State Department of Agriculture

Executive

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

Company Secretary

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

Registered office and Principal place of Business

Wamalwa Street
P.O. Box 553 – 30200
Kitale, Kenya

Principal Bankers

Kenya Commercial Bank Limited
P.O. Box 1974 – 30200
Kitale, Kenya.

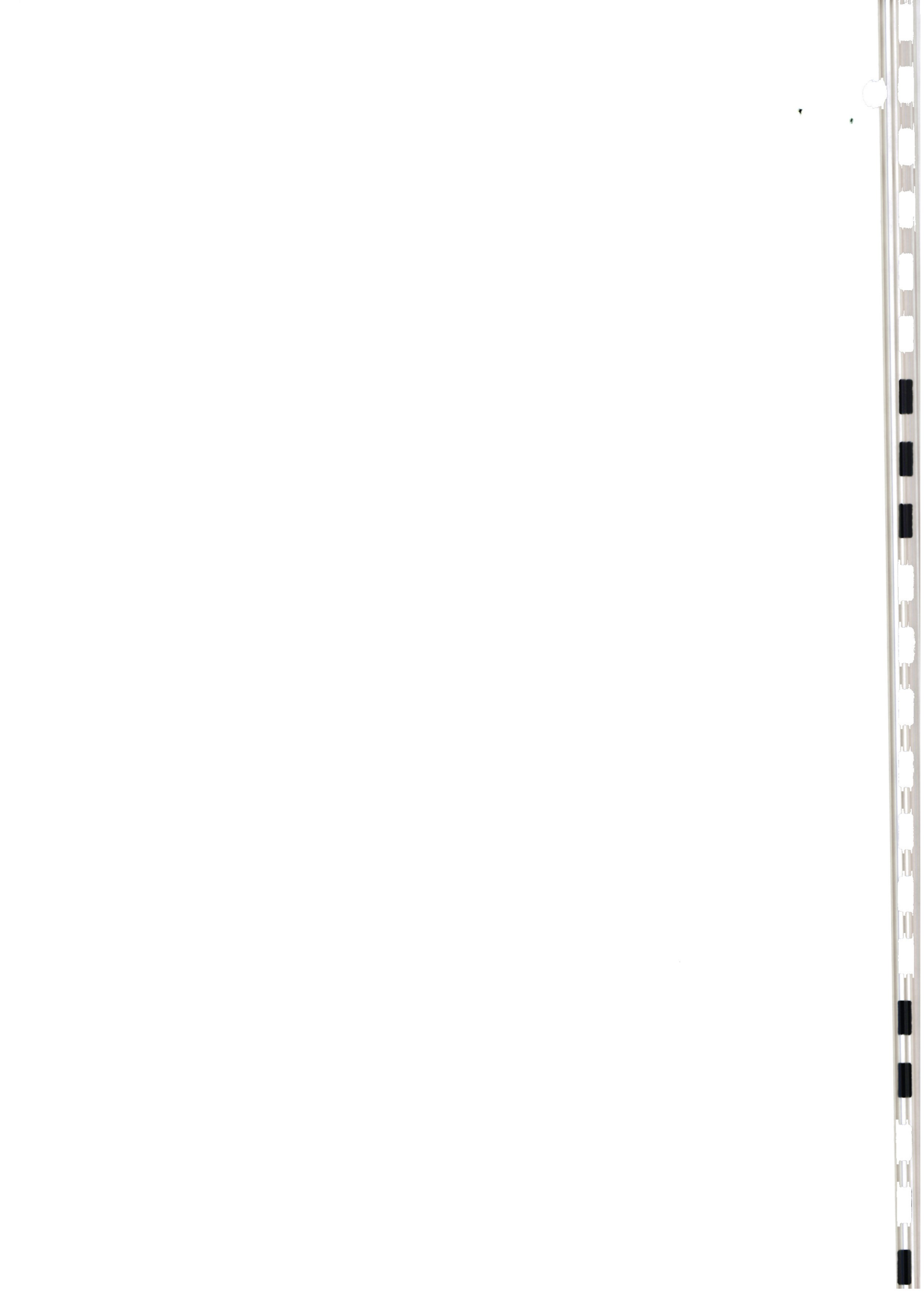
National Bank of Kenya Limited
P.O. Box 1192 – 30200
Kitale, Kenya.

Barclays Bank of Kenya Limited; Eldoret Branch
P.O. Box 22 – 30100
Eldoret, Kenya.

Equity Bank Kenya Limited
Kitale Branch; P.O. Box 801 – 30200
Kitale, Kenya.

Independent and Principal Auditors

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



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

KEY ENTITY INFORMATION (continued)

Principal Lawyers

Kidiavai & Company
Advocates, Commissioners for Oaths and Notaries Public
2nd Floor, Mazop Building
P.O. Box 437 – 30200 Kitale, Kenya.

Albert Kamunde & Company
Advocates, Commissioners for Oaths, Notary Public and
Certified Public Secretaries, 4th Floor, Blue Violets Plaza
Kindaruma Road, off Ngong Road
P.O. Box 56936 – 00100 Nairobi, Kenya.

Namachanja & Mbugua
Advocates, Notaries Public and Commissioners for Oaths
A4, Hurlingham Park, Arwings Kodhek Road
P.O. Box 26301 – 00100
Nairobi, Kenya.

Subsidiaries

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

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

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

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

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



MAIZE





ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

GROUP PERFORMANCE AT A GLANCE

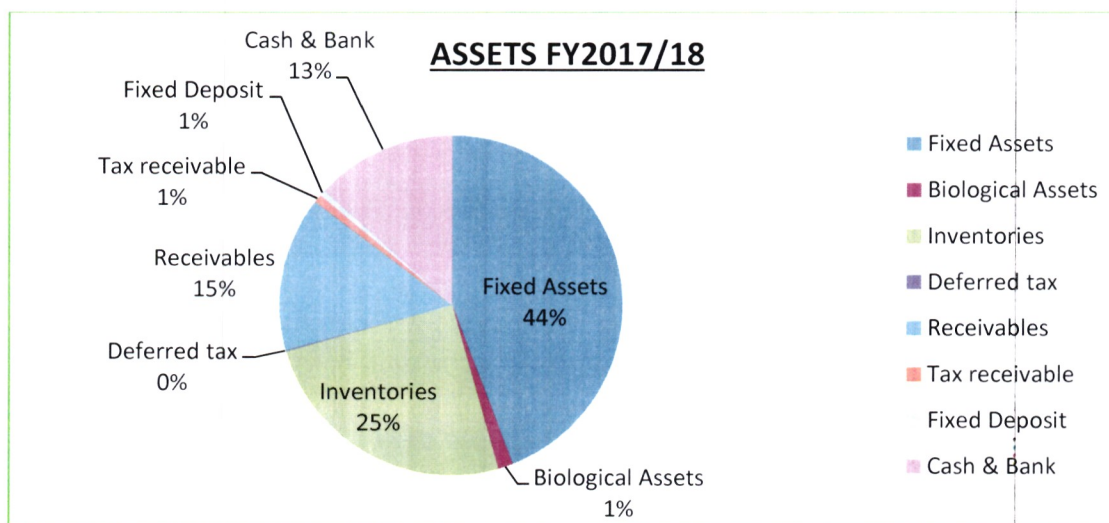
Revenue
Kshs. 6.23 Billion (2017:
Kshs 6.21 Billion)

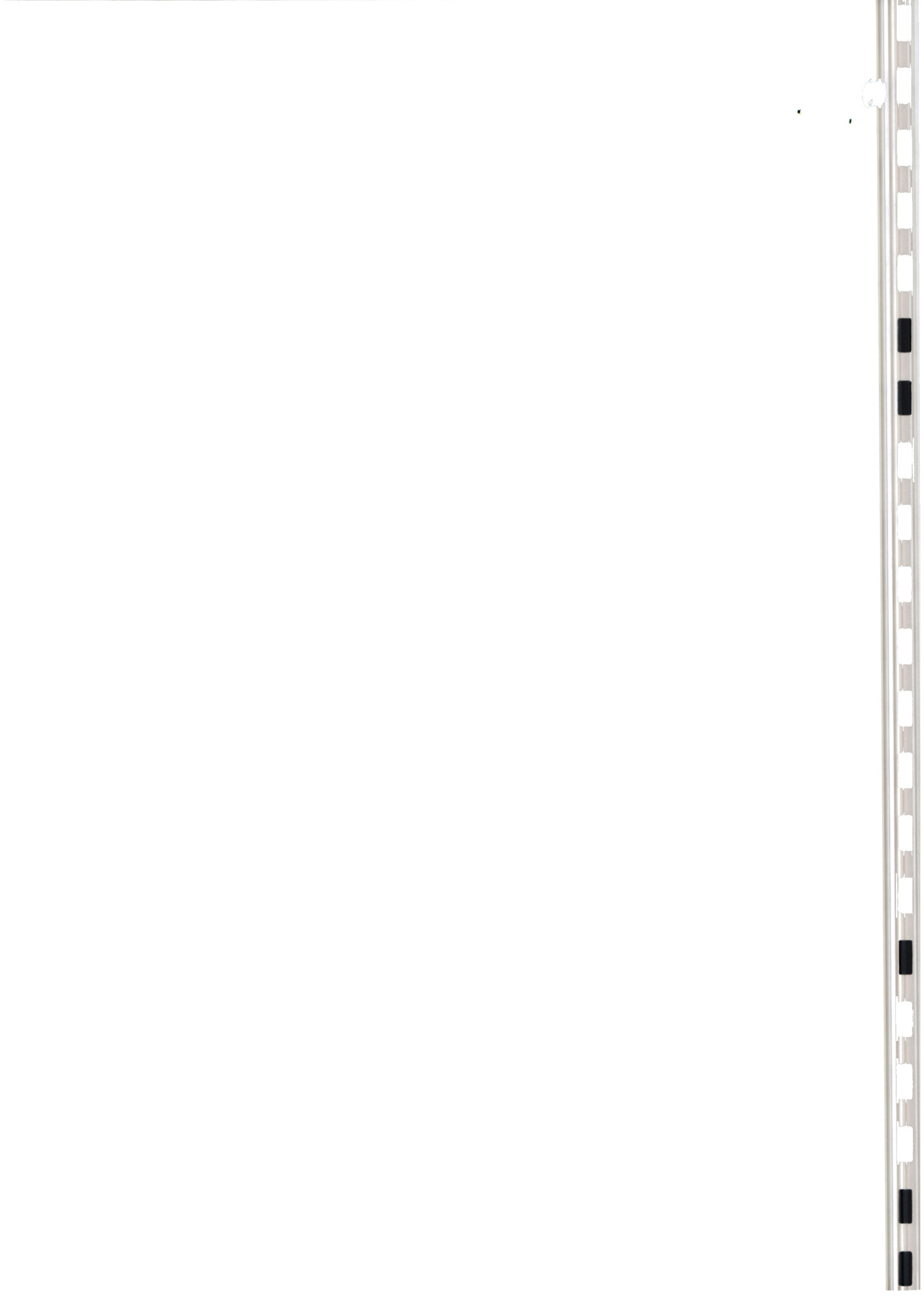
Total expenses
Kshs. 1.83 Billion (2017:
Kshs 2.14 Billion)

Total Assets
Kshs. 12.29 Billion (2017:
Kshs 11.82 Billion)

FIVE YEAR PERFORMANCE TREND

Group	2018	2017	2016	2015	2014
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Turnover	6,226,108	6,213,021	5,427,011	5,478,087	5,992,771
Profit before tax	574,849	349,671	145,594	386,011	450,836
Tax charge	(341,074)	(215,550)	(64,319)	(160,935)	(149,301)
Profit for the year	208,683	189,582	62,917	227,727	301,535
Dividends	-	-	-	58,242	57,891
Share Capital and shareholders' Funds					
Ordinary Share capital	215,625	215,625	215,625	215,625	215,625
Share holders' funds	10,847,642	10,182,665	9,863,682	6,321,362	6,143,468
Earnings per share	21.68	12.44	7.54	20.88	27.97
Dividend per share(Kshs)	5.25	5.25	5.25	5.40	5.37
Seed Maize Produced (Kg)	13,484	26,490	31,195	33,648	24,480
Seed Maize Sales (Kg)	28,668	27,750	23,922	23,686	25,789





ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

COMPANY PERFORMANCE AT A GLANCE

Revenue
Kshs. 5.15 Billion (2017:
Kshs 5.13 Billion)

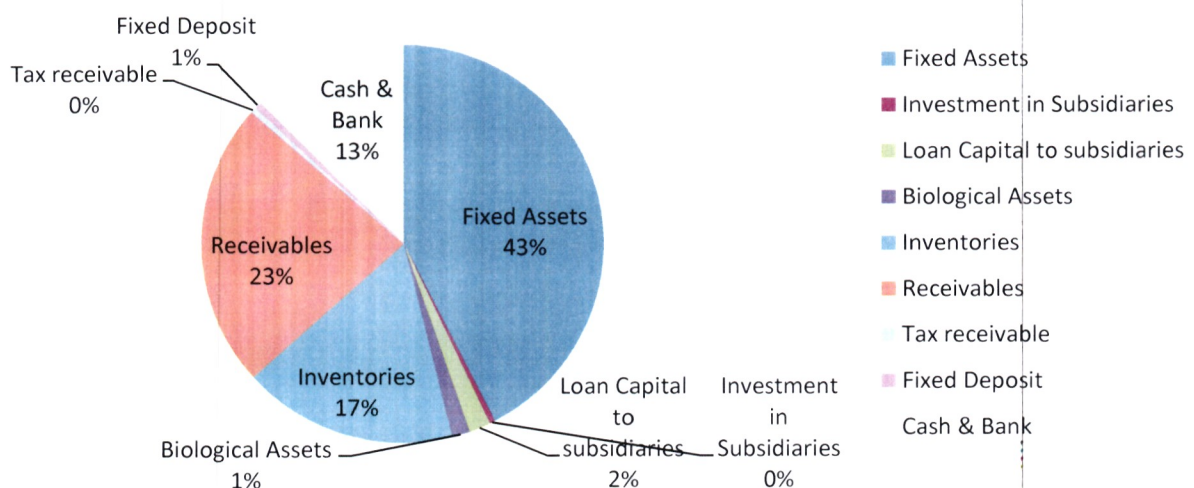
Total expenses
Kshs. 1.36 Billion (2017:
Kshs 1.73 Billion)

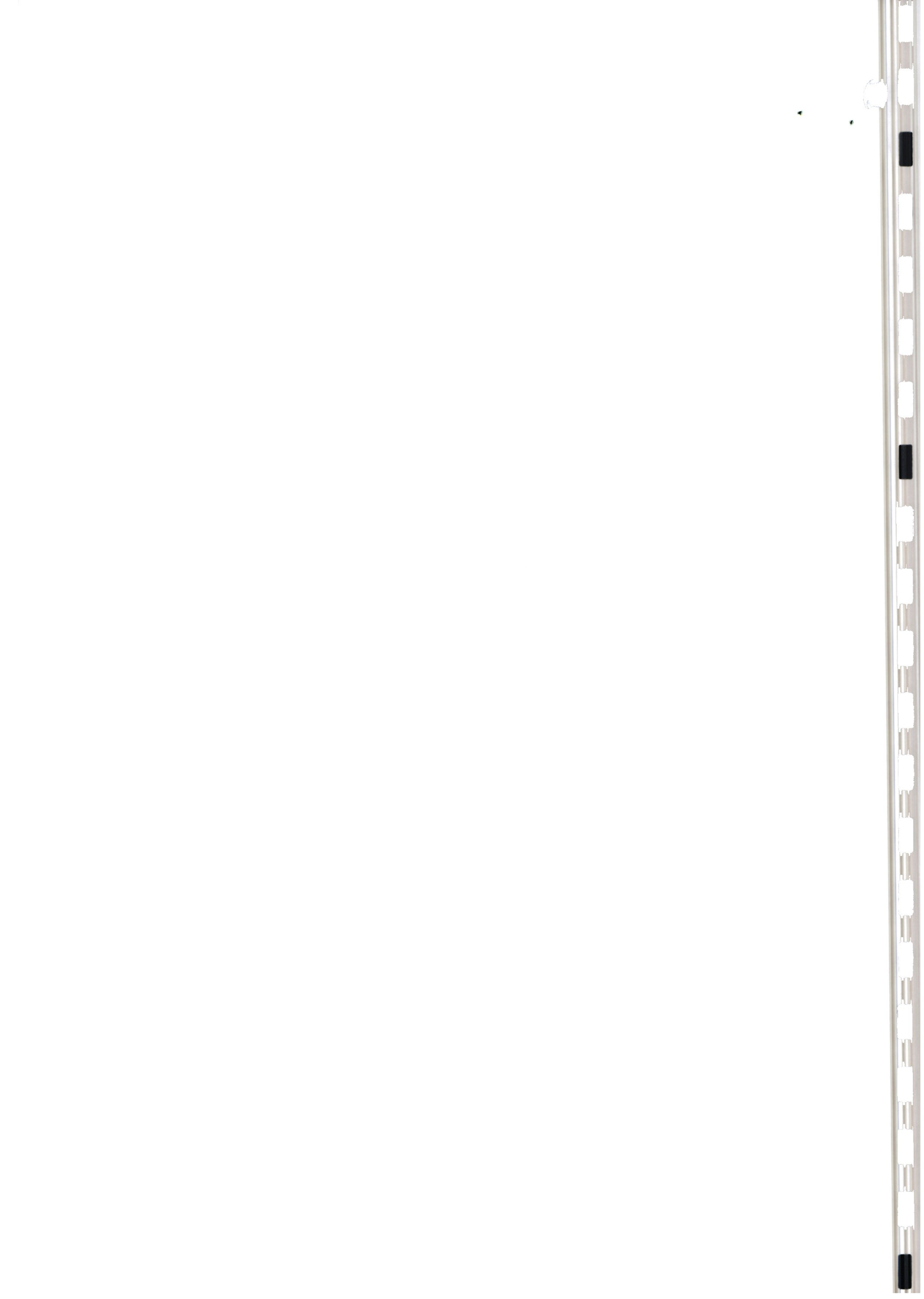
Total Assets
Kshs. 12.12 Billion (2017:
Kshs 11.50 Billion)

FIVE YEAR PERFORMANCE TREND

Company	2018	2017	2016	2015	2014
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Turnover	5,154,062	5,127,485	4,433,732	4,602,233	5,022,982
Profit before tax	619,601	383,244	182,115	434,458	443,935
Tax charge	(326,623)	(212,380)	(82,080)	(143,247)	(154,482)
Profit for the year	267,886	226,326	81,676	291,211	289,453
Dividends	-	-	-	58,242	57,891
Share Capital and shareholders' Funds					
Ordinary Share capital	215,625	215,625	215,625	215,625	215,625
Share holders' funds	10,895,927	10,148,602	9,790,827	6,223,855	6,007,428
Earnings per share	27.17	15.85	9.28	27.01	26.85
Dividend per share(Kshs)	5.25	5.25	5.25	5.40	5.37
Seed Maize Produced (Kg)	13,484	26,490	31,195	33,648	24,480
Seed Maize Sales (Kg)	28,668	27,750	23,922	23,686	25,789

ASSETS FY2017/18





ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

BOARD OF DIRECTORS

Hon. Nathan Sanya Anaswa



Hon. Nathan Anaswa, born in 1942 is the Chairman of the Board of Directors of Kenya Seed Company Limited, having joined the Board on 27th February 2017 and elected to the chairmanship's role on 13th April, 2017. Hon Anaswa served as a Member of Parliament for Malava Constituency (1988-1992). He also served as the Chairman of Malava County Hospital (2014-2016), chairman of Namagara Secondary School (2013-2015) and Chairman of Malava Constituency CDF (2010-2013). Hon. Anaswa had an accomplished career in the teaching profession from 1970 to 1987 which he served with distinction during which he was promoted and served as a principal of Lugali, Musingu, Bungoma and Ingotse High Schools. Hon. Anaswa holds a Diploma from Kenyatta College and a Bachelor of Arts (Education) degree from the University of Nairobi.

Dr Kamau Thugge

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



Dr. Richard Lesiyampe

Dr. Richard Lesiyampe is the Principal Secretary, State Department of Agriculture at the Ministry of Agriculture, Livestock and Fisheries. Dr. Lesiyampe was born in 1964. Before joining the Ministry, Mr. Lesiyampe was Principal Secretary, State Department of Environment and Natural Resources. Formerly, he was the CEO of Kenyatta National Hospital and previously worked for Kenya Wildlife Service. Dr. Lesiyampe is a holder of a PHD degree from Methodist University and MBA from the University of Nairobi. Dr. Lesiyampe is a member of several organizations, including Sunshine Secondary School where he is the Chairman and was also Director at Kenya Medical Training College and a recipient of Presidential Award – (MBS) in the year 2012 for the Stability and Management of Kenyatta National Hospital. Dr. Lesiyampe is the Chairman of Samburu Professionals Association and the patron of the Samburu County University Students.



Azariah Soi

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





ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

BOARD OF DIRECTORS



Lawrence Mark Njiru

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

William Kundu Ndombi

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



Symon Kipchumba Cherogony

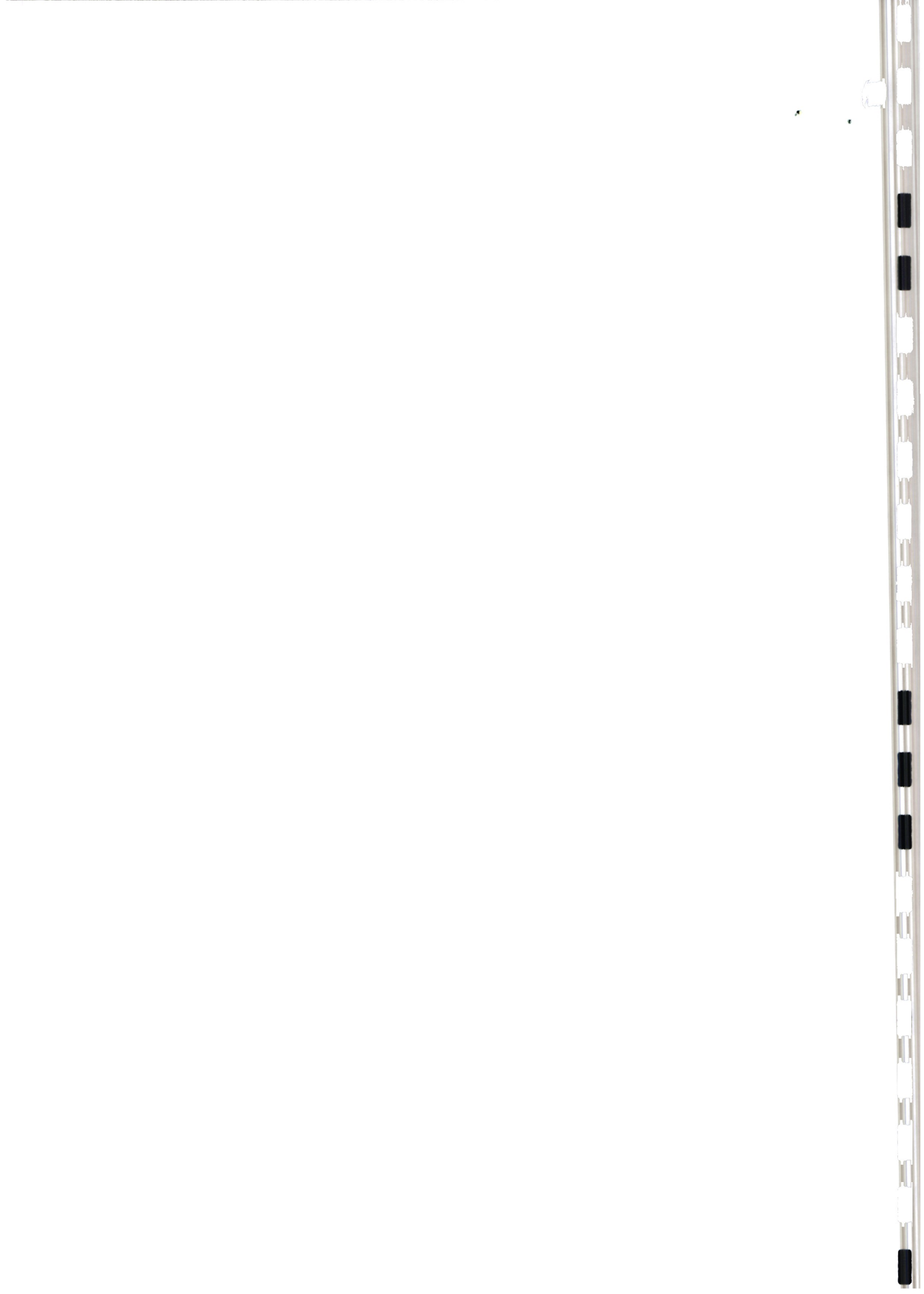
Mr. Symon Cherogony was born in 1954. He holds a Bachelor of Science Degree in Engineering from Texas A & M University, USA and a diploma in Agricultural Engineering from Egerton University. Mr. Cherogony joined Kenya Farmers Association (KFA) in 1988 as a Sales Manager-Machinery where he rose through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



Dr. Nathaniel K. Tum

Dr. Nathaniel K. Tum was born in 1948. He joined the Board on 7th February 2017. He has vast experience in both public and private enterprise management having served Kenya Seed Company and other organizations. He joined the Company in 1982 as Personnel Manager and rose to become the General Manager and later the Board appointed him the Managing Director from 1985 to 2003. He was the Founding Chairman of Kenya Agricultural Research Institute (now KALRO) and Board Member, Chair of Agricultural Society of Kenya, Founding President of the African Seed Trade Association (AFSTA 1999-2002) as well as the Seed Trade Association of Kenya (STAK) and was a Committee Member of FIS. He also worked as Trustee and Vice Chairman of United States International University-Africa (1997-2007) as well as Chairman of Moi University Council. He was Chairman of Kenya National Shipping Lines Ltd from (2013-2016). He holds Diploma in Science Education, Bachelor of Law (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 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).





BOARD OF DIRECTORS



Dr. Johnson Irungu Waithaka, Alternate Director to PS, State Department of Agriculture

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

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

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



Mr. Richard Aiyabei

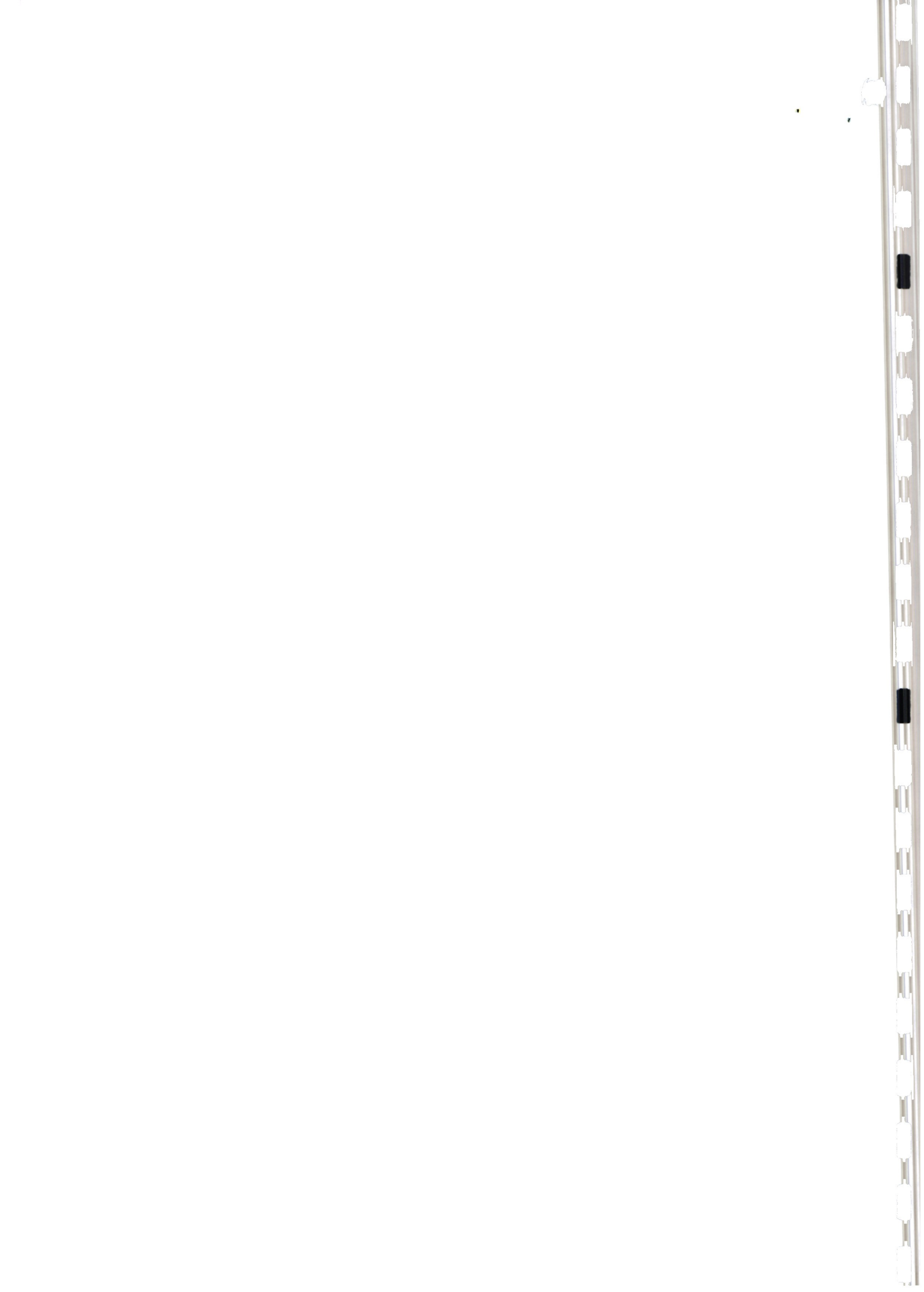
Mr. Richard Aiyabei, who joined the Board on 18th December 2015 when he became the Managing Director of ADC, was born in 1966. He holds a Masters degree in Agronomy from the University of Eldoret and a Bachelor of Science in Agriculture from Moi University. Mr. Aiyabei sits in various Boards where he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



Ms. Wilkister Simiyu

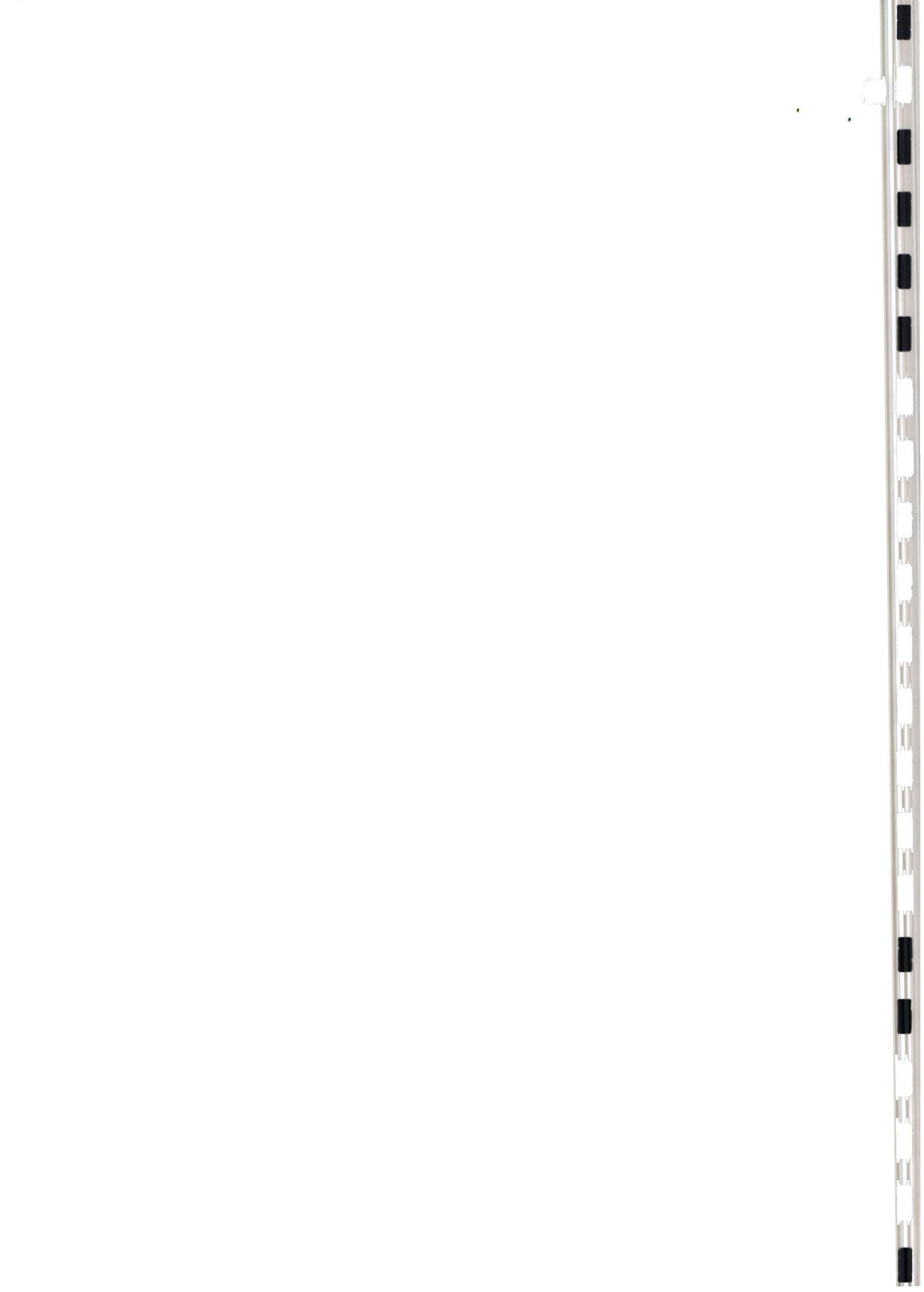
CS. Wilkister Simiyu was born on 16th June, 1981 and is the Company Secretary and Head of Legal Services. She has 10 years work experience both as a practicing advocate and an in-house counsel having worked with Kitiwa & Co., Nyaundi, Tuiyot & Co. and Moi University. She holds LLB degree from Moi University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





BOMA RHODES





MANAGEMENT TEAM

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



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

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

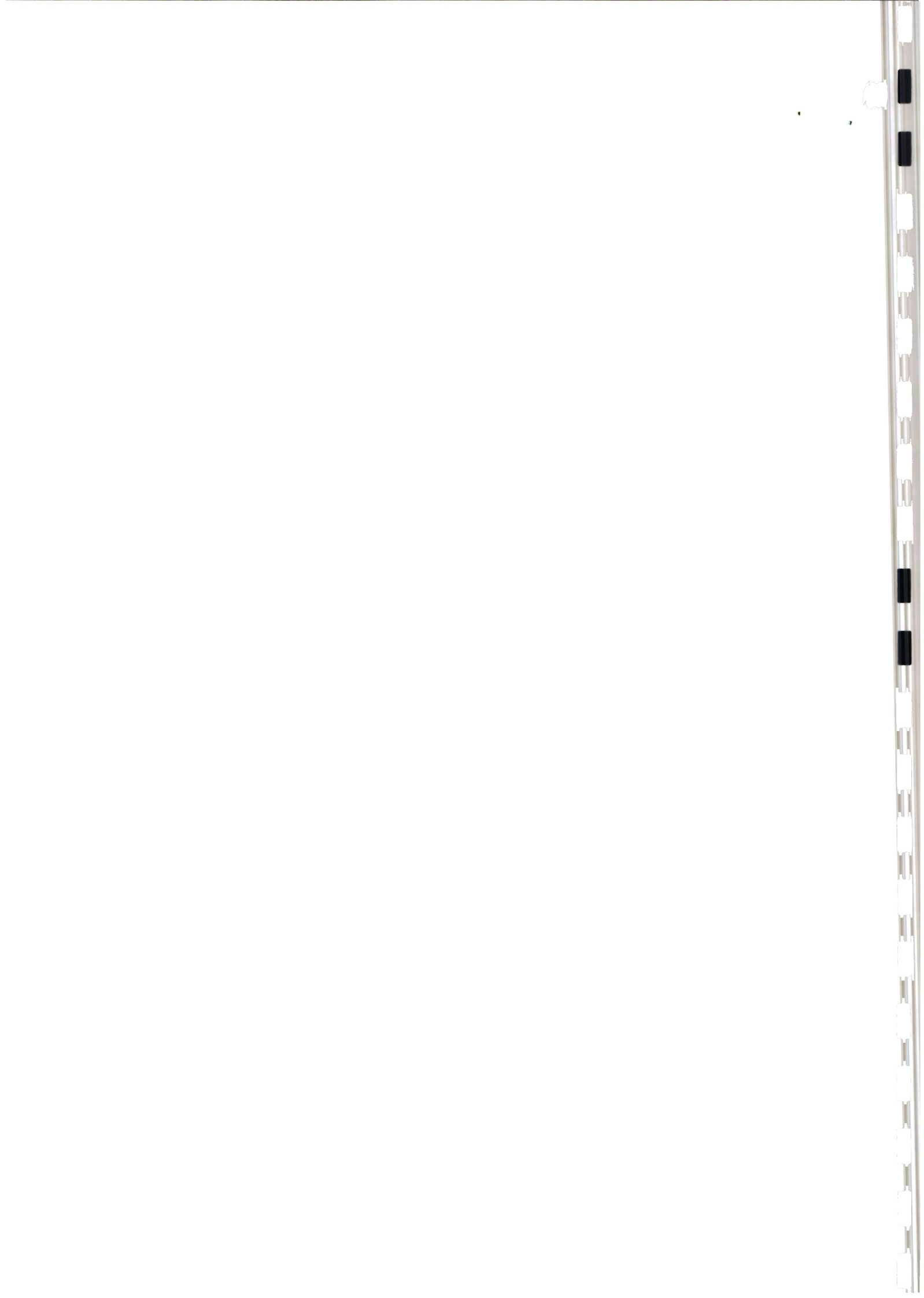


CPA Leonard Kibet was born on 2nd August 1980 and is the Internal Audit Manager. He is a Certified public Accountant (CPAK) and a Certified Internal Auditor (CIA), a member of the Institute of Internal Auditors (IIA) and Institute of Certified public Accountant (ICPAK). He has over 15 years of leadership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

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



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



MANAGEMENT TEAM



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

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

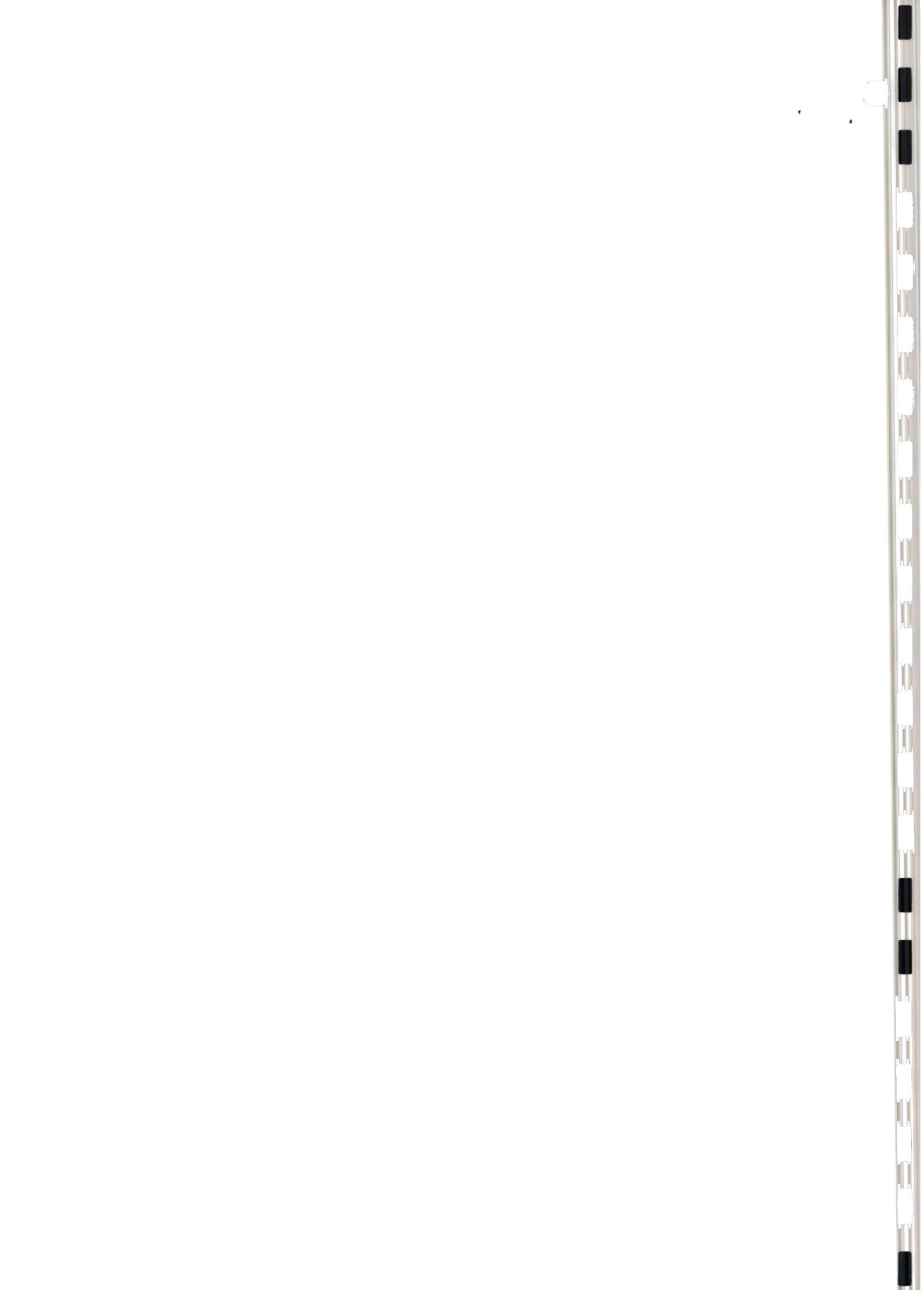


Mr. Hosea Sirma was born on 28th August 1962 and is the Head of Production in charge of early generation Seeds. Mr. Hosea Sirma holds a BSC degree from University of Nairobi. Hosea Sirma joined the Company in 1991 and now has 25 years hands on experience in seed Business Management and Quality Management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

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



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



MANAGEMENT TEAM



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

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



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

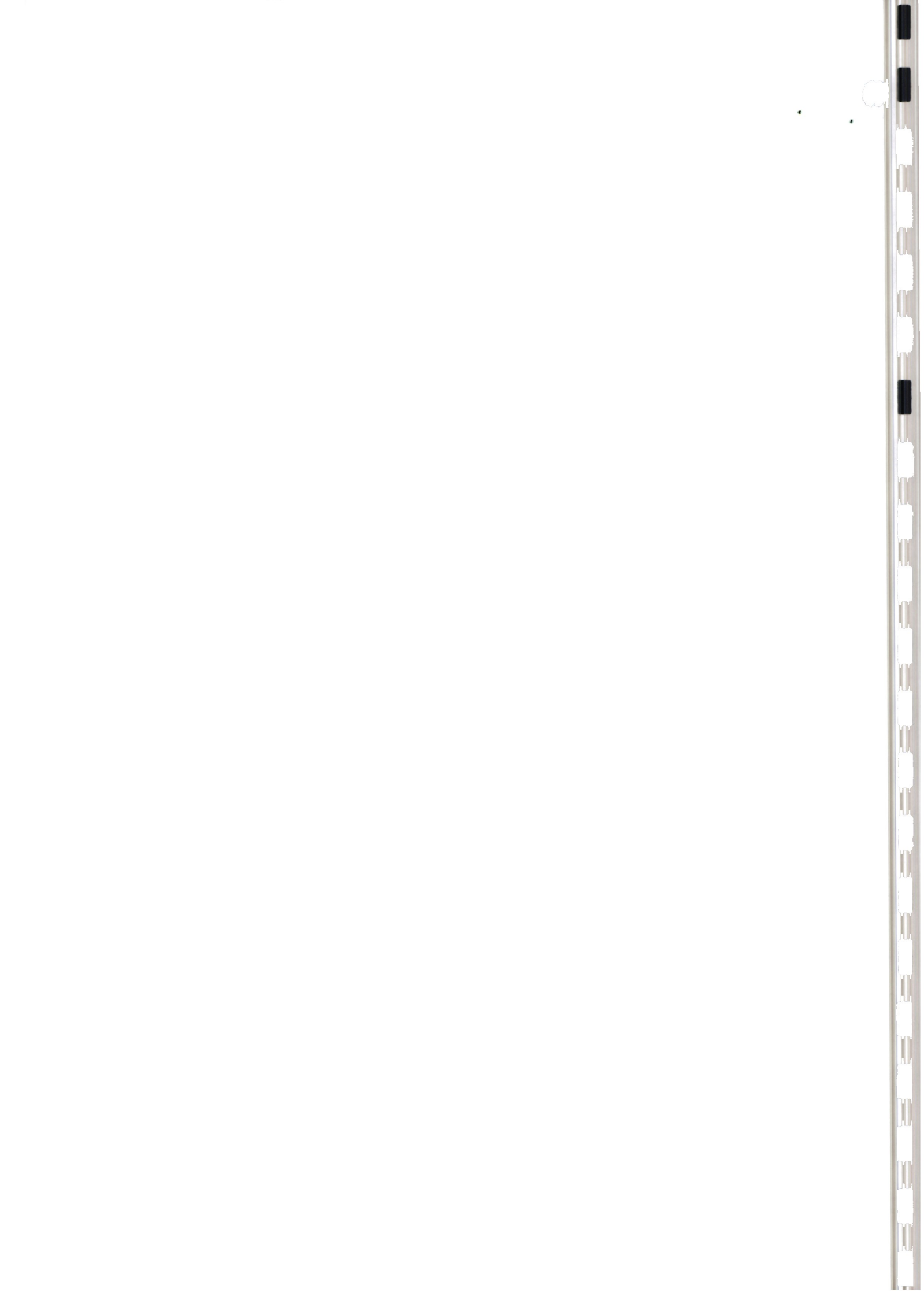
Mr. Philip Chemwetich was born on 2nd August 1969 and is the ICT Manager. He is responsible for the Preparation of strategic and operational plans for the ICT and ensures ICT systems comply with regulatory and legal requirements. He has over 20 years experience in the implementation and maintenance of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



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

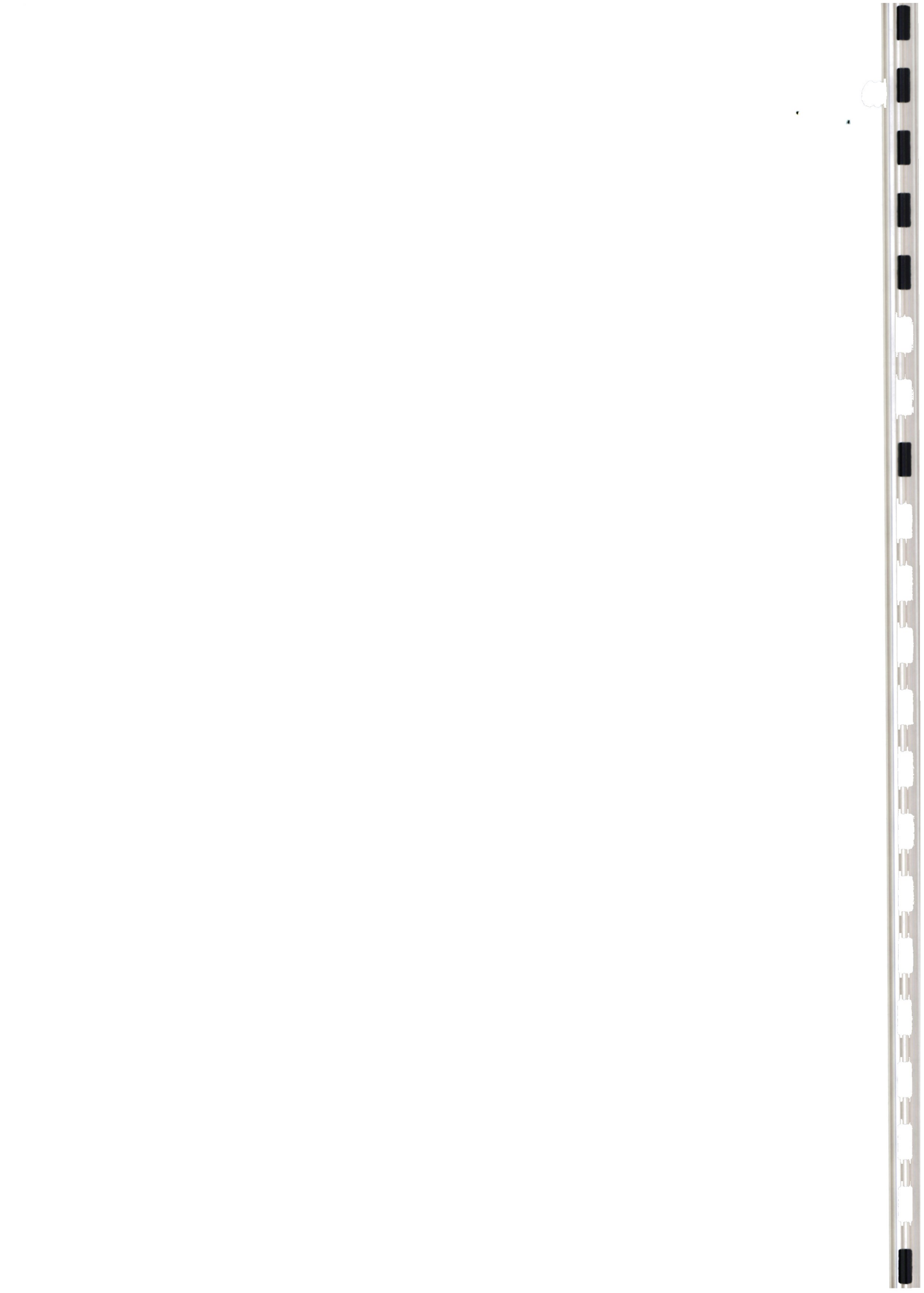
Mr. Bethuel Bett Chemitei was born on 24th November 1978 and is the Manager Procurement and supplies. He has over 16 years experience in Procurement, Supplies, Operations, Sales and Marketing having worked in private sector and banking industry and joined the company in 2016. He holds a Master of Science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





SOYA BEANS





CHAIRMAN'S STATEMENT



Dear Shareholders,

I am privileged to present to you the annual report and financial statements of Kenya Seed Group for the year ended 30th June 2018.

The Group managed to post commendable performance results despite a lot of challenges among them inadequate rainfall, uncertainties occasioned by prolonged general election of 2017 and emergence of diseases and pests such as Maize Lethal Necrotic Disease (MLND) and a devastating Fall Army Worm (FAW) invasion.

Business Environment Overview

The global economy grew by 3.1% in 2018 compared to a growth of 3.5% in 2017 occasioned by constrained global trade and subdued investment. According to a report by the Economic Commission for Africa, East Africa last year recorded the fastest economic growth in the continent at 6.3% compared to other regions in Africa. The growth was fuelled by public infrastructure investment, agriculture development and increased consumption of goods and services.

Last year was a difficult period for all businesses in Kenya. According to official reports, Kenya's economic growth slowed to 4.9 per cent, fuelled by political uncertainty as the country dealt with the effects of a prolonged electioneering period. During this period the credit market also recorded its slowest growth in 14 years, attributed to the interest rate capping and reduced economic activity. In addition, consumers bore the brunt

of high food prices occasioned by persistent drought, which negatively affected agricultural production and strained household budgets. Despite all the challenges Kenya's economy has continued to expand as compared to 4.8% in the same period last year.

The agricultural sector, which continues to be the mainstay of Kenya's economy contributing 24% of the GDP, experienced mixed results with tea and coffee sub sectors recording fair prices in the international market. The seed subsector faced challenges in land subdivision which has reduced acreage suitable for seed production. The implementation of the Comesa protocol on commodities has seen the flooding of cheap commercial maize into the country from member countries which has led to low commercial maize prices. This is likely to lower the demand of seed maize in the coming year as farmers may opt for alternative agricultural activities.

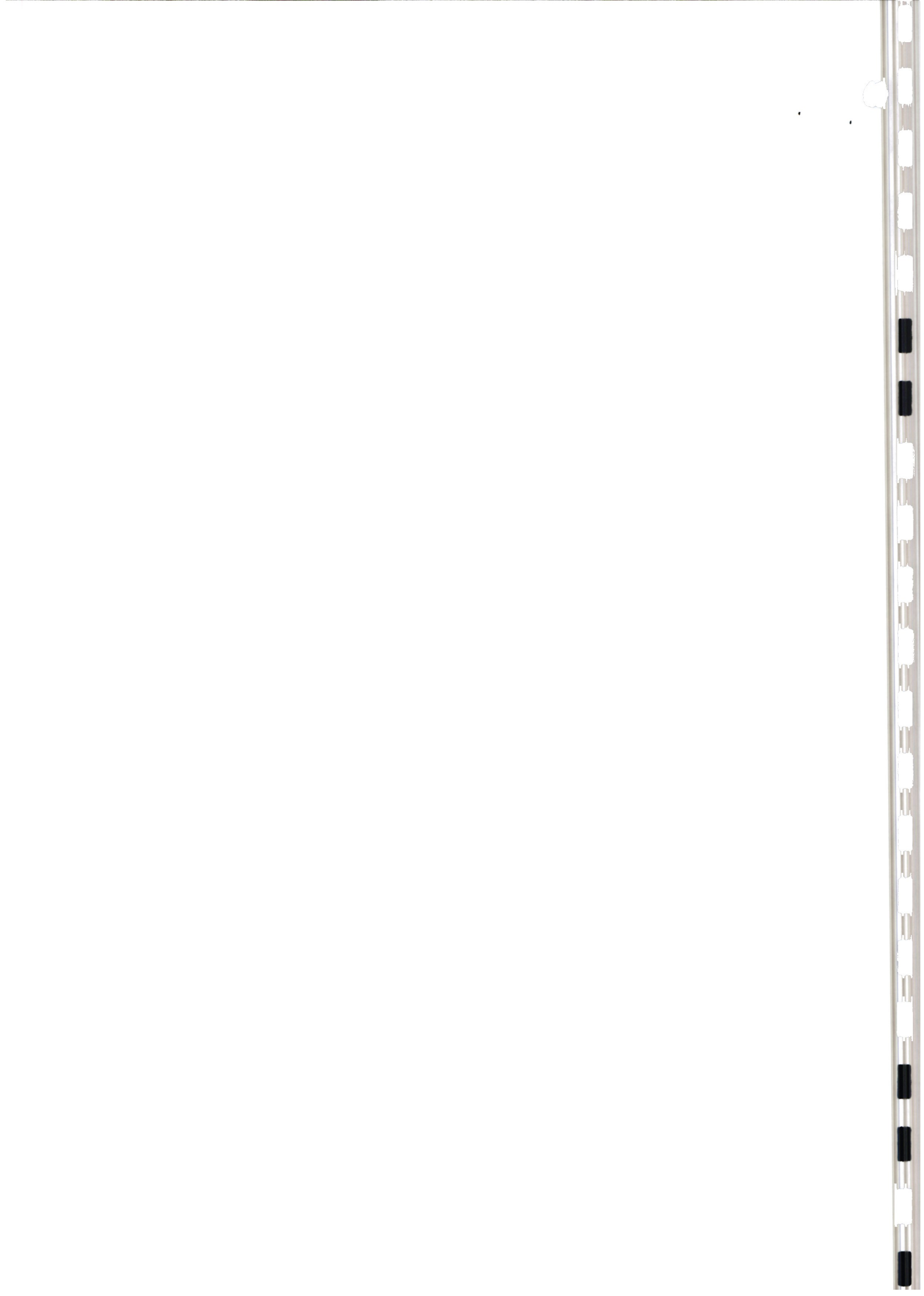
Financial Review

We are pleased to report that the Group posted an improved performance in the year under review. The Group recorded a 64% growth in profit before tax of Kshs 575 million in the year ended 30 June 2018 from Kshs 350 million in 2017, while the Company recorded a 62% growth in profit before tax from Kshs 383 million in 2017 to Kshs 620 million for the year ended 30 June 2018. This was due to slight increase in seed maize sales that grew by 3% from 27.8 million kilos to 28.7 million kilos and the austerity measures that were put in place by management to reduce the expenses by 14% from Kshs 2.14 billion to Kshs 1.83 billion and 21.5% which amounted to Kshs 1.36 billion down from Kshs 1.73 billion for Group and company respectively.

The Group Assets grew by 4% from Kshs 11.8 billion to Kshs 12.3 billion while the company assets grew by 5.5% from Kshs 11.5 billion in the year ended June 2017 to Kshs 12.13 billion in the current year ended June 2018.

Seed Supply

The company made significant progress in increasing seed acreage under irrigation by enhancing partnership with key seed growers who have installed irrigation capacity in their farms. As a result, the Company was able to avail sufficient quantities of seed of all the major varieties for all agro-ecological zones.



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Dividend

In line with the strategic objective to create and manage stakeholder value, the company has continued to pay dividends to her shareholders in line with the company's dividend policy of pegging dividend at the higher of 20% of after tax profit and a fixed dividend payout of Kshs 5.25 dividend per share. The first and final dividends for the years ended June 2015, 2016, 2017 and 2018 will be settled subject to approval by the shareholders.

The 2001 Share Issue

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

Board Changes

The current Board was elected on 7th February 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.

The directors who served in the previous term have continued to serve during the year.

Future Outlook

The future outlook of Kenya Seed Company is bright. The Board is developing more strategies to grow the market and enhance financial management in order to increase profits and optimize operations.

The Board is also putting in place strategies to expand business in the regional markets like Tanzania, Uganda, Rwanda, Burundi and Democratic Republic of Congo. In addition to expanding the regional market, the Company is also looking at expanding its product portfolio to include vegetable seeds, pasture and sunflower seeds. The Board of Directors will continually review the various business strategies in place to ensure sustained business profitability and growth. In 2018/19, the board will also continue to enhance governance and compliance practices and will focus relentlessly on risk management.

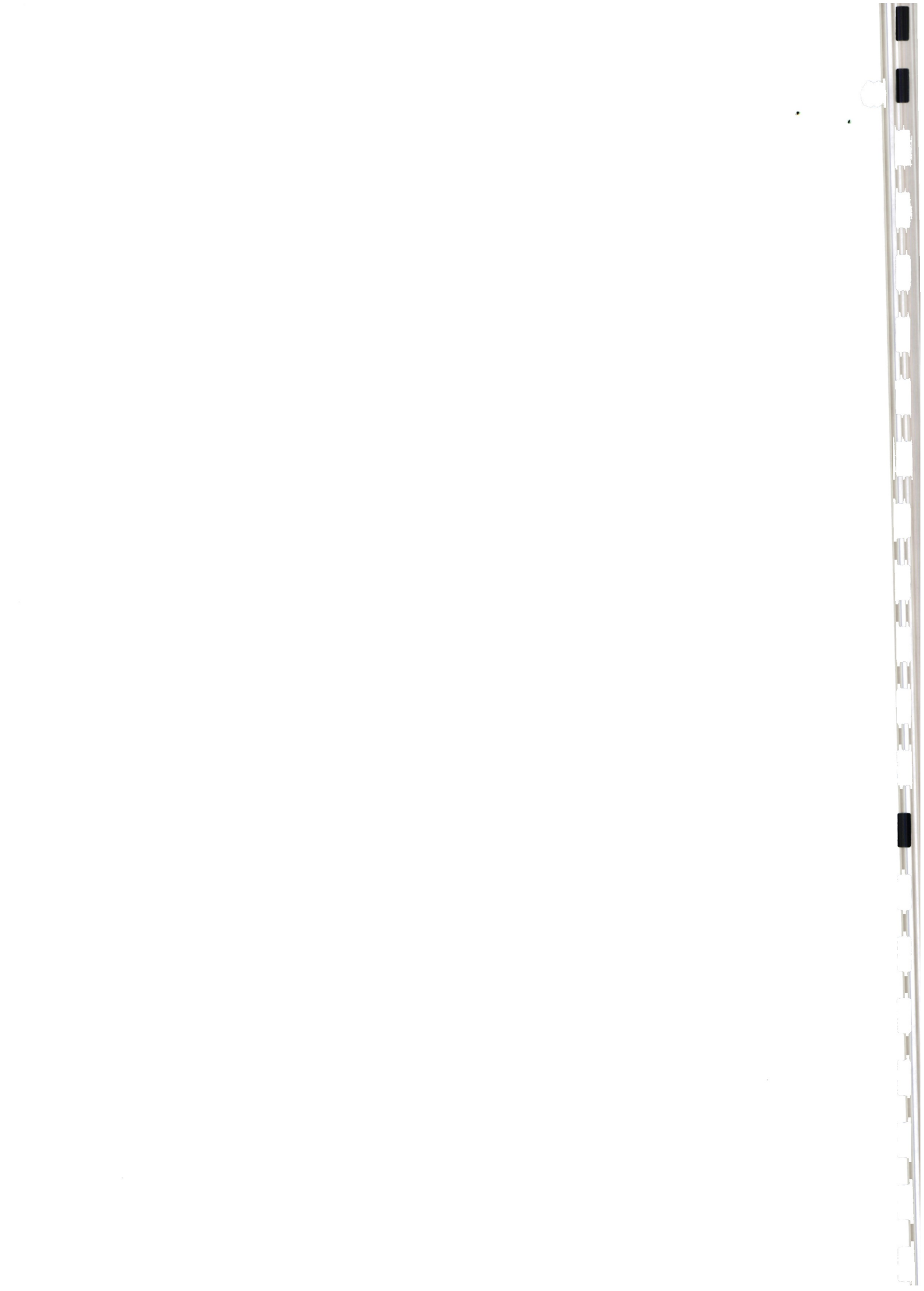
Appreciation

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

God bless Kenya Seed Group and each of you.

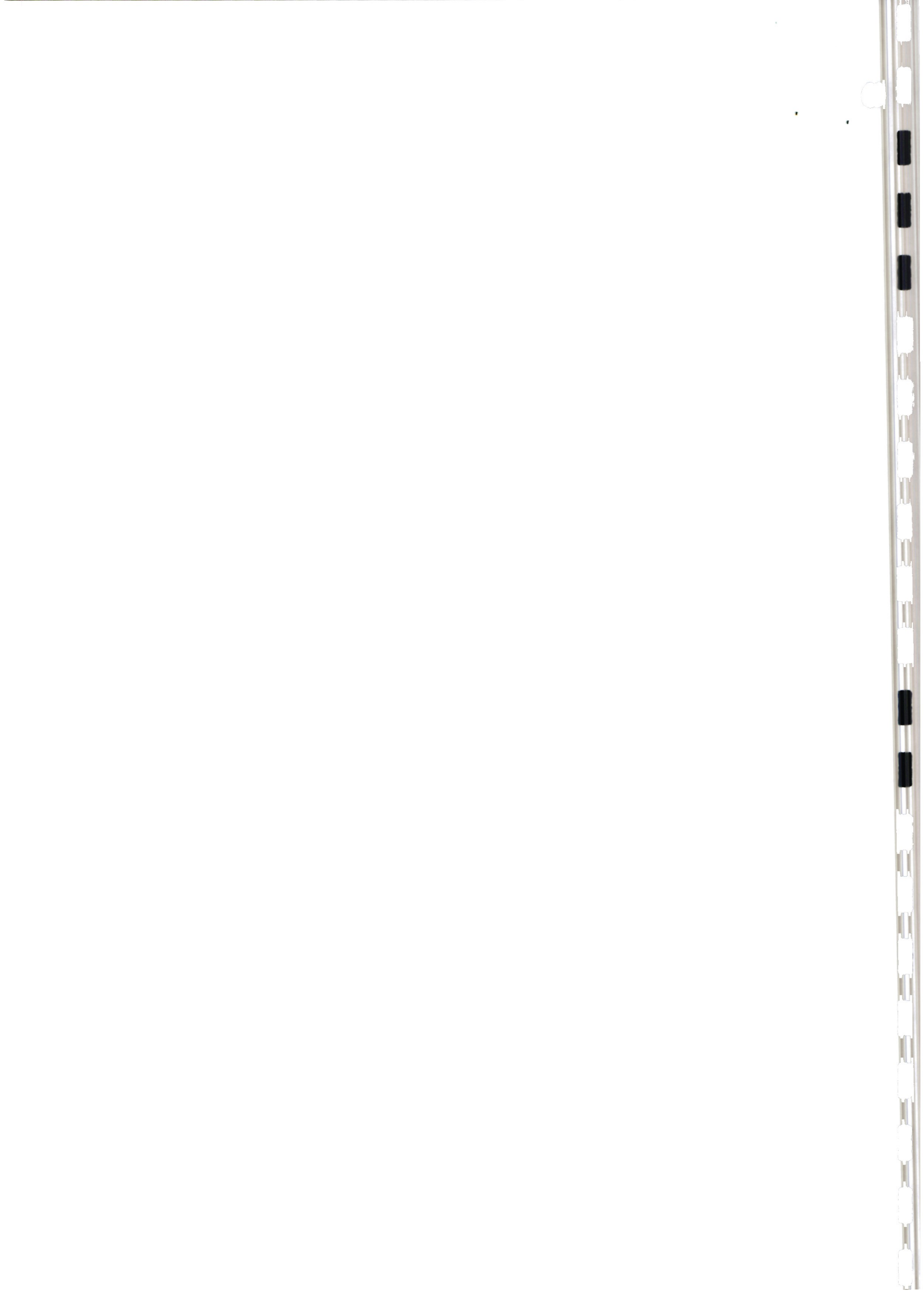


Hon. Nathan Anaswa
Chairman



NERICA RICE





REPORT OF THE MANAGING DIRECTOR



I am delighted to present to you the performance of Kenya Seed Company for the year ended 30th June 2018.

During the year ended 30th June 2018, the company ensured that it harnessed the experience of both management and the Board. In that respect there were no movements in the key staff during the year. Maintaining a motivated and experienced staff will ensure optimal service delivery to all the stake holders.

Financial Performance

In the FY2017/18, the turnover increased by 1% for both the Group and the Company. The Group Turnover grew from Kshs 6.21 billion to Kshs 6.27 billion in the year ended 30 June 2018 while that of the company grew from Kshs. 5.13 Billion in 2017 to Kshs. 5.15 Billion in 2018.

Operating profit of the Group increased by 31% from Kshs 479 million to Kshs 629 million in 2018 while that of the company increased by 32.5% from Kshs 492 Million to Kshs 652 Million in the year ended 30 June 2018. This increase in operating profit is as a result of reduced expenses by 14% from Kshs 2.14 billion to Kshs 1.83 billion and 21.5% from Kshs 1.73 billion to Kshs 1.36 billion for Group and company respectively and increased sales during the year.

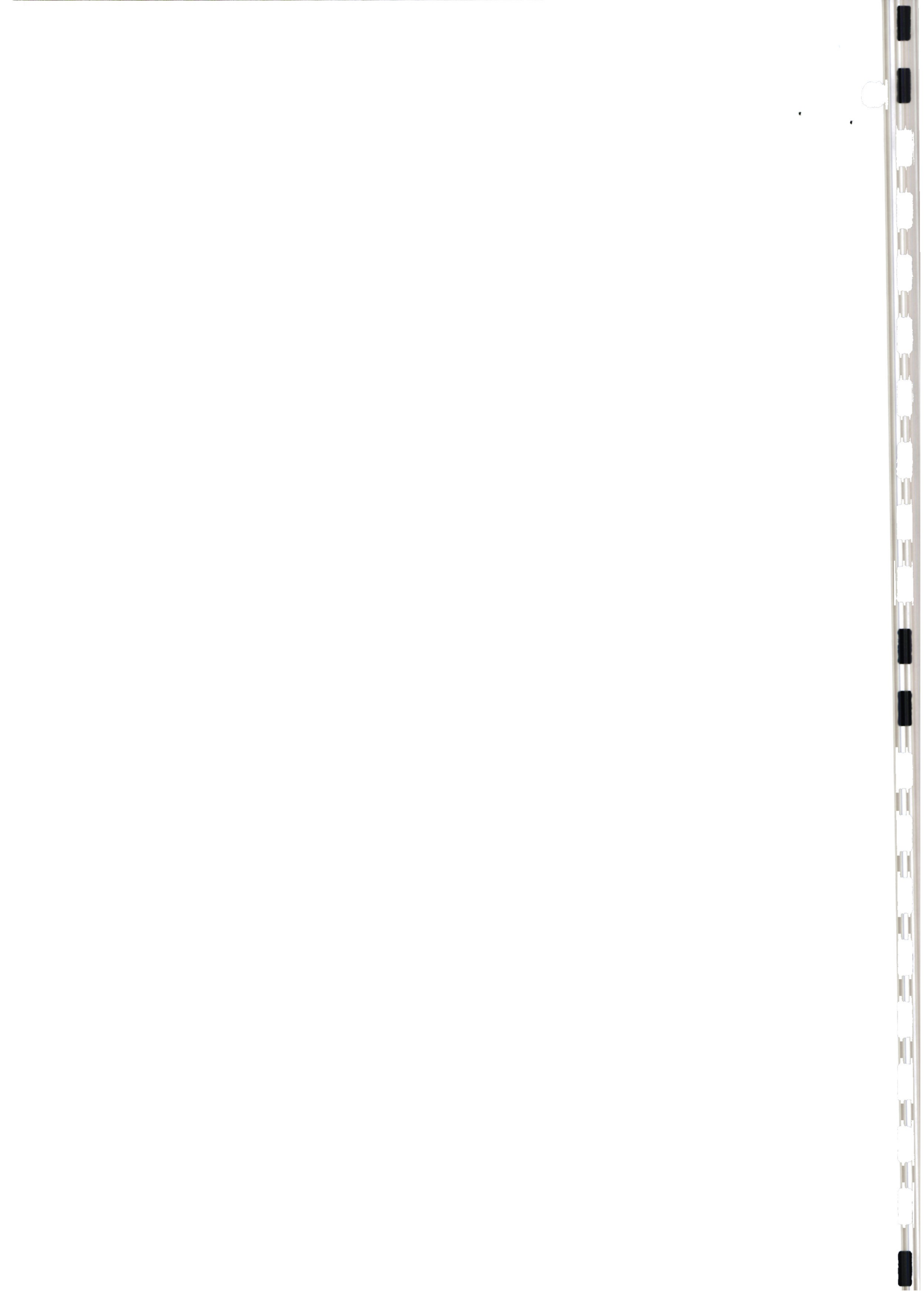
Company Profit before Tax grew by 62% from Kshs 383 million in 2017 to Kshs 620 million in 2018 while that of the Group grew by 64% from Kshs 350 million in 2017 to Kshs 575 million in 2018.

The company closing Cash and Bank balance improved significantly from a net overdraft of Kshs 0.196 billion in 2017 to a positive cash position of Kshs 1.58 billion in 2018 while the Group closing cash balance improved from a net overdraft of Kshs 0.144 billion in 2017 to a positive cash position of Kshs 1.697 billion in 2018 due to improved sales, optimized inventory and stringent financial management. The Group Balance Sheet improved slightly by 4% from Kshs 11.8 billion to Kshs 12.3 billion while the company assets grew by 5.5% from Kshs 11.5 billion in the year ended June 2017 to Kshs 12.13 billion in the current year ended June 2018 mainly as a result of purchase of fixed assets and the improved cash balances.

Research and Development

In line with our mission of availing top quality seed to the farmers, the company has continued to focus on the production of basic seed in order to avail superior varieties that are high yielding and tolerant to pests and diseases. I am pleased to report that we now have 15,000 kilos of two new maize varieties namely; WE1101 and MZ1202 which are tolerant to Maize Lethal Necrosis Disease (MLND). The bulking of these seed and the commercialization of the two varieties will be fully realized in the next financial year. The company has also improved five commercial maize varieties through defect reduction in H614D, H627, H9401, H6213 and H513 in order to enhance their performance in key aspects such as grain quality, standing ability and bare tips.

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



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Operations

The global climatic change has negatively affected the rain-fed farming in the country. During the year the company enhanced collaboration with key growers who have invested in modern equipment and irrigation infrastructure and this will go a long way in ensuring consistency in the supply of top quality seeds.

Timely availability of sufficient fertilizer is critical to efficient and effective seed production activity. To realize this, the company has continued to partner with the Ministry of Agriculture, Livestock and Fisheries in accessing the subsidized fertilizers for our growers in an effort to lower the production costs and thus increase farmers' gross margins. This will not only encourage the contracted farmers to continue with seed production but also assist the company to maintain the stability of seed prices in the market.

Efforts have been made to harness potential in the external markets by releasing our varieties in countries such as Rwanda, Burundi and Democratic Republic of Congo 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 are increasing with the changing weather patterns,
- Commercialization of MLND tolerant varieties which are high yielding,
- Commitment to provide resources towards promoting and expanding the vegetable seed market to increase profit margins,
- Turning around external subsidiaries to profitability, thus transforming them into profit generating units,
- Diversifying to non maize seed product portfolios thus reducing over reliance on maize seed,
- Increasing the supply of pasture seeds to support the growing dairy industry, and

- Enhancing efficiencies and effectiveness in the entire value chain through full automation of the new AMS/SAP computer software.

Customer focus

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

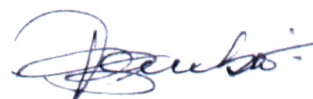
Acknowledgement

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.

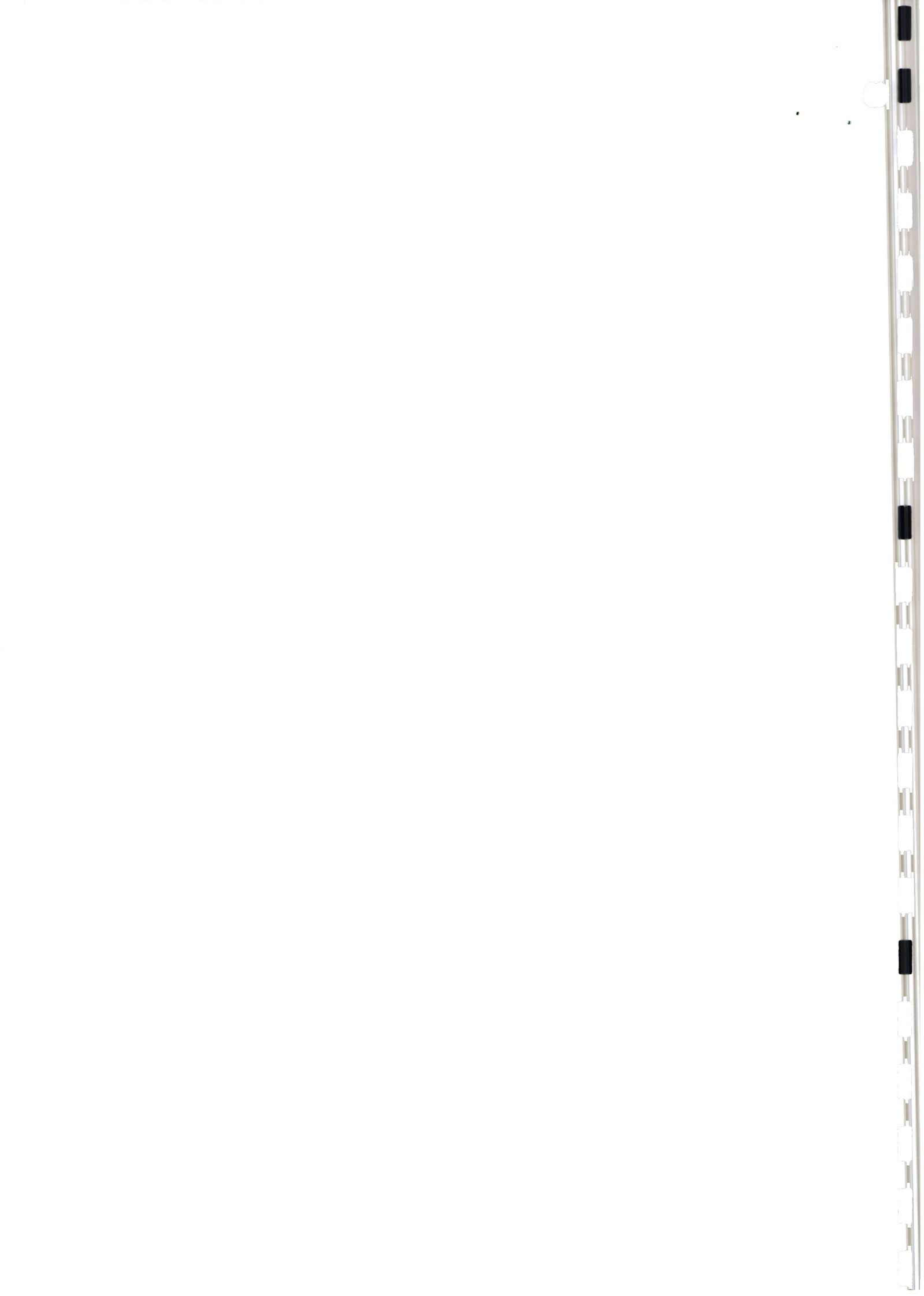
I also wish to thank my staff in the company for their focus, energy, and determination to succeed. Without them, our successes in all these years would not have been possible, nor can our ambitions for the future be realized.

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 Africa.

Thank you and God bless you.

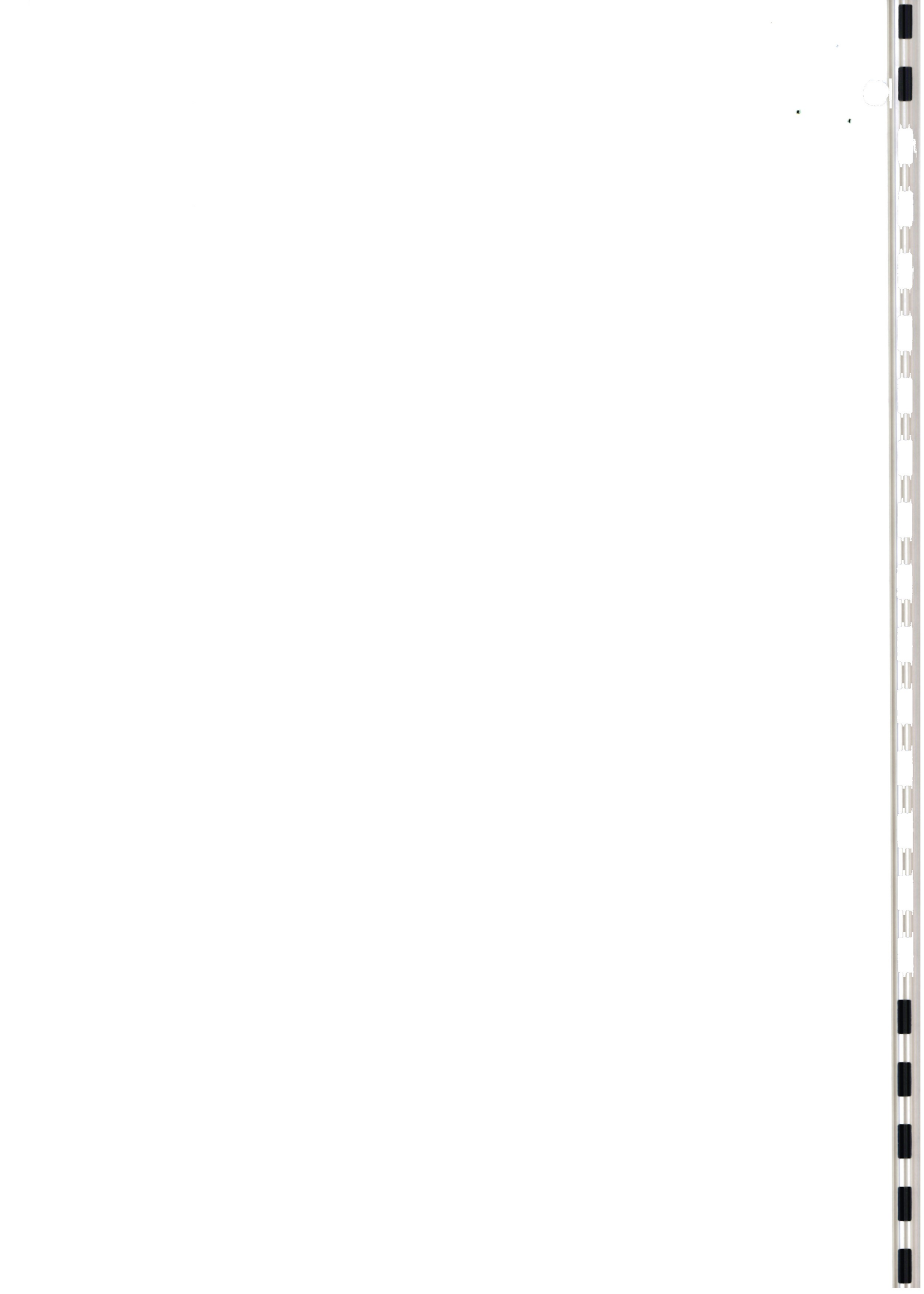


Azariah Soi
Managing Director



AMARANTHUS (TERERE)





ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

Board of Directors

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

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

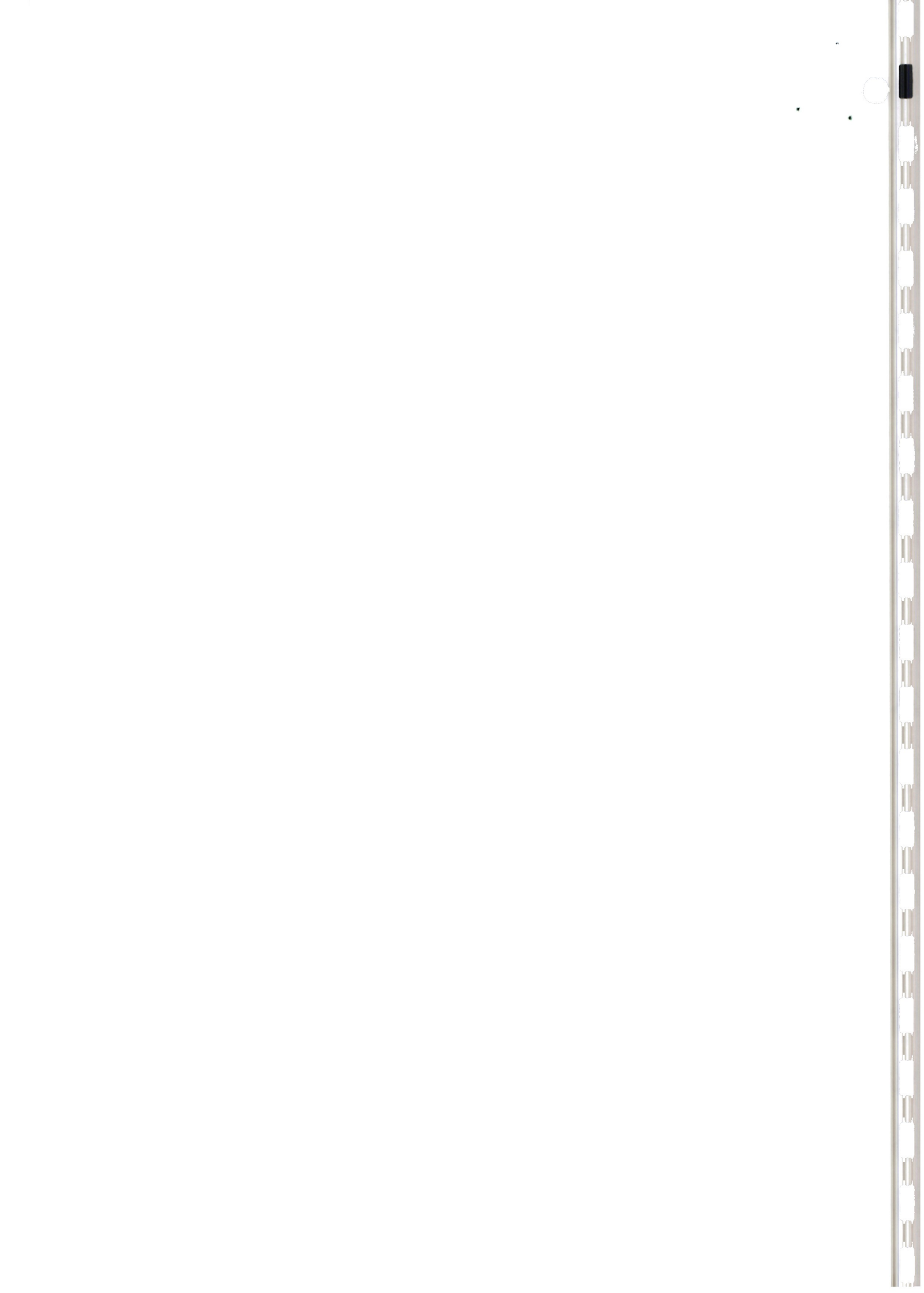
The current Board of Kenya Seed Company is composed of one executive director and eight non-executive directors including the Chairman. The directors are committed members with diverse and complementary skills and expertise in the fields of strategy, management, production, finance, marketing and human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

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

The composition of board, date of appointment and position held as on 30th June 2018 is highlighted on Page (ii) of this booklet.

Board Meetings

The Board meets at least once quarterly or more often in accordance with exigencies of the business. The Board work plan and calendar of meetings is prepared in advance. Adequate notice is given for each board meeting, the agenda and papers are circulated in good time. The Board held 9 meetings in the financial year ending 30th June 2018. During their meetings the Board reviews the Company's performance against the planned strategies and also approves issues of strategic nature.



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

CORPORATE GOVERNANCE STATEMENT (continued)

The attendance at the Board meetings during the financial year 2017/18 is as follows:

Member	Meetings Held	Meetings Attended	% attendance
Hon. Nathan Anaswa- Chairman	9	9	100%
Mr. Azariah Soi	9	9	100%
Mr. Richard Aiyabei	9	9	100%
Mr. Lawrence Njiru	9	9	100%
Mr. William Kundu	9	9	100%
Mr. Abraham Koech	9	8	89%
Dr. Nathaniel Tum	9	9	100%
Dr. Johnson Irungu	9	7	78%
Mr. Symon Cherogony	9	9	100%

Governance Principles

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

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

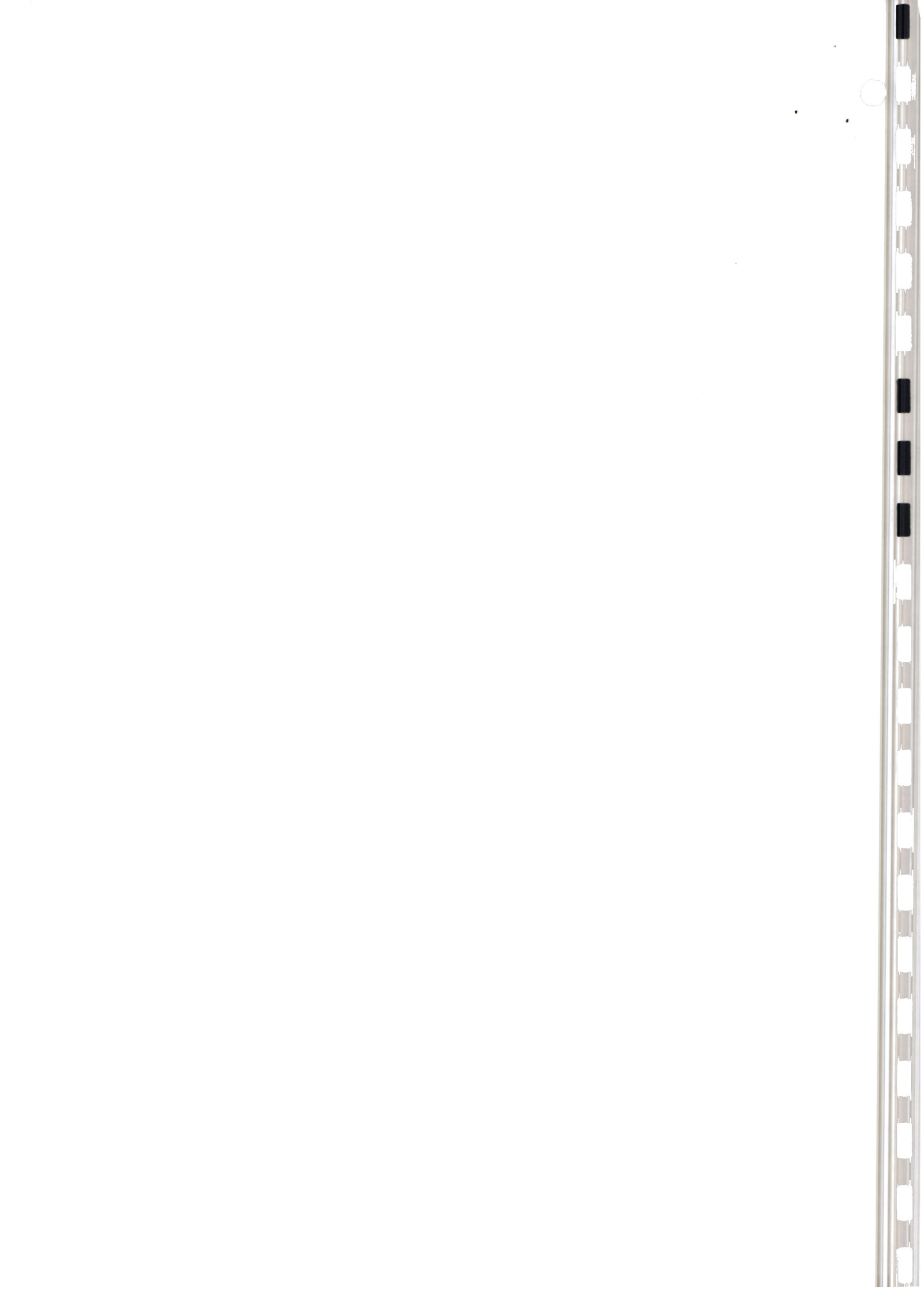
The Kenya Seed Company Limited has formulated and applies sound internal corporate governance guidelines, which address the responsibilities of management, the Board and its composition, selection procedures for new directors and relationships with stakeholders.

Board Committees

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

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

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



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

CORPORATE GOVERNANCE STATEMENT (continued)

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

1. Audit Committee

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

Role of Audit Committee:

- 1) Overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible information is disclosed.
- 2) Reviewing the financial statements and draft audit report, including quarterly information.
- 3) Reviewing with management the annual financial statements before submission to the Board focusing primarily on:
 - Any changes in accounting policies and practices;
 - Major accounting entries based on exercise of judgment by management;
 - Qualifications in draft audit report;
 - Significant adjustments arising out of audit;
 - The going concern assumption;
 - Compliance with accounting standards;

Composition and other details of Audit Committee

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

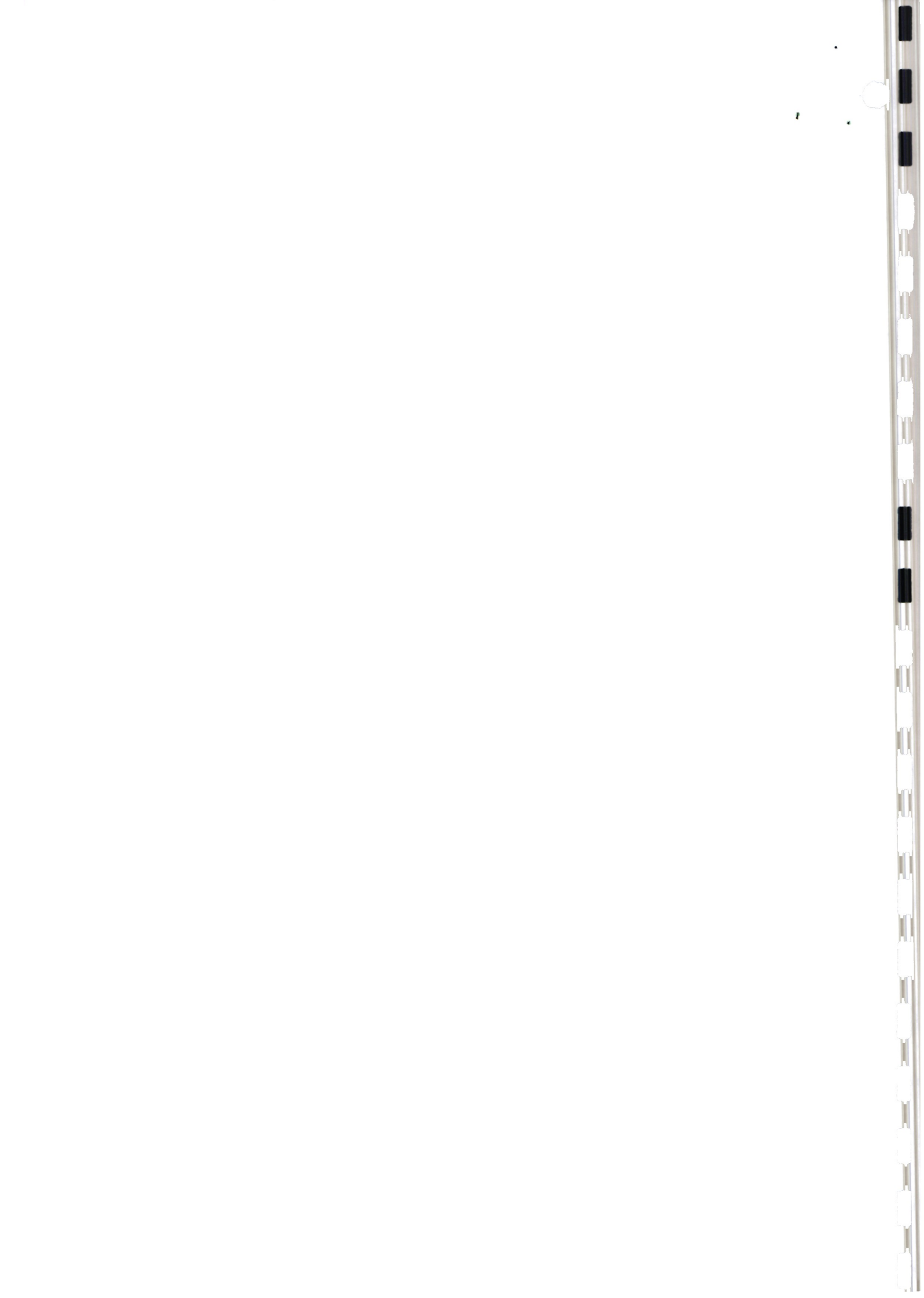
The attendance at the audit Committee meetings during the financial year 2017/18 is as under:

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

2. Production, Research and Marketing Committee

The company has the production research and marketing committees that assist in discharging Board's responsibilities relating to matters of production, sales, marketing, research and development. The attendance at the Production Research and Marketing Committee meetings during the financial year 2017/18 is as under:

Member	Number of Meetings	Attendance	% of attendance
Mr. William Kundu-Chairman	3	3	100%
Mr. Azariah Soi	3	3	100%
Dr. Johnson Irungu	3	2	67%
Mr. Richard Aiyabei	3	3	100%
Dr. Nathaniel Tum	3	3	100%



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

CORPORATE GOVERNANCE STATEMENT (continued)

3. Finance, Staff and General Purpose Committee

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

The attendance at the Finance, Staff and General Purpose Committee meetings during the financial year 2017/18 is as under:

Member	Number of Meetings	Attendance	% of attendance
Mr. Symon Cherogony-Chairman	7	7	100%
Mr. Azariah Soi	7	7	100%
Dr. Nathaniel Tum	7	7	100%
Mr. Abraham Koech	7	6	86%
Mr. Richard Aiyabei	7	7	100%
Dr. Johnson Irungu	7	7	100%

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

4. Board of Simlaw Seeds Kenya Limited

This Board oversees the strategies of Simlaw Seeds Kenya Limited.

The attendance of the Simlaw Seeds Kenya Limited Board meetings during the financial year 2017/18 is as under:

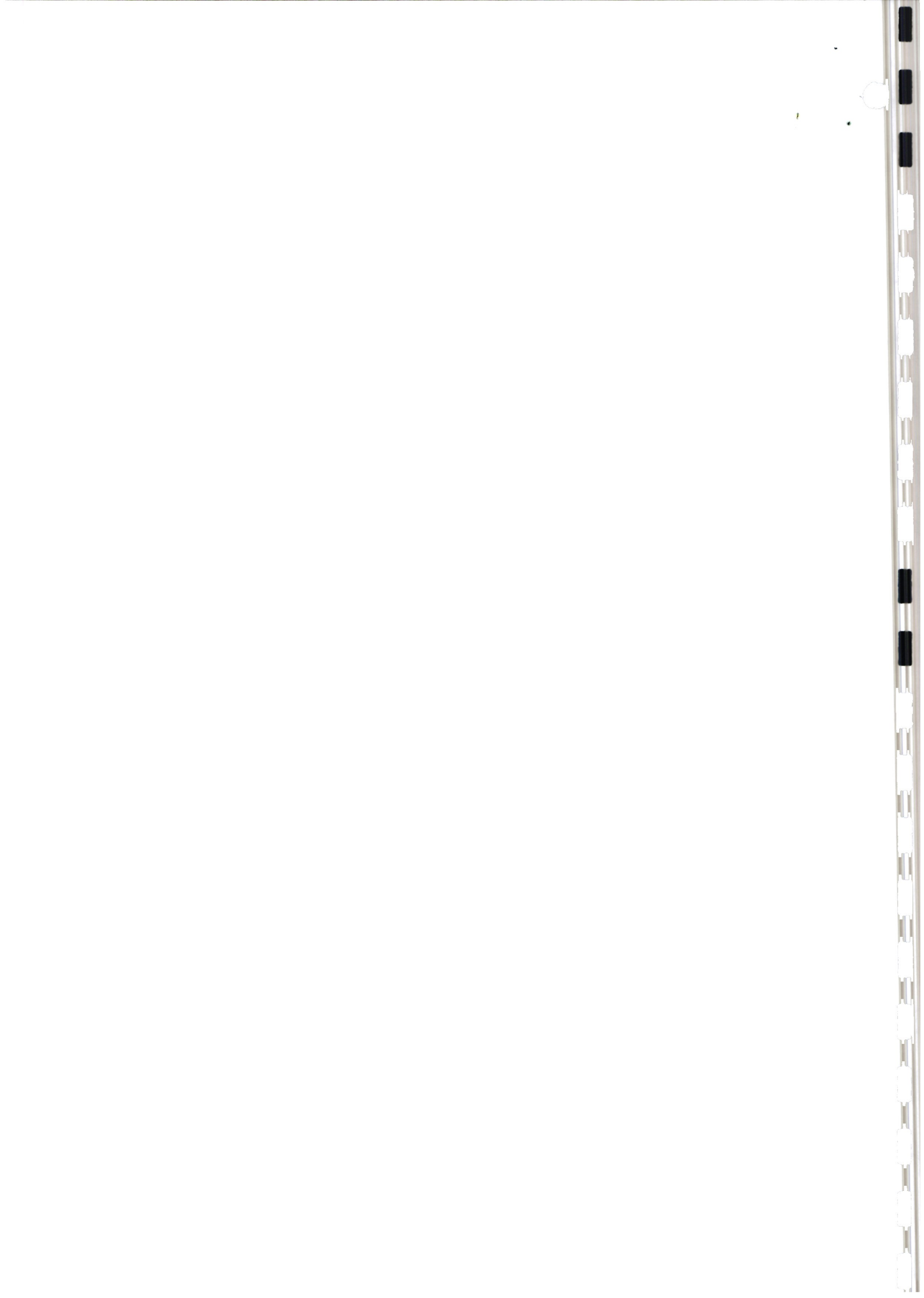
Member	Number of Meetings	Attendance	% of attendance
Mr. Lawrence Njiru-Chairman	3	3	100%
Mr. Azariah Soi	3	3	100%
Dr. Johnson Irungu	3	3	100%
Mr. Symon Cherogony	3	2	67%
Mr. William Kundu	3	3	100%

5. Board of Kibo Seeds Tanzania Limited

This Board oversees the strategies of Kibo Seed Tanzania Limited

The attendance of the Kibo Seeds Tanzania Limited Board meetings during the financial year 2017/18 is as under:

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



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

CORPORATE GOVERNANCE STATEMENT (continued)

6. Board of Simlaw Seeds Uganda Limited

This Board oversees the strategies of Simlaw Seeds Uganda Limited

The attendance of the Simlaw Seeds Uganda Limited Board meetings during the financial year 2017/18 is as under:

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

Board Evaluation

The Board undertakes an annual self assessment to improve its members' individual and collective Performance for continuous growth and sustainability of the Company. The evaluation covers the Board as a whole, its committees, and individual members, the Chairman, the Managing Director and the Company Secretary.

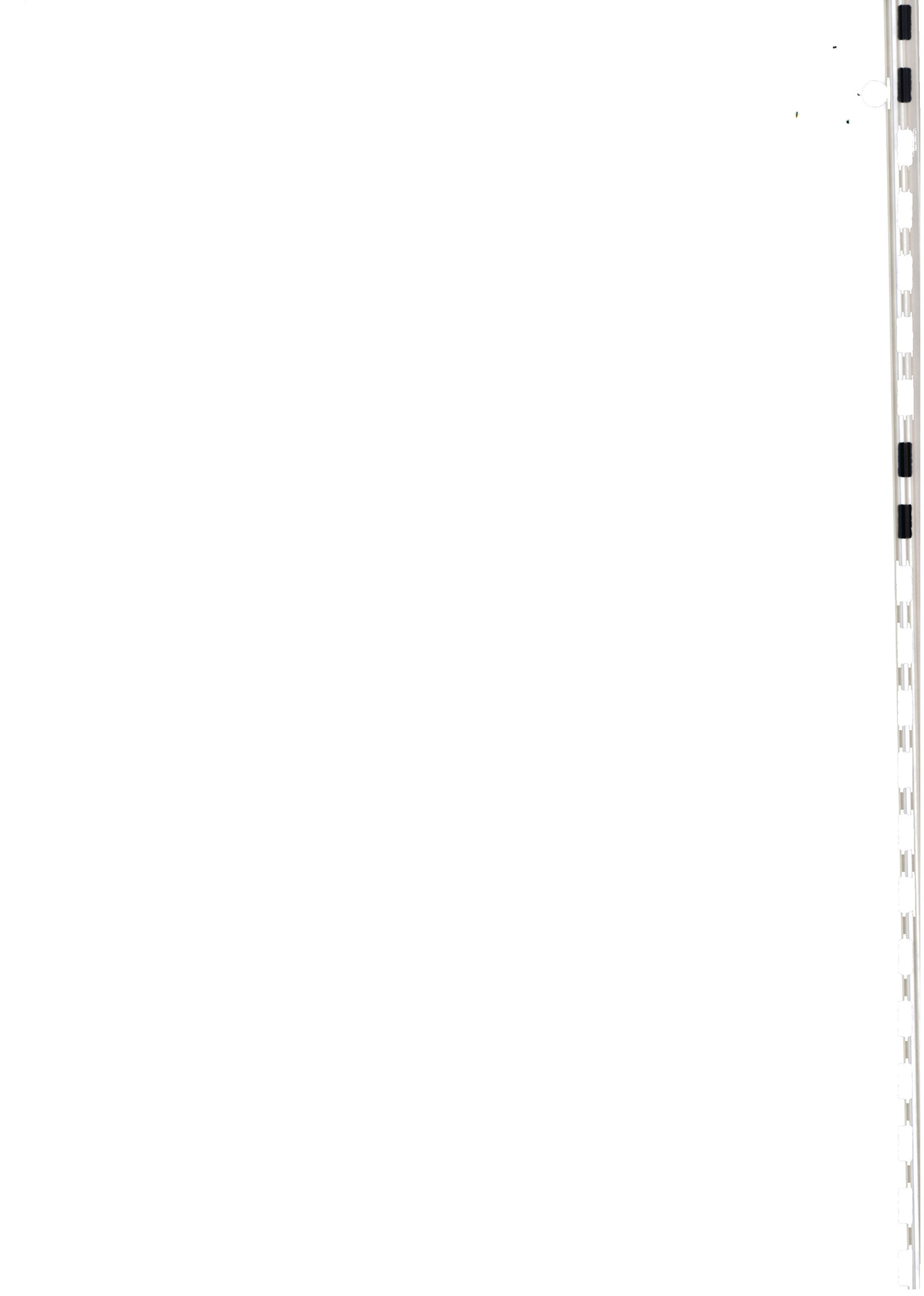
During the year, the Board carried out a self evaluation exercise assisted by the State Corporations Advisory Committee. An action plan was developed from the evaluation focusing on areas that require improvement.

Directors' Remuneration

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

Below is a summary of entitlement per Board Member:

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



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

CORPORATE GOVERNANCE STATEMENT (continued)

Code of Conduct

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

Internal Control

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

Conflicts of Interest

All directors and management are under duty to avoid conflicts of interest.

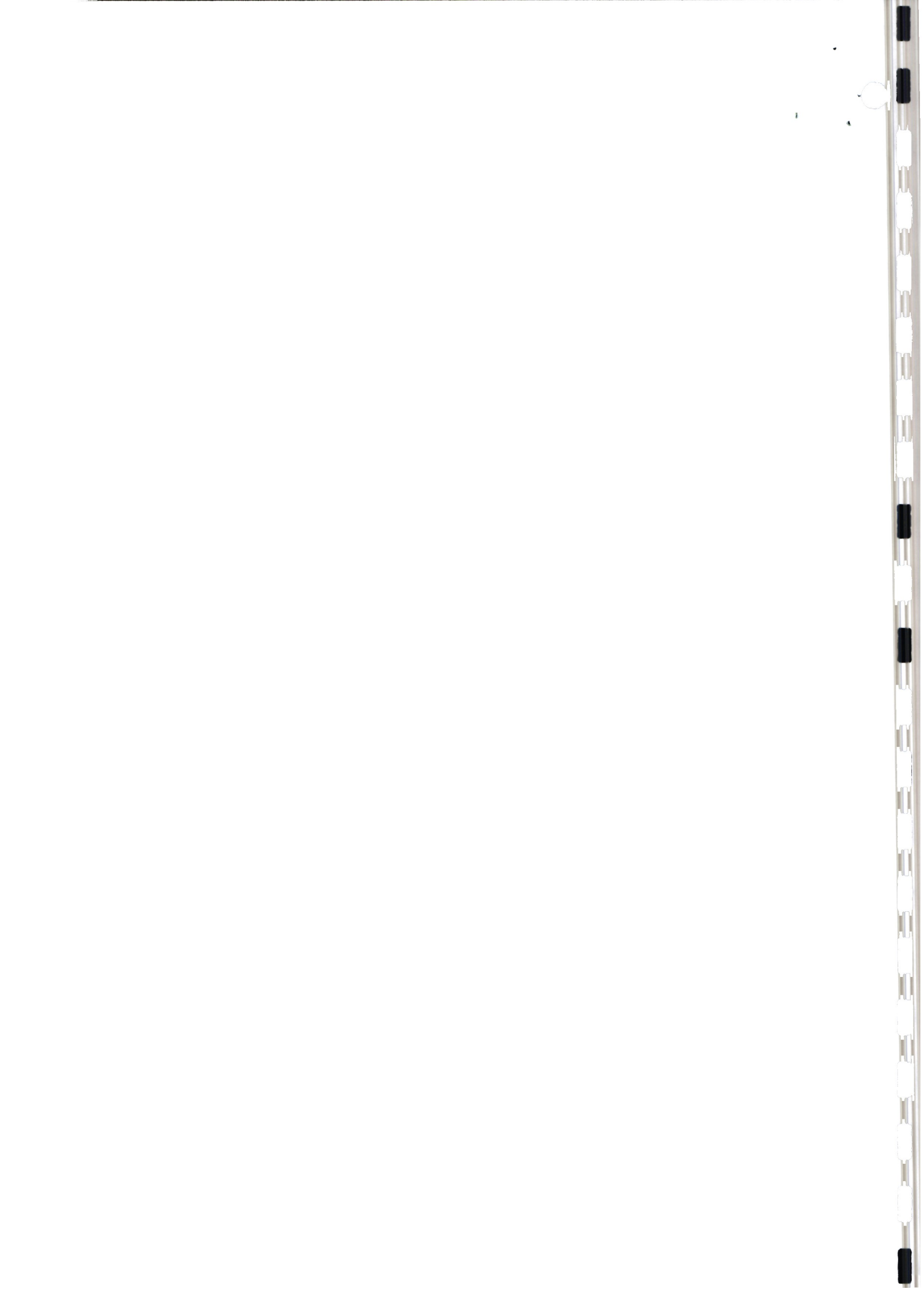
The directors are required to disclose their business interests that would conflict with the Company business.

Going Concern

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

Company Shareholding

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



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

CORPORATE GOVERNANCE STATEMENT (continued)

The ten largest shareholders of the company as at 30th June 2018 were as follows:

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

Distribution of Shareholders

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

Director's Shareholding

The breakdown of the Directors personal shareholding in the Company as at 30 June 2018 is as follows:

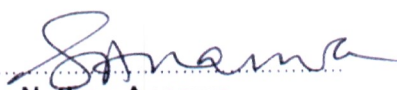
No.	List of Shareholders	No. of Shares	% Shareholding
1	Dr. Tum Nathaniel Kipkorir	419,131	3.89

Independence

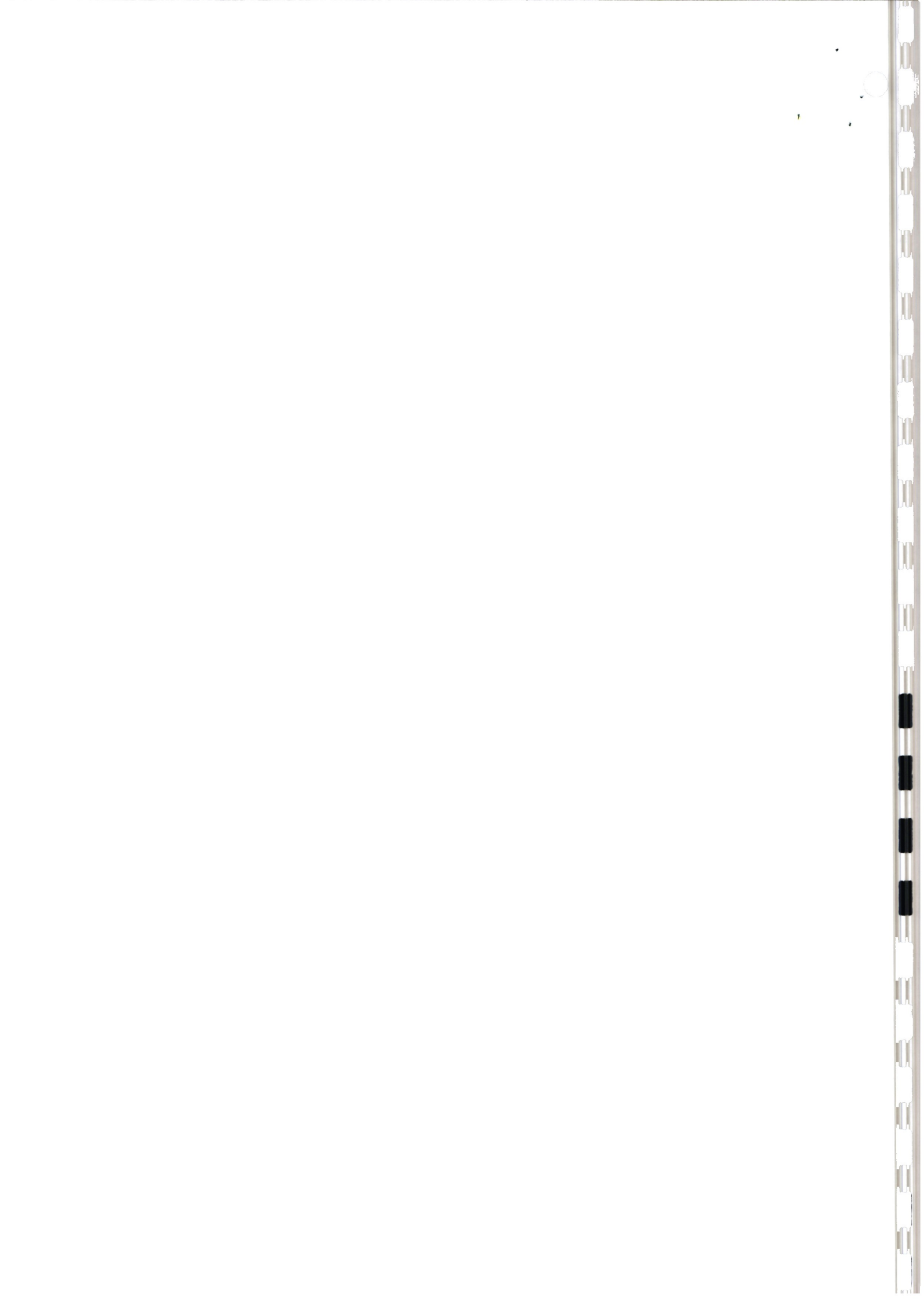
All the non-executive directors on the Board are independent of management and free from any business or other relationships, which could materially interfere with the exercise of their independent judgment.

Activities and Achievements

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


 Hon. Nathan Anaswa
 Chairman, Board of Directors

3/5/2019



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Kenya Seed Company's vision is to be the leading supplier of top quality seed in Africa.

The company has issued share capital of 10,781,265 shares of which the Government of Kenya through Agricultural Development Corporation (ADC) owns 5,700,720 shares or 52.88%

Section A: The entity's operational and financial performance

A1: Revenues

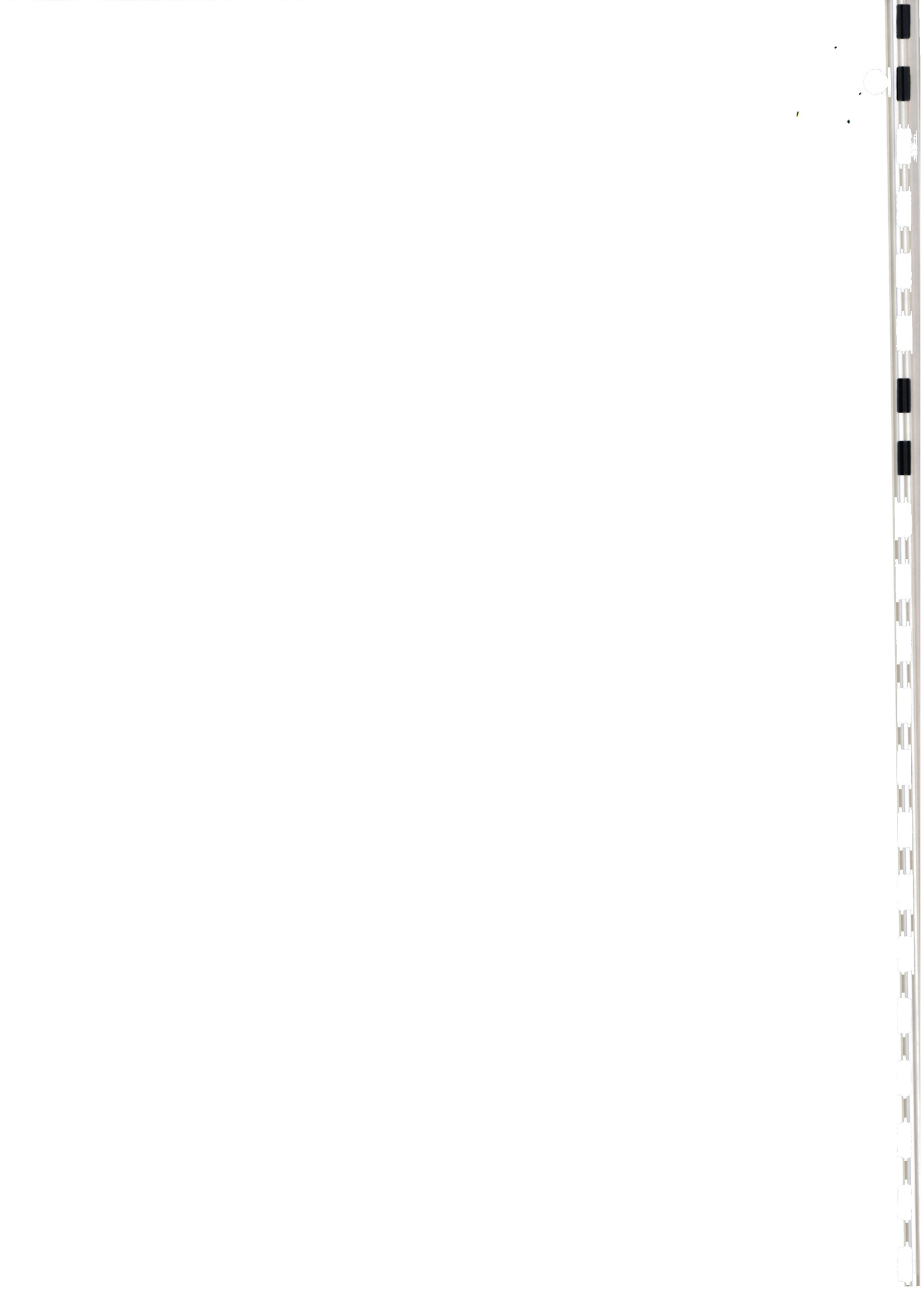
The Company's Revenue grew from Kshs 5.13 Billion to Kshs 5.15 Billion as highlighted in the table below:

Product	2018	Product Contribution	2017	Increase/decrease 2017 to 2018
	Kshs '000		Kshs '000	Kshs '000
Certified Maize Seeds	4,679,825	90.8%	4,565,695	114,130
Basic Maize Seeds	40,514	0.8%	30,886	9,627
Vegetable Seeds	163,828	3.2%	196,606	(32,777)
Wheat Seeds	184,860	3.6%	150,658	34,202
Pasture Seeds	87,213	1.7%	92,413	(5,200)
Income from Other Seeds	35,684	0.7%	37,624	(1,940)
Biological Assets(IAS41)	(42,115)	(0.8%)	50,285	(92,400)
Milk	4,253	0.1%	3,318	936
Total	5,154,062	100%	5,127,485	26,577

The Group's Revenue grew from Kshs 6.21 Billion to Kshs 6.23 Billion as highlighted in the table below:

Product	2018	Product Contribution	2017	Increase/decrease 2017 to 2018
	Kshs '000		Kshs '000	Kshs '000
Certified Maize Seeds	4,926,728	79.1%	4,870,584	56,144
Basic Maize Seeds	40,514	0.7%	30,886	9,628
Vegetable Seeds	930,800	14.9%	927,239	3,561
Wheat Seeds	184,753	3.0%	150,477	34,276
Pasture Seeds	116,938	1.9%	139,694	(22,756)
Income from Other Seeds	64,513	1.0%	40,500	24,013
Biological Assets(IAS41)	(42,390)	(0.7%)	50,323	(92,713)
Milk	4,253	0.1%	3,318	935
Total	6,226,108	100%	6,213,021	13,087

The sales increased in certified Seed Maize, basic seed maize and wheat seeds. The drop in vegetable seed sales was as attributed to bad weather which discouraged most farmers from purchasing vegetable seeds, however the drop of pasture sales was a result to most farmers preferring to grow commercial maize to leverage on high prices of commercial maize of Kshs 3,200 per bag as offered by National Cereals and Produce Board in the previous season. As noted from above 90.8% of revenue stream is from seed maize sales while vegetable and wheat revenues contributed 3.2% and 3.6% respectively. However Management is exploring diversification strategies to reduce overreliance on seed maize through increased supply of pasture seeds, high value seeds and opening of new markets outside the country.



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

A2: Profit before Tax

The Profit before Tax for both the Group and the company is highlighted in the following Table:

	2018	2017	2016
	Kshs'000	Kshs'000	Kshs'000
Company	619,601	383,244	182,115
Group	574,849	349,671	145,594

Company profits grew by 62% from Kshs 383 million in 2017 to Kshs 620 million while Group grew by 64% from Kshs 350 million in 2017 to Kshs 575 million during the period under review. This was due to a marginal increase in seed maize sales from 27.86 million kilos in 2017 to 28.67 million kilos in the current year and reduction in expenses by 14% from Kshs 2.14 billion to Kshs 1.83 billion and by 21.5% from Kshs 1.73 billion to Kshs 1.36 billion for Group and company respectively due to decrease in provisions during the year and there was no overdraft hence no interest charged as compared to the previous year.

A3: Cash and Cash Equivalents

The company closing Cash and Bank balance improved significantly from a net overdraft of Kshs 0.196 billion in 2017 to a positive cash position of Kshs 1.58 billion in 2018 while the Group closing cash balance improved from a net overdraft of Kshs 0.144 billion in 2017 to a positive cash position of Kshs 1.697 billion in 2018. The company is running her operations from internally generated funds. The positive net cash inflows were attributed to mainly increased inventory sales, optimized inventory and stringent financial management.

Section B: Entity's compliance with statutory requirements

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

- (a) Higher Education Loans Board (HELB)
- (b) National Health Insurance Funds (NHIF)
- (c) National Social Security Fund (NSSF)
- (d) Pay As You Earn (PAYE)
- (e) Environmental Management and Coordination Act (EMCA)
- (f) National Industrial Training Authority (NITA)
- (g) Disability Mainstreaming
- (h) Gender Mainstreaming among others

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

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

The company did not have major projects in the FY2017/18. The company is planning to carry out the following projects in the FY2018/19 to increase efficiency and reduce on costs:

- Plant and Machinery

The Company plans to spend Kshs 28.4 million on modernizing of its processing plant and machinery which have out lived their economic useful life.



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

- Buildings

The total expenditure proposed for the construction and completion of various buildings during the budget period (2018/2019) amounts to Kshs 109 million in a bid to improve warehouse capacity and reduce on storage costs. This will cater for the increased production levels that are geared towards achieving food security agenda.

- Irrigation and farm implements

The company plans to acquire a new tractor 150HP at Kshs 14.0 million for Elgon Downs Farm to enhance farming activities and reduce operating costs. Kshs 51.4 million has been planned for replacement & modernization of various farm equipments including Pivot Irrigation Unit (300acres), motorized sprayers, Sub Soiler, hay bailing machine, Citrex Mower, boom sprayers and precision planters.

- Computer Hardware and Software totaling to Kshs 32.8 million are as detailed below:

- a) Computer Hardware

The total budgeted amount for the financial 2018/2019 under this vote head is Kshs 13.6 Million.

- b) Computer Software

A total of Kshs 19.25 million has been planned to be utilized under this vote head and includes among others;

- ▶ Production planning implementation Kshs 3.0 million
- ▶ Performance Management Software Kshs 4.0 million
- ▶ Google Mail Licenses-additional Kshs 0.25 million
- ▶ Financial & Mgt Reporting Software Kshs 4.5 million
- ▶ Strategic plan monitoring software Kshs 4.5 million
- ▶ Employee self service in SAP Kshs 3.0 million

- Lab equipment

The company plans to purchase lab equipments at a total cost of 0.78 million

- Motor Vehicles/Motor Cycles

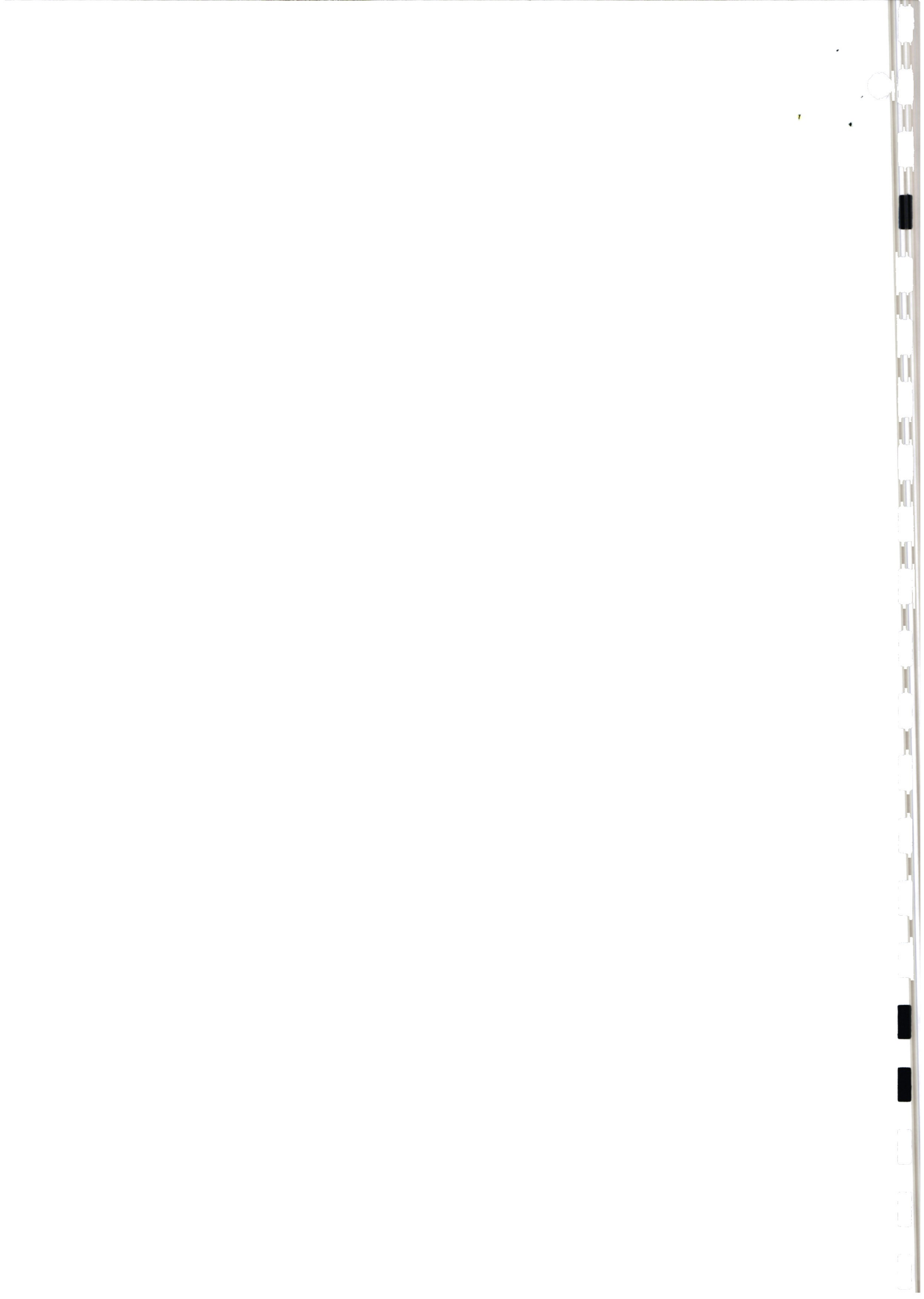
The Company plans to purchase motor vehicles at a total cost of Kshs 46 million. This is meant to replace the aging fleet that is costly to maintain and hence increase efficiency and ensure that the seed is delivered to the company stores and distributors.

- ▶ Three Suzuki Jimny Kshs 6.0 million
- ▶ Three 4WD Double cab pickups Kshs 13.5 million
- ▶ Three 4WD single cab pickups Kshs 7.5 million
- ▶ Two 5tonne Canter Kshs 8 million
- ▶ One 2WD Saloon Kshs 4.3 million
- ▶ Two Forklifts Kshs 9.0 Million
- ▶ Ten Motorbikes Kshs 2.1 Million

- Tools and Equipment

The company proposes to spend Kshs 24.1 Million In acquisition of various Tools and Equipments and includes:

- ▶ Fire suppressers Kshs 6.6 million
- ▶ Cyclones Kshs 1.8 million
- ▶ Power factor unit Kshs 3.3 million
- ▶ Power generator Kshs 1.0 million
- ▶ Motors Kshs 4.4 million
- ▶ Water dispensers, sample dividers, water tanks, irrigation pipes Kshs 5.8 million
- ▶ CCTV cameras, safes and counting machines Kshs 1.2 million



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

- Furniture and Fittings:

A total of Kshs 3.8 million will be utilized in replacement of old and worn out furniture of various categories.

At the operational level, the company is pursuing various projects under Vision 2030 flagship projects.

(a) Research and Development of New Varieties

The Company has continued to put focus in the production of Basic Seed of two MLN resistant varieties i.e. H12ML1 and WEI101. In the FY 2017/18 the Basic Seed Unit processed 15,000 Kilos of seed which were planted in April 2018 and approximately 100,000 Kilos of Certified First Generation (CIG) seeds of these two varieties will be available for the farmers in the main season of FY 2018/19. The Company will continue bulking basic seed for the same varieties in the year.

(b) Seed Quality Improvement

In order to improve the quality of existing seed varieties, the company is currently correcting defects of giant female cobs, deep pink stem colouration for H624 and H520, while H6218 has small grain size, easy rotting, susceptibility to moisture and weevil damage identified.

(c) Seed Maize availability in the market

In the current period under review, the Company availed 28,700 MT of seed maize to the market against a target of 28,500 MT. This represents about 70% of the market share. The 101% achievement on target is attributed to timely availability of seed and efficient distribution networks. The company will continue to avail top quality certified seed to the market to increase market share to about 75%. This will enable farmers to plant certified seeds which will increase crop productivity hence food security in the country.

(d) Ease of doing business

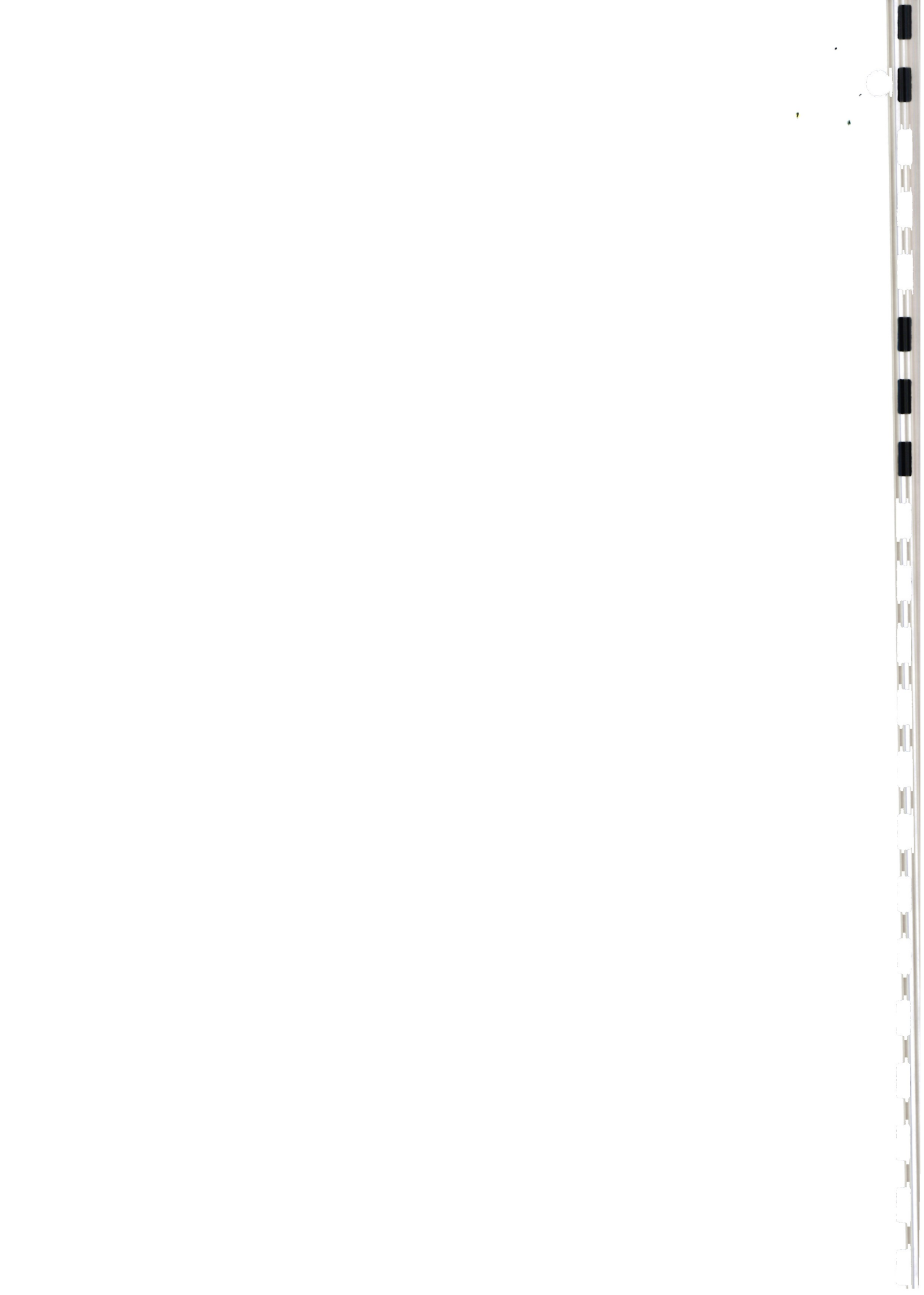
In order for the company to ensure ease of business the company installed independent Mpesa integrated pay bill systems at all its branches to improve efficiency. The company also successfully signed agreements with Banks to offer credit facilities to the contracted seed maize and seed wheat growers. This has greatly reduced reliance on the company for support hence improving cash flows. The company implemented online payments system which ensures that all payments to growers, suppliers and transporters are done through iBank.

(e) Quality Management System

Currently the company is certified ISO 9001:2008 and plans are in place to transit to the new standard ISO 9001:2015 by 14th September 2018. Top managers, ISO auditors, ISO coordinators and process owners have been trained on the new standard. The company carried out awareness on the new standard as per the directive from Kenya Bureau of Standards. Surveillance and recertification audit is expected to be carried out by end of August 2018.

Section D: Major risks facing the entity

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



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

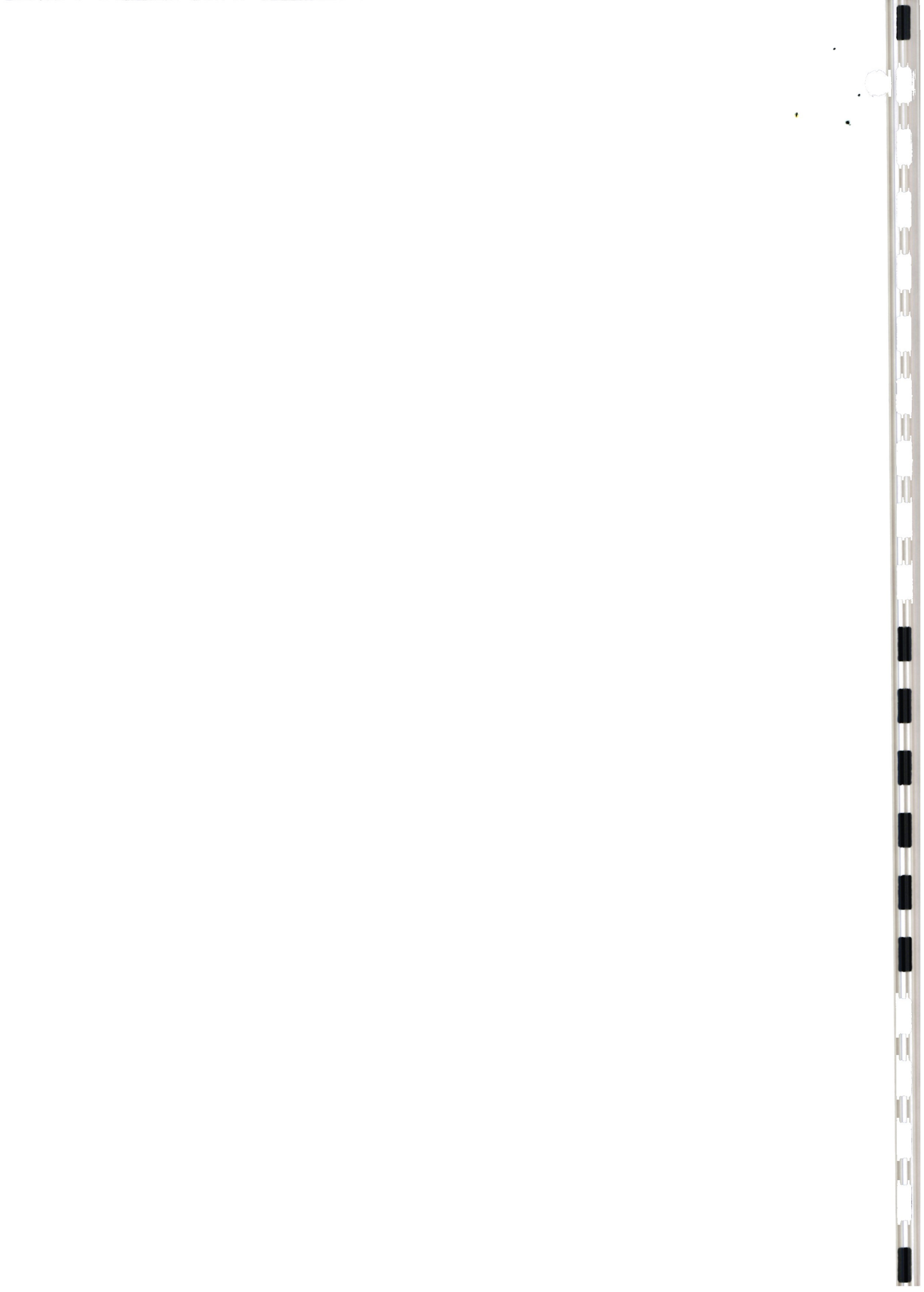
	Risk Category	Description	Risk Treatment measures (mitigation)
1	Political	The risk of losses occurring as a result of political events either destruction of our properties or boycott of our products	(i) Ensuring adherence to the strategic plan of the Company. (ii) Ensuring good co-existence with the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

Section E: Material arrears in statutory/financial obligations

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

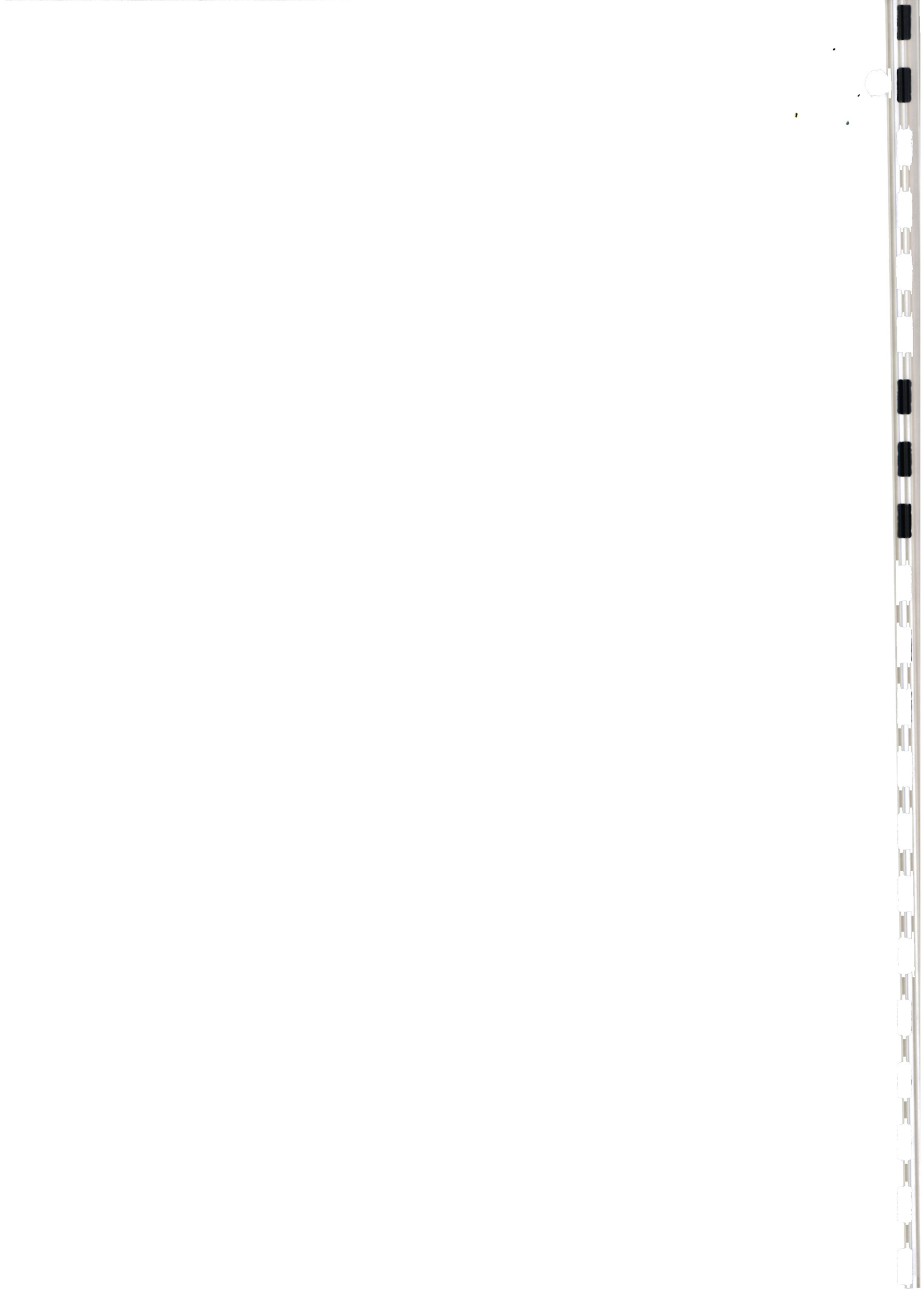
Section F: The entity's financial probity and serious governance issues

There is no reported case of financial impropriety and governance issues reported to any government agency. The External and Internal audit queries raised have been adequately responded to by management.



SUNFLOWER





ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Kenya Seed Company core mandate is to ensure there is food security in the country and beyond our borders. At the core of our success is our Farmers who are our focus and we always ensure to enlighten them and encourage farming in all areas that will improve farming activities and the livelihood of our business environment.

The company is committed to enabling the farmers solve challenges faced due to climate change and other farming challenges by focusing our CSR initiative in areas where their Farming activities will be enhanced. To bring that value to the business regions, we ensure that we have the trust of all our stakeholders in communities in which we operate through our CSR undertakings.

Our CSR Focuses on four areas; Education, Environment programmes, Health services & sports activities and as a corporate citizen that is responsible for the community in which the company operates, it gives back to the society which plays a vital role in the operations of our business. An investment of 1% annual company's profit before tax is made towards CSR endeavors.

During this year the company undertook the following initiatives:

a) ENVIRONMENTAL PROGRAMMES

The company has an elaborate environmental programme aimed at restoring the country's forest cover. In the financial year the company distributed 65,500 tree seedlings which are environmental friendly and water catchment in our heavy business environment. The company has distributed trees to:

- Lunya Secondary -200, Assorted tree seedlings
- Eldoret National Show-2,000 Assorted Tree seedlings
- Ministry of Livestock & Fisheries, County coordinator Office, Tranz-nzoia-5,000 tree seedlings
- St. Joseph Boys National School-1,000 tree seedlings
- A.S.K Kitale-3,000 tree seedlings
- Kitale school -3000 tree seedlings
- Kitale Main Prison-3,000 tree seedlings
- Kibali Africa -15,000 tree seedling



Distributing tree seedlings to Kitale School



Kitale School Students planting seedlings



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

b) EDUCATION

The company sponsored school activities and individual school going children through donation of cash and other material that might enhance the process of learning within schools in our business environment. Among the schools and individuals sponsored include:

- Paid Master Daniel Wanyonyi's Form 4 tuition fees at St. Joseph Boys High School -Kshs 60,256. Daniel completed his KCSE exams in December 2017 and scored A-(minus) and the company will continue to support him to complete his Bachelor of Medicine Degree.

c) HEALTH

Our business strategy is focus on expanding our role in health care from providing nutritional value crops to supporting members within our community by averting Malnutrition within our business environment, among other health related issues.

We have supported health by sponsoring:

- Baringo North Residents food donation-30 bags of Maize of 90k
- Donated produce from ASK Show to children's home.



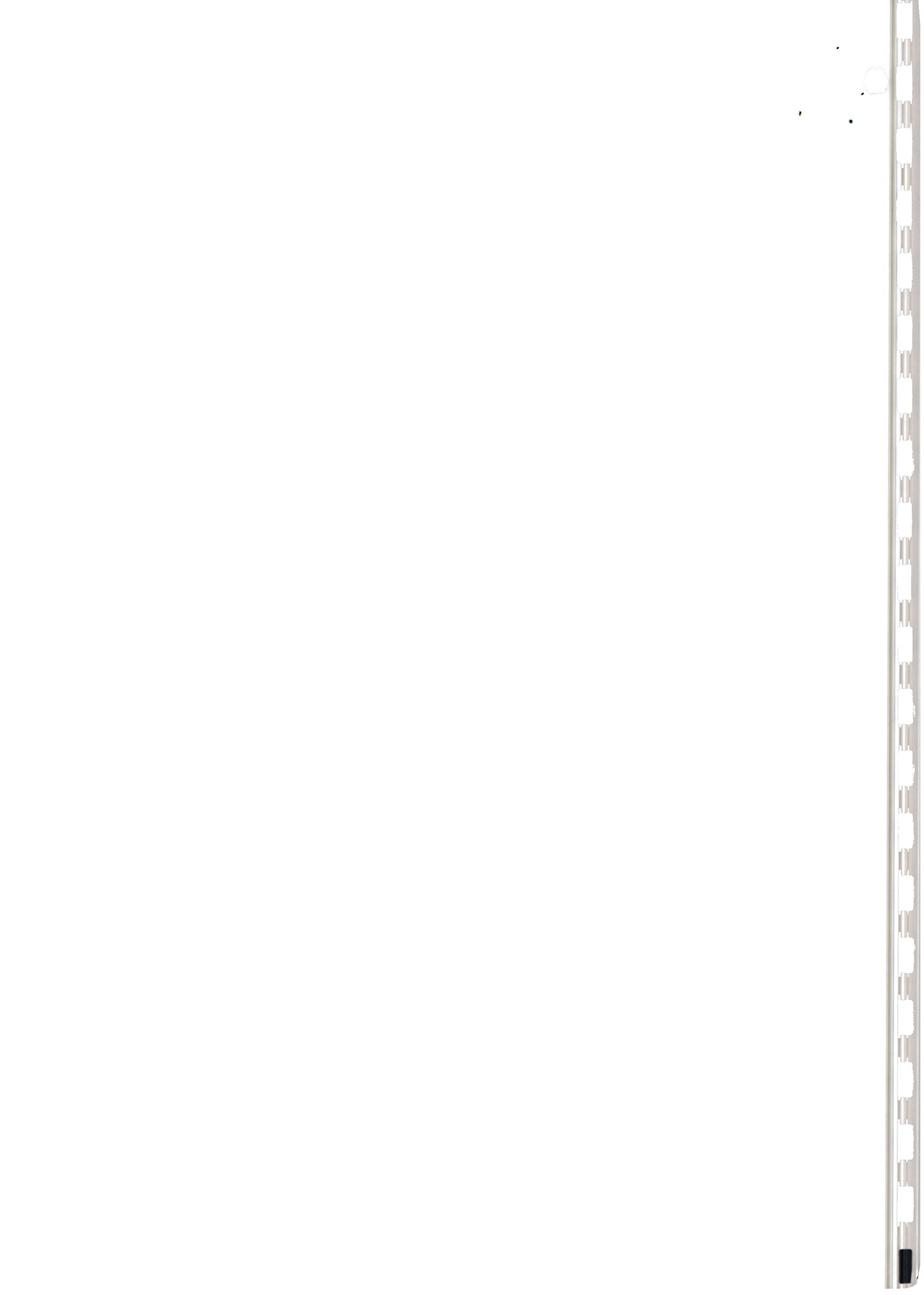
Donating farm produce at Kitale ASK Show to Kitale children's homes

d) SPORTS

Sporting activities rejuvenate people's lives and provides an opportunity for networking. Many engage in sports as a way of assisting them avoid dangerous activities or relieving themselves from strenuous work activity. The company utilizes such forum to nurture young talent and promote our products. During the year the company sponsored Golf tournaments in Kericho County.



Golf at Kericho Club



e) AGRICULTURAL PROGRAMMES

Agriculture being the Company's core business we ensure that we support farmers through donation of seeds and other agriculture related activities that might enhance farming within our business environment. In the Financial year we sponsored agriculture related activities as follows:

- Kerio Valley donation of Maize Seeds to youth-1000kg of H513 worth Kshs 180,000



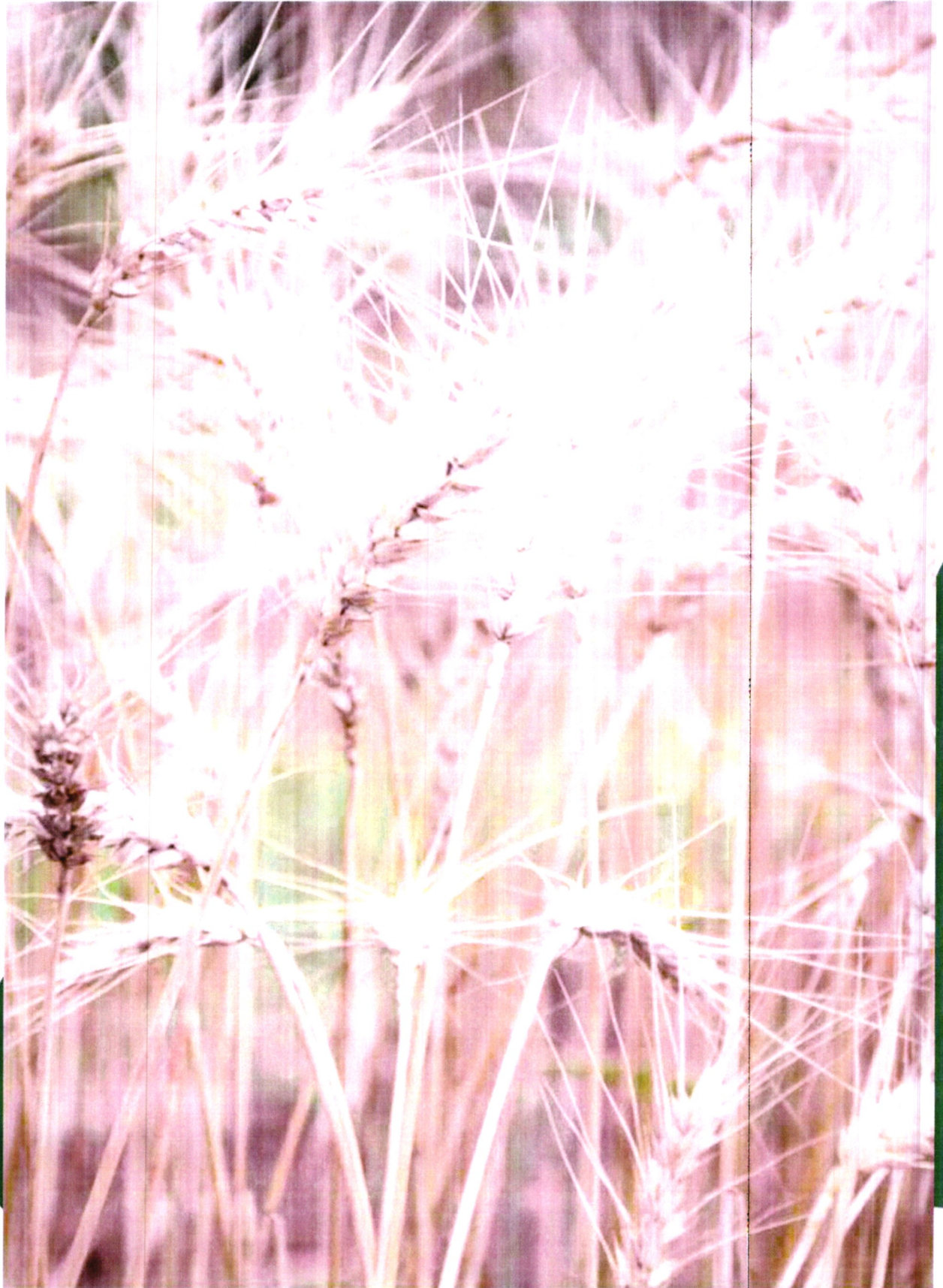
Flagging off seed donation to Kerio valley for Youth

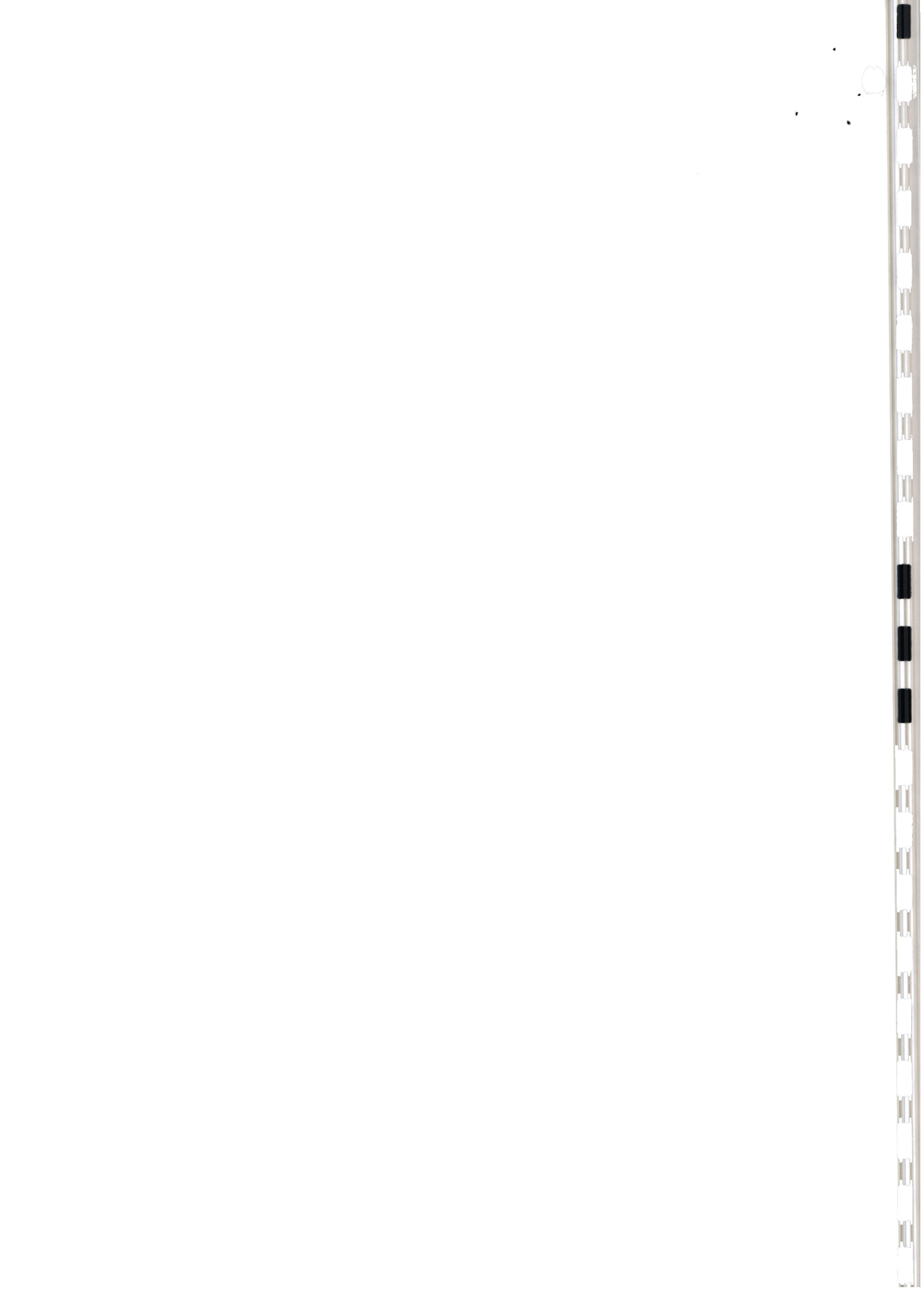


Farmers entering the greenhouse to receive information about greenhouse farming



WHEAT





ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

REPORT OF THE DIRECTORS

The Directors submit their audited consolidated financial statements for the year ended 30 June 2018 which show the state of the company and company affairs.

Principal Activities

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

Results

The results of the company for the year ended 30th June 2018 are set out in the statement of comprehensive income on page 1.

Dividends

The Board of Directors approved a dividend policy where dividend paid will be the higher of Kshs 5.25 per share and 20% of the after tax profit. Subject to the Shareholders approval, the Directors propose payment of a first and final dividend of Kshs 5.25 (2017: Kshs 5.25) per share totaling Kshs 56,601,641 in respect of the year ended 30 June 2018 (2017: Kshs. 56,601,641). The dividend is payable subject to, where applicable, deduction of withholding tax as required under the Kenyan Income Tax Act, Chapter 470, Laws of Kenya.

Directors

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

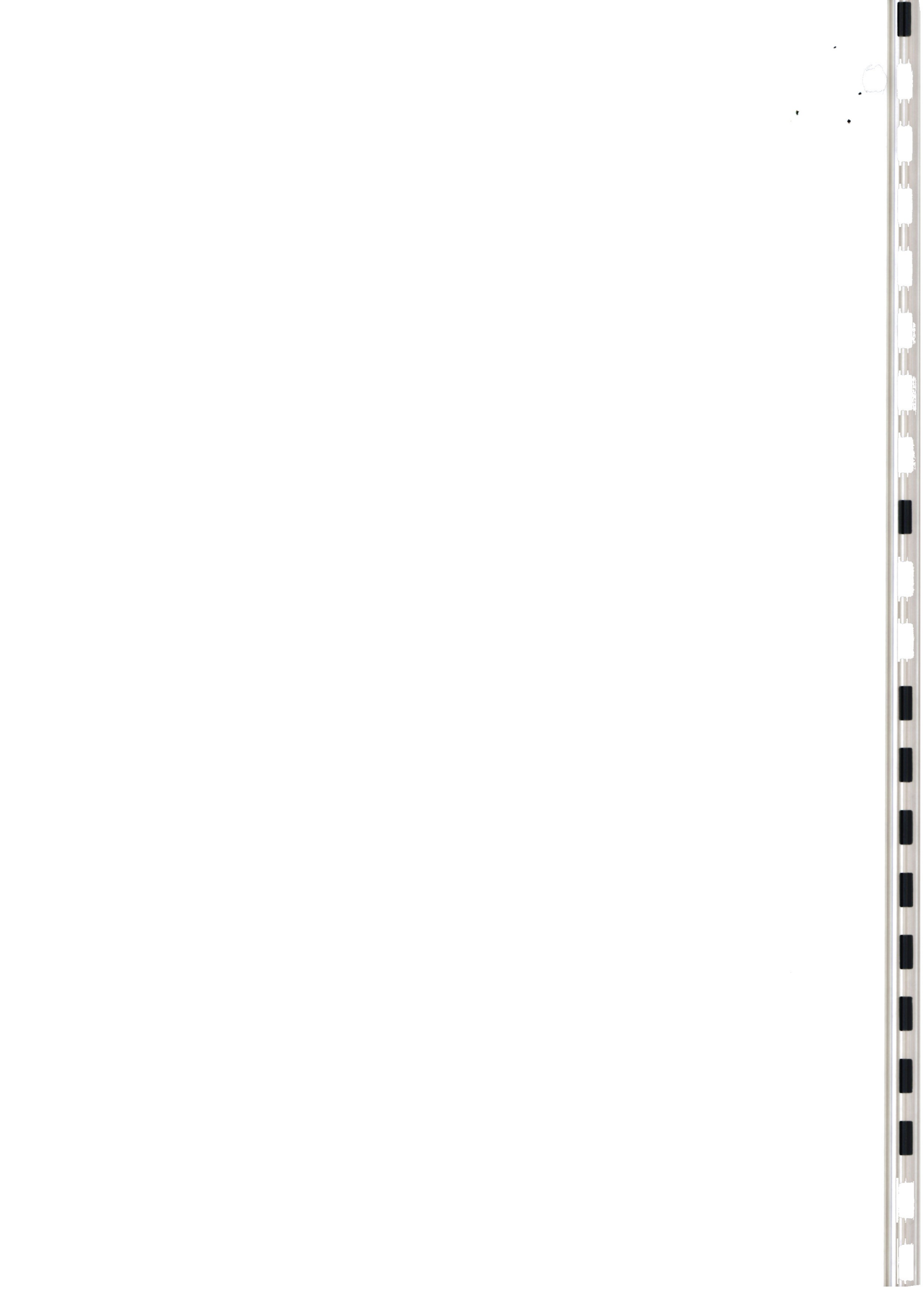
Auditors

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

BY ORDER OF THE BOARD


.....
Company Secretary
Kitale, Kenya

3151 2019



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year ended on June 30, 2018. This responsibility includes:

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

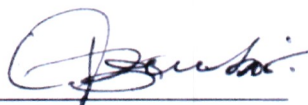
The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the Kenya Company's Act 2015. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of the company's transactions during the financial year ended June 30, 2018, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

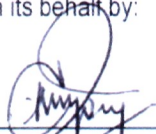
The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approval of the financial statements

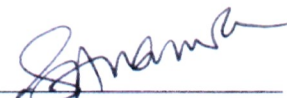
The financial statements and the accompanying notes from pages 1 to 67 were approved by the Board of Directors on and were signed on its behalf by:



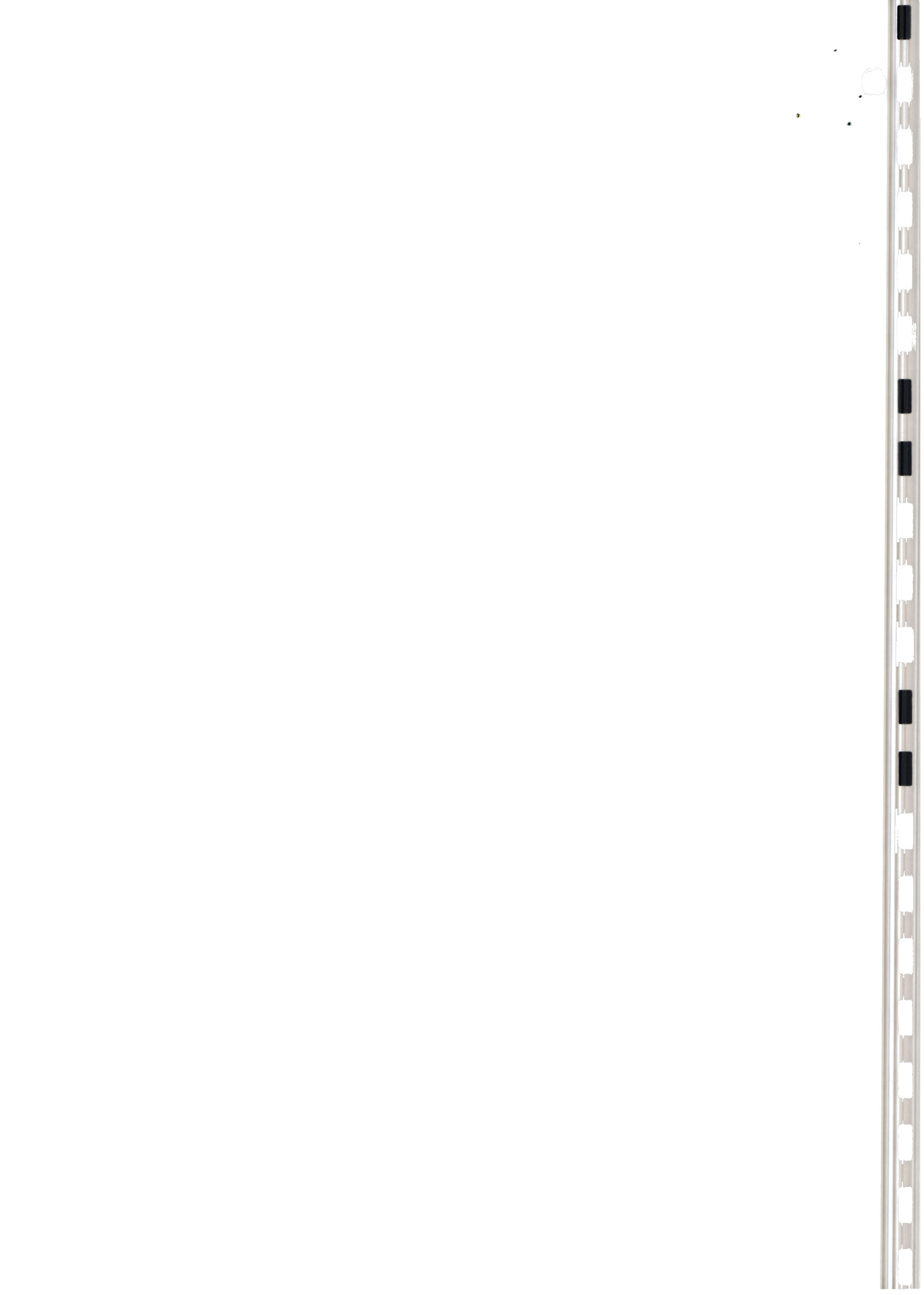
Mr. Azariah Soi
Managing Director



Mr. Symon Cherogony
Director

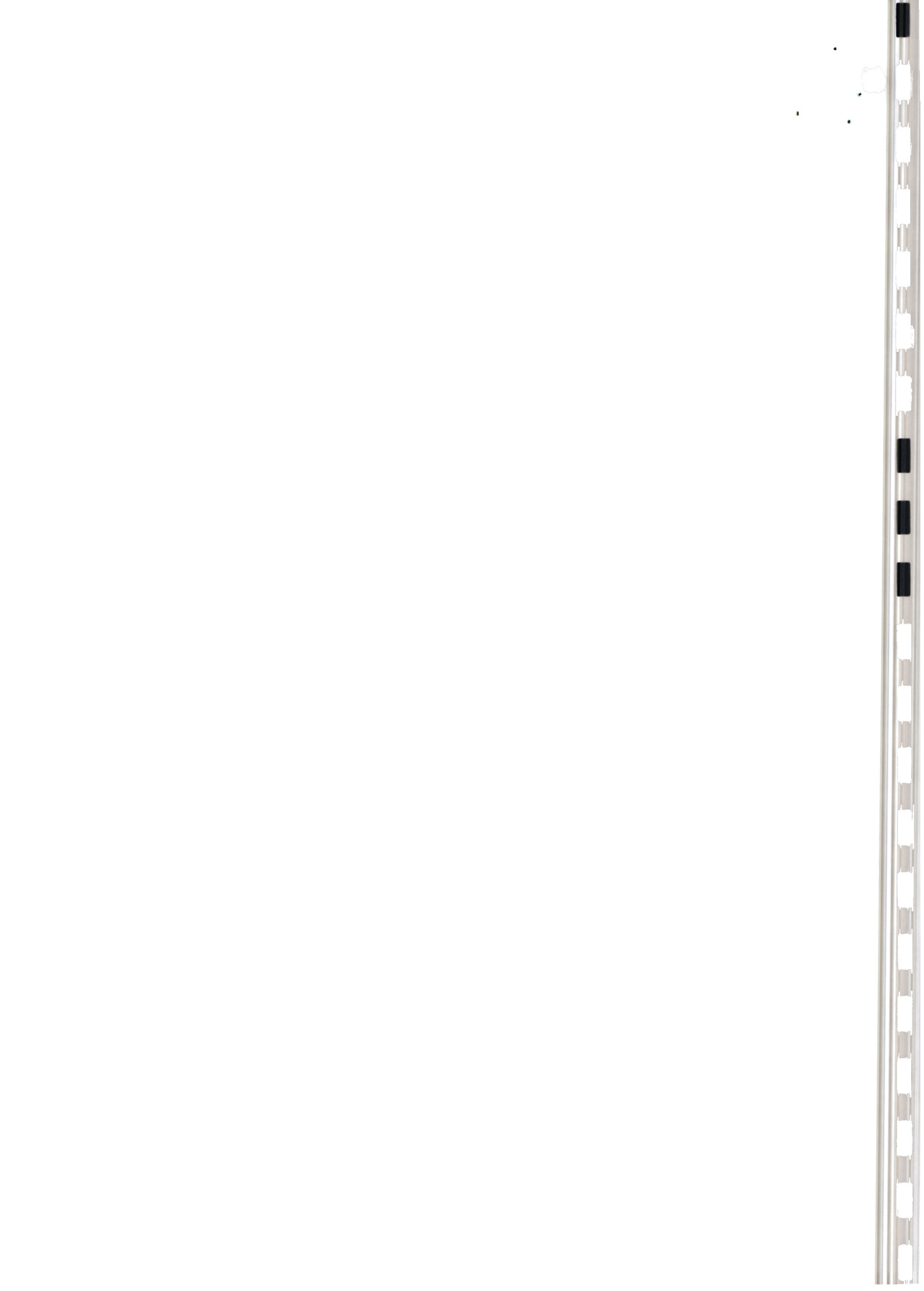


Hon. Nathan Anaswa
Chairman of the Board



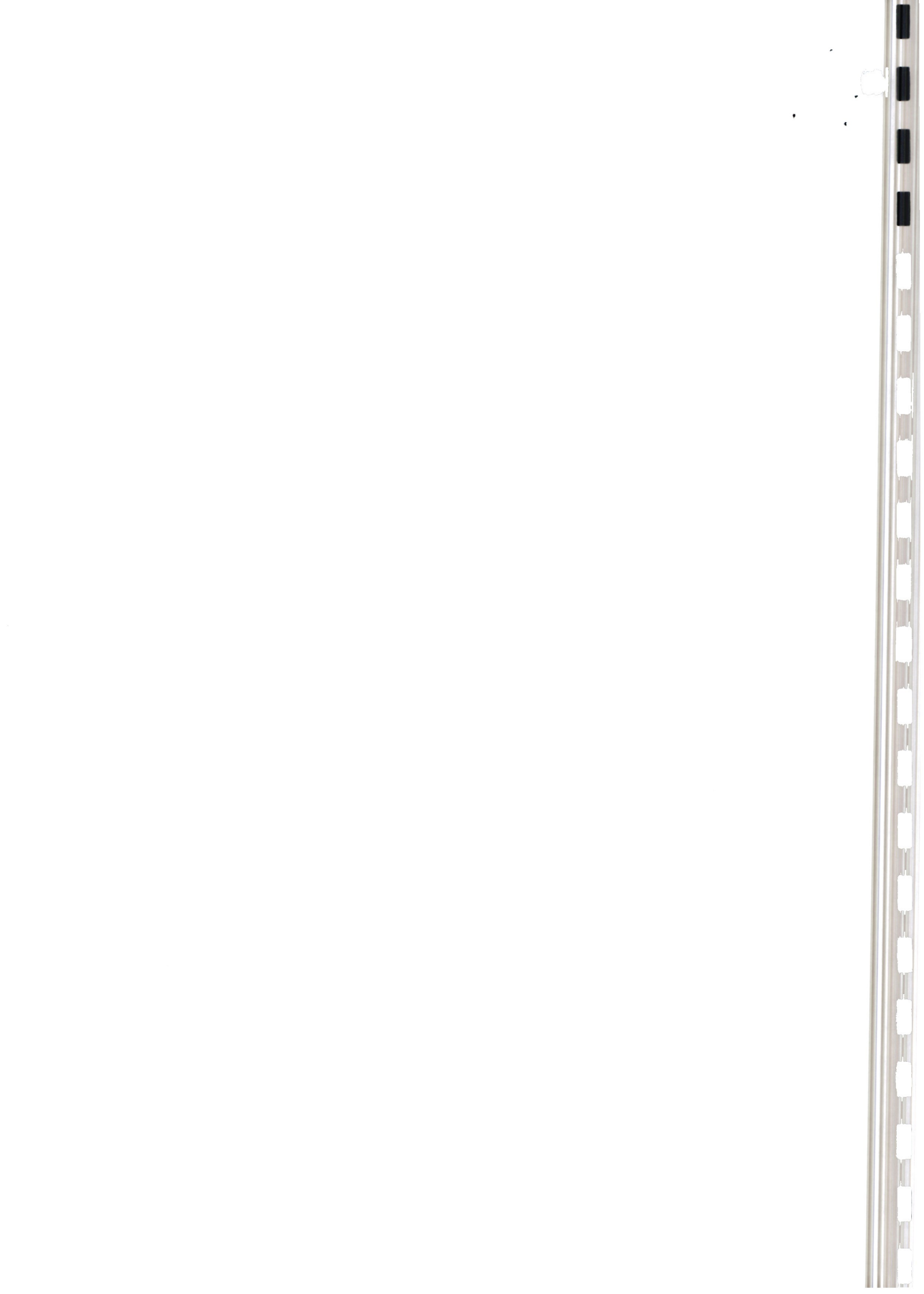
**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

REPORT OF THE AUDITOR GENERAL ON KENYA SEED COMPANY LIMITED



SORGHUM





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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA SEED COMPANY LIMITED AND ITS SUBSIDIARIES FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Seed Company Limited and its Subsidiaries (the Group) set out on pages 1 to 77, which comprise the statement of financial position as 30 June 2018, and the profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Seed Company Limited and its Subsidiaries (the Group) as at 30 June 2018, 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 of the laws of Kenya.

Basis for Qualified Opinion

1.0 Non-Current Assets

1.1 Land

The statement of the financial position as at 30 June 2018 reflects non-current assets balance of Kshs.5,569,042,000 which includes land figure of Kshs.2,389,603,000 as disclosed in note 17 to the financial statements which is at variance with the land register figure of Kshs.2,577,195,000 resulting in an unexplained difference of Kshs.187,592,000.

Consequently, the accuracy and completeness of the land figure of Kshs.2,389,603,000 as at 30 June 2018 could not be confirmed.

Report of the Auditor-General on the Financial Statements of Kenya Seed Company Limited and Its Subsidiaries for the year ended 30 June 2018

1.2 Unconfirmed Land Ownership

Included in the land figure of Kshs.2,389,603,000 are two parcels of land registration L.R.NO.2989/6 with an acreage of 364.99 acres and registration No. L.R.NO.2989/9 of 192 acres in Endebess within Trans Nzoia County valued at Kshs.186,595,000 whose title deeds were not availed for audit verification. Although the management indicated that the title deeds were held by the Kenya Commercial Bank as security for loans advanced to the company, the bank confirmation certificate from Kenya Commercial Bank did not indicate whether these two titles were among the documents held by the bank for Kenya Seed Company.

As a result, the validity, safety and ownership of the two parcels of land valued at Kshs.186,595,000 could not be ascertained.

1.3 Motor Vehicles

Included in the property, plant and equipment balance of Kshs.2,923,272,000 reflected in the statement of financial position is net motor vehicle figure of Kshs.98,845,000 as disclosed under note 16 (a) to the financial statements. However, the logbooks for the following vehicles were not made available for audit verification.

No.	Tag Number	Description	Registration No.	Acquisition Value
1	5979	Isuzu Pick Up 3000cc	KBG 380C	1,655,965.50
2	5981	Isuzu Single Cabin Pick/up 3000cc	KBG 384 C	1,655,965.50
3	6401	TOYOTA PRADO VX	KCD 166G	9,789,878.00
4	1534	SUZUKI 1300	KAQ 253W	650,000.00

Under the circumstances, the existence and ownership of motor vehicles valued at Kshs.98,845,000 as at 30 June 2018 could not be confirmed.

1.4 Tractor, Trailers and Forklifts

The statement of financial position as at 30 June 2018 reflects property, plant and equipment figure of Kshs.2,923,272,000 out of which Kshs.31,064,000 relates to tractors, trailers and forklifts as disclosed under note 16 (a) to the financial statements. However, logbooks for the following tractors were not made available for audit verification.

No.	Tag Number	Description	Registration No.	Acquisition Value
1	2255	Same Laser - Tractor	KAN 369V	800,000.00
2	6707	New Holland Tractor	KBL 167G	7,000,200.00

Consequently, the existence, and ownership of the tractors, trailers and forklifts of net book value of Kshs.7,800,200 could not be confirmed as at 30 June 2018.

1.5 Valuation of Land and Buildings

As similarly reported in the previous year 2016/2017, note 16(a) to the group financial statements reflects free hold land and residential buildings totaling Kshs.2,778,310,000 at cost or valuation. It was further, reported that records available for audit review indicated that in the year 2008, a consultant was engaged to revalue the Company's assets in line with the International Accounting Standards whereby land and buildings were valued at Kshs.1,570,489,000 and Kshs.1,539,001,000 respectively. However, the client adopted a conservative cost and valuation of Kshs.1,372,737,000 on land and buildings. In consequence, it has not been possible to ascertain whether, the group net property, plant and equipment balance of Kshs.2,923,272,000 as at 30 June 2018 is fairly stated.

In view of the foregoing, the accuracy, comp[lateness, existence, safety and valuation of the non-current assets balance of Kshs.5,569,042,000 as at 30 June 2018 could not be ascertained.

2.0 Trade and Other Receivables - Marketing stores Cashbox Debtors

The statement of financial position as at 30 June 2018 reflects trade and other receivables figure of Kshs.889,901,000 as disclosed under note 25 to the financial statements which includes trade receivables figure of Kshs.1,442,591,000 out of which Kshs.15,069,014 relates to Marketing stores cashbox debtors. However, no schedules were produced to support the marketing stores cashbox debtors figure of Kshs.15,069,014

Consequently, it has not been possible to confirm the accuracy and completeness of the marketing stores cashbox debtors figure of Kshs.15,069,014 as at 30 June 2018.

3.0 Administration expenses -Irregular Procurement and payment of Security Services

Kenya seed company limited during the year awarded security services contract to the Gillys Security & Investigation Services Limited for annual contract sum of Kshs.29,690,400but due to non- performance the contract was terminated vide letter ref. KSC/CS/187/07/2017 dated 31 July 2017 and another contract signed between the company and M/s Lavington Security Limited to provide the services for a period of five months to 31 December 2017. The contract was renewed on 11 December for Six (6) months with effect from 1 January 2018. However, examination of the documents provided for audit revealed that the services procured from M/s Lavington Security were through direct procurement. No tender documents were prepared to form the basis of negotiations as required by section 104 of the public procurement and disposal act 2015. Further, the contract signed included provision of security services to some areas which were not in the jurisdiction of the Kenya seed company. No explanation was provided by the management for providing security services to other independent entities.

In the circumstances, the propriety of Kshs.4,280,000 security services expenditure could not be confirmed as at 30 June 2018.

4.0 Long Outstanding Travel Sales Persons Debts

The statement of financial position reflects net trade and other receivables figure of Kshs.889, 901,000 as disclosed under note 25 of the financial statements out of which a figure of Kshs.1,442,591,000 relate to trade receivables. Examination of records revealed that out of the trade receivables of Kshs.1,442,591,000 there was an amount of Kshs.11,698,052 that related to the sale officers who were allowed to sell seeds to farmers and stockists during their route visits. However, scrutiny of the documents produced for audit revealed that these debts have been outstanding since 2008. No reason was provided by the management for failure to recover the debts. No provision has been made in the financial statements in respect to these long outstanding debts.

Consequently, the validity, accuracy and recoverability of the trade receivables balance of Kshs.11,698,052 as at 30 June 2018 could not be ascertained.

5.0 Provision for Raw Maize obsolete stocks

The statement of profit and loss and other comprehensive income reflects a figure of Kshs.539,621,000 under administrative expenses out of which an amount of Kshs.250,177,000 was for provision of obsolete stocks. Examination of records made available for audit revealed that varieties of raw maize worth Kshs.217,848,520 was infected with Maize Lethal Necrosis Disease (MLND) and slow germination as reported by Kephis as listed below;

Product name	Status	Kgs	Cost	Amount
PH4	RAW	1,728,241	72.27	124,899,977.07
DH01	RAW	244,012	72.27	17,634,747.24
DH02	RAW(MLND+VE)	52,290	72.27	3,778,998.30
H628	RAW(MLND+VE)	71,811	72.27	5,189,780.97
H625	RAW(MLND+VE)	3,999	72.27	289,007.73
DH04	RAW	514,131	72.27	37,156,247.37
IRR	RAW	12,577	72.27	908,939.79
KSDTV-01	RAW	98,170	72.27	7,094,745.90
H614	RAW(MLND+VE)	126,328	72.27	9,129,724.56
H6213	RAW(MLND+VE)	37,192	72.27	2,687,865.84
H513	RAW(MLND+VE)	97,016.00	72.27	7,011,346.32
H519	RAW(MLND+VE)	28,603.00	72.27	2,067,138.81
TOTAL				217,848,519.90

Physical verification of the stores revealed that these slow germinations and infected raw maize was held in stores hence increasing the cost of storage.

No reason was provided by the management on why these obsolete stocks were not disposed leading to voidable loss.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Seed Company Limited in accordance with ISSAI 30 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. Except for the matter(s) described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1 Failure to Observe One third rule for staff Establishment

An examination and analysis of the human resource records of the Kenya Seed Company Ltd revealed that during the year under review the Company recruited seventeen (17) members of staff as at 30 June 2018. However, it was observed that 53% of the staff recruited were from the dominant ethnic community contrary to part III Sections 7 (2) of the National Cohesion and Integration Act, No. 12 of 2008. As a result, the management is in breach of the law.

2 Amount Due from Government and Parastatals

The statement of financial position as at 30 June 2018 reflects amounts due from parastatals and other Government controlled organizations of Kshs.884,142,000 as disclosed under note 23(c) to the financial statements out of which an amount of Kshs.871,449,000 has been outstanding for over three (3) months period as summarized below:

Ministry/Department	Amount (Kshs)
Ministry of Agriculture.	745,342,000
County Governments	54,108,000
Kenya Farmers Ass	46,002,000

Ministry/Department	Amount (Kshs)
ADC	-
NCPB	25,191,000
KARI	806,000
Total	871,449,000

Under the circumstances, the validity and recoverability of the Kshs.871.449,000,000 due from parastatals and other Government controlled organizations as at 30 June 2018 could not be confirmed.

3 Unsurrendered imprests

Included in the gross staff receivables figure of Kshs.100,593,000 as disclosed in note 21 to the financial statements is imprest figure of Kshs.4,083,262 as at 30 June 2018. Available information revealed that some staff had multiple imprests contrary to the company policy. In the circumstances, the institution was in breach of its own financial regulations.

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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter(s) described in the Basis for [Conclusion on Effectiveness of Internal Controls, Risk Management and Governance/Qualified Opinion] section of my report, 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

Unpaid Postdated Cheques

During the year under review, the Kenya Seed Company limited had accumulated unpaid post- dated cheques totaling to Kshs.29,229,996. These cheques have remained unpaid for a considerably very long period contrary to the company's policy. Consequently, the effectiveness of the company's cash flow management could not be confirmed.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 requirements of the Kenya Companies Act, 2015, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. in my opinion, adequate accounting records have been kept by the Kenya Seed Co., so far as appears from the examination of those records; and,

The Kenya Seed Co. 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 Kenya Seed Co. ability to continue as a going concern disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Kenya Seed Co. or to cease operations, or have no realistic alternative but to do so.

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

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

Those charged with governance are responsible for overseeing the Kenya Seed Co. 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.

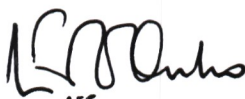
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 Kenya Seed Co. ability to continue as a going concern or to sustain its services. 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 Kenya Seed Co. to cease to continue as a going concern or to sustain its services.
- 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 Kenya Seed Co. to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

17 June 2019

Report of the Auditor-General on the Financial Statements of Kenya Seed Company Limited and Its Subsidiaries for the year ended 30 June 2018



Appendices**Appendix 1**

Earnings less than a third							
S.NO	EMP NO	NAME	Gross Pay	Basic Pay	Net Pay	a third pay	less than a third
Jun-18							
1	00000635	Kurgat K. Richard	52,916.36	38,916.36	7,462.00	12,972.12	- 5,510.12
2	00000645	Basiliza Jepkemboi	46,815.76	29,352.86	5,449.00	9,784.29	- 4,335.29
3	00002367	Geoffrey Mutai	23,056.00	18,000.00	4,574.50	6,000.00	- 1,425.50
May-18							
4	00000635	Kurgat K. Richard	67,195.81	38,916.36	12,175.00	12,972.12	- 797.12
5	00000645	Basiliza Jepkemboi	45,826.36	29,352.86	7,123.00	9,784.29	- 2,661.29
6	00000654	Joseph Komen Kiptoo	54,228.14	38,916.36	12,097.25	12,972.12	- 874.87
Nov-17							
7	00000654	Joseph Komen Kiptoo	46,157.35	32,457.35	9,232.00	10,819.12	- 1,587.12
Oct-17							
8	00000162	Patrick M. Thuo	620,000.00	480,000.00	63,776.20	160,000.00	- 96,223.80
Aug-17							
9	00000635	Kurgat K. Richard	46,157.35	32,457.35	4,832.00	10,819.12	- 5,987.12

Appendix 2

Parcels of Land Not Included in Financial Statement			
	L.R. Numbers - Titles	Acreege	Land Value
1	L.R.NO.12215	8.094 Hectares or 20 Acres	21,500,000.00
2	L.R.NO.5337/2	20.48 Hectares or 50.607 Acres	54,500,000.00
3	L.R.NO.2990/3	731.69 Hectares or 1808 Acres	600,680,000.00
4	L.R.NO.5397(1498)	Vacant land:1176 Acres Coffee 132 Acres	437,800,000.00
5	L.R.NO.2042/6	35.21 Hectares or 87.00 Acres	69,600,000.00
6	L.R.NO.2041/2	60.10 Hectares or 148.5 Acres	56,400,000.00
7	L.R.NO.2989/6	147.71 Hectares or 364.99 Acres	122,275,000.00
8	L.R.NO.2989/4 IR 3718)	212 Acres	70,800,000.00
9	L.R.NO.2989/2	375 Acres	122,820,000.00
10	L.R.NO.2989/3	215.8 Hectares or 533.24 Acres	174,700,000.00
11	L.R.NO.2989/9	77.7 Hectares or 192 Acres	64,320,000.00
12	L.R.NO.2989/8	8.22 Hectares or 20.3 Acres	6,800,000.00
13	L.R. NO. 21116/5 BLOCK 5	7.960 Hectares or 19.67 Acres	150,000,000.00
14	L.R.NO.2116/484	2.398 Hectares or 5.926 Acres	90,000,000.00
15	L.R.NO.2116/487/VI	0.1951 Hectares or 0.482 Acres	8,000,000.00
16	L.R.NO.2116/721	1.110 Hectares or 2.74 Acres	40,000,000.00
17	L.R.NO.2116/65/XVI	0.416 Hectares or 1.028 Acres	16,000,000.00
18	L.R.NO.2116/4/VII	0.619 Hectares or 1.529 Acres	22,000,000.00
19	L.R.NO.2116/62/XVI	0.582 Hectares or 1.437 Acres	20,000,000.00
20	L.R.NO.2116/24/VII	0.669 Hectare or 1.653 Acres	22,000,000.00

21	L.R.NO.2116/447	1.408 Hectares or 3.48 Acres.	50,000,000.00
22	L.R.NO.2116/444/1	0.600 Hectares or 1.484 Acres	23,000,000.00
23	L.R.NO.2116/141/VI	0.122 Hectares or 0.3013 Acres	10,000,000.00
24	NAKURU/MUNICIPALITY BLOCK 8/6	1.757 Hectares or 4.34 Acres	150,000,000.00
25	L.R.NO.519/74	0.1115 Hectares or 0.28 Acres	4,000,000.00
26	KAKAMEGATOWNSHIP/BLOCK 1/252	0.2405 Hectares or 0.5943 Acres	10,000,000.00
27	LR NO 209/20269(I.R63704)	1.0 Hectare or 2.47 acres	160,000,000.00
	TOTAL		2,577,195,000.00

Appendix 3

EXPORT CUSTOMERS			
AC/N0	NAME OF THE CUSTOMER	ADDRESS	Amount in Kshs.
20000	BRAMIN LIMITED	Box 5523 KIGALI RWANDA	32,493.80
20000	BRAMIN LIMITED	Box 5523 KIGALI RWANDA	18,054.31
20003	MINISTRY OF AGRICULTURE & ANIMAL RESOURC	Box 621 KIGALI RWANDA	125,595,831.41
20003	MINISTRY OF AGRICULTURE & ANIMAL RESOURC	Box 621 KIGALI RWANDA	-37,949,032.20
20007	ARPEES LIMITED	BOX 16478-801 - MOMBASA	686,407.90
20014	BEDUCO NV	BOX 2120 SCHOT WASSERIJSTRAAT	921,148.65
20015	BRAMIN LTD	RWANDA	-96,345.40
20016	BRALIRWA LIMITED	BOX 5525 KIGALI RWANDA	90,930.01
20017	CARE INTERNATIONAL IN KENYA	BOX 43864 NAIROBI	557,300.00
20019	CHEKWOTI JOB	BOX 12 KAPCHORWA UGANDA	23,100.00
20022	EXPORT TRADING COMPANY	BOX 57661 NAIROBI	215,000.00
20028	KOKWOMURYA FAIR AGENCY	BOX 36 KAPCHORWA UGANDA	24,750.00
20032	LENERSAN POORTMAN BVE	DORDRECHT	2,612,403.56
20033	MS BIM HARMESH AGRI ESTAB	BOX 3865 ABUDHABI	13,098,000.00
20035	MINISTRY OF AGRICULTURE	BOX 625 KIGALI RWANDA	142,285,077.47
20036	NASHWAN TRADING	BOX 6660 DUBAI	8,411,600.00
20041	PREMCHAND DEPAR & CO	BOX 98126 MOMBASA	1,050,249.00
20042	PENTA TRADING BV	4148AA BREDA	8,457,447.45
20046	SEBEI ELGON CO-OP LIMITED	BOX 12 KAPCHORWA UGANDA	567,995.00
20049	SAHARI AL KHALEE J	BOX 23767 AL AIN UAE	28,092,704.40
20050	SUKURA AGRO SUPPLIES	BOX 2359 MBALE UGANDA	1,575,636.20
20051	SOROTI FARMERS	UGANDA	77,460.00
20054	TORORO FARMERS	UGANDA	87,530.00
20055	UGANDA NATIONAL FARMERS	BOX 155 KAPCHORWA UGANDA	221,930.00
20058	PIONEER AGRI ESTATE	BOX 8041 AL IN DUBAI	975,831.20

20065	RWANDA STORE RETAIL SALES	KIGALI	6,104,918.73
20067	RWA - CO-PE KOAINYA	KIGALI	73,644.00
20070	RWA - TABURA(ONE ACRE FUND)	RWANDA	14,784,185.20
20079	RWA - CO-PE HUGUKA MUHINZI	RWANDA	2,842.40
20087	RWA - WIN AGRO TECH	RWANDA	179,667.31
20109	RWA - GAKO/APTC	RWANDA	10,697.76
20119	RWA - INTRAGRI -MUYIRA	RWANDA	5,684.80
20123	RWA - ORORA SHOP	RWANDA	4,861.14
20124	RWA - AGRO CHEMICAL	RWANDA	4,522.00
20127	RWA - AGROVET RULINDO	RWANDA	41,048.72
20132	RWA -TERARIMBARE MUHINZI	RWANDA	58,249.35
20141	RWA - ECOGRAEEN	RWANDA	16,150.00
20146	RWA - BUGESERA AGRIBUSINESS COMPANY	RWANDA	2,457.00
20150	RWA - FARMERS CHOICE RWANDA	RWANDA	46,954.00
20152	RWA- GREEN FARMER SUPPLY	RWANDA	301,386.48
20153	RWA- DUHINGE SHOP	NYABUGOGO RWANDA	92,341.48
20163	RWA - TWITEZIMBERE	GICUMBI RWANDA	19,069.64
	TOTAL		319,382,182.77

Appendix 4

Travel Sales Persons Debts	
NAME	AMOUNT (Kshs.)
A SUMBA	(15,495.00)
RISPER CHEPKONGA	(76.00)
KIBEREN WILLIAM	25,734.00
ABEDNEGO SENGWER	98,671.00
J NGETETAI	181,481.00
G MALAMOCH	851,780.00
CHEPSAIGUT ANDREW	1,163,641.00
H KIMALEN	518,189.00
D MASINDE	6,553,682.00
MWANIKA DANIEL	(14,904.00)
M SONGOROH	30,930.00
JOB NDEMO	40,500.00
A SIMIYU	1,005,591.00
J KISU	5,240.00
GEORGE ONGERI	49,924.00
R KARINDE	1,127,777.50
R KAGINDA	19,820.00
A BONG'O	55,573.20
TOTAL	11,698,058.70

Appendix 5

UNPAID CHEQUES IN THE YEAR 2017-2018			
CUSTOMER	CHEQ NUMBER	DATE	BALANCES
KAPKECHIR	000023	4/27/2018	583,200.00
KAPKECHIR	000026	4/26/2018	631,800.00
KAPKECHIR	000028	5/2/2018	631,800.00
KAPKECHIR	000029	5/8/2018	631,600.00
KINYO AGRI	20180502	5/2/2018	96,678.00
MOIBEN CONNECTIONS	Various	5/2/2018	16,522,575.00
BIBAMU STORES	000112	4/4/2018	460,396.00
TARAKWA GEN STORES	000176	4/26/2018	550,000.00
TARAKWA GEN STORES	000205	4/26/2018	291,600.00
TARAKWA GEN STORES	000206	5/2/2018	900,000.00
TARAKWA GEN STORES	000219	5/9/2018	705,024.00
TAWAKAL WHOLESALERS	000337	8/17/2017	102,940.00
CHERANGANY VET	000460	4/9/2018	364,900.00
MOSOP FARMCARE	000499	6/5/2018	194,400.00
MOSOP FARMCARE	000500	6/5/2018	42,520.00
BATUMO CONTRACTORS	000490	7/3/2017	451,980.00
EWASO NYIRO	000981	2/26/2018	154,400.00
EWASO NYIRO	000996	3/27/2018	166,900.00
GREENFARM SS LTD	001010	5/2/2018	615,600.00
NDALAT AGROVET	000084	7/3/2017	361,600.00
NDALAT AGROVET	000089	7/3/2017	19,590.00
RANALO ENTERPRISES	000370	7/3/2017	100,000.00
USHINDI AGROVET	024974	5/2/2018	313,200.00
KAPNGETUNY	000105	7/10/2017	300,000.00
TARAKWA AGRO VET	00164	2/27/2018	600,000.00
TARAKWA AGRO VET	000247	11/29/2017	729,000.00
TARAKWA AGRO VET	001528	9/26/2017	842,590.00
FARMLINK ENTERPRISES	000363	10/2/2017	91,390.00
LITEIN VET			155,123.00
NUNGUNI	4199	7/4/2017	777,600.00
TARAKWA AGROVET	1527	7/25/2017	841,590.00
		TOTAL	29,229,996.00

Appendix 6
Outstanding Imprest

Number	Employee name	Outstanding imprest	Imprest advanced	Date advanced imprest was issued
	Wycliffe muchanji	105,536	47,600	13/12/2017
	Mark wekesa	7,990	25,600	13/12/2017
	Edwin k ruto	12,000	16,800	13/12/2017
	Starnely koech/odinga	103,950	10,600	13/12/2017
	Dismas odanga	20,000	24,800	13/12/2017
	Zachariah soi	207,810	36,400	13/12/2017
	Alphonse laboso	75,520	25200	
	James k chemweno	44,800	43,400	14/12/2017
	Gladys koech	49,472	51600	6/12/2017
	Ken wekulo	255,450	21000	6/12/2017
	Fred oloibe	65,030	33,600	11/12/2017
	Abraham mukhovi	116,867	16,800	4/11/2017
	Patrick thuo	13,000	33,600	7/12/2017
	Sammy k chepsiror	47,745.93	67,200	5/12/2017
	Azariah soi	153,210	54,600	30/11/2017
	Sammy k chepsiror	47,745	50,400	22/11/2017
	Leonard kibet	24,500	70,000	21/11/2017
	James osore	88,836	150,624	10/11/2017
	Catherine nzioka	67,320	15,650	
	Eliud masai	18,200	22,750	28/06/2018
	Erick tegei	18,330	84,000	28/06/2018
	Edwin ruto	29,470	30400	6/06/2018
	Fred oloibe	35,630	25,200	6/06/2018
	William kiberen	392,570	191,897	6/06/2018
	Raphael simiyu	45,000	9,100	28/05/2018
	Mark toroitich	37,000(dec 2014, 22500&march 2015. 14500)	9,100	28/05/2018
	Charles osii	39,600	16,800	23/05/2018
	Grace were	267,353.80	22,825	23/05/2018
	Harrison kotty	59,810	9,100	23/05/2018
	Fred oloibe	35,630	33,600	23/05/2018
	Paul k tonui	53,200	44,100	23/05/2018
	Philemon too	46,250	9,100	23/05/2018
	Alphonse laboso	142,800	134,400	18/05/2018
	Azariah soi	864,001	72,800	
	James osoro	88,778	33,600	22/05/2018

	William kiberon	30,450	33,600	22/05/2018
	Patric thuo	62,800	100,800	10/05/2018
	Joshua biegon	44,800	22,400	10/05/2018
	Patrick walumbe	44,070	9,100	23/05/2018
	Stephen malakwen	58,800	12,600	8/11/2017
	Thomas mukung	16,100	8,400	1/11/2017
	Wycliffe muchanji	16,550	16,800	28/06/2018
	Eng. Erick nyamburi	61,017	33,600	6/06/2018
	Edwin k ruto	68,270	32,000	14/05/2018
Total		4,083,262		

Appendix 7

Employee name	Amount outstanding after 365 days
RISPER CHEPKONG'A	8,956.80
WYCLIFFE MUCHANJI	64,172.00
OBED C. LAMAI	8,663.00
TONNY ONYANGO	31,341.00
ERICK TEGEI	2,000.00
CAROLINE ARUSEI	18,000.00
JAMES M. ROTICH	4,080.00
DISMAS MUNG'AYO	105,000.00
LYNET KIMAIYO	225,999.00
FRED OLOIBE	464,243.00
PETER C. KIMTAI	15,338.62
ANN OBIERO	2,200.00
KATE OJUNGO	6,250.00
FREDRICK KORIR	11,250.00
SAMMY TOO	2,640.00
SOLOMON OTIDO	8,710.00
AMOS KIPTANUI	10,000.00
OLIVER KIPKESIO	2,584.00
EWOI L. KOLE	7,500.00
PAUL N. BAKENDA	2,400.00
ROSEVELMA OOKO	10,500.00
EDWARD KIPLIMO	1,200.00
BURMEN MUNERIA NDIWA	282,780.00
SAMUEL MELLY	9,736.00
DORCAS N. KHAEMBA	16,668.00
JANE NJERU	44,075.00
DAVID MURKOMEN KOSWEI	3,825.00
AZARIAH SO1	871,067.80
PAUL MARITIM	2,000.00
GEOFFREY KIRUI	1,000.00
HOSEA SIRMA	3,510.50
JOHN K. SEREM	281,244.90
WILLIAM K. KIBEREN	115,422.00
ELIJAH C. KOSKEI	18,980.00
LESLIE BARTIEN	37,191.40
JULIUS RUGUT	66,225.00
JOSEPH METTO	530,401.45
JAMES A. OSORE	902,415.23
CAROLYNE NAKTARI	22,534.57
BERRY K. NDEGWA	50,980.00

JOHN K. MUNJURU	50,000.00
KIPRONO K. EVANS	21,689.00
RUTH JIPCHO	39,943.00
JEREMIAH BETT KORIR	103,200.00
ABEDNEGO K. SENGWER	383,896.61
ESTHER CHEROP	205,239.92
JACOB NGETETA	617,390.00
CLAUDETTE M. AKELLO	5,775.00
KIPTOO MILKA	446,500.00
ABRAHAM V. MUKHOVI	120,040.46
BASILIZA JEPKEMBOI	94,000.00
PAUL MURREY	470.00
LUCY K. CHEMJOR	25,522.00
CHARLES KIPTOO	826.00
ROSE BUSIENEI	14,478.00
WAKWABUBI W. PATRICK	76,278.00
TOO PHILEMON	36,183.00
EDWIN RUTTO	114,300.00
MICHAEL ROTICH	234,166.50
JOSEPH KASEWE	4,000.00
DAVID MATARA	63,000.00
ANDREW CHEPSAIGUT	53,828.49
JOHN MULI	527,211.85
CHARLES NYAKIONGORA	297,990.20
BEATRICE KIRUI	421,511.34
RICHARD TORMOI	73,500.00
THOMAS ODINGA	51,537.00
FRANCIS M. NDAMBUKI	74,677.50
PAUL C. LOLWERIKOI	29,275.50
ROBERT NAMANGA	2,043,822.00
MALAMOCH GIDEON	1,231,920.32
WILLY K. BETT	140,756.00
NATHAN NDIWA	57,260.00
LESHAN P. KIJAPE	70,000.00
EMILY BIWOTT	347,361.00
ALFRED MAIYO	1,062.50
JOSEPH KOSGEY	1,724,160.00
AMBROSE M. NGARE	63,367.00
BONFACE M. MUTHURI	13,622.00
LINDA JEPKEMBOI	1,359,310.00
ERICK MUCHIRI	100,000.00
JOHN OWINO	2,480,785.00

JANE WASHINGA	1,060.00
EMMANUEL ONTERI	114,296.00
GEOFFREY SIMIYU	13,500.00
SAMMY TONUJ	263,646.90
PHYLIS MARITIM	16,000.00
MONICA SUGUT	3,500.00
ANTHONY K. KORIR	10,000.00
KIPKEMEY KSERONEY	4,720.00
PROTUS CHEMONGES	8,691,605.26
STEPHEN CHEPCHOS	1,629,083.00
ELIZABETH RERIMOJ	57,366.00
SALLY KEDERA	2,654,228.00
ADANO S. KADUBO	7,273.75
BEN MANYONGE	2,095,882.00
ENOSH A. AYOGO	159,650.39
BARNABAS SAMOEI	4,200.00
JOAN CHEPKOSGEI	6,462.00
TOM MWEMA	2,595,236.90
DANIEL CHERUIYOT	3,400.00
P. NJOROGE	33,213.00
ASBEL KAPTOGE	19,066.10
ALEX SEMUTWA ADVANCE	4,563,250.00
ALFRED SAGALA	64,345.00
BARNABAS TANUI	1,039.00
CHEPCHUMBA BAIYABEI	4,000.00
CHEGE S MACHARIA	76,300.00
DAVID BII K	600.00
DAVID ANYEMBE	33,500.00
EVANS SIMIYU MASINDE	14,390.55
EJ GOES	14,600.00
EDWIN KURGAT	139,038.60
FRANCIS KIBOS	379,972.90
J K FONDO	1,044,005.45
GEOFFREY BUTUKHU	2,075.00
GEOFFREY ROTTO	4,722,466.47
HUSTINES SAWENJA	2,900.00
HOBBY MWEMA	2,000.00
HILARY KIMALEN	44,468.20
HILLARY KEMEI	9,000.00
JARED NYAMWEYA	3,602,651.00
JOEL TONUJ	2,700.00
JEREMIAH KB	7,975.00

KIMELI R.SILLAH	11,100.00
KIDAHA AMIANI KENNEDY	134,275.60
KEVIN TENAI	14,000.00
KIPLIMO NICHOLAS	10,000.00
KIGEN JOSEPH	1,500.00
KIPKULEI DAVID	17,000.00
KAHORO SAMWEL	2,890.00
LAWRENCE KAPTOGE	451,504.60
LOMULE DAVID	500.00
L MAKOKHA NYONGESA	25,850.00
LIMO JR	47,286.10
LEONARD MENYA	78,361.98
LYDIA KECH	22,790.00
MUSYOKA FREDRICK	8,740.00
NICHOLAS KOSKEY	77,942.40
NICHOLAS K SANG	102,000.00
MOSES PKANIA	14,496.00
MICHAEL SONGOROH	49,113.00
MICHAEL SONGOROH	335,375.00
MEULEDI M ISEME	75,332.75
MULOOSI VINCENT	1,256.20
ONKUNYA GERVAS	3,650.00
PHANICE KIHARANGWA	157,228.00
PIUS KIPTOO	115,203.00
REUBEN TALAM	11,400.00
RICHARD NGOMO	249,564.00
RICHARD LOROO	2,055,250.75
PAULINE SAMOEI	3,500.00
STANLEY KIPRONO	7,437.50
F. CHEMUTAI	83,563.45
JOB NDEMO	115,200.00
M. SONGOROH	2,475.00
P.M MNAIBEI	900.00
RICHARD KARINDE	1,020.00
R. NYAGUCHA	22,940.00
R. NGOMO	194,821.50
S. NGONE	852,820.10
Z.K CHERUIYOT	1,478,063.15
SAMSON WANJALA	4,745.00
KUKUI/BIWOTT	455,160.50
MUTAI/SUMBA/SERETI/AYOGO	6,199,201.00
AMIANI/CHEPSAIGUT/MUTAI	2,565,623.00

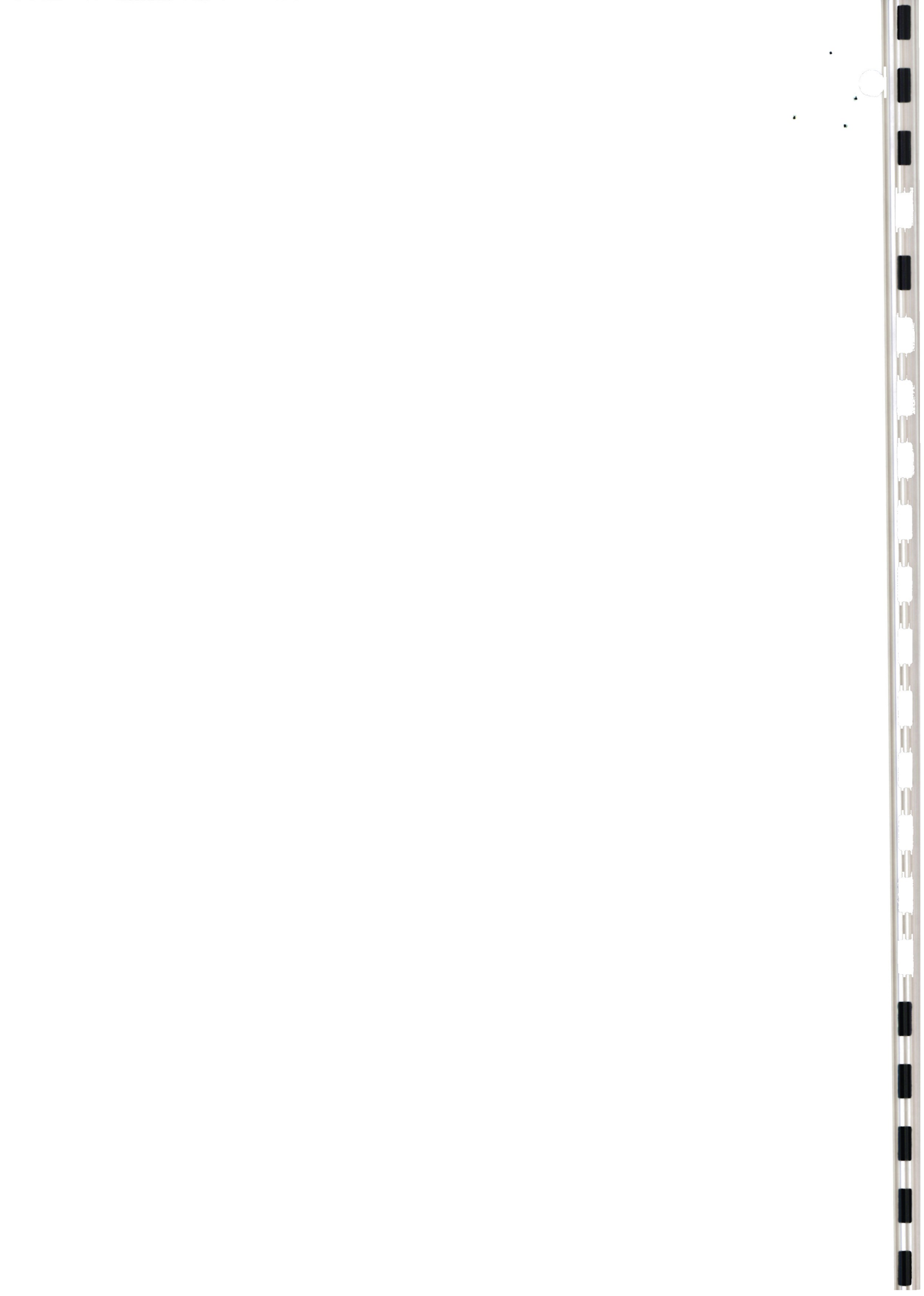
SONGOK/SUGUT	3,539,366.15
JAMES ASHIOYA	173,900.00
SAMUEL NGONE	500.00
BEN KISANG	6,000.00
BEN KIBET TUM	27,000.00
PATRICK KOSGEI	6,560.00
CHEMUTAI FRANCISCA	154,679.95
MASIRA EDWIN	15,000.00
BEATRICE CHEMONGES	697,327.35
HENRY K KOECH	66,203.00
METHUSELLAH SERETI	17,500.00
MARGARET JEPCHUMBA	54,680.00
Total	72,027,401.96

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Group		Company	
		2018 Kshs '000	2017 Kshs '000	2018 Kshs '000	2017 Kshs '000
Revenue	4	6,226,108	6,213,021	5,154,062	5,127,485
Cost of sales	5	<u>(3,825,637)</u>	<u>(3,705,879)</u>	<u>(3,193,476)</u>	<u>(3,003,999)</u>
Gross profit		2,400,471	2,507,142	1,960,586	2,123,486
Other income	6	59,561	107,024	50,621	99,487
		<u>2,460,032</u>	<u>2,614,166</u>	<u>2,011,207</u>	<u>2,222,972</u>
EXPENSES					
Operating expenses	7	(962,231)	(1,137,051)	(696,917)	(895,687)
Administration expenses	8	(539,621)	(653,632)	(450,222)	(602,764)
Selling and distribution expenses	9	(275,892)	(258,193)	(167,208)	(152,954)
Research and development costs	10	(53,708)	(86,130)	(45,100)	(79,821)
		<u>(1,831,452)</u>	<u>(2,135,007)</u>	<u>(1,359,447)</u>	<u>(1,731,226)</u>
Operating Profit	11	628,580	479,160	651,759	491,746
Finance Income	12 (b)	4,267	54,165	4,112	54,165
Finance cost	12 (a)	<u>(57,998)</u>	<u>(183,654)</u>	<u>(36,271)</u>	<u>(162,667)</u>
Profit before taxation		574,849	349,671	619,601	383,244
Income Tax expense	13 (a)	<u>(341,074)</u>	<u>(215,550)</u>	<u>(326,623)</u>	<u>(212,380)</u>
Profit for the year		<u>233,775</u>	<u>134,120</u>	<u>292,978</u>	<u>170,864</u>
Profit attributable to:					
Owners of the parent company		<u>233,775</u>	<u>134,120</u>	<u>292,978</u>	<u>170,864</u>
Earnings per share attributable to:					
Basic (Kshs per share)	14	<u>21.68</u>	<u>12.44</u>	<u>27.17</u>	<u>15.85</u>
Other comprehensive income:					
Profit for the year		233,775	134,120	292,978	170,864
Exchange differences on translating foreign operations	33	(15,516)	(2925)	-	-
Income tax effect	33	4,655	878	-	-
Fair value gain on Bearer Plants	22(c)	(25,092)	55461	(25,092)	55,461
Revaluation Surplus		-	-	-	-
Total comprehensive income		<u>197,823</u>	<u>187,534</u>	<u>267,886</u>	<u>226,326</u>
Attributable to:					
Owners of the parent		<u>197,823</u>	<u>187,534</u>	<u>267,886</u>	<u>226,326</u>

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



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

STATEMENT OF FINANCIAL POSITION

	Notes	Group		Company	
		2018 Kshs '000	2017 Kshs '000	2018 Kshs '000	2017 Kshs '000
ASSETS					
Non-current assets					
Property, plant and equipment	16	2,923,272	2,982,861	2,655,529	2,757,475
Land	17	2,389,603	2,154,319	2,389,603	2,154,319
Intangible assets	18	110,836	102,747	108,704	102,320
Investment in subsidiaries	19	-	-	55,696	55,696
Deferred tax asset	27(b)	16,091	19,538	-	-
Staff receivables	21	3,540	5,407	3,540	5,407
Bearer biological assets	22(a)	125,700	49,451	125,700	49,451
Loan capital to subsidiaries	23(a)	-	-	207,123	194,566
		<u>5,569,042</u>	<u>5,314,323</u>	<u>5,545,896</u>	<u>5,319,235</u>
Current assets					
Consumable biological assets	22(b)	52,237	32,507	51,805	32,414
Staff receivables	25	23,468	25,095	13,457	12,261
Investment in FDR	32(b)	65,556	61,475	65,556	61,475
Cash and Bank	32(a)	1,632,377	133,461	1,514,468	17,728
Inventories	24	3,073,337	4,491,092	2,085,589	3,520,327
Trade and other receivables	25	889,901	790,894	538,140	494,661
Amounts due from subsidiaries	23(b)	-	-	1,383,430	1,106,360
Due from Parastatal and other					
Government controlled organization	23(c)	884,142	928,306	872,211	924,930
Tax recoverable	13(c)	96,702	45,486	57,499	9,940
		<u>6,717,720</u>	<u>6,508,316</u>	<u>6,582,154</u>	<u>6,180,095</u>
Total assets		<u>12,286,762</u>	<u>11,822,639</u>	<u>12,128,051</u>	<u>11,499,330</u>
EQUITY AND LIABILITIES					
Equity					
Share capital	26	215,625	215,625	215,625	215,625
Share premium	26	281	281	281	281
Revaluation surplus		3,944,108	3,802,243	3,920,310	3,778,445
Translation reserve	33	(44,401)	(33,540)	-	-
Retained earnings		6,732,029	6,198,055	6,759,711	6,154,250
		<u>10,847,642</u>	<u>10,182,665</u>	<u>10,895,927</u>	<u>10,148,602</u>
Non-current liabilities					
Deferred tax liability	27(c)	713,198	682,127	713,198	682,127
Bank Loan	31(b)	61,854	63,275	-	-
Amounts due to directors	23(d)	16,414	10,183	16,414	10,183
		<u>791,467</u>	<u>692,310</u>	<u>729,613</u>	<u>692,310</u>

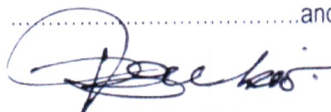


ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

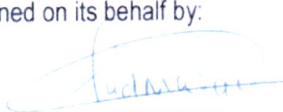
STATEMENT OF FINANCIAL POSITION

	Notes	Group		Company	
		2018 Kshs '000	2017 Kshs '000	2018 Kshs '000	2017 Kshs '000
Current liabilities					
Bank overdraft	31(a)	-	275,436	-	275,436
Amounts due to directors	23(d)	4,029	3,771	4,029	3,771
Due to subsidiaries	20	-	-	88,870	2,889
Due to Parastatal and other government controlled organizations	23(e)	33,228	10,507	33,228	10,507
Employee benefits obligations	28	41,061	41,525	33,027	29,839
Trade and other payables	29	559,584	543,384	333,607	326,209
Unclaimed dividends	30	9,751	9,766	9,751	9,766
		<u>647,652</u>	<u>947,664</u>	<u>502,511</u>	<u>658,418</u>
Total equity and liabilities		<u>12,286,762</u>	<u>11,822,639</u>	<u>12,128,051</u>	<u>11,499,330</u>

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



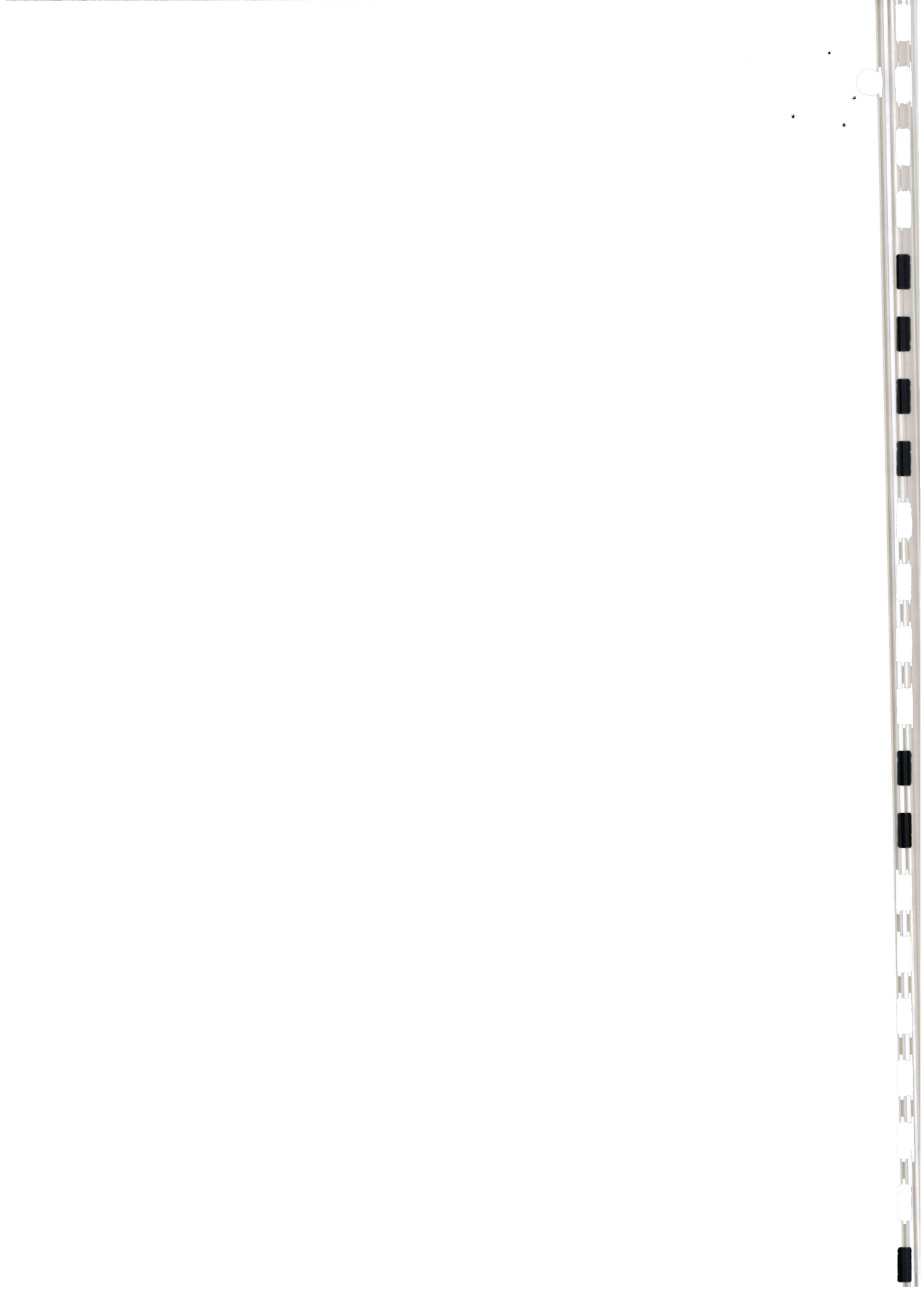
Mr. Azariah Soi
Managing Director



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



Hon. Nathan Anaswa
Chairman of the Board

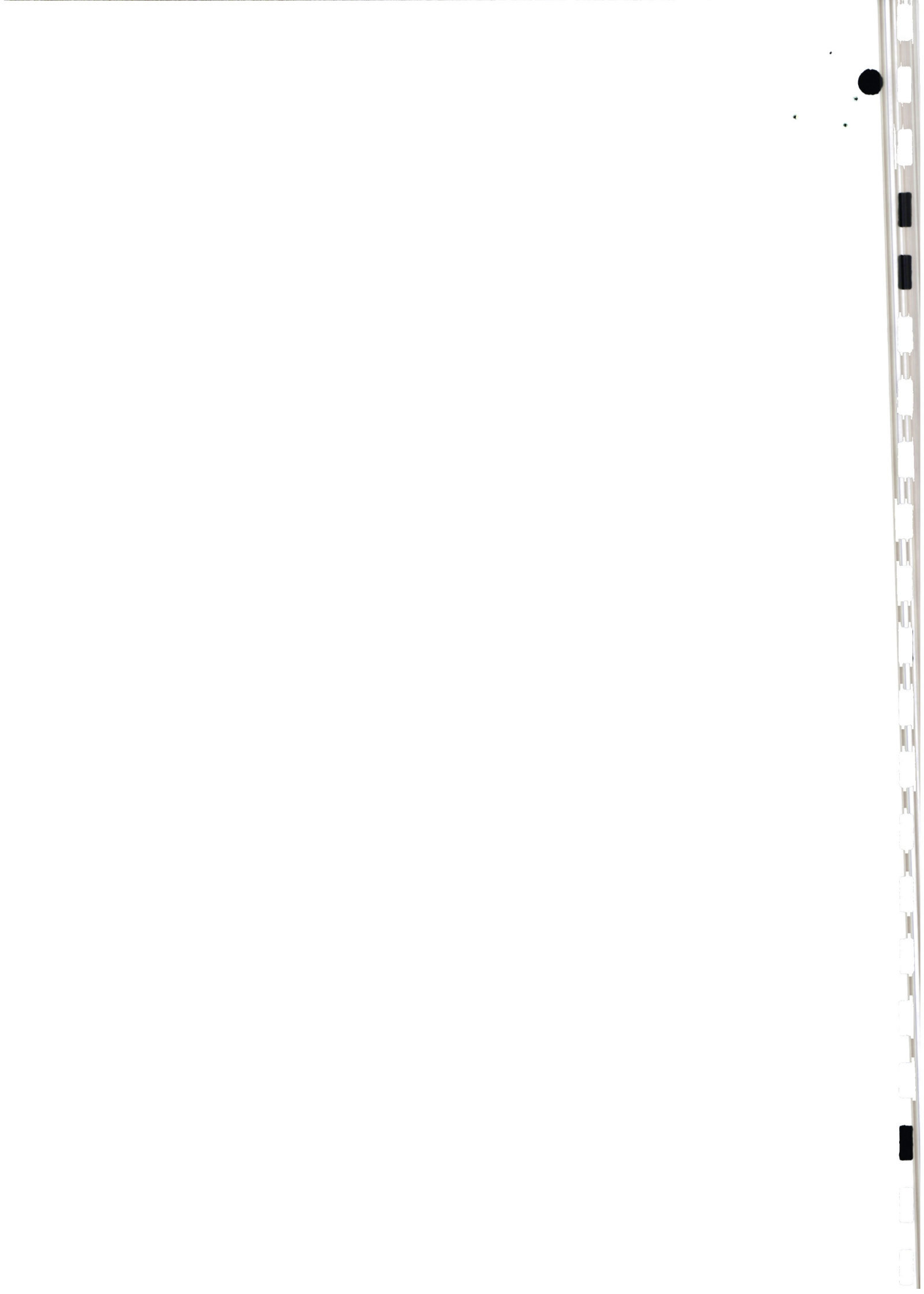


ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital Kshs '000	Share premium Kshs '000	Revaluation reserve Kshs '000	Translation deficit Kshs '000	Retained earnings Kshs '000	Total Kshs '000
Year ended 30 June 2017						
As at 1 July 2016	215,625	281	3,987,991	(31,492)	5,691,277	9,863,682
Total comprehensive income for the year	-	-	-	(2048)	189,581	187,533
Fair value Gain of Bio Assets	-	-	-	-	-	-
Transfer of excess depreciation	-	-	(185,747)	-	317,197	131,450
As at 30 June 2017	215,625	281	3,802,244	(33,540)	6,198,055	10,182,665
Year ended 30 June 2018						
As at 1 July 2017	215,625	281	3,802,244	(33,540)	6,198,055	10,182,665
Prior year adjustment	-	-	-	-	2,277	2,277
Total comprehensive income for the year	-	-	-	(10,861)	197,823	186,962
Fair value Gain of Bio Assets	-	-	-	-	-	-
Revaluation adjustments	-	-	207,629	-	235,284	442,913
Transfer of excess depreciation	-	-	(65,765)	-	98,590	32,825
As at 30 June 2018	215,625	281	3,944,108	(44,401)	6,732,029	10,847,642

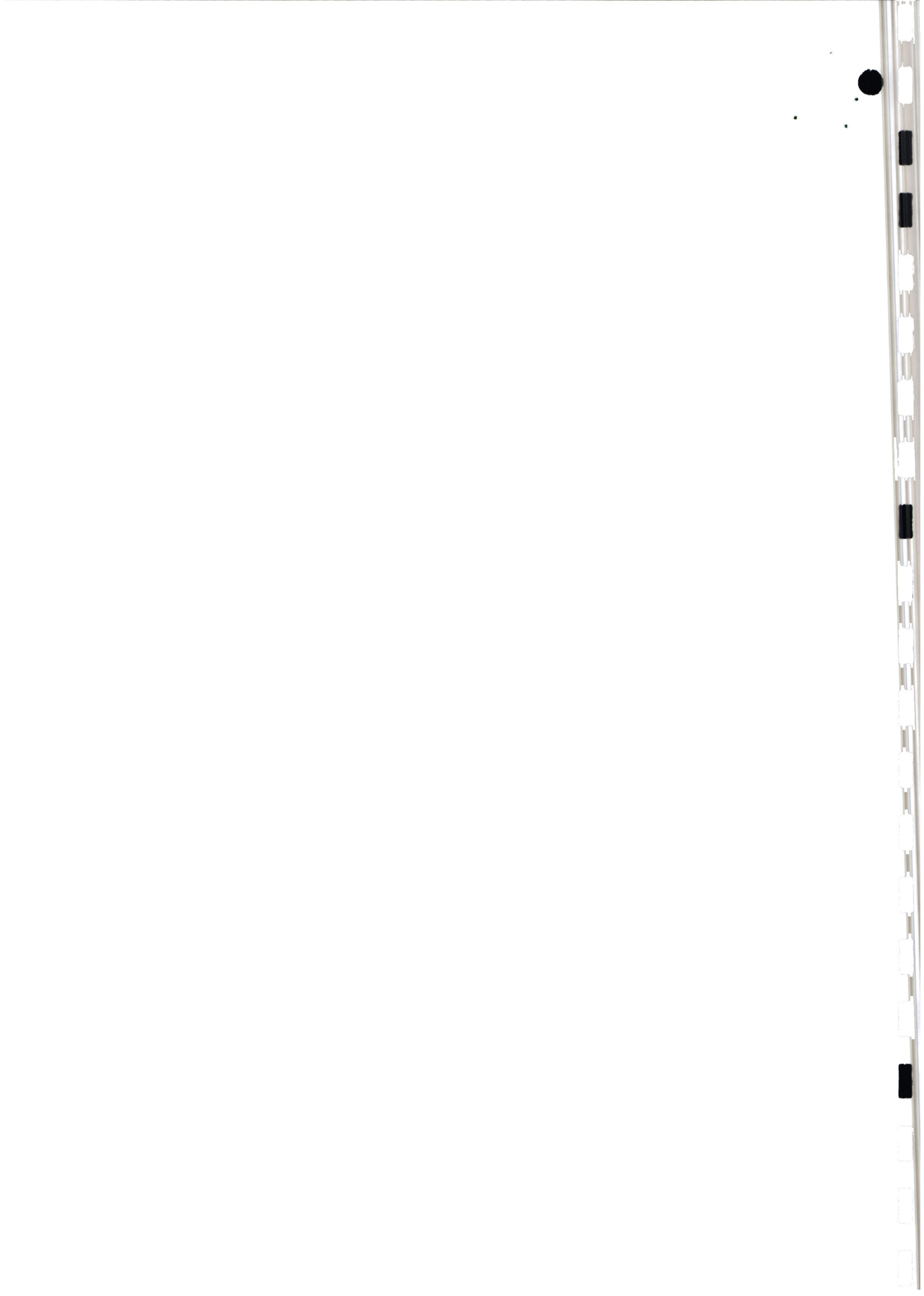
The notes set out from page 9 form an integral part of the financial statements.



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital Ksh'000	Share premium Ksh'000	Revaluation surplus* Ksh'000	Retained earnings Ksh'000	Total equity Ksh'000
Year ended 30 June 2017					
At 1 July 2016	215,625	281	3,964,193	5,610,727	9,790,826
Transfer to Deferred tax	-	-	-	-	-
Transfer of excess depreciation	-	-	(280,907)	317,197	36,289
Deferred tax on the excess depreciation	-	-	95,159	-	95,159
Profit for the year	-	-	-	170,864	170,864
Fair value gain on biological assets	-	-	-	55,462	55,462
At 30 June 2017	<u>215,625</u>	<u>281</u>	<u>3,778,445</u>	<u>6,154,250</u>	<u>10,148,601</u>
Year ended 30 June 2018					
At 1 July 2017	215,625	281	3,778,445	6,154,250	10,148,601
Prior year adjustment	-	-	-	3,700	3,700
Revaluation surplus	-	-	207,629	-	207,629
Revaluation adjustments	-	-	-	235,284	235,284
Transfer to Deferred tax	-	-	3,248	-	3,248
Transfer of excess depreciation	-	-	(98,590)	98,590	-
Deferred tax on the excess depreciation	-	-	29,577	-	29,577
Profit for the year	-	-	-	292,978	292,978
Fair value gain on biological assets	-	-	-	(25,092)	(25,092)
At 30 June 2018	<u>215,625</u>	<u>281</u>	<u>3,920,310</u>	<u>6,759,711</u>	<u>10,895,927</u>

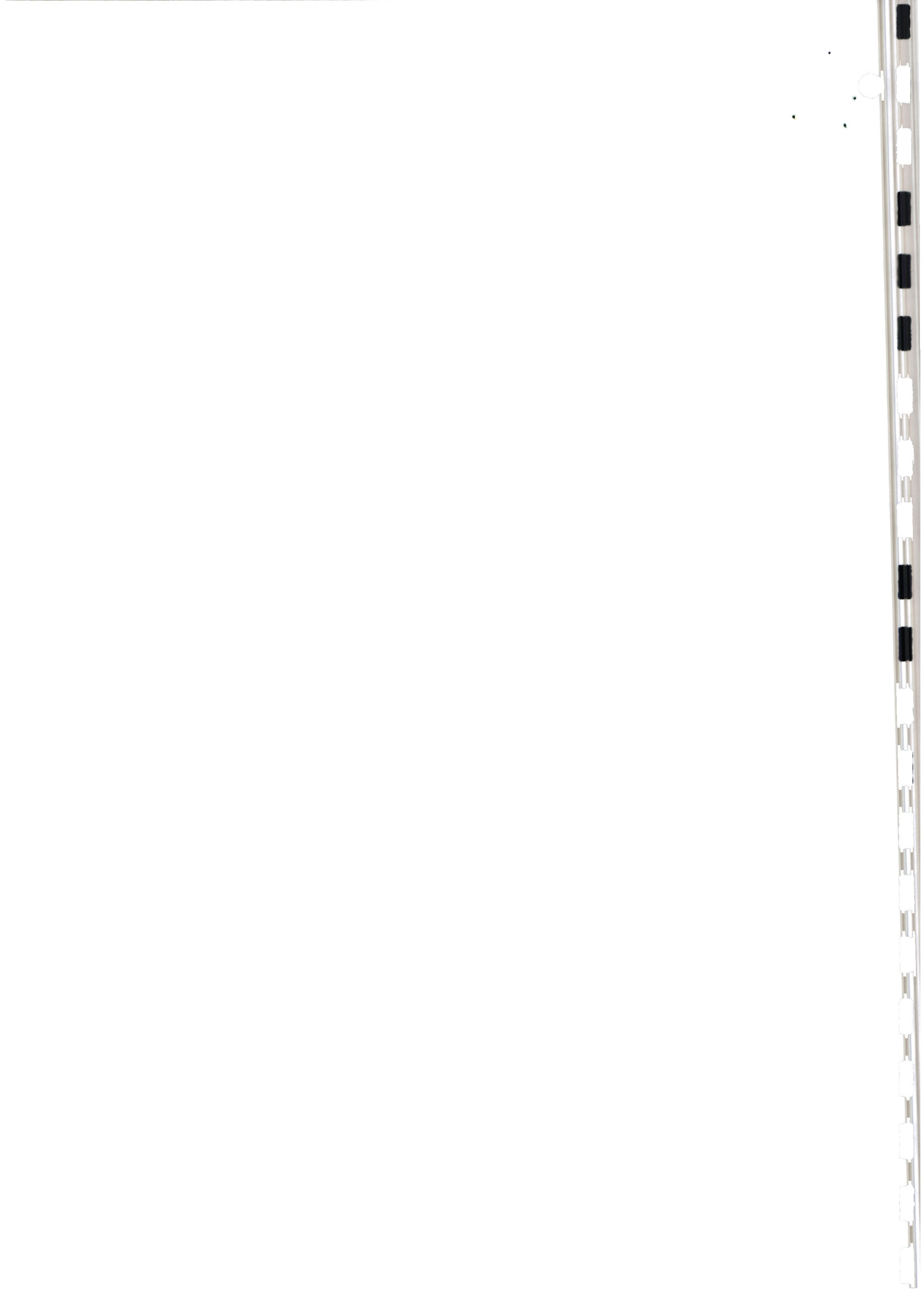


ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

STATEMENT OF CASH FLOWS

	Notes	Group		Company	
		2018 Kshs '000	2017 Kshs '000	2018 Kshs '000	2017 Kshs '000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Profit before taxation		547,849	349,671	619,601	383,244
Adjustment for:-					
Depreciation and amortization	39	288,369	587,296	270,795	572,790
Gain/Loss on Bearer Plants	22c	25,092	(55,461)	25,092	55,461
Gain on disposal of Assets			-	-	-
		<u>888,309</u>	<u>992,428</u>	<u>915,487</u>	<u>1,011,495</u>
Changes in working capital:-					
Inventories	24	1,417,755	286,263	1,434,738	344,269
Biological Assets	22	276	37,939	615	37,852
Trade and other receivables	39	(143,282)	367,200	(102,629)	365,563
Trade and other payables	39	110,066	(302,798)	41,640	(241,583)
Amounts due from/to Parastatals	39	66,885	(71,683)	75,440	(59,873)
Amounts due from/to directors	23h	6,489	(1,758)	6,489	(1,758)
Amounts due from/to related parties			-	(191,089)	(277,585)
Cash flows used in operations		<u>2,346,499</u>	<u>1,307,590</u>	<u>2,180,692</u>	<u>1,178,380</u>
Finance costs	12a	(57,998)	(183,654)	(36,271)	(162,667)
Finance income	12b	4,267	54,165	4,112	54,165
Tax paid	13c	(326,557)	(184,589)	(310,286)	(183,141)
Net cash flows used in operating activities		<u>1,966,211</u>	<u>993,511</u>	<u>1,838,248</u>	<u>886,737</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment	16	(108,916)	(67,146)	(43,782)	(15,717)
Purchase of Land	17	-	-	-	-
Purchase of intangible assets	18	(23,240)	(5,414)	(22,423)	(4,656)
Interest on FDR		-	-	-	-
Disposal proceeds from sale of assets		-	-	-	-
Net cash flows from investing activities		<u>(132,156)</u>	<u>(72,560)</u>	<u>(66,205)</u>	<u>(20,373)</u>
CASH FLOW FROM FINANCING ACTIVITIES:					
Dividends paid		-	-	-	-
Loan movement		(1,420)	-	-	-
Net cash flows from financing activities		<u>(1,420)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents:					
Movement during the year		1,832,636	920,951	1,772,043	866,363
Effect of movements in exchange rates on cash held		9,072	470	4,213	(28,146)
As at 1 July 2017		<u>(143,774)</u>	<u>(1,065,196)</u>	<u>(196,233)</u>	<u>(1,034,450)</u>
As at 30 June 2018	32	<u>1,697,933</u>	<u>(143,774)</u>	<u>1,580,024</u>	<u>(196,233)</u>

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



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

COMPANY STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget Line	Original & Final Budget	Actual on Comparable basis	Performance Difference	% change
	2017-2018	2017-2018	2017-2018	
Revenue:				
Maize Seeds	4,419,000,000	4,720,338,191	(301,338,191)	-7%
Wheat Seeds (note 1)	206,056,034	184,859,871	21,196,163	10%
Pasture Seeds (note 2)	111,380,090	73,535,405	37,844,685	34%
Sunflower seeds (note 3)	45,900,000	12,964,448	32,935,552	72%
Vegetable Seeds (note 4)	142,075,000	163,828,407	(21,753,407)	-15%
Farm produce (note 5)	51,055,625	4,253,300	46,802,325	92%
Sorghum seeds	15,322,500	16,723,704	(1,401,204)	-9%
Rice seeds (note 6)	2,765,000	5,489,473	(2,724,473)	-99%
Other Seeds (note 7)	10,282,500	14,184,131	(3,901,631)	-38%
Total Revenue	5,003,836,749	5,196,176,930	(192,340,181)	
Cost of Sales	(3,184,043,125)	(3,193,475,870)	9,432,745	0%
Gross Profit	1,819,793,624	2,002,701,060	(182,907,436)	
Other income (note 8)	66,166,837	50,620,557	15,546,280	23%
Total Income	1,885,960,461	2,053,321,617	(167,361,156)	
Operating expense (note 9)	(975,077,354)	(697,960,834)	(277,116,521)	28%
Administration expense (note 10)	(233,671,448)	(449,177,951)	215,506,503	-92%
Selling & Distribution expense (note 11)	(186,078,139)	(167,208,321)	(18,869,818)	10%
Research & Development expense (note 12)	(75,018,496)	(45,100,065)	(29,918,431)	40%
Finance Charges (note 13)	(85,460,000)	(32,158,446)	(53,301,554)	62%
Total Expenses	(1,555,305,437)	(1,391,605,616)	(163,699,821)	
Profit Before Taxes	330,655,024	661,716,001	(331,060,976)	
Tax Charges	(99,186,651)	(326,622,990)	227,436,340	
Surplus for the Period (note 14)	231,468,374	335,093,010	(103,624,637)	

NB: The Budget Comparison is for parent company only and is not consolidated. The budget comparisons for the subsidiaries are in their individual audited financial statements.

Budget Notes for the variances of more than 10%:

- Wheat Seed sales**
The decrease in wheat sales is due to the drought during the year that affected Narok, Samburu and Uasin Gishu counties where wheat farmers are located.
- Pasture Seed sales**
During the year maize sales increased as farmers knew the maize prices were Kshs 3,200 hence this led to decrease in pasture seed sales.
- Sunflower seed sales**
Sunflower is usually planted after the maize season is over and during that time there was drought hence decrease in sunflower seed sales.
- Vegetable seed sales**
There was increase in demand for vegetable seeds during the year after the maize season was over. Farmers preferred vegetable seeds over sunflower seeds due to drought.



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

5. Farm produce

This relates to the milk sales from the farm and the fair value gains from biological assets in the farm. The farm planted Basic seeds (parents) during the year unlike the previous year when they planted commercial maize. This led to the farm not having farm produce to sell during the year. Hay and commercial wheat had not been harvested by the end of 30th June 2018 hence the decrease in revenue from farm produce.

6. Rice seed sales

There was increase in demand for rice seeds as there were rains experienced in parts of Nyanza and western regions where rice farmers are located. The major customers are the county governments in the two regions.

7. Other seed sales

This comprises of oats, SimSim, cotton and groundnuts seeds that were sold during the year. Farmers purchased more oats seeds during the year to plant for their animal feeds and this led to decreased pasture purchases.

8. Other Income.

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

9. Operating expenses

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

10. Administration expenses

These expenses decreased due to minimal provision for bad debts that were provided in current year unlike the previous period where there was provision for Rwanda withholding tax that was deducted from sales payments. The actual obsolete inventory was more than the budgeted provisions for inventory.

11. Selling and distribution expenses

The company used mostly its Lorries to ferry seed to the various stores hence reduction in the transport charges incurred during the year below the budgeted figures.

12. Research and development expenses

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

13. Finance costs

Finance costs reduced in the year of reporting as the overdraft facility in KCB bank had been reduced drastically due to improved sales experienced during the year.

14. Reconciliation for Surplus for the period

The surplus for the period is different from the profit reported in the statement of financial performance the fair value gain recognized is not cash and is reconciled as follows:

	Amount (Kshs)
Surplus for the period	335,093,010
Fair value loss on biological consumable assets	(42,115,040)
Fair value loss on biological bearer assets	(25,091,521)
Profit as per statement of financial performance	267,886,450



NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

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

a) Reporting entity

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

b) Presentation of financial statements

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

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

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

c) Critical judgments and sources of estimation uncertainty

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

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

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

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



SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Available for sale assets

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

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

d) Revenue recognition

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

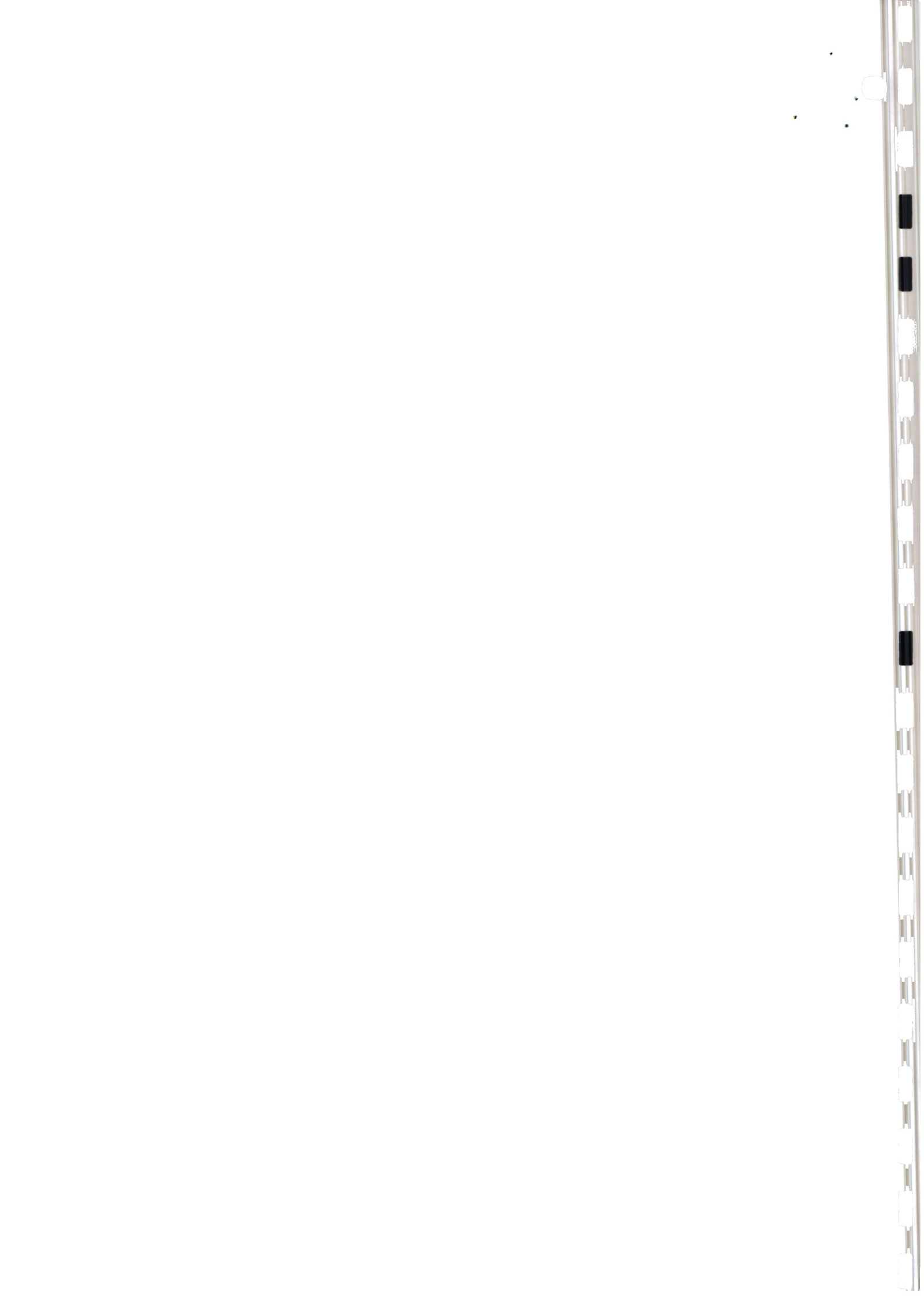
Revenue is measured at the fair value of the consideration received or receivable and represents the value of goods invoiced to customers during the year less discounts allowed to customers, sales returns and Value Added Tax.

- Revenue from sale of goods is recognized when the company has transferred to the buyers the significant risks and rewards incidental to the ownership of the goods; and
- Interest income is recognized on time basis, using the effective interest method. Effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected useful life of the financial asset to that asset's net carrying amount.

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

e) Property, plant and equipment

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



SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Depreciation is charged so as to write off the cost or valuation of the property, plant and equipment 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.

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

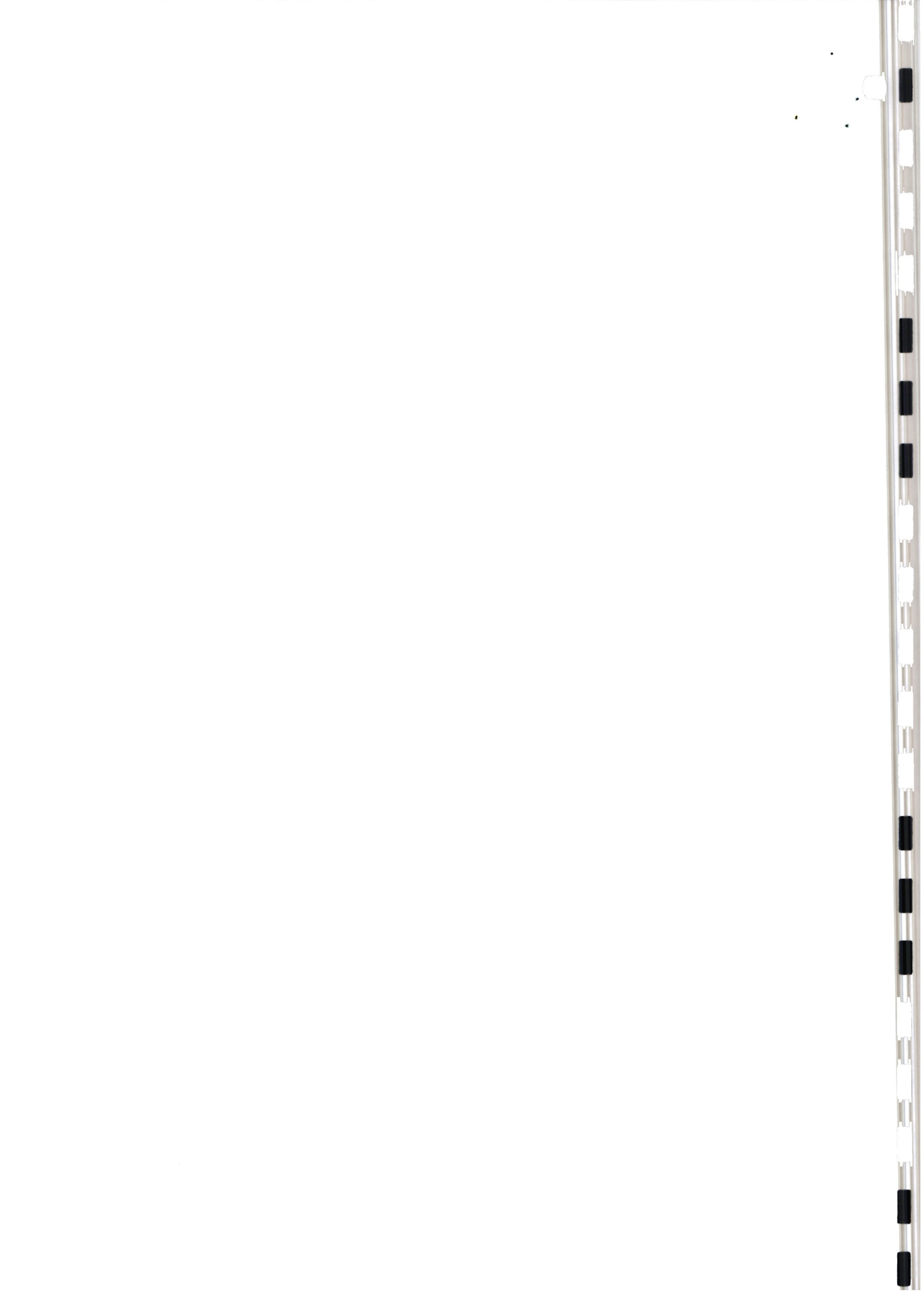
f) Leases

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

All other leases are classified as operating leases.

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

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



SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Intangible assets

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

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

Research and development costs

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

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

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

h) Investment in subsidiaries

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

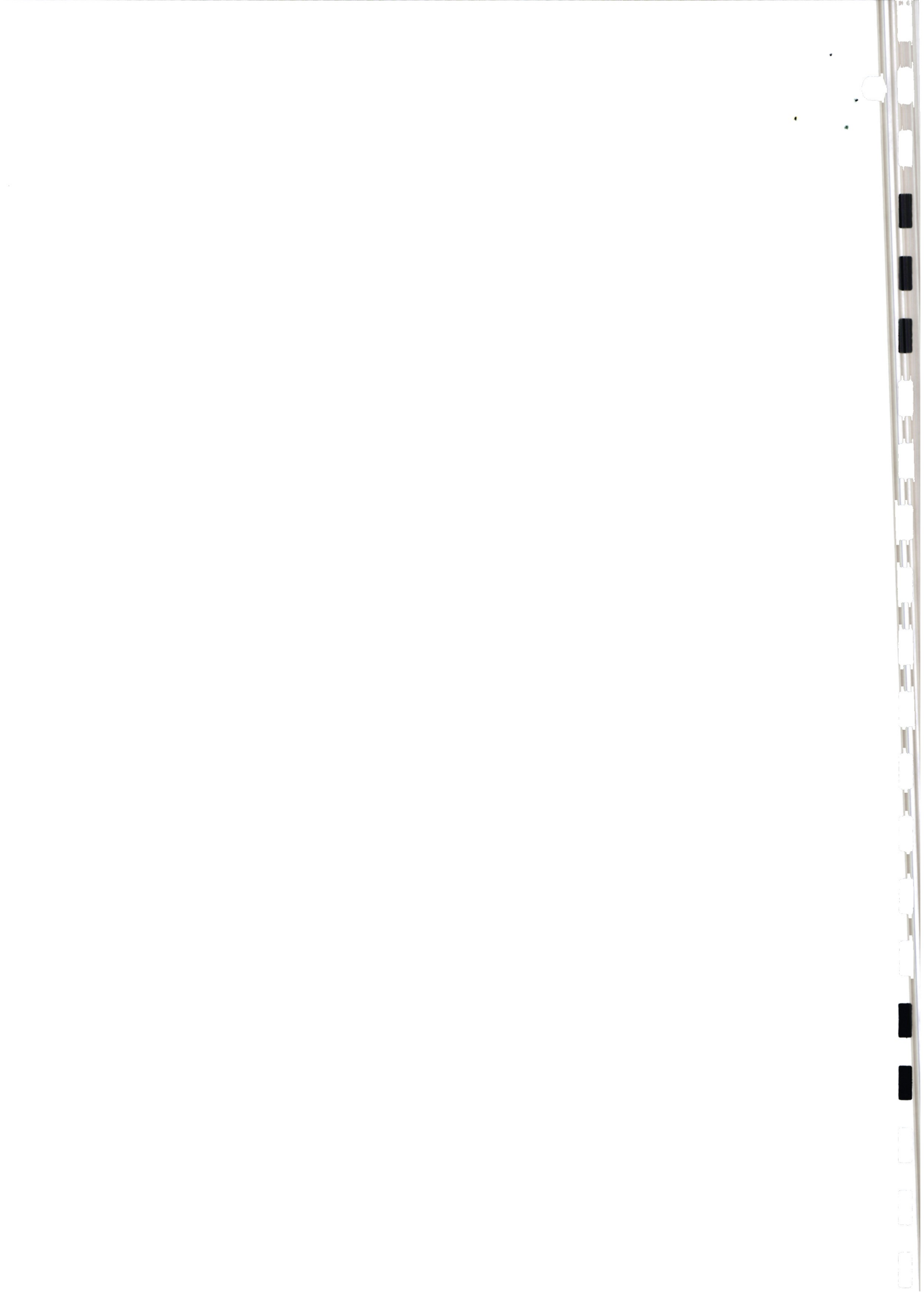
i) Biological assets

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

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

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

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



SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

i) Consumable biological assets

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

ii) Bearer biological assets

Other biological assets are classified as bearer biological assets.

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

j) Inventories

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

k) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the relevant asset's recoverable amount

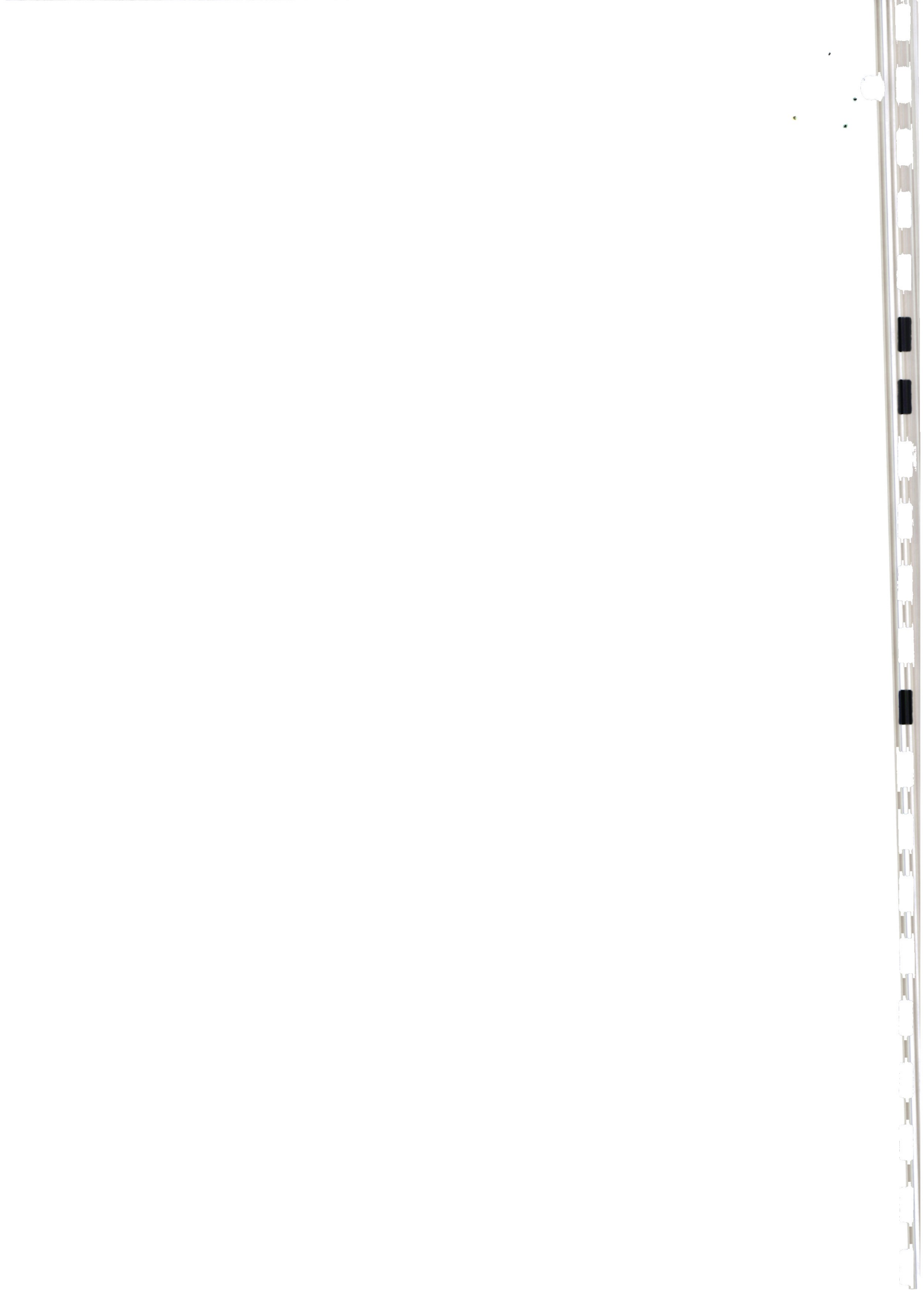
is estimated in order to determine the extent of the impairment loss. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a decrease in revaluation. Impairment gains that represent reversal of losses previously recognized in relation to certain assets are captured as income unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in revaluation. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

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

l) Financial instruments

Financial instruments are recognized in the Company financial statements when, and only when, the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, the financial instruments are measured at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.



SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the purpose of financial reporting, the financial instruments are classified into the following four categories:

- Financial instruments at fair value through profit or loss;
- Held to maturity investments;
- Loans and receivables;
- Available for sale financial assets; and,
- Financial liabilities at amortized cost.

i) Financial instruments at fair value through profit or loss

A financial instrument at fair value through profit or loss is a financial asset or financial liability that is classified as held for trading or is designated as at fair value through profit or loss.

ii) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments in an active market that an entity has the positive intention and ability to hold to maturity.

iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

iv) Available for sale financial instruments

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held to maturity investments (c) or financial assets at fair value through profit or loss.

The Company's principal financial instruments include unquoted equity investments, government securities, trade and other receivables, bank and cash balances and trade and other payables.

v) Financial liabilities at amortized cost

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the income statement.

Unquoted equity instruments

Investments in shares of other enterprises that give the Company a residual interest in the assets of that enterprise after deducting all of its liabilities are classified as equity instruments. Unquoted investments are reported at their acquisition costs, less any accumulated impairment losses since their fair values cannot be reliably determined. All equity investments are classified as available for sale investments.

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.



SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Government securities

The Company's investments in government securities such as treasury bills are classified as held to maturity investments and are carried at amortized cost using the effective interest method less impairment.

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 recognized amount and there is an intention to settle on a net basis, or to realize 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 Company or not, less any payments made to the suppliers.

Gains and losses

Gains or losses on revaluation of financial assets and financial liabilities carried at fair value are dealt with as follows:

- For financial assets and financial liabilities classified as fair value through profit or loss, the gains or losses are recognized through the income statement;
- For financial assets and financial liabilities classified as available for sale, the gains or losses are recognized directly through equity. However, impairment losses and foreign exchange differences, if any, are dealt with through the income statement; and,
- For financial assets and financial liabilities carried at amortized cost, gains or losses are recognized in profit or loss when the financial asset or financial liability is derecognized or impaired, and through the amortization process.

Impairment and uncollectibility of financial assets

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



SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is written down through use of an allowance account. The amount of the loss is recognized through the profit or loss.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

When there is a decline in the fair value of an available for sale financial asset whose fair value gains and losses have been accumulated in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been accumulated in equity is removed from equity and recycled from other comprehensive income into the profit or loss even though the financial asset has not been derecognized.

Impairment losses recognized in the income statement for an investment in an equity instrument classified as available for sale are not reversed in the profit or loss. Increases are recognized in other comprehensive income.

De-recognition

Financial assets (or a portion thereof) are de-recognized when the Company rights to the cash flows expire or when the Company transfers substantially all the risks and rewards related to the financial asset or when the Company loses control of the financial asset. On de-recognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity are included in the profit or loss.

Financial liabilities (or a portion thereof) are de-recognized when the obligation specified in the contract is discharged, cancelled or expires. On de-recognition, the difference between the carrying amount of the financial liability, including related unamortized costs and amounts paid for it, are included in the statement of comprehensive income.

m) Foreign currency transactions

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

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



SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Foreign operations

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

- i) The assets and liabilities, both monetary and non monetary are translated at the closing rate;
- ii) Transactions of the subsidiaries for the year are translated at the average exchange rates ruling in the year;
- iii) All the resulting exchange differences are recognized in other comprehensive income and accumulated in the translation reserve in equity until the disposal of the net investment. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the profit or loss.

o) Provisions

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

p) Provisions for debtors

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

q) Provisions for obsolete stocks

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

r) Loan capital to subsidiaries

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

s) Dividends

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

t) Employee benefits

(i) Defined benefits scheme

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



SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(ii) Defined contribution scheme

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

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

(iii) Accrued leave pay

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

(iv) Gratuity

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

u) Contingent liabilities

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

v) Taxes

Current Tax

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

Deferred tax

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



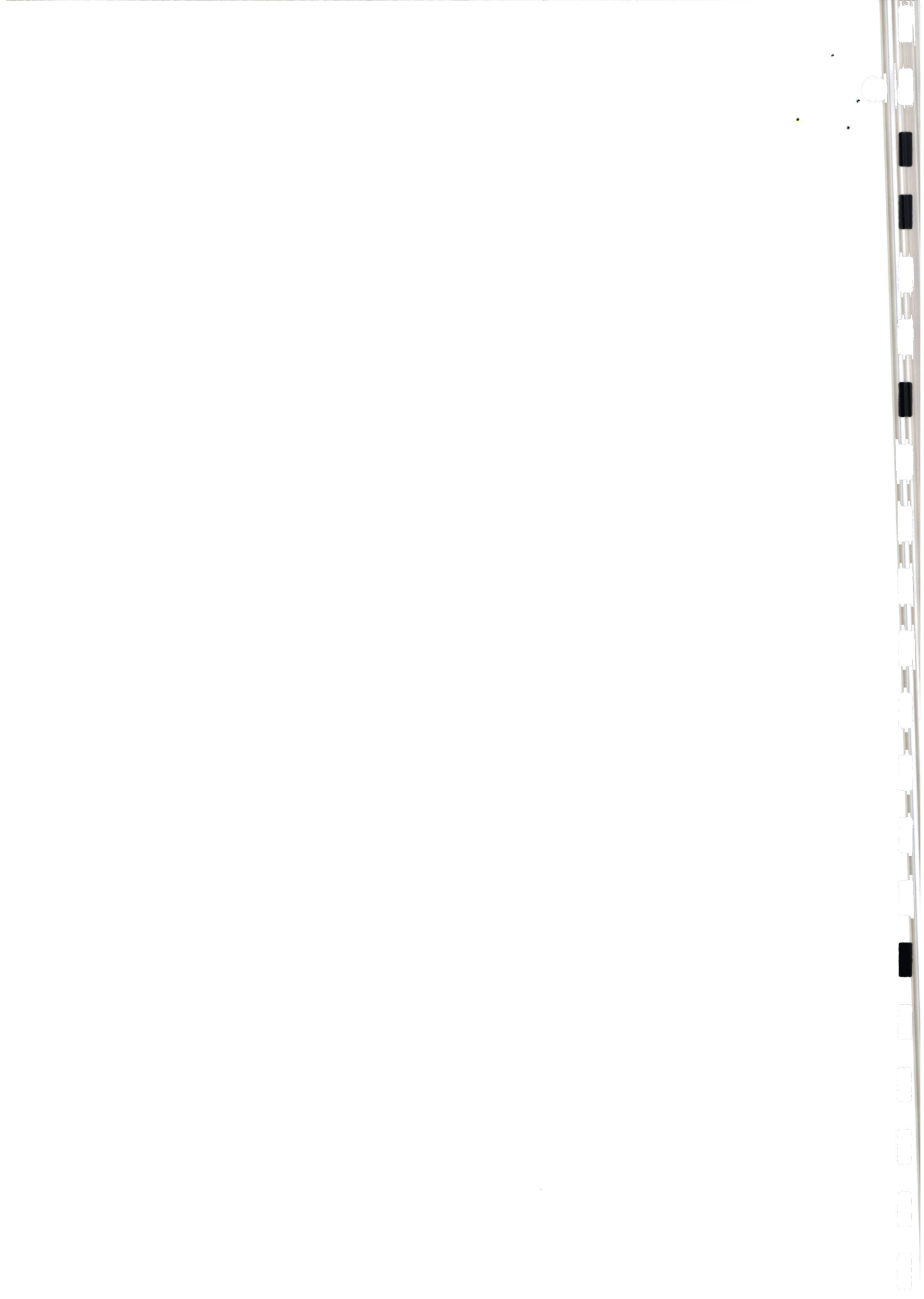
SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and,
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

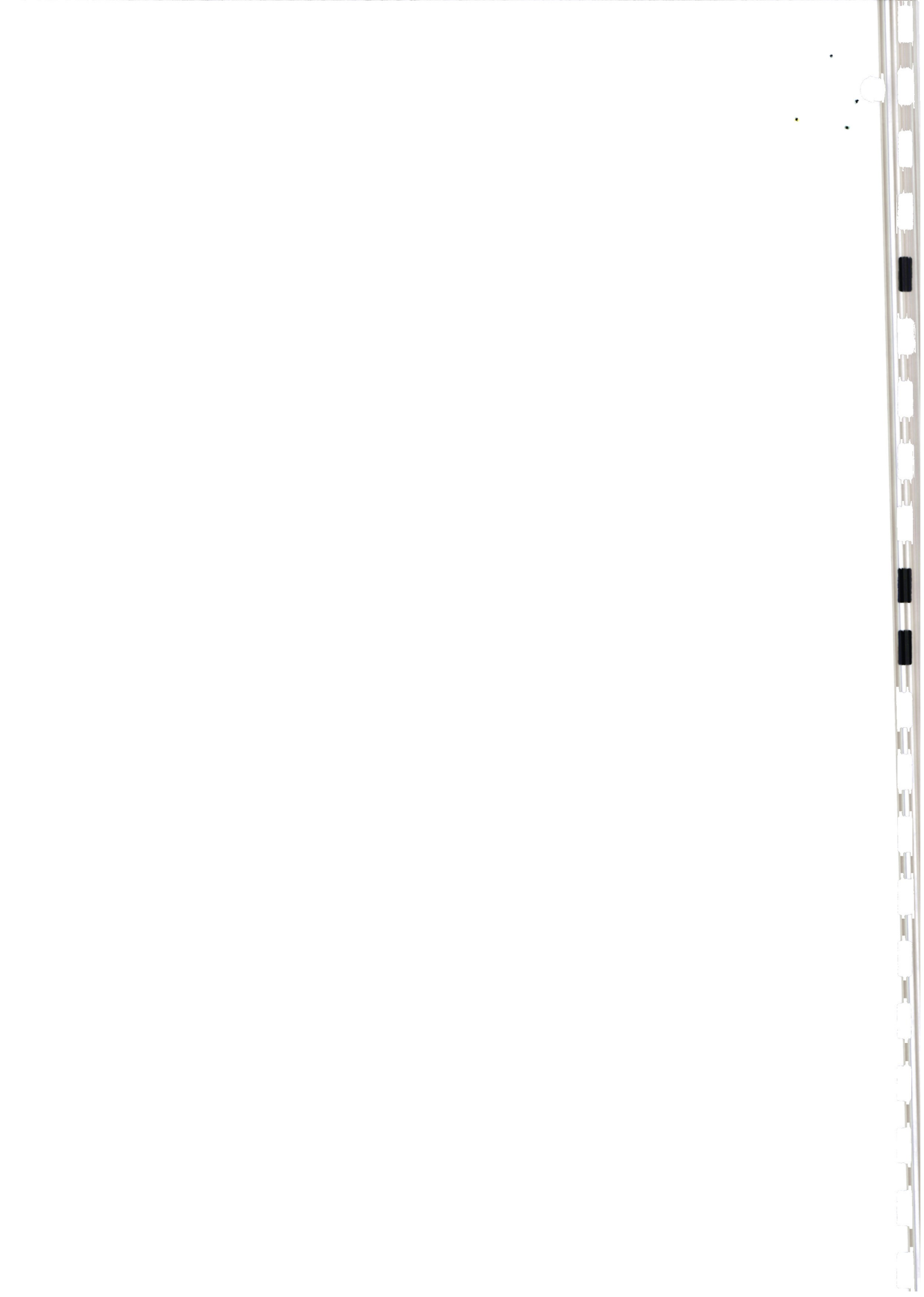
- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable associates and interests in joint Ventures, deferred tax assets are recognized only to the extent e profit will be available against which the temporary differences can be utilized;
- The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered; and,
- Deferred tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.



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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

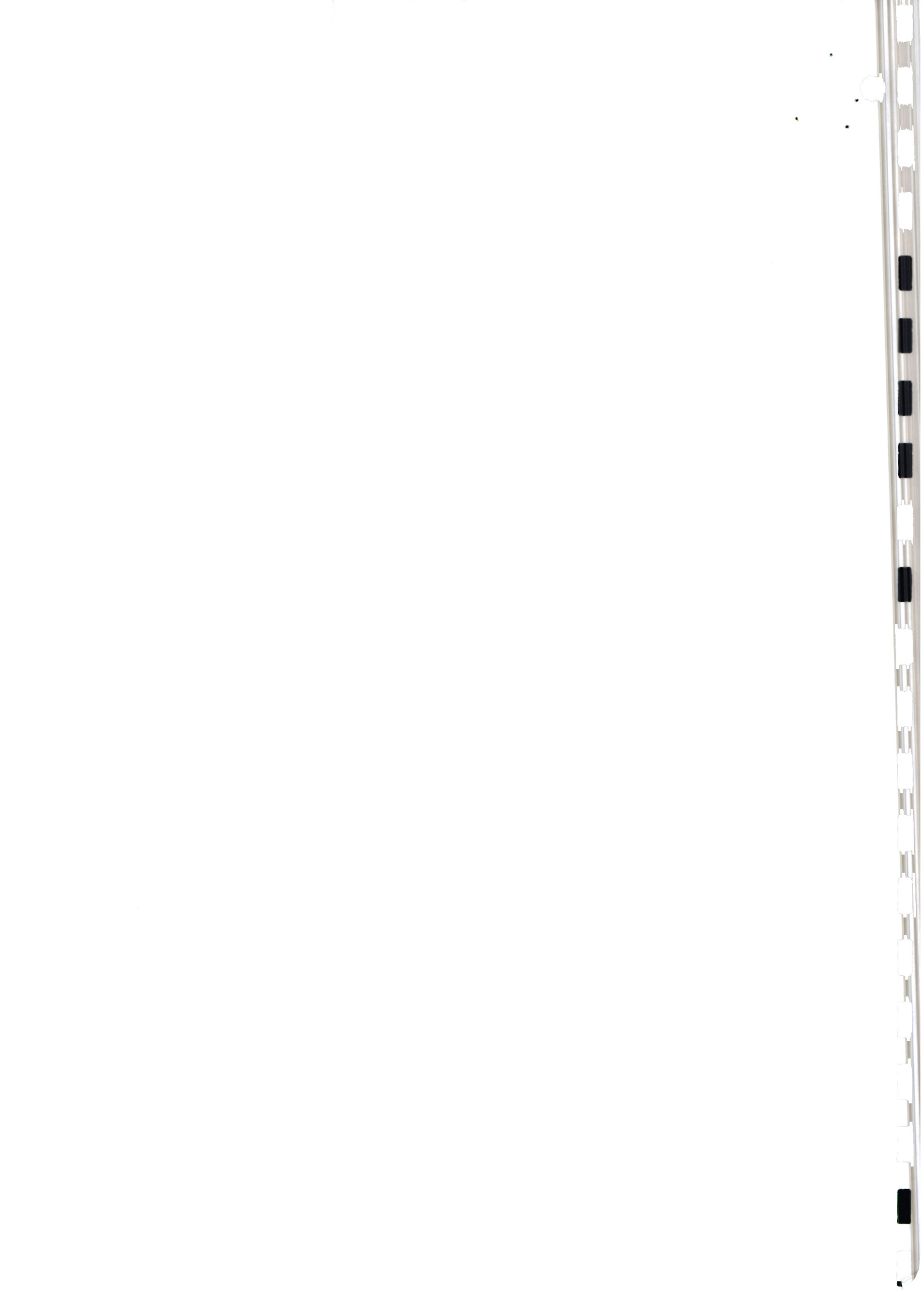
Amendment/Interpretation to a standard	Effective date	Impact
IFRS 9: Financial Instruments (Issued 24 July 2014)	Effective for annual periods beginning on or after 1 January 2018	Finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas: -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



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

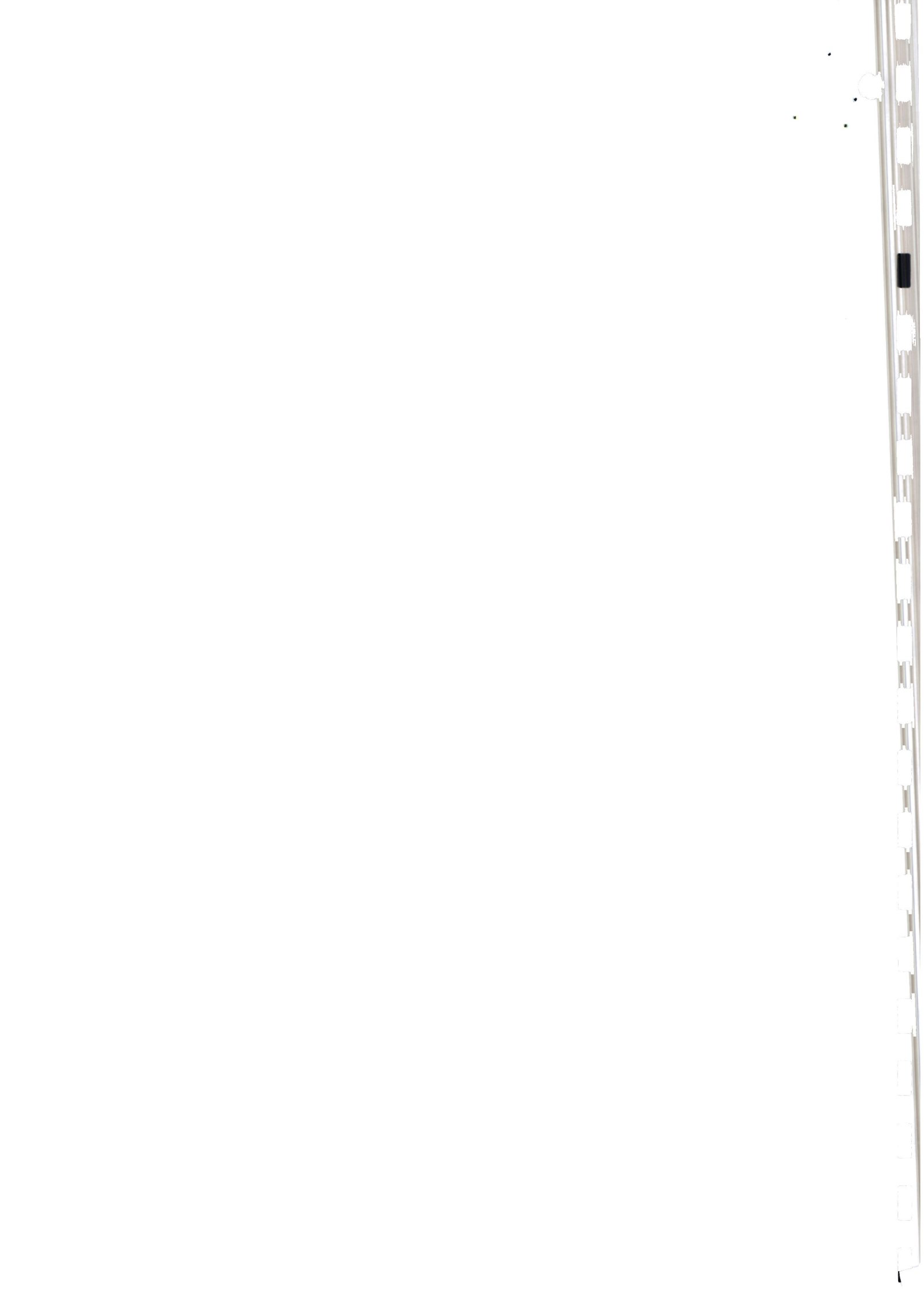
i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Amendment/Interpretation to a standard	Effective date	Impact
IFRS 9: Financial Instruments (Issued 24 July 2014)	Effective for annual periods beginning on or after 1 January 2018	<p>the requirements applying to the measurement of an entity's own credit risk.</p> <p>-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.</p> <p>-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.</p> <p>-Derecognition. The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39.</p>
IFRS 15: Revenue from Contracts with Customers (Issued 28 May 2014)	<p>Effective for annual periods beginning on or after 1 January 2018</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. The five steps in the model are as follows:</p> <p>-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. 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>
IFRIC 22: Foreign Currency Transactions and Advance Consideration (Issued 8 December 2016)	Applicable to annual reporting periods beginning on or after 1 January 2018	<p>The interpretation addresses foreign currency transactions or parts of transactions where:</p> <p>-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</p>



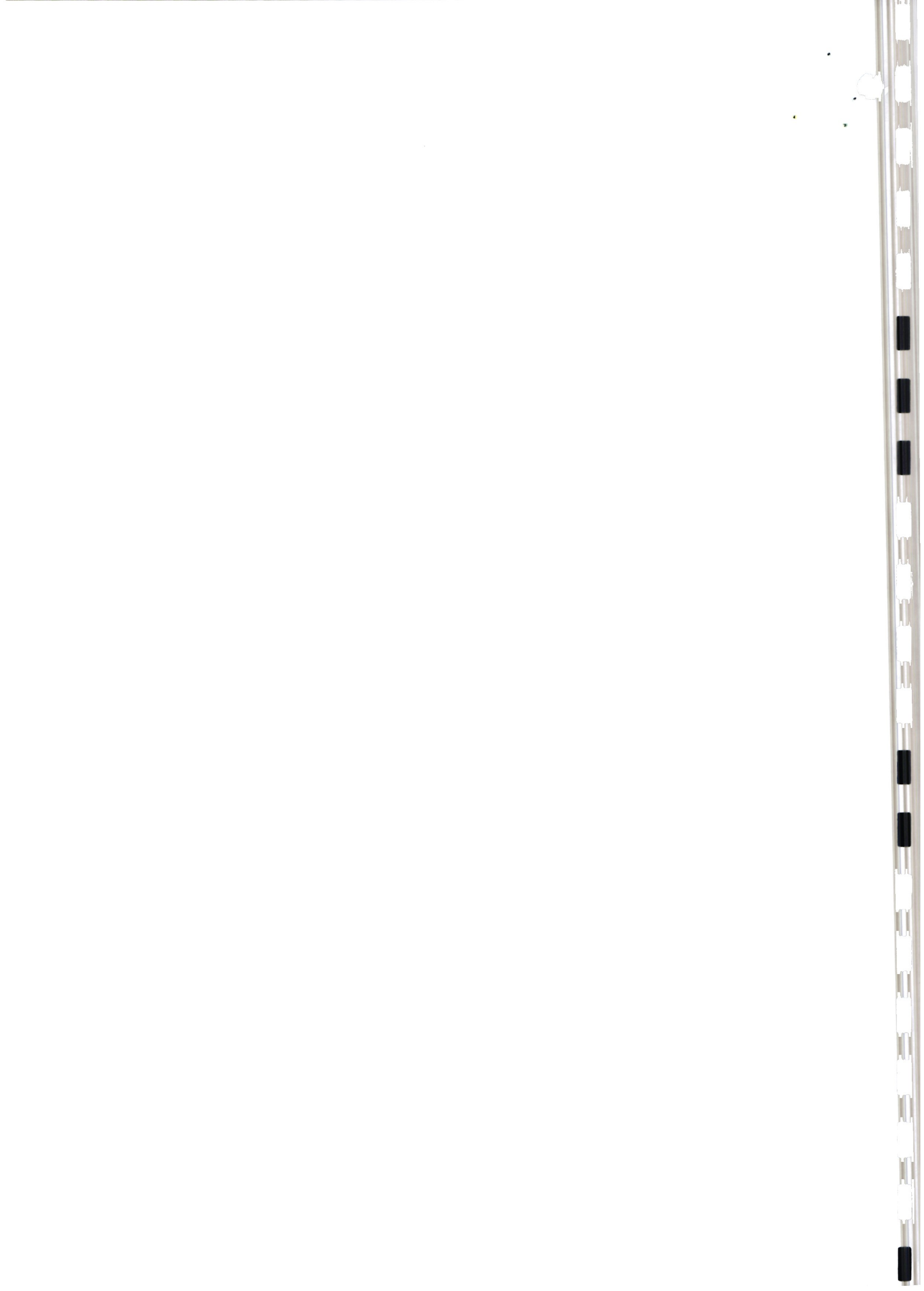
**i) Relevant new standards and amendments to published standards effective for the year ended
30 June 2018**

Amendment/Interpretation to a standard	Effective date	Impact
IFRIC 22: Foreign Currency Transactions and Advance Consideration (Issued 8 December 2016)	Applicable to annual reporting periods beginning on or after 1 January 2018	of the recognition of the related asset, expense or income; and -the prepayment asset or deferred income liability is non-monetary. The Interpretations Committee came to the following conclusion: -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. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12) (Issued 19 January 2016)	Effective for annual periods beginning on or after 1 January 2017	Amends IAS 12 Income Taxes to clarify the following aspects: -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.
Disclosure Initiative (Amendments to IAS 7) (Issued 29 January 2016)	Effective for annual periods beginning on or after 1 January 2017	Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.



**i) Relevant new standards and amendments to published standards effective for the year ended
30 June 2018**

Amendment/Interpretation to a standard	Effective date	Impact
Clarifications to IFRS 15 'Revenue from Contracts with Customers' (Issued 12 April 2016)	Effective for annual periods beginning on or after 1 January 2018	Amends IFRS 15 Revenue from Contracts with Customers 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.
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) (Issued 20 June 2016)	Effective for annual periods beginning on or after 1 January 2018	Amends IFRS 2 Share-based Payment 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 settlement features, and the accounting for modifications of share-based payment transactions from Cash-settled to equity-settled.
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) (Issued 12 September 2016)	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.	Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4: -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. The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.
Transfers of Investment Property (Amendments to IAS 40) (Issued 8 December 2016)	Effective for annual periods beginning on or after 1 January 2018	The amendments to IAS 40 Investment Property: -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



**i) Relevant new standards and amendments to published standards effective for the year ended
30 June 2018**

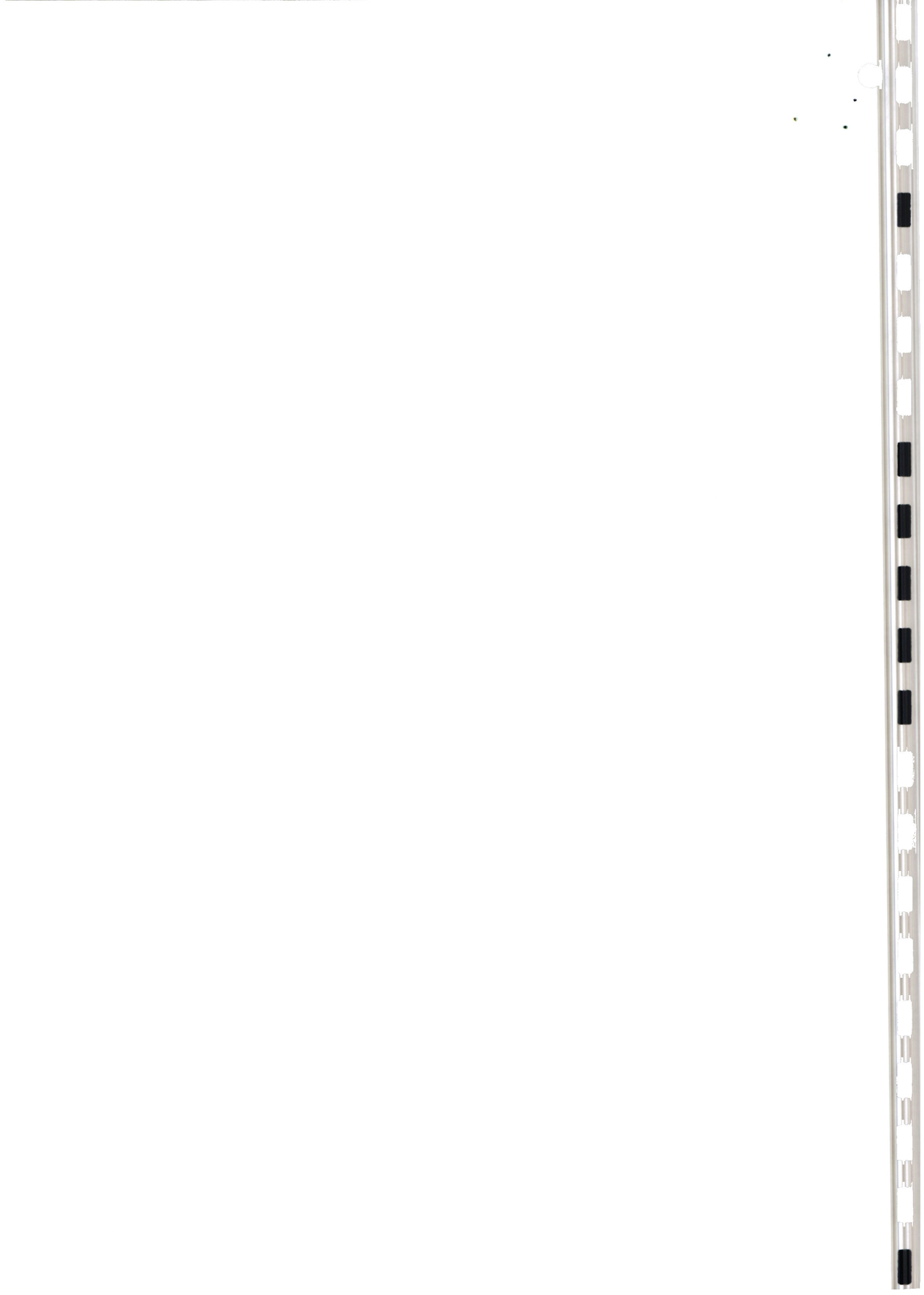
Amendment/Interpretation to a standard	Effective date	Impact
Transfers of Investment Property (Amendments to IAS 40) (Issued 8 December 2016)	Effective for annual periods beginning on or after 1 January 2018	if property meets, or ceases to meet, the definition of investment property. A change in management's 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.
Annual Improvements to IFRS Standards 2014–2016 Cycle (Issued 8 December 2016)	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017	Makes amendments to the following standards: -IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose -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 Non-current Assets Held for Sale and Discontinued Operations -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.



**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2018**

**ii) New and amended standards and interpretations in issue but not yet effective in the year ended
30 June 2018**

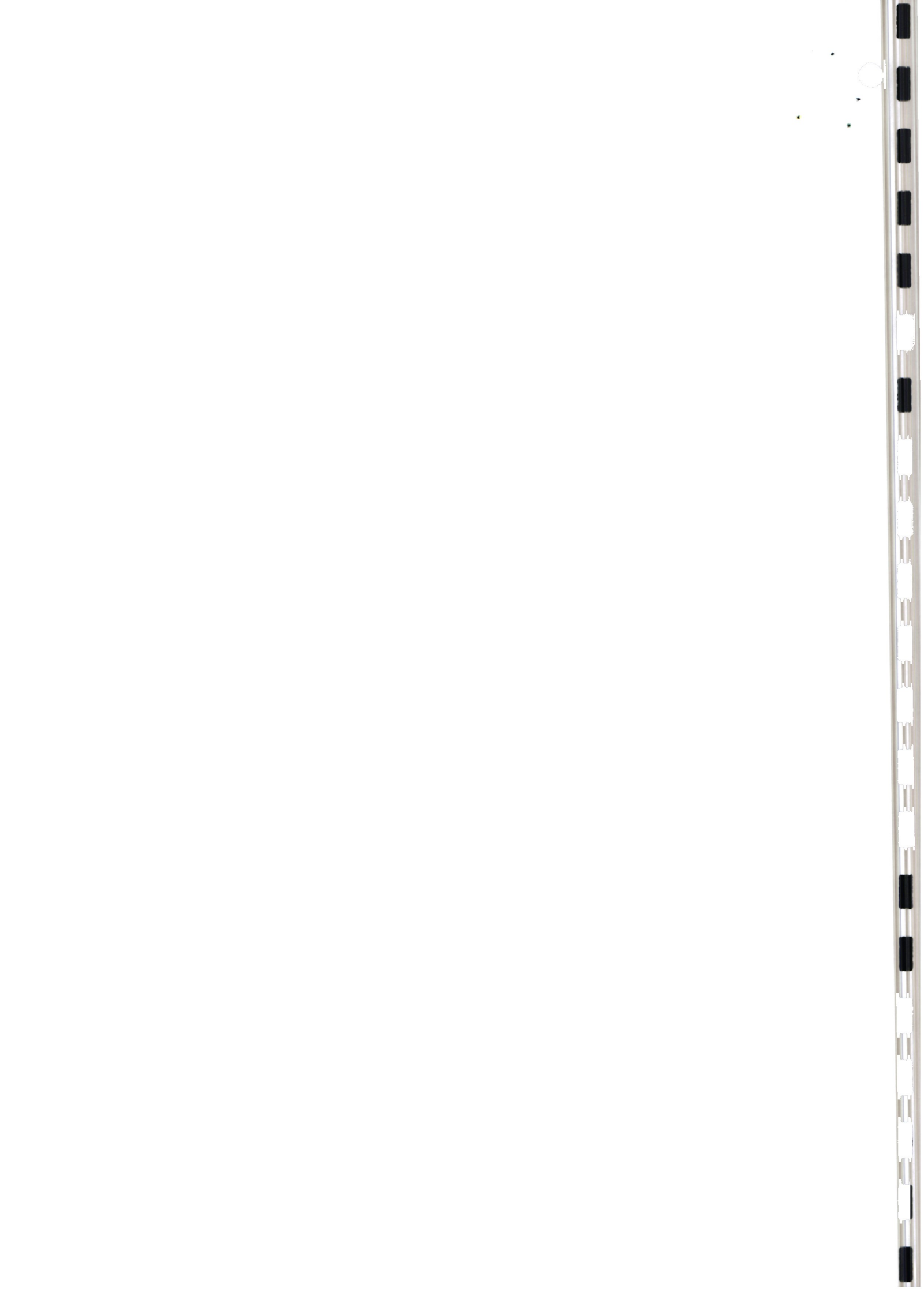
Amendment/Interpretation to a standard	Effective date	Impact
IFRS 16: Leases (Issued 13 January 2016)	Applicable to annual reporting periods beginning on or after 1 January 2019	IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single 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.
IFRS 17 Insurance Contracts (Issued 18 May 2017)	Applicable to annual reporting periods beginning on or after 1 January 2021	IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.
IFRIC 23: Uncertainty over Income Tax Treatments (Issued 7 June 2017)	Applicable to annual reporting periods beginning on or after 1 January 2019	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: <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



**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2018**

**ii) New and amended standards and interpretations in issue but not yet effective in the year ended
30 June 2018**

Amendment/Interpretation to a standard	Effective date	Impact
Prepayment Features with Negative Compensation (Amendments to IFRS 9) (Issued 12 October 2017)	Annual periods beginning on or after 1 January 2019	Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) (Issued 12 October 2017)	Annual periods beginning on or after 1 January 2019	Clarifies that an entity applies IFRS 9 Financial Instruments 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.
Annual Improvements to IFRS Standards 2015–2017 Cycle (Issued 12 December 2017)	Annual periods beginning on or after 1 January 2019	<p>Makes amendments to the following standards:</p> <p>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.</p> <p>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.</p> <p>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 generally when calculating the capitalization rate on general borrowings.</p>



**ii) New and amended standards and interpretations in issue but not yet effective in the year ended
30 June 2018**

Amendment/Interpretation to a standard	Effective date	Impact
Annual periods beginning on or after 1 January 2019	Annual periods beginning on or after 1 January 2019	The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are: 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 ceiling.
Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018)	Annual periods beginning on or after 1 January 2020	Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASB framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

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

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.



3. OWNERSHIP OF KENYA SEED COMPANY LIMITED

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

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

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

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

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



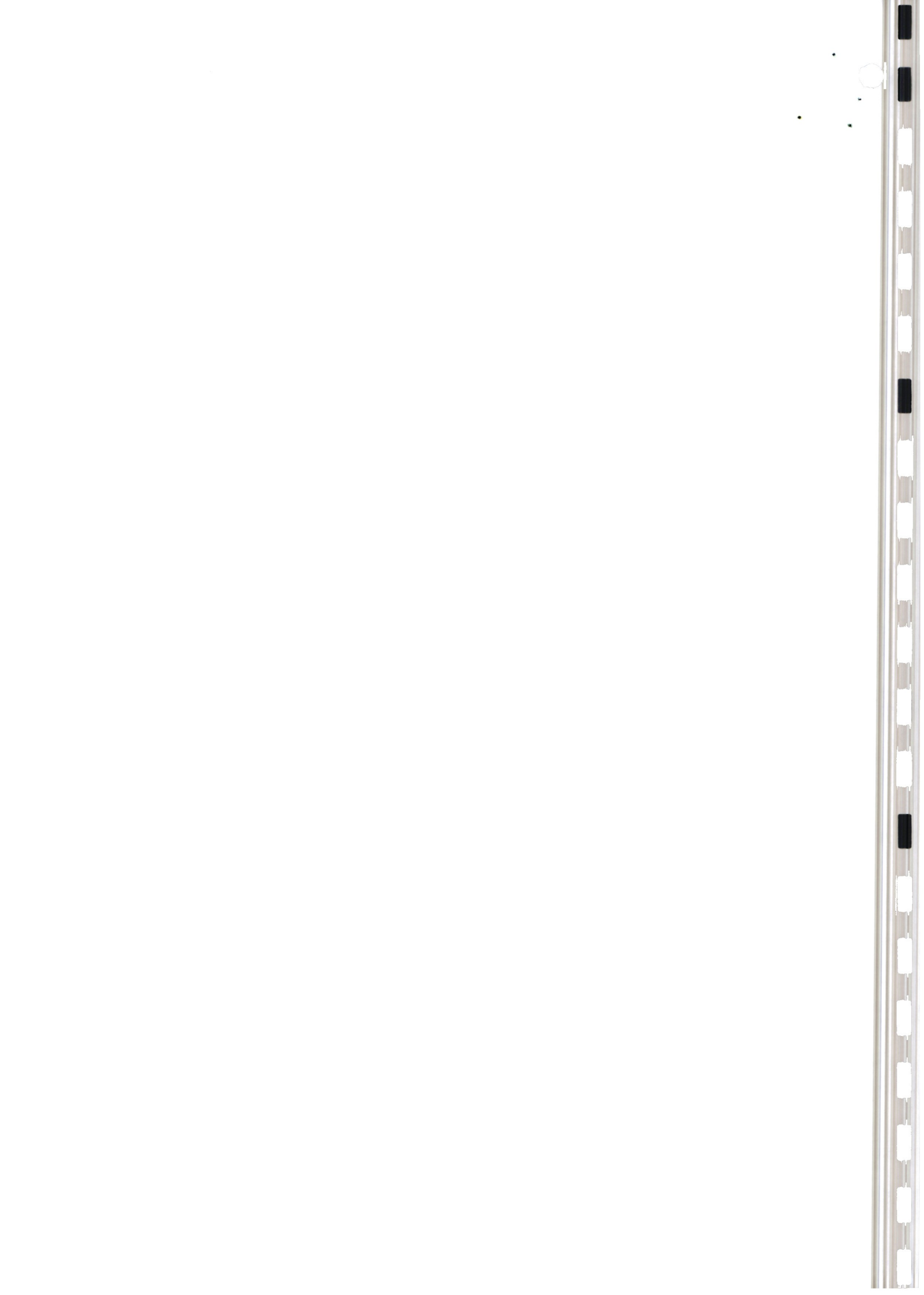
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Group		Company	
	2018	2017	2018	2017
4. REVENUE	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Income from Certified Maize Seeds	4,926,728	4,870,584	4,679,825	4,565,695
Income from Basic Maize Seeds	40,514	30,886	40,514	30,886
Income from Vegetable Seeds	930,800	927,239	163,828	196,606
Income from Wheat Seeds	184,753	150,477	184,860	150,658
Income from Pasture Seeds	116,938	139,694	87,213	92,413
Income from Other Seeds	64,513	40,500	35,684	37,624
Income from sale of milk	4,253	3,318	4,253	3,318
Fair value gain/loss on biological assets	(42,390)	50,323	(42,115)	50,285
	<u>6,226,108</u>	<u>6,213,021</u>	<u>5,154,062</u>	<u>5,127,485</u>

	Group		Company	
	2018	2017	2018	2017
5. a) COST OF SALES	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Opening stock	4,491,092	4,777,355	3,520,327	3,864,596
Purchases	2,841,799	3,319,532	1,290,004	2,111,786
Factory overheads	523,827	633,087	468,733	547,944
Less:				
Closing stock	(3,073,337)	(4,491,092)	(2,085,589)	(3,520,327)
Low germinating seed	(1,529)	(1,594)	-	-
Intra-Group purchases	(956,214)	(531,409)	-	-
Cost of goods sold	<u>3,825,637</u>	<u>3,705,879</u>	<u>3,193,476</u>	<u>3,003,999</u>

5. b) COST OF SALES				
Cost for Certified Maize Seeds	2,856,753	2,780,192	2,710,823	2,570,985
Cost for Basic Maize Seeds	40,514	30,886	40,514	30,886
Cost for Vegetable Seeds	596,765	604,379	148,809	175,665
Cost for Wheat Seeds	178,291	123,600	178,460	123,781
Cost for Pasture Seeds	86,737	97,904	73,590	55,881
Cost for Other Seeds	66,578	68,918	41,280	46,800
Total	<u>3,825,637</u>	<u>3,370,680</u>	<u>3,193,476</u>	<u>3,003,999</u>

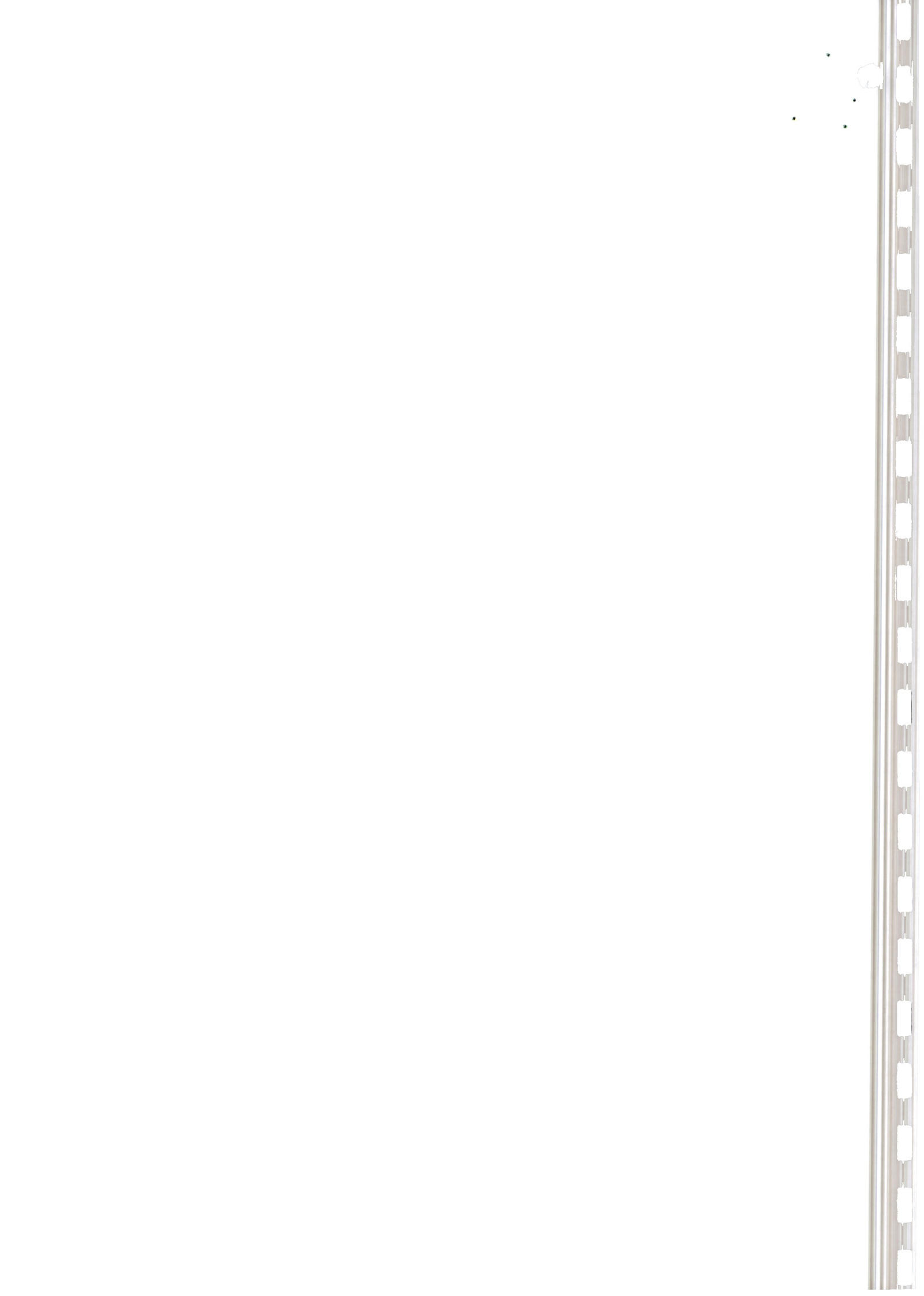
The above is a presentation of the cost of sale by Product sold



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

6. OTHER INCOME	Group		Company	
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Bad debts recovered - trade debtors	5,913	18,395	5,644	17,283
Gain on disposal of property	804	-	-	-
Rental income	4,689	5,026	4,689	5,026
Interest on subsidiary loan	1,167	-	1,167	-
Interest on growers advances and car loans	3,150	31,622	3,150	31,621
By-products	21,536	7,211	21,536	7,042
Coffee sales	4,088	17,395	4,088	17,395
Sale of chemicals and fertilizer	5,306	9,307	5,163	4,793
Sale of gunnies & sundry items	774	12,875	774	12,845
Miscellaneous	12,136	5,194	4,411	3,481
	<u>59,561</u>	<u>107,024</u>	<u>50,621</u>	<u>99,487</u>

7. OPERATING EXPENSES	Group		Company	
	2018 Kshs '000	2017 Kshs '000	2018 Kshs '000	2017 Kshs '000
(a) EMPLOYMENT COSTS				
Salaries and allowances	417,813	405,472	264,966	261,662
Wages	79,407	81,110	71,316	72,575
Staff welfare	80,731	65,498	54,136	44,539
Leave pay accrual	79	55	-	-
Pension scheme contributions	18,028	18,628	10,724	11,019
Staff gratuity accrual	36,163	26,448	27,601	23,662
National Social Security Fund (NSSF)	3,197	986	1,185	765
	<u>635,417</u>	<u>598,195</u>	<u>429,927</u>	<u>414,222</u>
(b) ESTABLISHMENT COSTS				
Depreciation	69,671	127,994	67,158	127,441
Amortization (Note 18)	14,943	13,641	14,854	13,641
Rent and rates	49,840	49,232	27,034	23,392
Power and light	12,490	9,790	9,998	7,630
Repairs and maintenance-buildings	10,019	14,025	5,964	8,169
Water supply	1,604	1,825	757	1,155
	<u>158,568</u>	<u>216,507</u>	<u>125,765</u>	<u>181,428</u>
(c) MACHINERY COSTS				
Depreciation	108,235	264,311	98,318	254,369
Fuel and oil costs	28,571	29,082	21,260	24,872
General repairs	30,265	28,048	20,472	19,888
Weighbridge costs	-	73	-	73
Other workshop costs	1,174	836	1,174	836
	<u>168,246</u>	<u>322,350</u>	<u>141,225</u>	<u>300,038</u>
TOTAL OPERATING EXPENSES	<u>962,231</u>	<u>1,137,051</u>	<u>696,917</u>	<u>895,687</u>



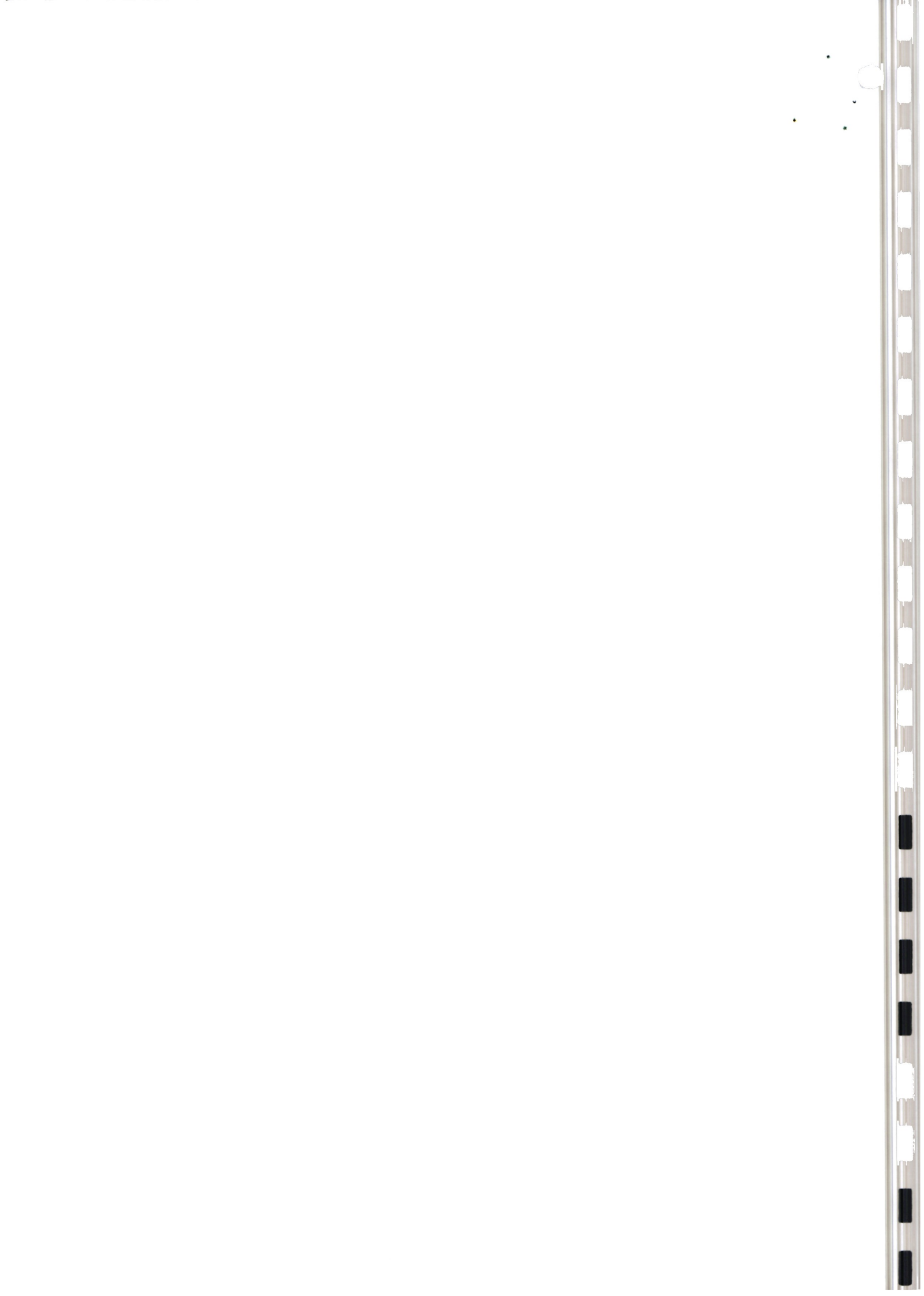
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

8. ADMINISTRATION EXPENSES	Group		Company	
	2018	2017	2018	2017
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Provisions for:				
- Trade receivables	30,154	192,816	25,366	190,400
Provision for obsolete stocks	250,177	231,626	228,404	243,898
Directors' remuneration - fees	4,029	3,771	4,029	3,771
- other expenses	24,168	19,970	13,381	11,945
Legal and professional fees	11,203	9,845	4,098	1,767
Insurance	13,729	20,424	7,304	10,037
Postage and telecommunications	19,253	16,358	12,506	11,515
Bank charges	8,285	6,958	5,443	4,199
Mpesa charges	20	-	20	-
Printing and stationery	10,122	7,767	5,818	4,663
Auditors remuneration	16,120	11,964	8,223	6,651
Office equipment	1,414	851	-	-
Licenses and trade subscriptions	11,683	14,821	5,049	7,015
AMS/SAP Maintenance	24,567	13,609	24,567	13,609
VAT disallowed expenses	58,507	52,637	58,507	52,637
Security Services	27,526	28,713	20,512	22,767
Fixed Asset loss on revaluation	2,346	-	2,346	-
ISO/Corruption prevention	735	328	735	328
Fumigation & hygiene maintenance	713	834	444	624
Tender expenses	841	913	841	913
Withholding tax Rwanda	4,321	-	4,321	-
Miscellaneous expenses	1,607	-	244	-
Corporate social responsibility	547	95	510	82
Unrealized exchange loss	-	4,762	-	4,762
Loss on exchange	-	2,224	-	2,224
Other expenses	717	1,164	717	1,164
Farm expenses	16,837	11,181	16,837	11,181
	<u>539,621</u>	<u>653,632</u>	<u>450,222</u>	<u>602,764</u>

VAT disallowed expenses relate to the Amounts for VAT claimable or recoverable from KRA that were disallowed by Tax authorities during the VAT refund Audit.

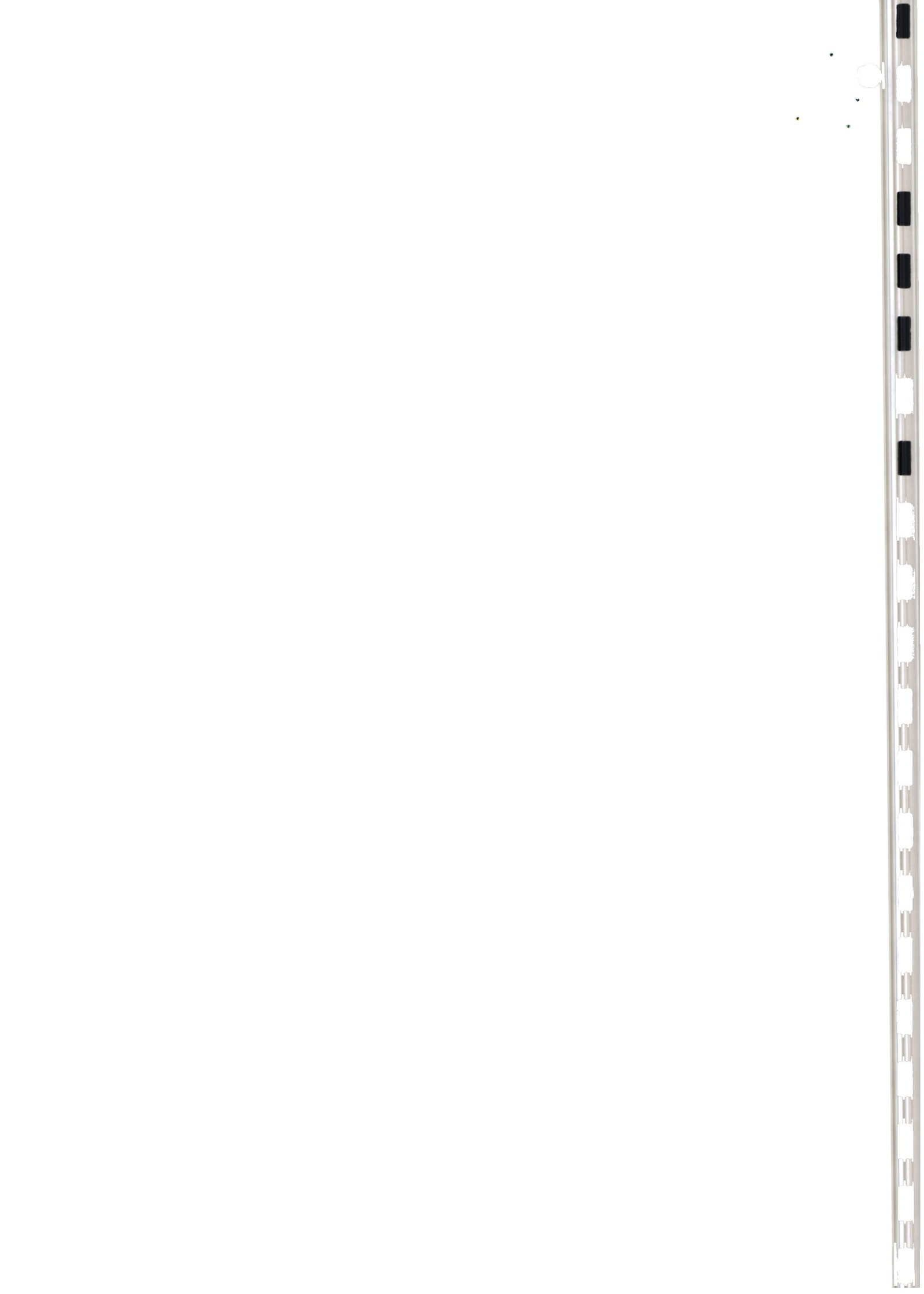
Simlaw Seeds wrote back inventory which were previously provided for reducing the Group provision for obsolete seeds.

9. SELLING AND DISTRIBUTION EXPENSES	Group		Company	
	2018	2017	2018	2017
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Transport and travelling	198,936	182,915	138,414	128,259
Publicity	71,762	70,618	25,520	22,147
Demonstrations	5,195	4,661	3,274	2,549
	<u>275,892</u>	<u>258,193</u>	<u>167,208</u>	<u>152,954</u>



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

10. RESEARCH AND DEVELOPMENT EXPENSES				
Research and development	40,909	24,534	34,667	19,680
Laboratory and analysis of sample	12,799	61,596	10,433	60,141
	53,708	86,130	45,100	79,821
11. OPERATING PROFIT				
	Group		Company	
	2018	2017	2018	2017
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
The operating profit is arrived at after charging:				
Provision for obsolete inventories	250,177	231,626	228,404	243,898
Provision for bad and doubtful debts	30,154	192,816	25,366	190,400
Depreciation	272,177	568,640	254,756	554,463
Amortization	-	3,736	-	3,736
Amortization of intangible assets	16,192	14,923	1,184	14,591
Employment costs (note 7(a))	635,417	598,195	429,927	414,222
Directors' emoluments - fees	4,029	3,771	4,029	3,771
- other expenses	24,168	19,970	13,381	11,945
Auditors' remuneration	16,120	11,964	8,223	6,651
Effects of discounting of staff receivables	(92)	3,826	(92)	3,826
Gain on disposal of property, plant and equipment	804	-	-	-
Operating rentals receivable	(4,689)	(5,026)	(4,689)	(5,026)
Bad debts recovered	(5,913)	(18,395)	(5,644)	(17,283)
12. a) FINANCE COSTS				
Interest charged on overdraft	23,568	153,667	23,568	153,667
Bank Loan interest	8,648	10,567	-	-
Loan negotiation fees	4,950	9,000	4,950	9,000
Foreign exchange loss	20,832	10,420	7,753	-
	57,998	183,654	36,271	162,667
b) FINANCE INCOME				
Interest on FDR	(4,112)	(2,212)	(4,112)	(2,212)
Foreign exchange gain	(155)	(51,953)	-	(51,953)
	(4,267)	(54,165)	(4,112)	(54,165)



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

13. TAXATION

- Statement of comprehensive income:-

(a) Taxation charge				
Charge for the year	273,499	250,783	262,727	252,631
Deferred tax credit	67,575	(35,232)	63,896	(40,252)
	<u>341,074</u>	<u>215,550</u>	<u>326,623</u>	<u>212,380</u>

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

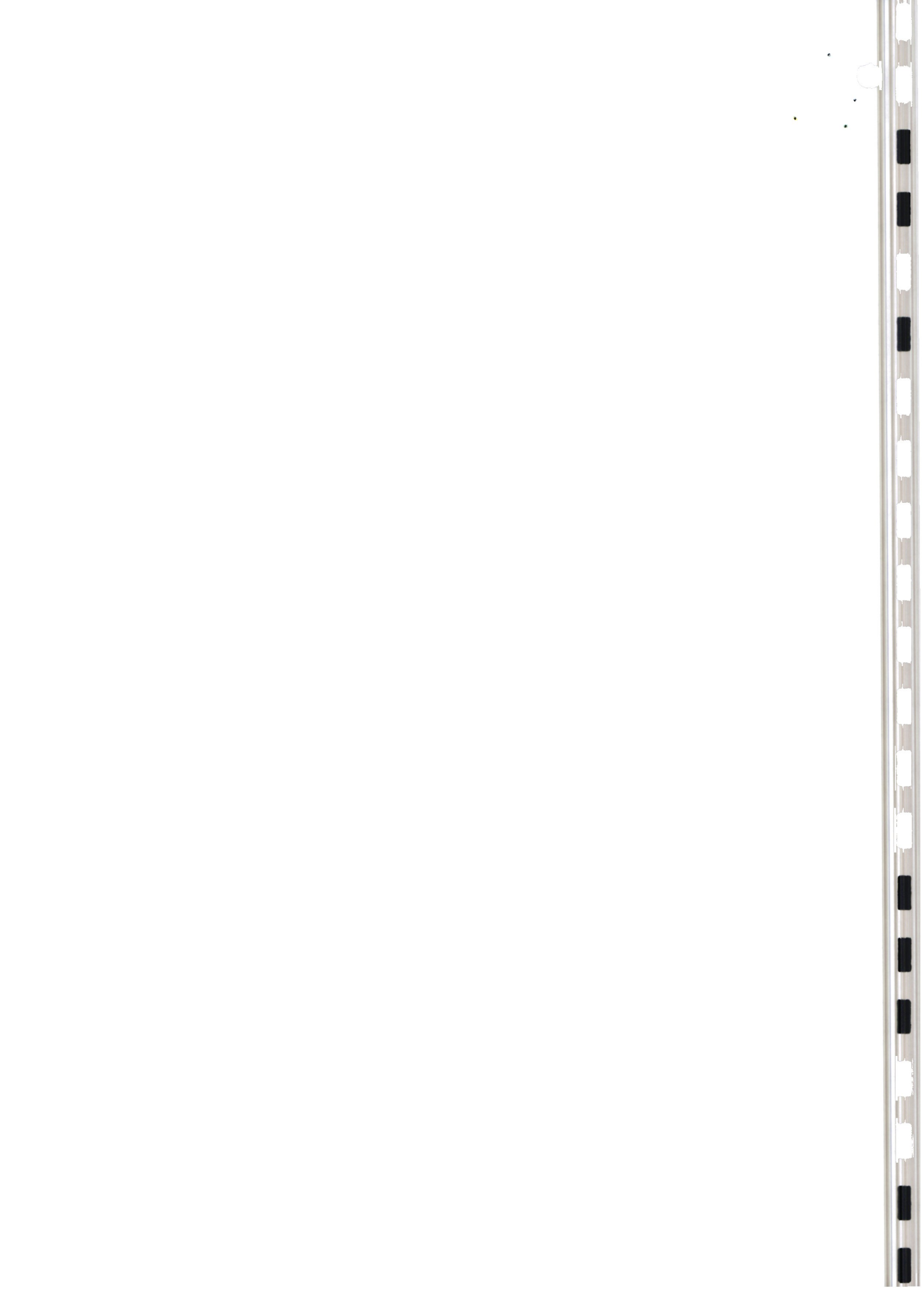
Accounting profit before tax	<u>658,654</u>	<u>349,671</u>	<u>619,601</u>	<u>383,244</u>
Tax at the applicable rate of 30%	197,596	104,901	185,880	114,973
Tax effect of expenses not deductible for tax purposes	59,068	139,864	54,827	121,155
Tax effect of revenues that are not taxable	84,410	(29,215)	85,916	23,749
Prior year current tax under provision	-	-	-	-
	<u>341,074</u>	<u>64,319</u>	<u>326,623</u>	<u>212,380</u>

	Group		Company	
	2018	2017	2018	2017
13. TAXATION (Continued)	Kshs '000	Kshs '000	Kshs '000	Kshs '000
(c) Statement of financial position:-				
Tax (payable)/recoverable				
As at 1 July	44,038	123,593	9940	(79,429)
Exchange rate differences	(431)		-	
Taxation charge	(273,499)	(262,697)	(262,727)	(252,631)
Tax paid	326,557	184,589	310,286	183,141
Prior years understatement	37	-	-	-
	<u>96,702</u>	<u>45,486</u>	<u>57,499</u>	<u>9,940</u>
As at 30 June				

14. EARNINGS PER SHARE

Earnings per share have been calculated on the after tax profit for the year of Kshs 234 million and Kshs 293 million for the Group and Company respectively (2017: Kshs 134 million and Kshs 171 million for the Group and Company respectively), and the 10,781,265 shares in issue at the respective reporting dates.

There were no potentially dilutive shares in issue on either 30 June 2018 or 30 June 2017. Therefore the diluted earnings per share are the same as the basic earnings per share.



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

15. PROPOSED DIVIDEND

In respect of the current year, the directors propose that a dividend of Kshs 5.25 (2017: Kshs 5.25) per share amounting to Kshs 56,601,641 be paid to shareholders (being the higher of 20% of the Profit after Tax and Kshs 5.25 per share). This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

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

Financial year	Proposed Dividend	Interim Dividend Paid	Unpaid proposed dividend
	Kshs '000	Kshs '000	Kshs '000
2014/2015	57,891	-	57,891
2015/2016	58,242	-	58,242
2016/2017	56,602	-	56,602
2017/2018	56,602	-	56,602
Totals	229,337	-	229,337

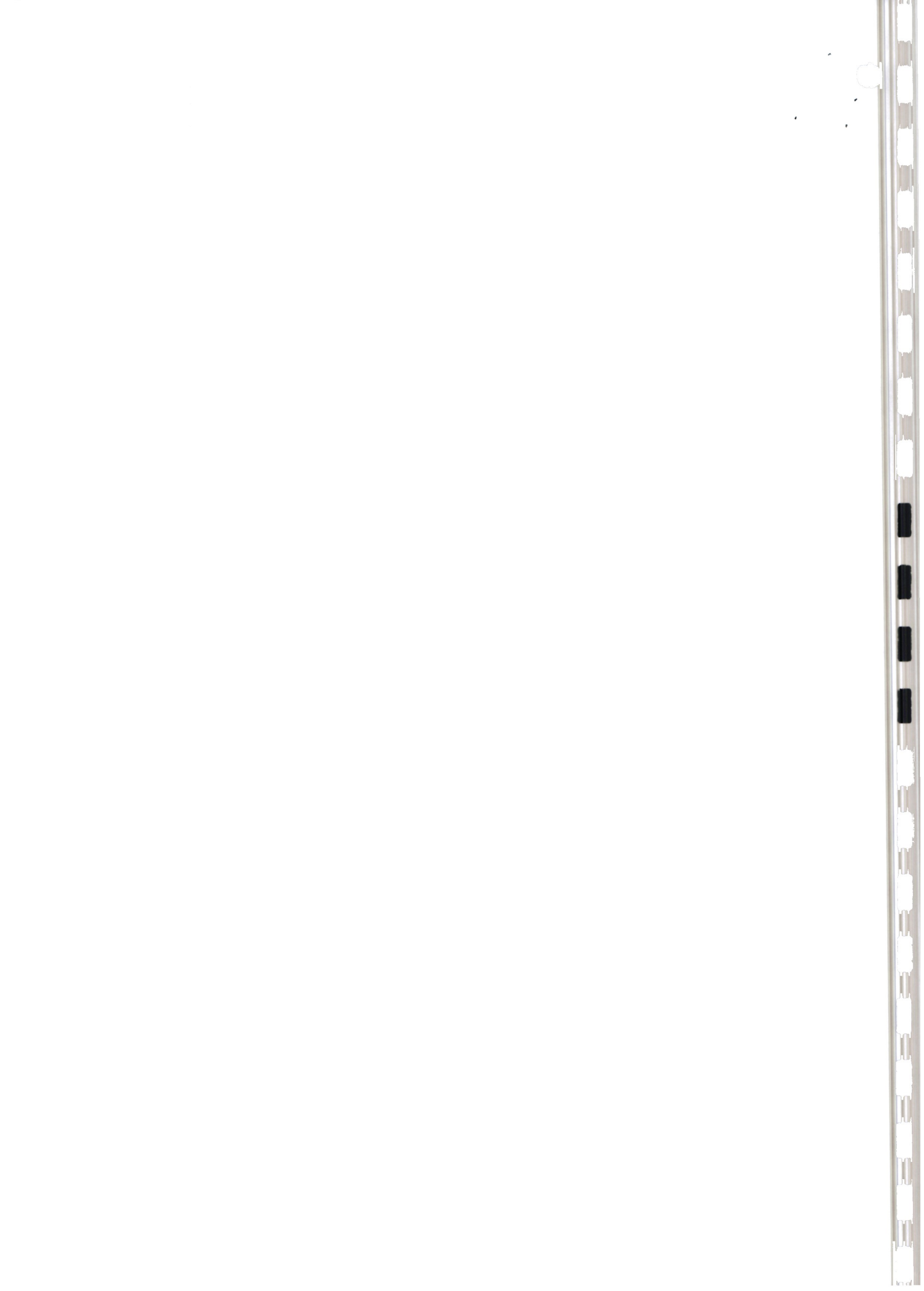
The dividends are payable subject to, where applicable, deduction of withholding tax as required under the Kenya Income Tax Act, Chapter 470 Laws of Kenya.



16. PROPERTY PLANT AND EQUIPMENT

a) Group –Year ended 30 June 2018

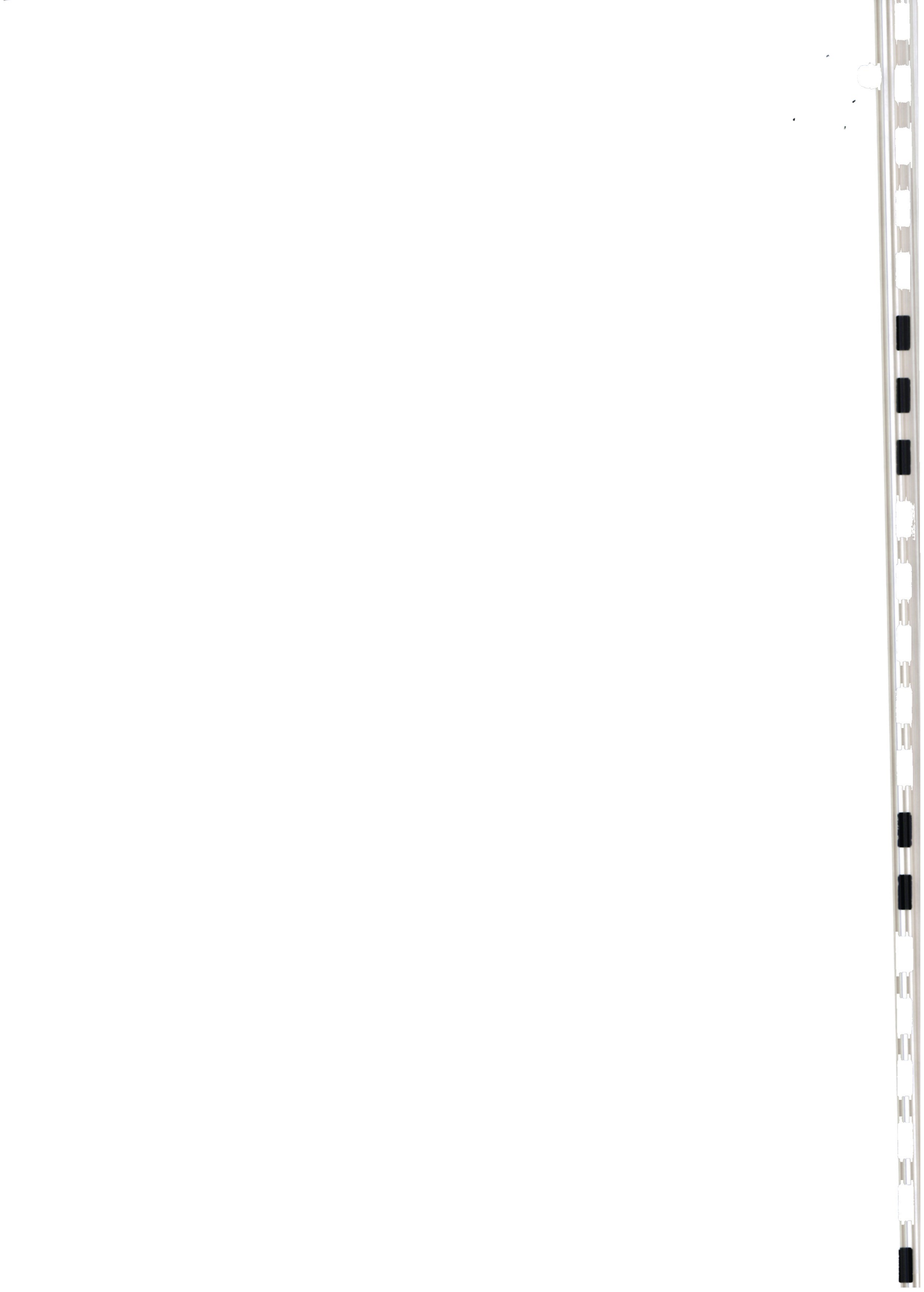
	Freehold Land Kshs '000	Residential Buildings Kshs '000	Farm works Kshs '000	Plant and machinery Kshs '000	Tractors and Forklifts Kshs '000	Furniture equipment Kshs '000	Motor vehicles Kshs '000	Computers Kshs '000	Work-in-progress Kshs '000	Coffee Bushes Kshs '000	Total Kshs '000
Cost or valuation	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



16. PROPERTY PLANT AND EQUIPMENT
b) Company – Year ended 30 June 2018

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

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



16. **PROPERTY PLANT AND EQUIPMENT**
c) Group –Year ended 30 June 2017

	Freehold Land Kshs '000	Residential Buildings Kshs '000	Farm works Kshs '000	Plant and machinery Kshs '000	Tractors and Forklifts Kshs '000	Furniture equipment Kshs '000	Motor vehicles Kshs '000	Computers Kshs '000	Work-in-progress Kshs '000	Coffee Bushes '000	Total Kshs '000
Cost or valuation											
As at 1 July 2016	121,929	2,652,646	516,343	1,453,320	95,363	269,416	374,834	80,493	17,278	-	5,581,624
Additions	3,900	-	-	10,212	-	6,429	7,045	12,262	27,298	-	67,146
Revaluation	-	-	-	-	-	-	-	-	-	96,255	96,255
Capitalization	-	-	280	-	-	-	-	-	(280)	-	-
Asset Impairment	-	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	(196)	-	-	(196)
Adjustment	(165)	-	-	(154)	-	(1,102)	(23)	771	(3,304)	-	(3,976)
As at 30 June 2017	125,664	2,652,646	516,623	1,463,379	95,363	274,743	381,856	93,331	40,992	96,255	5,740,853
Accumulated Depreciation											
At 1 July 2016	-	647,880	206,214	837,089	50,618	167,244	222,314	58,191	-	-	2,189,550
Charge for the year	-	81,303	9,585	103,022	6,024	18,706	25,344	8,188	-	-	252,171
Increase - Revaluation	-	78,450	15,153	168,392	5,441	10,673	35,051	4,037	-	-	317,197
Eliminated on disposal	-	-	-	-	-	-	-	(196)	-	-	(196)
Adjustment	-	-	-	(203)	-	(1206)	(47)	(726)	-	-	(730)
As at 30 June 2017	-	807,632	230,951	1,108,300	62,083	195,417	282,662	70,945	-	-	2,757,991
Net carrying amounts											
As at 30 June 2016	125,664	1,845,014	285,672	355,078	33,280	79,326	99,194	22,386	40,992	96,255	2,982,861



16. PROPERTY PLANT AND EQUIPMENT
d) Company –Year ended 30 June 2017

Cost or valuation	Tractors and Forklifts										Total Kshs '000
	Residential Buildings Kshs '000	Farm works Kshs '000	Plant and machinery Kshs '000	Forklifts Kshs '000	Furniture equipment Kshs '000	Motor vehicles Kshs '000	Computers Kshs '000	Work-in-progress Kshs '000	Coffee Bushes Kshs '000		
As at 1 July 2016	2,652,356	516,343	1,378,562	95,363	217,130	313,817	63,219	3,642	-	5,240,433	
Additions	-	-	-	-	3,922	-	11,795	-	-	15,717	
Revaluation	-	-	-	-	-	-	-	-	96,255	96,255	
Capitalization	-	280	-	-	-	-	-	(280)	-	-	
Asset Impairment	-	-	-	-	-	-	-	-	-	-	
Disposal	-	-	-	-	-	-	(196)	-	-	(196)	
Adjustment	-	-	-	-	-	-	-	(3,362)	-	(3,362)	
As at 30 June 2017	2,652,356	516,623	1,378,562	95,363	221,052	313,817	74,818	-	96,255	5,348,846	
Accumulated Depreciation											
At 1 July 2016	647,589	206,214	801,516	50,618	121,397	165,014	44,756	-	-	2,037,104	
Charge for the year	81,303	9,585	94,833	6,024	15,181	23,499	6,842	-	-	237,267	
Increase -											
Revaluation	78,450	15,153	168,392	5,441	10,673	35,051	4,037	-	-	317,197	
Eliminated on disposal	-	-	-	-	-	-	(196)	-	-	(196)	
Adjustment	-	-	-	-	-	-	-	-	-	-	
As at 30 June 2017	807,342	230,951	1,064,741	62,083	147,251	223,564	55,439	-	-	2,591,371	
Net carrying amounts											
As at 30 June 2016	1,845,014	285,672	313,821	33,280	73,801	90,253	19,379	-	96,255	2,757,475	



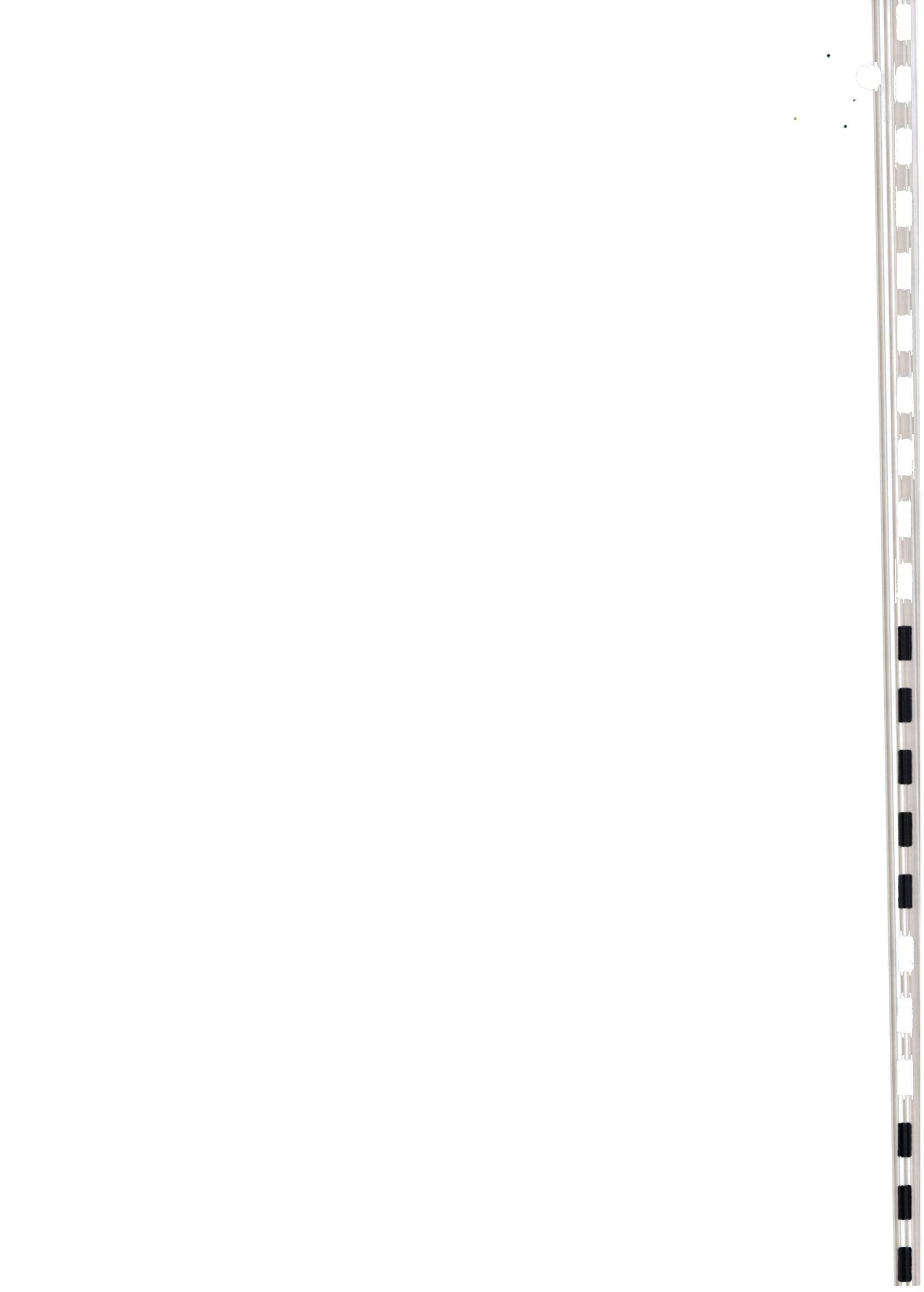
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

17. LAND	Group		Company	
	2018	2017	2018	2017
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Cost				
As at 1 July	2,389,603	2,389,603	2,389,603	2,389,603
Additions/Revaluation	-	-	-	-
As at 30 June	<u>2,389,603</u>	<u>2,389,603</u>	<u>2,389,603</u>	<u>2,389,603</u>
Amortization				
As at 1 July	235,285	231,549	235,285	231,549
Charge for the year	-	3,736	-	3,736
Elimination	<u>(235,285)</u>	<u>-</u>	<u>(235,285)</u>	<u>-</u>
As at 30 June	<u>-</u>	<u>235,285</u>	<u>-</u>	<u>235,285</u>
Net carrying amount				
As at 30 June	<u>2,389,603</u>	<u>2,154,319</u>	<u>2,389,603</u>	<u>2,154,319</u>

The amount eliminated as amortization relates to the Leases which expired long ago but were still in the books of accounts now eliminated to show the correct balances.

18. INTANGIBLE ASSETS	Group		Company	
	2018	2017	2018	2017
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Cost				
As at 1 July	168,414	157,290	151,396	146,740
Additions	<u>23,240</u>	<u>5,414</u>	<u>22,423</u>	<u>4,656</u>
As at 30 June	<u>191,654</u>	<u>162,704</u>	<u>173,818</u>	<u>151,396</u>
Amortization				
As at 1 July	64,626	45,035	49,076	34,485
Charge for the year	<u>16,192</u>	<u>14,923</u>	<u>16,039</u>	<u>14,591</u>
As at 30 June	<u>80,818</u>	<u>59,958</u>	<u>65,115</u>	<u>49,076</u>
Net carrying amount				
As at 30 June	<u>110,836</u>	<u>102,747</u>	<u>108,704</u>	<u>102,320</u>

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



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

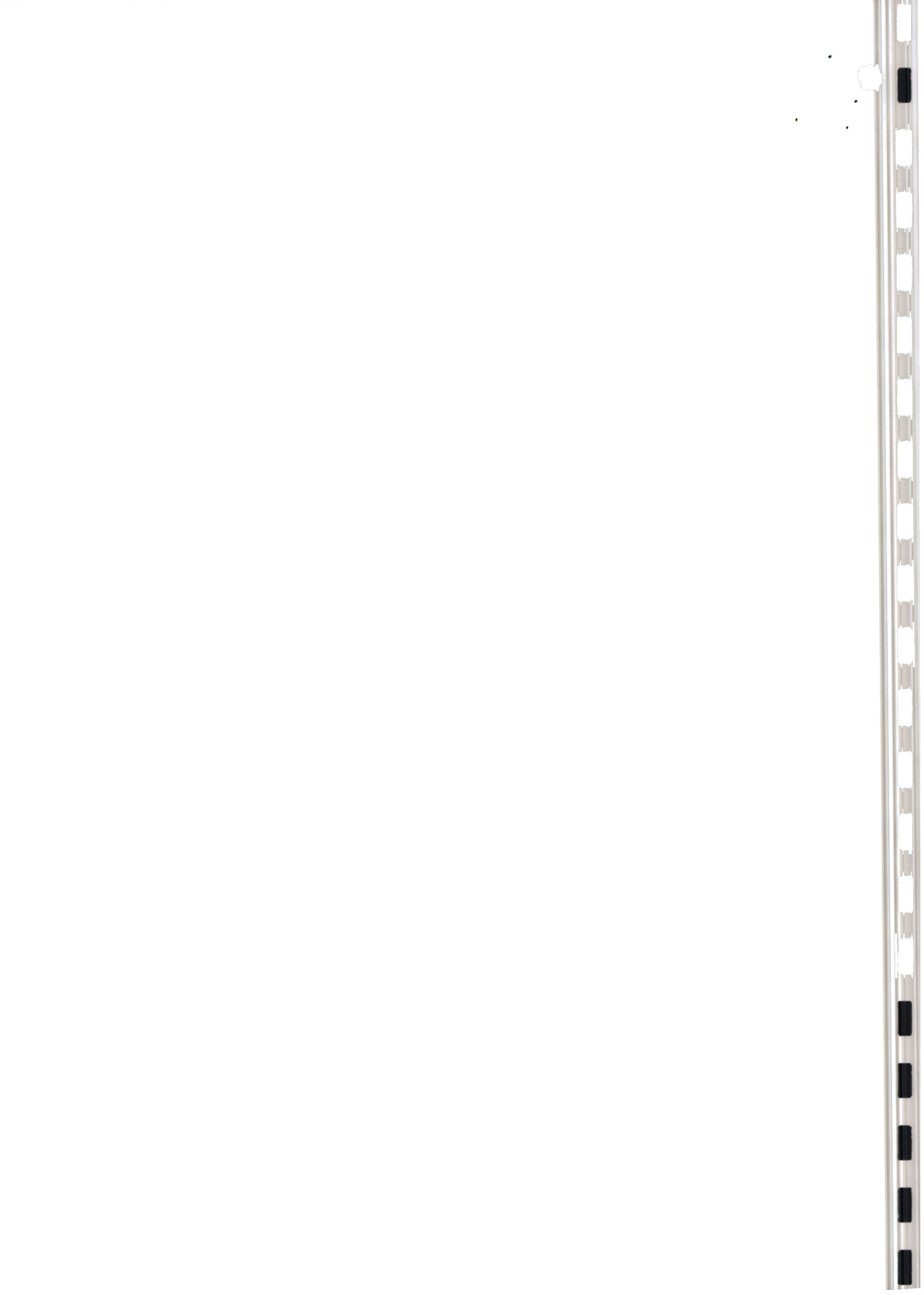
	Company	
	2018	2017
	Kshs '000	Kshs '000
19. INVESTMENT IN SUBSIDIARIES		
Unquoted investments at historical cost in wholly owned subsidiaries are as follows:		
Simlaw Seeds Company Uganda Limited (327,000 shares of Ushs 5,000 each)	54,496	54,496
Kibo Seed Company Limited (10,000 shares of Tshs 1,000 each)	1,000	1,000
Simlaw Seeds Company Limited (5,000 shares of Kshs 40 each)	200	200
	55,696	55,696

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

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

	Group and Company	
	2018	2017
	Kshs '000	Kshs '000
20. DUE TO SUBSIDIARIES		
Simlaw Seeds Kenya Limited	88,870	2,889
	88,870	2,889

The amount due to Subsidiaries relates to the amounts owed to Simlaw Seeds Kenya for vegetables delivered to Kenya Seed company.



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	Group		Company	
	2018	2017	2018	2017
21. STAFF RECEIVABLES	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Gross staff receivables	100,593	136,176	88,216	121,041
Provision for bad and doubtful debts	<u>(73,585)</u>	<u>(105,793)</u>	<u>(71,219)</u>	<u>(103,647)</u>
Net receivables	27,008	30,502	16,997	17,668
Within one year (note 25)	<u>(23,468)</u>	<u>(25,095)</u>	<u>(13,457)</u>	<u>(12,261)</u>
Amounts receivable after one year	<u>3,540</u>	<u>5,407</u>	<u>3,540</u>	<u>5,407</u>

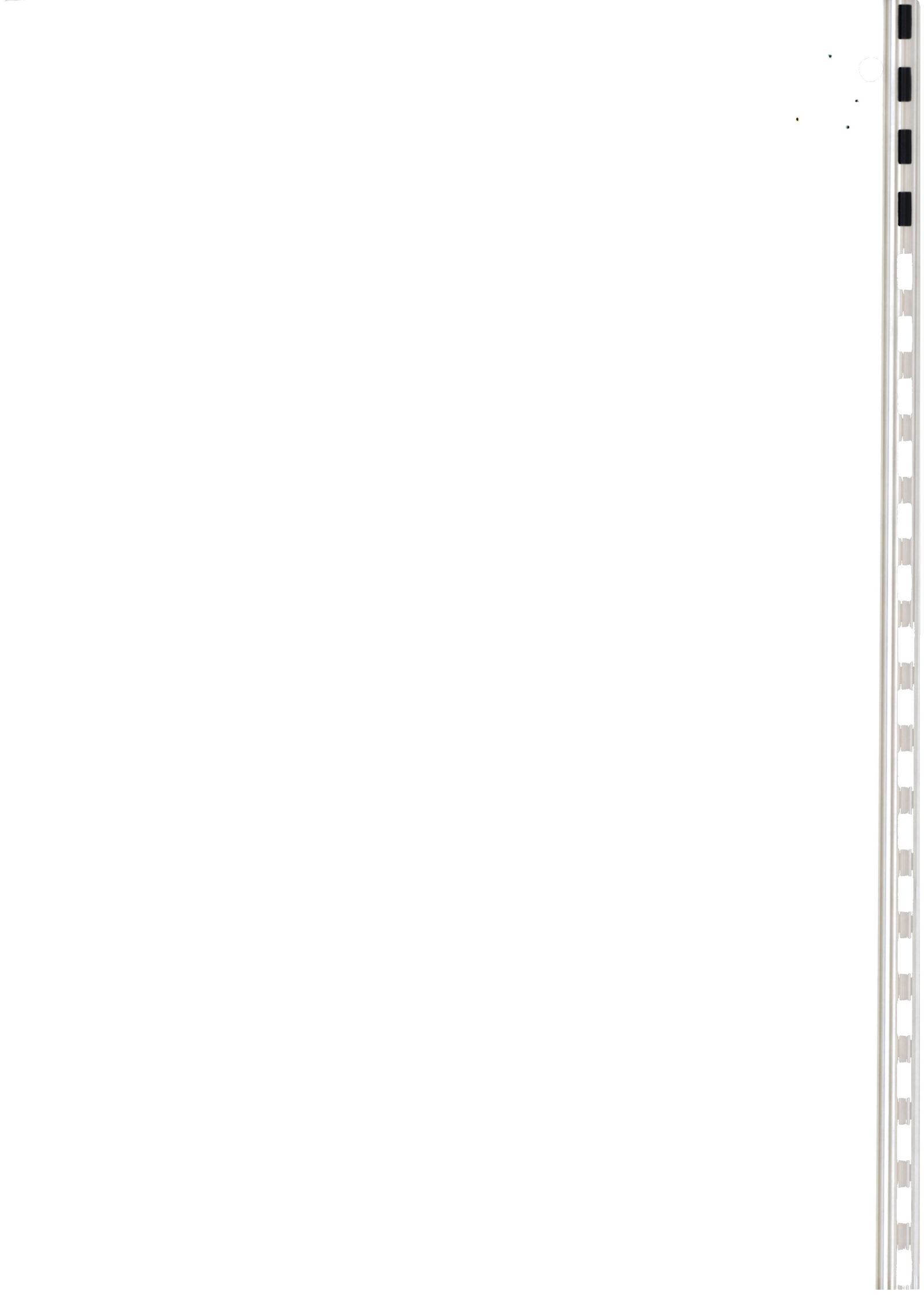
The balances represent staff car loans and other advances. Terms and conditions applicable are that the staff car loans and staff laptop loans are for a period of four years and two years respectively and are charged interest at the rate of 6% p.a. (2017: 6% p.a.) while other advances are given for varying periods and are interest free.

The company Staff receivables of Kshs 16.997 million at the end of the year are made up of the following:

	2018 Kshs '000
Advances	69,255
Car Loan	9,371
Imprest	6,846
Others	2,744
Impairment	<u>(71,219)</u>
Net receivable	<u>16,997</u>

	Group and Company	
	2018	2017
	Kshs '000	Kshs '000
22. BIOLOGICAL ASSETS		
(a) Bearer biological assets		
Coffee	71,163	-
Livestock	45,644	40,467
Trees	<u>8,893</u>	<u>8,984</u>
	<u>125,700</u>	<u>49,451</u>
i Coffee:		
Fair value as at 1 July	-	40,793
Increase in fair value (note 22(c))	(25,092)	55,461
Transferred to note 16 (PPE)	96,255	(96,255)
Fair value as at 30 June	<u>71,163</u>	<u>-</u>

In the year ended 30th June 2017, Coffee was transferred to PPE in line with IFRS policy change.



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

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

In the estimation of the fair value of the coffee plants, the following significant assumptions were made in 2017:

- i) The coffee bushes will remain productive for the next 19 years after year end;
- ii) The biological transformation will remain at 100%;
- iii) The pretax incremental borrowing rate will remain at 14%;
- iv) The prevailing weather and climatic conditions will not change; and,
- v) The sales and cost of sales are expected to escalate at an average of 9.21% p.a.

Livestock	Cattle Kshs'000	Sheep Kshs'000	Goats Kshs'000	Total Kshs'000
Year ended 30 June 2018				
Fair value as at 1 July 2017	39,152	1,094	221	40,467
Decreases due to sales	(6,374)	(609)	(34)	(7,017)
As at 30 June 2018	<u>32,778</u>	<u>485</u>	<u>187</u>	<u>33,450</u>
Gains arising from physical changes	11,382	480	113	11,975
Increases due to newborns	169	31	18	218
Fair value (loss)/gain on livestock (note 22 (c))	11,551	511	131	12,193
Fair value as at 30 June 2018	<u>44,329</u>	<u>997</u>	<u>318</u>	<u>45,643</u>
Year ended 30 June 2017				
Fair value as at 1 July 2016	27,520	797	109	28,426
Decreases due to sales	(4,936)	(310)	(4)	(5,250)
As at 30 June 2017	<u>22,584</u>	<u>487</u>	<u>105</u>	<u>23,176</u>
Gains arising from physical changes	16,396	571	105	17,072
Increases due to newborns	172	36	11	219
Fair value (loss)/gain on livestock (note 22 (c))	16,568	607	116	17,290
Fair value as at 30 June 2017	<u>39,152</u>	<u>1,094</u>	<u>221</u>	<u>40,467</u>



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

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

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

For purposes of valuation, the livestock have been Grouped as above.

- (v) The livestock will attain their full maturity at the age of 36 months.

During the year, the livestock yielded 97,470 litres of milk (2017 – 71,286 litres).

Significant assumptions made in the estimation of the fair value of the livestock in 2017 include:

- (i) The market conditions will remain constant;
- (ii) The prevailing climatic conditions will not change;
- (iii) The sales and cost prices are expected to escalate at an average rate of 9.21% p.a.;
- (iv) The level of biological transformation for each category of livestock are follows:-

Category	Age	Percentage
Calves I	0 - 6 months	30%
Calves II	6 months - 1 year	16%
Weaners I	1 & half years - 2 years	15%
Weaners II	2 & half years - 3 years	8%
Mature	over 3 years	31%

For purposes of valuation, the livestock have been Grouped as above.

- (v) The livestock will attain their full maturity at the age of 36 months.

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

	Group and Company	
	2018	2017
	no.	no.
Cattle	508	490
Goats	128	97
Sheep	338	366
	974	953

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



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iii Trees

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

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

Trees are categorized as follows:

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

The 48,480 trees cover 144 acres of land.

Significant assumptions made in the estimation of the fair value of the trees in 2017 include:

- (i) The sales and cost prices are expected to escalate at an average rate of 9.21% p.a.;
- (ii) Since the trees are not fully mature, their transformation is based on the current age of tree species;
- (iii) Prevailing market lending interest rate of 14% has been used as the discounting factor;
- (iv) Cash inflows and outflows accrue evenly throughout the useful life; and
- (v) 20% of the trees planted will not attain maturity due to natural factors.

Tree are categorized as follows:

Category	Maturity	Number of trees	Value Kshs '000
Eucalyptus Grandis	10 years	21,900	4,578
Ordinary Blue Gum	10 years	19,000	4,406
Cyprus Lustanica	30 years	-	-
		40,900	8,984

The 40,900 trees cover 144 acres of land.

Trees	Group and Company	
	2018 Kshs '000	2017 Kshs '000
Fair value as at 1 July	8,984	18,274
Decrease in fair value (note 22(c))	(91)	(9,290)
Fair value as at 30 June	8,893	8,984



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22. BIOLOGICAL ASSETS

(b) Consumable biological assets

Group	Maize Kshs '000	Wheat Kshs '000	pasture Kshs '000	Sunflower Kshs '000	Sorghum Kshs '000	Oats Kshs '000	Beans Kshs '000	Vegetables Kshs '000	Total Kshs '000
Fair value at 1 July 2017	22,768	2,143	6,626	34	6	56	781	93	32,507
Additional costs for old crop	35,237	12,608	7,683	20	280	514	1,418	432	58,193
Gains in fair values due to physical changes - 2016/2017 crop	(17,882)	17,631	13,064	11	(108)	271	(803)	-	12,184
Decrease in fair value due to harvesting	(40,123)	(32,381)	(27,373)	(65)	(178)	(842)	(1,397)	(275)	(102,633)
Increase in fair value due to new planting	50,912	7,589	5,029	80	117	624	1,774	-	66,124
Gain/(loss) in fair value due to physical changes - 2017/2018 crop	(17,277)	(3,026)	4,519	(16)	(41)	1,924	(401)	182	(14,137)
Fair value at 30 June 2018	33,634	4,563	9,548	64	75	2,547	1,373	432	52,237

Company

Fair value at 1 July 2017	22,768	2,143	6,626	34	6	56	781	-	32,414
Additional costs for old crop	35,237	12,608	7,683	20	280	514	1,418	-	57,761
Gains in fair values due to physical changes - 2016/2017 crop	(17,882)	17,631	13,064	11	(108)	271	(803)	-	12,184
Decrease in fair value due to harvesting	(40,123)	(32,381)	(27,373)	(65)	(178)	(842)	(1,397)	-	(102,358)
Increase in fair value due to new planting	50,912	7,589	5,029	80	117	624	1,774	-	66,124
Gain/(loss) in fair value due to physical changes - 2017/2018 crop	(17,277)	(3,026)	4,519	(16)	(41)	1,924	(401)	-	(14,318)
Fair value at 30 June 2018	33,634	4,563	9,548	64	75	2,547	1,373	-	51,805



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

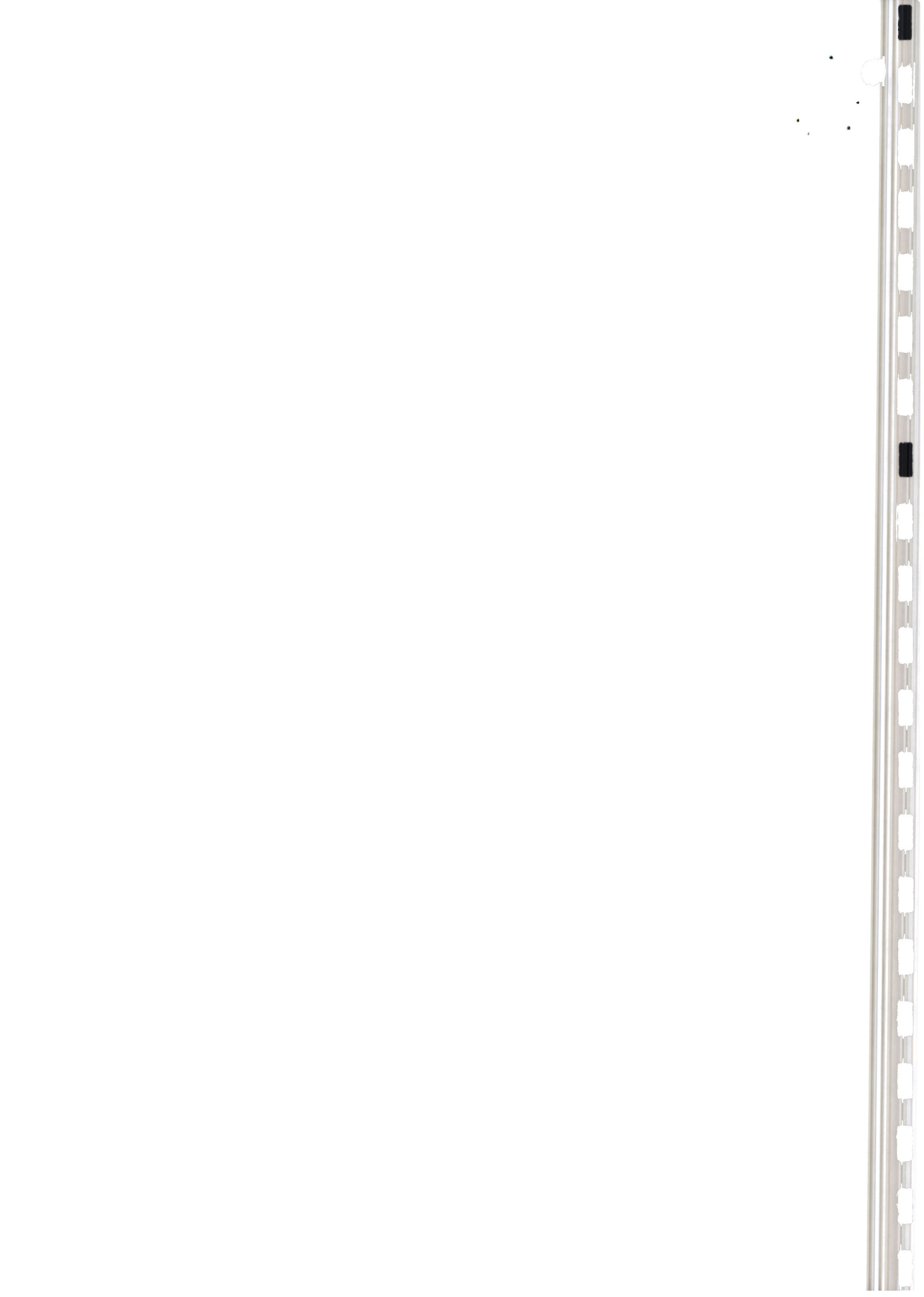
	Group and Company	
	2018	2017
	Kgs '000	Kgs '000
Maize	306	994
Wheat	953	1,056
Sunflower	-	13
Pasture	19	9
Sorghum	1	-
Beans	25	20
Oats	27	27
	<u>1,331</u>	<u>2,119</u>

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

- That the crops mature after within four to nine months and biological transformation takes place uniformly over the life cycle of the crops;
- That the market conditions will remain unchanged; and,
- That climatic and weather condition will not change.

The financial risk management strategies formulated by the Group to reduce various financial risk exposures relating to its biological assets are disclosed in note 36.

	Group		Company	
	2018	2017	2018	2017
Fair value gains/(losses)	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Coffee (IAS 16-Bearer Plants)	<u>(25,092)</u>	<u>55,461</u>	<u>(25,092)</u>	<u>55,461</u>
Livestock	12,193	17,290	12,193	17,290
Trees	(91)	(9,290)	(91)	(9,290)
Consumable biological assets	<u>(54,217)</u>	<u>42,494</u>	<u>(54,217)</u>	<u>42,285</u>
Total as per IAS 41	<u>(42,115)</u>	<u>50,494</u>	<u>(42,115)</u>	<u>50,285</u>



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23. RELATED PARTIES TRANSACTIONS AND BALANCES

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

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

Other related parties include:

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

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

	Company	
	2018	2017
(a) <i>Loans capital to subsidiary companies</i>	Kshs '000	Kshs '000
Simlaw Seeds Company Limited	144,298	144,298
Mt Elgon Seed Company Limited	50,078	50,078
Kibo Seed Company Limited	21,452	21,452
Simlaw Seeds Company Tanzania Limited	28,816	28,816
Simlaw Seed Company Uganda Limited	12,557	-
	257,201	244,644
Less provisions for Mt. Elgon Seed Company Limited	(50,078)	(50,078)
	207,123	194,566

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

The directors resolved that the loans should be treated as loan capital as they will be used to increase the share capital of the parent Company in the subsidiaries in future. This is non-interest bearing and there are no fixed repayment terms.

	Company	
	2018	2017
(b) <i>Amounts due from subsidiaries</i>	Kshs '000	Kshs '000
Simlaw Seeds Company Limited	829,459	649,277
Kibo Seed Company Limited	449,500	378,068
Mt Elgon Seed Company Limited	112,381	112,381
Simlaw Seed Company Uganda Limited	104,471	79,015
	1,495,811	1,218,741
Less provisions for Mt. Elgon Seed Company Limited	(112,381)	(112,381)
	1,383,430	1,106,360



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

Aging Analysis for Amount due from Subsidiaries as at 30th June 2018:

	0-30	31-60	61-90	91-120	over 120	Total
Kibo	-	(90)	-	(17,190)	466,780	449,500
Mt. Elgon	-	-	-	-	112,381	112,381
Simlaw Kenya	3,859	4,275	24,019	167,301	630,005	829,459
Simlaw Uganda	-	-	-	-	104,471	104,471
	3,859	4,185	24,019	150,111	1,313,637	1,495,811

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

	Group		Company	
	2018	2017	2018	2017
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Ministry of Agriculture	752,751	766,298	747,886	765,315
Various County Governments	64,773	89,011	57,707	87,369
Agricultural Development corporation	-	13,439	-	13,439
Kenya Farmers Association (KFA) – net	45,995	44,584	45,995	43,834
National Cereals and Produce Board	19,817	14,168	19,817	14,168
Kenya Agricultural Research Institute	806	806	806	806
	884,142	928,306	872,211	924,930

Aging Analysis for Government controlled organizations for the Company:

	0-30	31-60	61-90	91-120	over 120	Total
Ministry of Agriculture.	373	110	2,061	-	745,342	747,886
County Governments	503	-	3,096	24,273	29,835	57,707
Kenya Farmers Ass	(890)	(287)	1,170	20,230	25,772	45,995
ADC	-	-	-	-	-	-
NCPB	(3,766)	(1,212)	(396)	7,161	18,030	19,817
KARI	-	-	-	-	806	806
	(3,780)	(1,389)	5,931	51,664	819,785	872,211

	Group		Company	
	2018	2017	2018	2017
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Kenya Farmers Association (KFA) – net				
Gross receivable amount	56,847	53,600	45,995	43,834
Provision for bad and doubtful debts	(10,852)	(9,017)	-	-
Net receivable amount	45,995	44,584	45,995	43,834

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



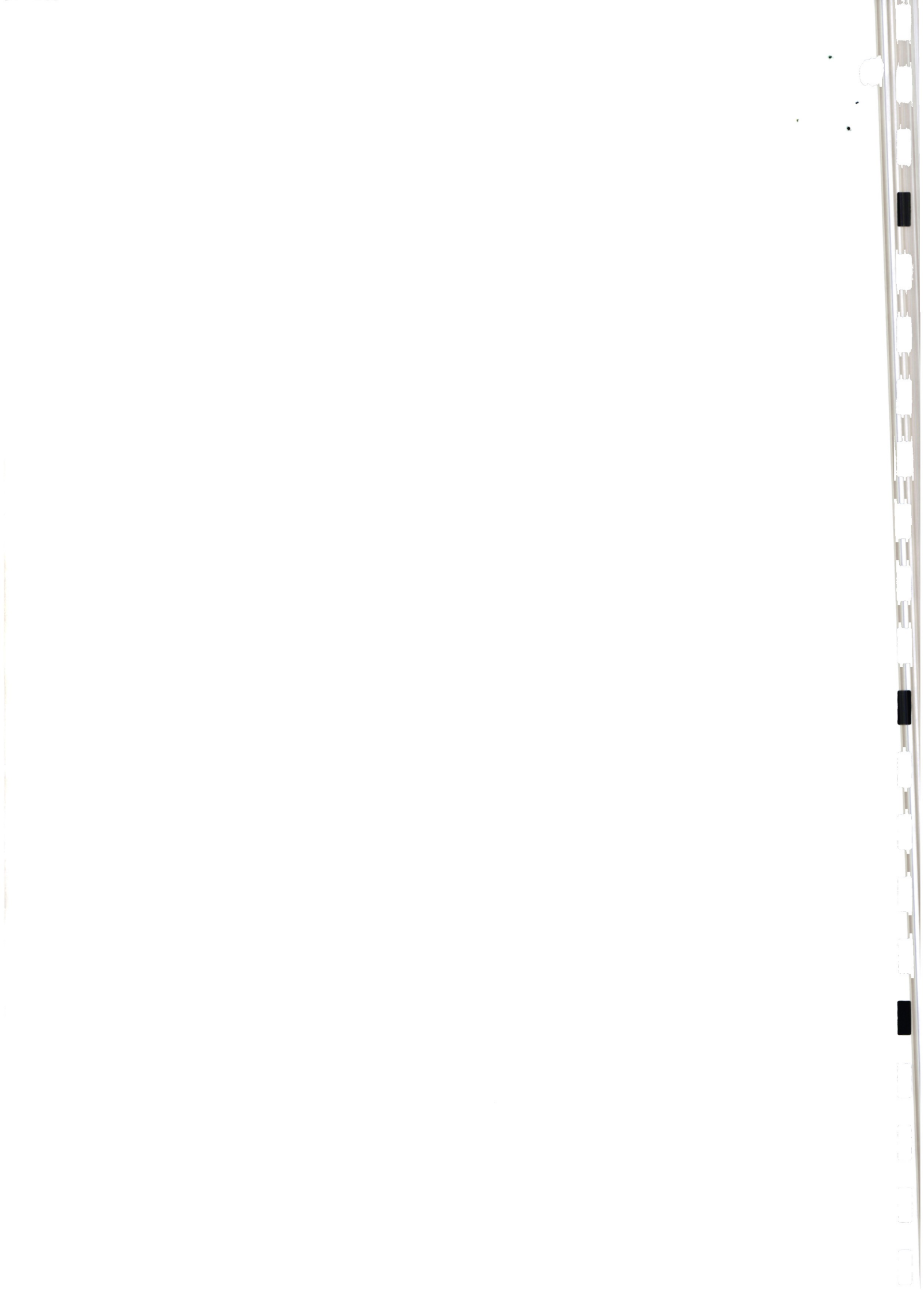
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	Group and Company	
	2018	2017
(d) Amounts due to directors	Kshs '000	Kshs '000
Provision for accrued fees, gratuity, leave	20,443	13,954
Due after one year	(16,414)	(10,183)
Due within one year	<u>4,029</u>	<u>3,771</u>

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

	Group		Company	
	2018	2017	2018	2017
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Kenya Plant Health Inspectorate (KEPHIS)	33,228	7,255	33,228	7,255
National Cereals and Produce Board	-	3,252	-	3,252
Kenya Farmers Association	-	-	-	-
Others	-	-	-	-
Agricultural Development Corporation	-	-	-	-
Kenya Agricultural Research Institute	-	-	-	-
	<u>33,228</u>	<u>10,507</u>	<u>33,228</u>	<u>137,233</u>

	Group and Company	
	2018	2017
(f) Transactions within the Group	Kshs '000	Kshs '000
<i>Kenya Seed Company Limited sales to:</i>		
Simlaw Uganda	72,496	68,250
Simlaw Seeds Company Limited	588,647	185,281
Kibo Seed Company Limited	<u>121,577</u>	<u>141,431</u>
	<u>782,720</u>	<u>394,962</u>
 <i>Simlaw Seed Company Limited sales to:</i>		
Kenya Seed Company Limited	180,663	192,767
Simlaw Uganda	2,593	3,398
Kibo Seed Company Limited	<u>2,967</u>	<u>5,015</u>
	<u>186,223</u>	<u>201,181</u>
 <i>Payments made by Kenya Seed Company Limited on behalf of:</i>		
Simlaw Seeds Company Limited	-	-
Mt Elgon Seed Company Limited	-	-
Kenya Seed Company Uganda Limited	-	-
Kibo Seed Company Limited	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>



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(f) Transactions within the Group

	Group and Company	
	2018	2017
	Kshs '000	Kshs '000
<i>Payments made on behalf of Kenya Seed Company Limited:</i>		
Simlaw Seeds Company Limited	5,644	-
Kibo Seed Company Limited	-	-
	5,644	-

(g) Transactions with Parastatal organizations

<i>Sales to:</i>		
National Cereals and Produce Board	-	10,328
Kenya Farmers Association	-	18,401
Agricultural Development Corporation	-	13,439
	-	42,168
<i>Purchases from:</i>		
Agricultural Development Corporation	16,322	-
The Kenya Power & Lighting Company Limited	49,674	43,991
Kenya Farmers Association	3,699	3,277
Telkom Kenya	290	707
Kenya Agricultural Research Institute	20,588	9,864
Agricultural Society of Kenya	3,776	2,060
National Cereals and Produce Board	98,929	61,303
	193,278	121,202

(h) Transactions with directors

Directors Fees	4,029	3,771
Managing Director's salary and gratuity provision	13,452	11,632
Board Salaries and allowances	12,482	7,671
	29,963	23,074

(i) Key management compensation

Salaries and allowances	100,882	104,586
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(j) Transactions with the staff retirement benefit scheme

Contributions collected on behalf of the scheme	25,514	18,958
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	Group		Company	
	2018	2017	2018	2017
24 INVENTORIES	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Certified Maize Seeds	1,433,473	2,600,239	1,280,966	2,447,560
Basic Maize Seeds	323,028	373,940	322,768	373,937
Wheat Seeds	157,376	186,225	157,203	184,135
Pastures	69,303	61,506	52,536	48,633
Sorghum/Finger millet	105,462	199,845	105,499	102,532
Vegetables	859,769	748,134	65,502	60,885
Sunflower	132,622	141,320	133,487	140,806
Chemicals	97,823	147,085	92,849	143,829
Fertilizers	28,707	27,301	28,065	22,939
Packaging materials	126,334	91,747	106,495	78,337
Fuel and other inventories	40,941	67,501	25,730	50,084
Miscellaneous & Welfare items	24,948	17,779	11,527	10,041
Cleanings and rejects	26,168	16,877	24,109	16,215
Provision for Obsolete stocks	(352,617)	(188,408)	(321,148)	(159,604)
	<u>3,073,337</u>	<u>4,491,092</u>	<u>2,085,589</u>	<u>3,520,327</u>

25. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
Trade receivables	1,442,591	1,339,615	1,109,490	1,081,942
Other receivables	141,765	111,533	70,569	45,226
Stock quantity differences	-	19,603	-	19,603
Provision for bad & doubtful debts	(694,455)	(679,857)	(641,919)	(652,110)
	<u>889,901</u>	<u>790,894</u>	<u>538,140</u>	<u>494,661</u>
Staff receivables (note 21)	23,468	-	13,457	-
	<u>913,368</u>	<u>790,894</u>	<u>551,597</u>	<u>494,661</u>

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

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

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

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



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26. SHARE CAPITAL	Group and Company	
	2018	2017
	Kshs '000	Kshs '000
Authorized share capital: 20,000,000 ordinary shares of Kshs 20 each	400,000	400,000
Issued and fully paid: 10,781,265 ordinary shares of Kshs 20 each	215,625	215,625

The issued and fully paid share capital excludes 3,370,000 ordinary shares worth Kshs 67,400,000 that were issued in the year ended 30 June 2002, which were revoked after the High Court of Kenya ruling on 6 April 2006. These shares are currently a subject matter before the Kenyan Court of Appeal (Note 2). The nominal share capital together with the premium on these shares is now classified under trade and other payables (Note 29).

27. DEFERRED TAX	Group		company	
	2018	2017	2018	2017
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
(a) Statement of comprehensive income				
Deferred liability credit	(63,896)	40,252	(63,896)	40,252
Deferred asset credit/(charge)	(3,447)	(9,463)	-	-
Charge for the year	(67,343)	30,789	(63,896)	40,252

(b) Deferred tax asset

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

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

	As at 1 July 2017	Income	As at 30 June 2018
	Kshs '000	Kshs '000	Kshs '000
<i>Deferred tax assets:</i>			
Unrealized foreign exchange losses	(1,158)	1,054	(104)
Leave pay provision	(1,760)	512	(1,248)
Tax losses carried forward	(4,388)	4,388	-
Excess depreciation of tax wear and tear allowances	(1,722)	(442)	(2,164)
Provision of impairment of inventories	-	-	-
Gratuity provision	(1,746)	(700)	(2,445)
General bad debt provision	(8,765)	(1,365)	(10,129)
Fair value gain on biological assets	-	-	-
Net deferred tax asset	(19,538)	3,447	(16,091)



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(c) Deferred tax liability

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

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

	Group and Company		
	As at 1 July 2017	Statement of comprehensive Income	As at 30 June 2018
	Kshs '000	Kshs '000	Kshs '000
Deferred tax liabilities:			
Accelerated capital allowances	71,641	35,945	107,587
Revaluation surplus	660,171	(32,825)	627,346
Fair value gain on biological assets	-	-	-
Leave pay provision	216	(160)	56
	<u>732,029</u>	<u>2,960</u>	<u>734,988</u>
Deferred tax assets:			
Gratuity provision	(1,691)	1,568	(123)
General bad debts provision	(70,953)	39,136	(31,817)
Unrealized foreign exchange losses	(946)	(1,160)	(2,106)
Staff bad debt provision	-	9,668	9,668
Leave pay provision	-	-	-
Fair value gain on biological assets	23,690	(21,101)	2,589
	<u>(49,901)</u>	<u>28,111</u>	<u>(21,790)</u>
Net deferred tax liability	<u>682,127</u>	<u>31,071</u>	<u>713,198</u>

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

28. EMPLOYEE BENEFITS OBLIGATIONS	Group		Company	
	2018	2017	2018	2017
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Due to the defined benefit scheme's ex-staff	502	502	502	502
Gratuity provision	39,499	40,228	31,465	28,542
Benevolent fund	1,060	795	1,060	795
As at 30 June	<u>41,061</u>	<u>41,525</u>	<u>33,027</u>	<u>29,839</u>



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	Group		Company	
	2018	2017	2018	2017
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
29. TRADE AND OTHER PAYABLES				
Amounts due to disputed share-holders (note 26)	124,690	124,690	124,690	124,690
Trade payables	367,612	320,939	165,311	123,550
Accrued leave pay	17,205	13,238	12,881	13,068
Accruals and other payables	50,076	84,517	30,724	64,902
	<u>559,584</u>	<u>543,384</u>	<u>333,607</u>	<u>326,209</u>

The stock quantity differences are in respect of the differences between the actual stock count figures and the system balances. The actual stock count was more than the system balances hence the adjustments.

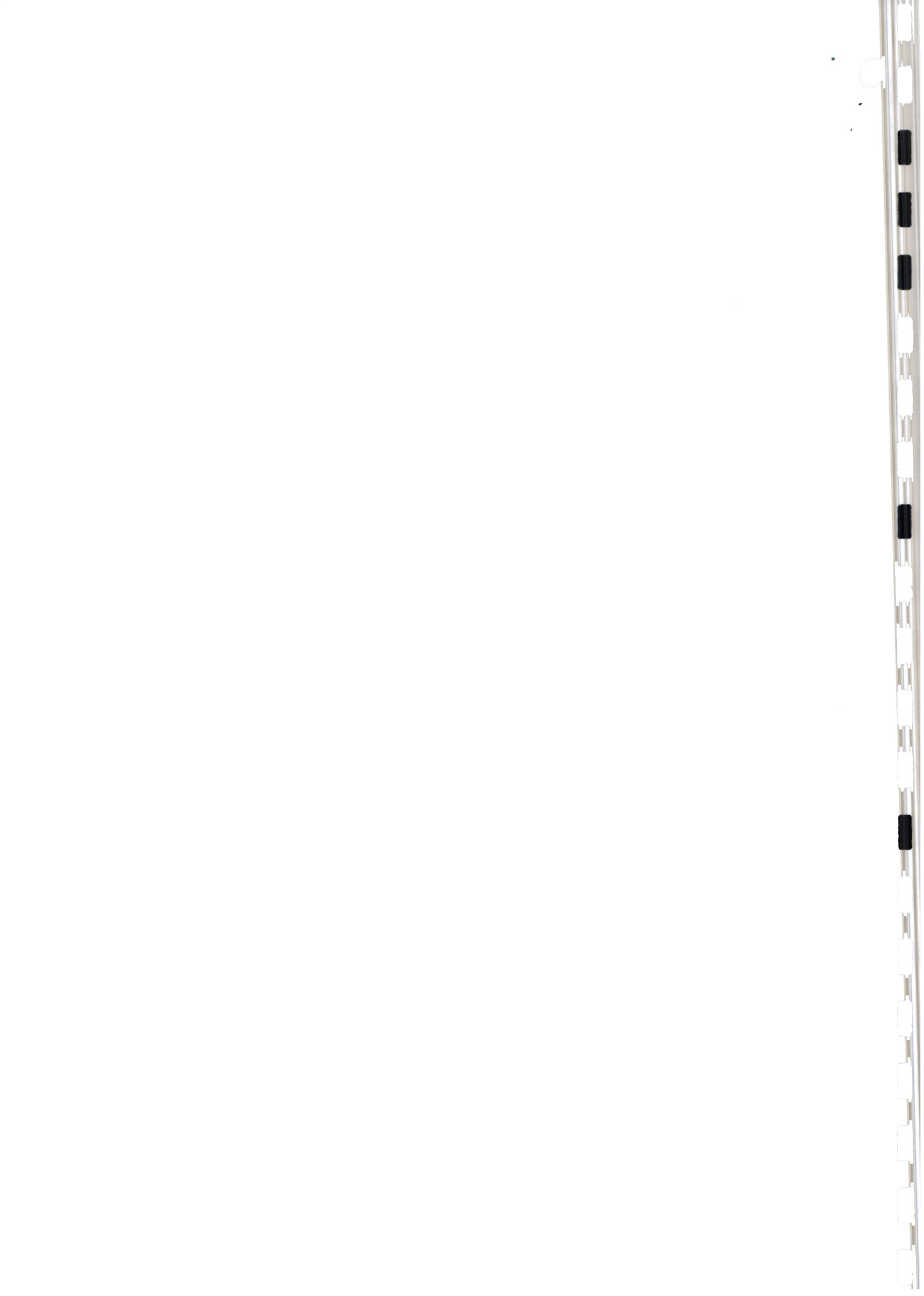
	Group and Company	
	2018	2017
	Kshs '000	Kshs '000
30. UNCLAIMED DIVIDENDS		
At beginning of the year	9,766	9,766
Unclaimed during the year	(15)	-
At end of the year	<u>9,751</u>	<u>9,766</u>

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

31. BANK OVERDRAFT AND BANK LOAN

	Group		Company	
	2018	2017	2018	2017
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
a) Bank overdraft-KCB	-	(275,436)	-	(275,436)
b) Bank Loan-KCB	(61,854)	(63,275)	-	-

- As at 30 June 2018, the company had no overdraft (2017: Kshs 275 million) with Kenya Commercial Bank. The Security for the 2017 overdraft facility by the Kenya Commercial Bank was is charged on:
 - Legal charge for Kshs. 769.1 million over L.R No. 5337/2 and 12215 in the name of the company.
 - Legal charge for Kshs. 230.9 million over title No. Nakuru Municipality/Block 8/16 in the name of the company.
 - Debenture for Kshs. 1.4 billion over all the assets of the company.
 - Debenture for Kshs. 600 million to make in all a debenture for Kshs. 2.0 billion
 - Letter of approval from both the Ministry of Agriculture and the National Treasury approving the overdraft facility of Kshs. 2.0 billion.
- As at 30 June 2018, Simlaw Seeds Kenya had an outstanding bank loan of Kshs 61.85 million (2017- Kshs 63.28 million). The loan was acquired from Kenya Commercial Bank for duration of 5 Years, at an interest rate of 17% for purchase of property at Number 2, Kijabe Street, L.R. no 209/4360/33 used as security for Loan.



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32. CASH AND CASH EQUIVALENTS

	Company Account number	Group		Company	
		2018 Kshs '000	2017 Kshs '000	2018 Kshs '000	2017 Kshs '000
Cash on Hand		2,594	1,037	1,605	(120)
Barclays Bank-Kshs	0038202995	168,364	37,603	157,065	13,352
Barclays Bank-Dollar	227213949	8,851	-	8,851	
KCB-Rwanda	4400617351	26,536	4,326	26,536	4,326
KCB-Kenya	1105122484	1,381,006	13,199	1,320,019	-
NBK-Kenya	01003048613200	55	56	55	56
Equity-Kenya	0330293593306	137	115	137	115
Cooperative Bank	1141502576900	200	-	200	
KCB Tanzania		3,191	7,657	-	-
Standard Chartered Bank - Ug		53	59	-	-
KCB-Uganda		19,189	46,120	-	-
Centenary Bank Uganda		2,681	9,973	-	-
National Bank Of Commerce TZ		4,414	8,528	-	-
National Micro Finance Bank TZ		7,767	3,136	-	-
Stanbic Bank Ltd -UG		21	23	-	-
Stanbic Bank Ltd -TZ		7,318	1,629	-	-
Total Cash (Note 32a)		1,632,377	133,461	1,514,468	17,728
Fixed Deposits (Note 32b)	1126074047	65,556	61,475	65,556	61,475
Cash & Cash Equivalent (32a +32b)		1,697,933	194,936	1,580,024	79,203
Bank Loan-Simlaw Kenya (Note 31b)		-	(63,275)	-	-
Bank overdraft-KCB (Note 31a)		-	(275,436)	-	(275,436)
Total Cash and Cash		1,697,933	(143,774)	1,580,024	(196,233)

Fixed Deposits (Note 32b) is an amount invested as a Fixed Deposit by the company for use by the bank to subsidize staff mortgage interest rates. The interest earned in this account is re-invested/ploughed back into the same account. In 2018, the bank loan has been treated as a non current liability and therefore does not constitute cash and cash equivalents.

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

	Group	Company
	2018	2018
	Kshs '000	Kshs '000
Fixed deposits	65,556	65,556
Cash at bank and in hand	1,632,377	1,514,468
	1,697,933	1,580,024



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33. FOREIGN OPERATIONS TRANSLATION RESERVE

Subsidiary	2018	Change from	2017
	Kshs	2017 to 2018	Kshs
Simlaw UG	13,984,150	5,662,950	8,321,200
Kibo	7,879,711	547,987	7,331,724
Simlaw TZ	5,311,181	1,028,947	4,282,234
MESC	17,225,862	3,620,984	13,604,878
	44,400,903	10,860,868	33,540,035
Exchange differences on translating foreign operations	15,515,526		
Income tax effect at 30%	(4,654,658)		
	10,860,868		

34. CAPITAL EXPENDITURE COMMITMENTS

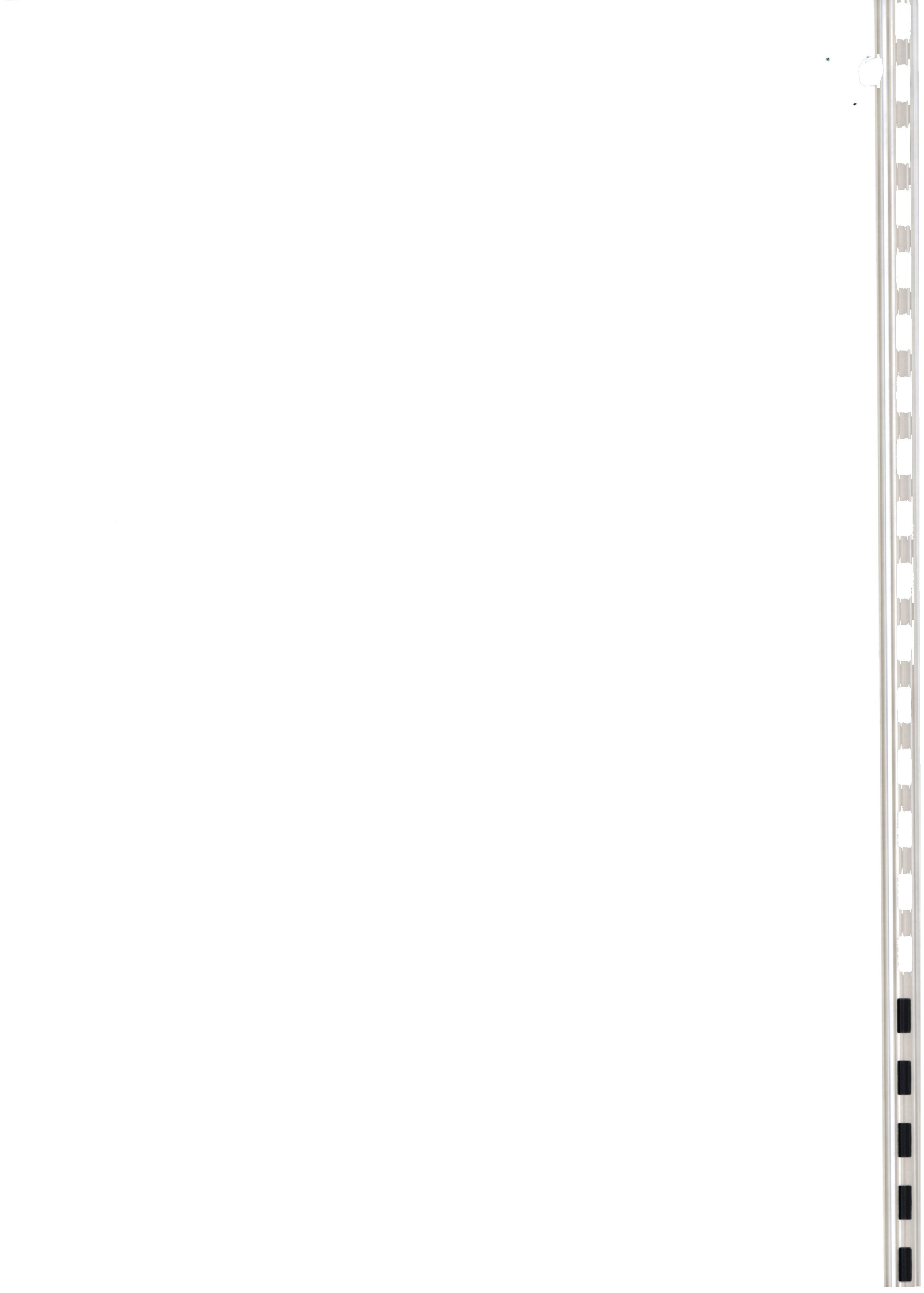
These are the budgeted capital expenditure made by the Group and company to purchase assets in future for which no provisions have been made in these financial statements include:

	Group		Company	
	2018	2017	2018	2017
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Authorised but not contracted for	419,068	296,283	311,068	141,934

35. OPERATING LEASE COMMITMENTS

Minimum lease payments committed under various operating leases:

	Group		Company	
	2018	2017	2018	2017
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Not later than 1 year	-	-	-	-
Later than 1 year but not later than 5 years	93,817	69,109	-	-
	93,817	69,109	-	-



36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group'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 Group does not enter into derivative transactions.

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

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

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

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group'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 Group to incur a financial loss.

The largest concentrations of credit exposure within the Group 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 Group 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 Group to significant credit risk.

Customer credit risk is managed by each business unit subject to the Group'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 conditions.

The amount that best represents the company's maximum exposure to credit risk as at 30 June 2018 is made up as follows:

	Group		Company	
	2018	2017	2018	2017
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Net trade receivables	889,901	682,235	538,140	449,435
Net staff receivables	23,468	22,221	13,457	12,261
	<u>913,368</u>	<u>704,456</u>	<u>551,597</u>	<u>461,696</u>



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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

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

	Group		Company	
	2018	2017	2018	2017
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Past due but not impaired:				
- by up to 30 days	40,209	65,976	15,084	34,387
- by 31 to 60 days	55,461	32,988	35,731	12,895
- by 61 to 90 days	26,305	46,183	11,587	25,790
- over 90 days	791,394	514,611	489,196	356,761
	<u>913,368</u>	<u>659,758</u>	<u>551,597</u>	<u>429,832</u>

Movement in provisions for doubtful debts:

	Group		Company	
	2018	2017	2018	2017
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
As at 1 July	677,937	672,520	677,994	672,520
Recoveries during the year	(5,913)	(9,216)	(5,644)	(9,064)
Provisions for the year	30,154	27,512	25,366	27,416
Reversal of overprovision	(7,723)	(12,878)	(55,797)	(12,878)
As at 30 June	<u>694,455</u>	<u>677,937</u>	<u>641,919</u>	<u>677,994</u>

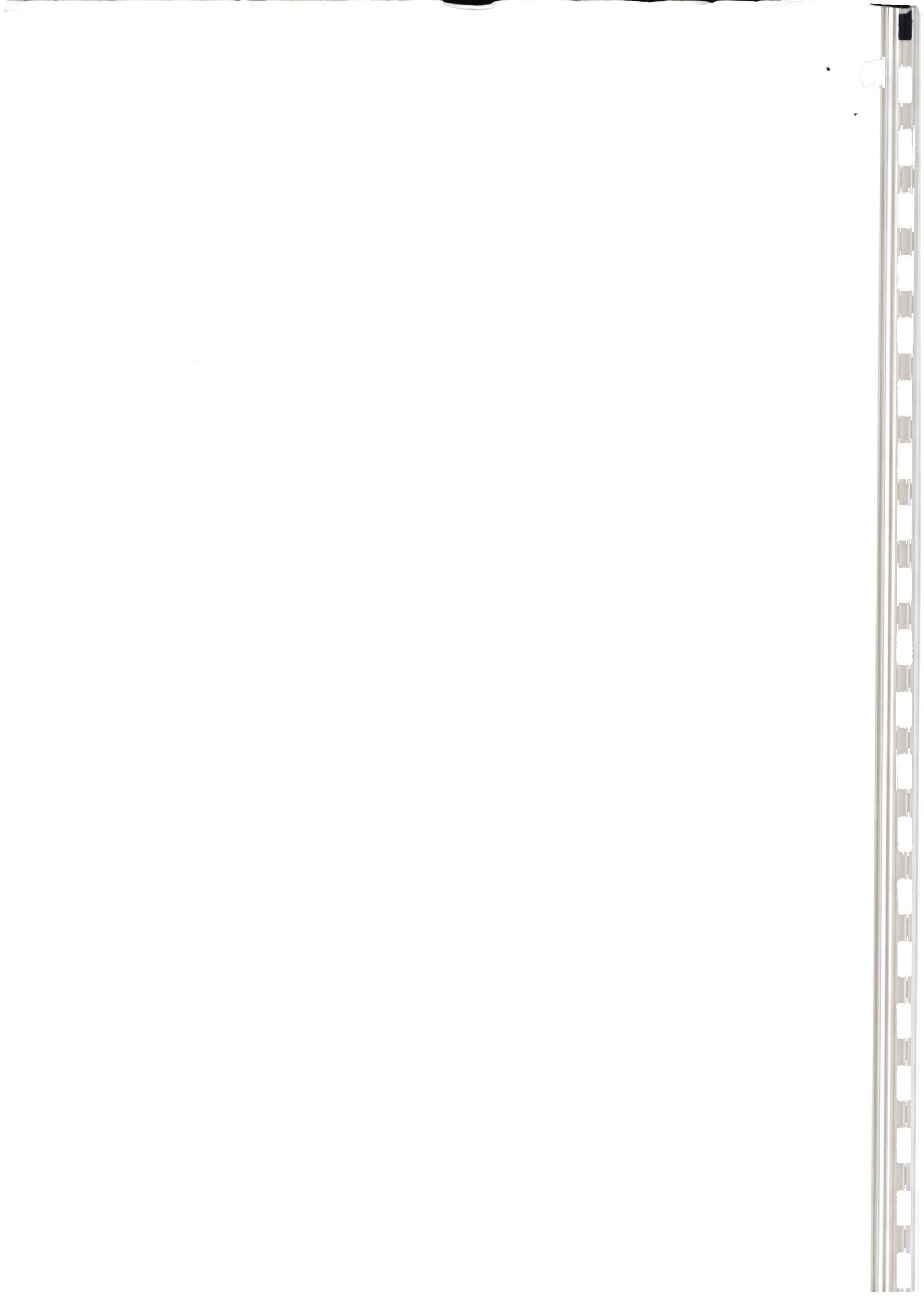
(b) Market risk

Market risk is the risk that the fair value or future value of instruments will fluctuate due to changes in market variables 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 Group has not formulated any practical measures to minimize the exposure.

	Change in Interest rate	Effect on profit Before Tax	Effect on Equity
		Kshs '000	Kshs '000
2018	-10.00%	(62,858)	(44,001)
	10.00%	62,858	44,001
2017	-10.00%	(18,365)	(12,856)
	10.00%	18,365	12,856



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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Exchange risks

The Group operates in Kenya, Tanzania and Uganda. The operations in Tanzania and Uganda are significantly autonomous from those in Kenya and most of the transactions are carried out in the local currencies. Other transactions in the foreign currency are carried out in the relatively stable US Dollars.

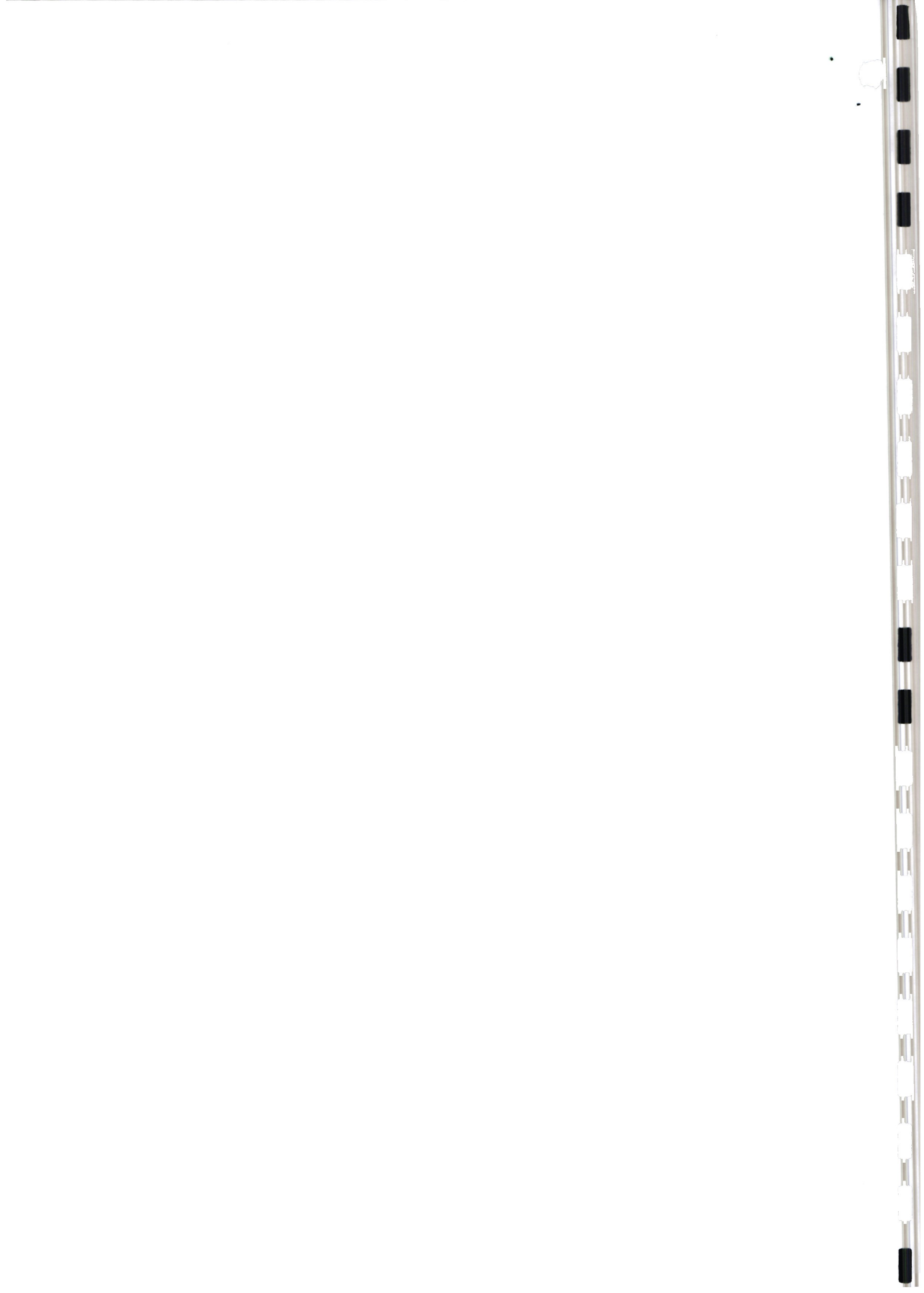
USD	Change in currency rate	Effect on profit Before Tax Kshs '000	Effect on Equity Kshs '000
2018	-10.00%	(1552)	(1086)
	10.00%	1552	1086
2017	-10.00%	(293)	(205)
	10.00%	293	205

(c) Liquidity risk

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

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

At 30 June 2018	Up to 1 month Kshs '000	1 – 3 Months Kshs '000	3 - 12 months Kshs '000	over 1 year Kshs '000	Total Kshs '000
Financial assets					
Trade receivables	299,254	149,627	187,034	112,220	748,135
Other receivables and prepayments	-	-	141,765	-	141,765
Amount due from related parties	-	-	1,590,553	-	1,590,553
Bank balances and cash deposits	1,697,933	-	-	-	1,697,933
Total financial assets	1,997,187	149,627	1,919,353	112,220	4,178,387
Financial liabilities					
Total financial liabilities	(223,833)	(111,917)	(139,896)	(83,938)	(559,584)
Net liquidity gap	1,773,354	37,710	1,779,457	28,283	3,618,804



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	Up to 1 month	1 – 3 Months	3 - 12 months	over 1 year	Total
At 30 June 2017					
Financial assets					
Trade receivables	263,903	131,952	164,939	98,964	659,758
Other receivables and prepayments	-	-	111,533	-	111,533
Amount due from related party	-	-	1,300,927	-	1,300,927
Bank balances and cash deposits	194,936	-	-	-	194,936
Total financial assets	458,839	131,952	1,577,399	98,964	2,267,153
Financial liabilities					
Total financial liabilities	(289,807)	(144,903)	4	(108,678)	(543,384)
Net liquidity gap	169,032	(12,952)	1,577,403	(9,714)	1,723,769

(d) *Operational risk*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group'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 Group 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.

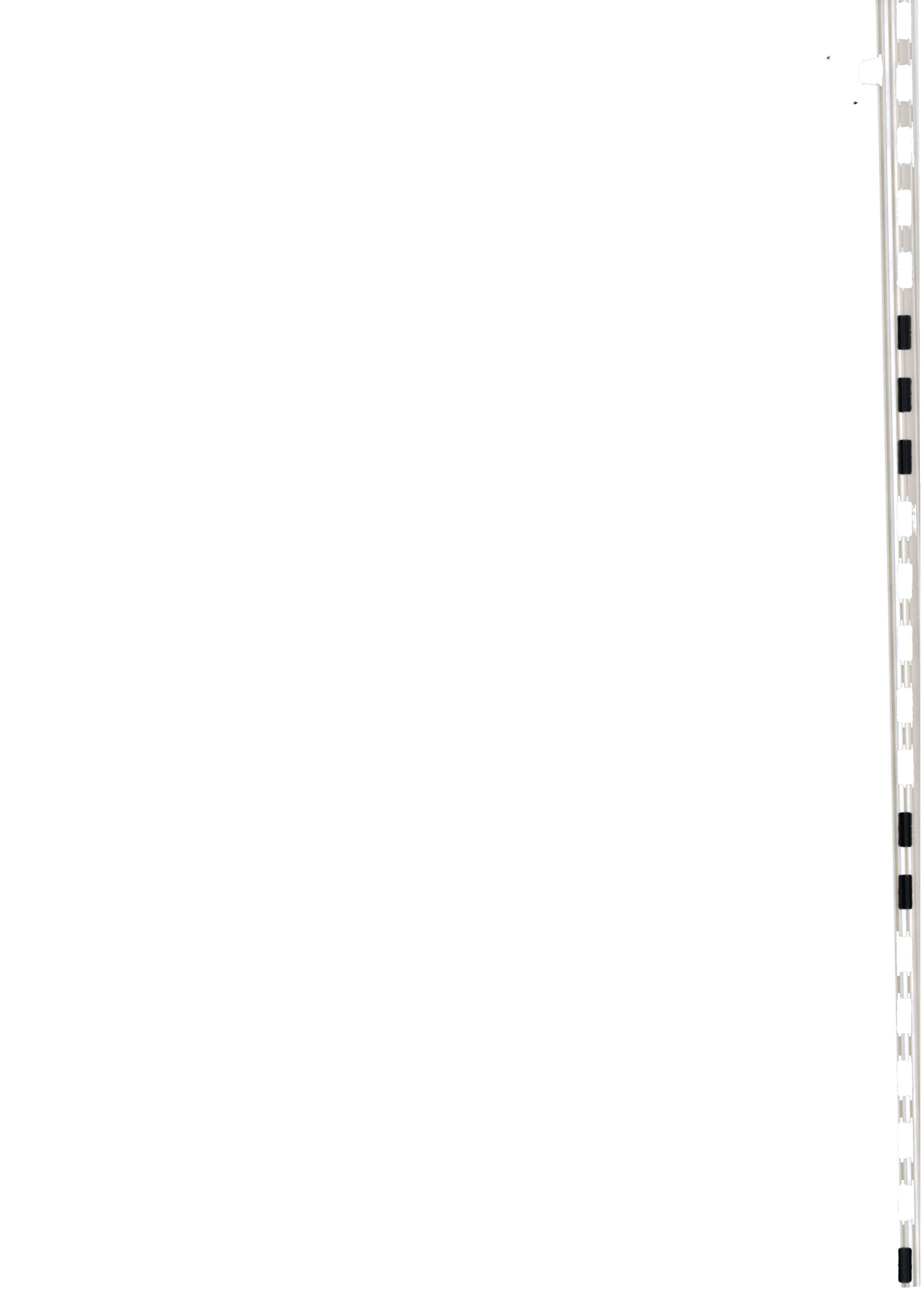
The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

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 Group standards for the management of operational risk in the following areas:

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

Operational risk is managed by a 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 Group.



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37. CAPITAL MANAGEMENT

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

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

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

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

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

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

	2018	2017
	Kshs '000	Kshs '000
Trade and other payables (note 29)	559,584	543,384
Less : Cash and other short term deposits (note 32)	(1,632,377)	(133,461)
Net debt	(1,072,793)	409,923
Total Capital (Equity)	10,847,642	10,182,665
Capital and net debt	9,774,849	10,592,588
Gearing ratio	-10%	4%

Though the company's gearing ratio is below its' lower end, the directors considers this to be favorable.

38. SEGMENTAL INFORMATION

Business segments

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

Geographical segments

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

- Kenya
- Tanzania
- Uganda

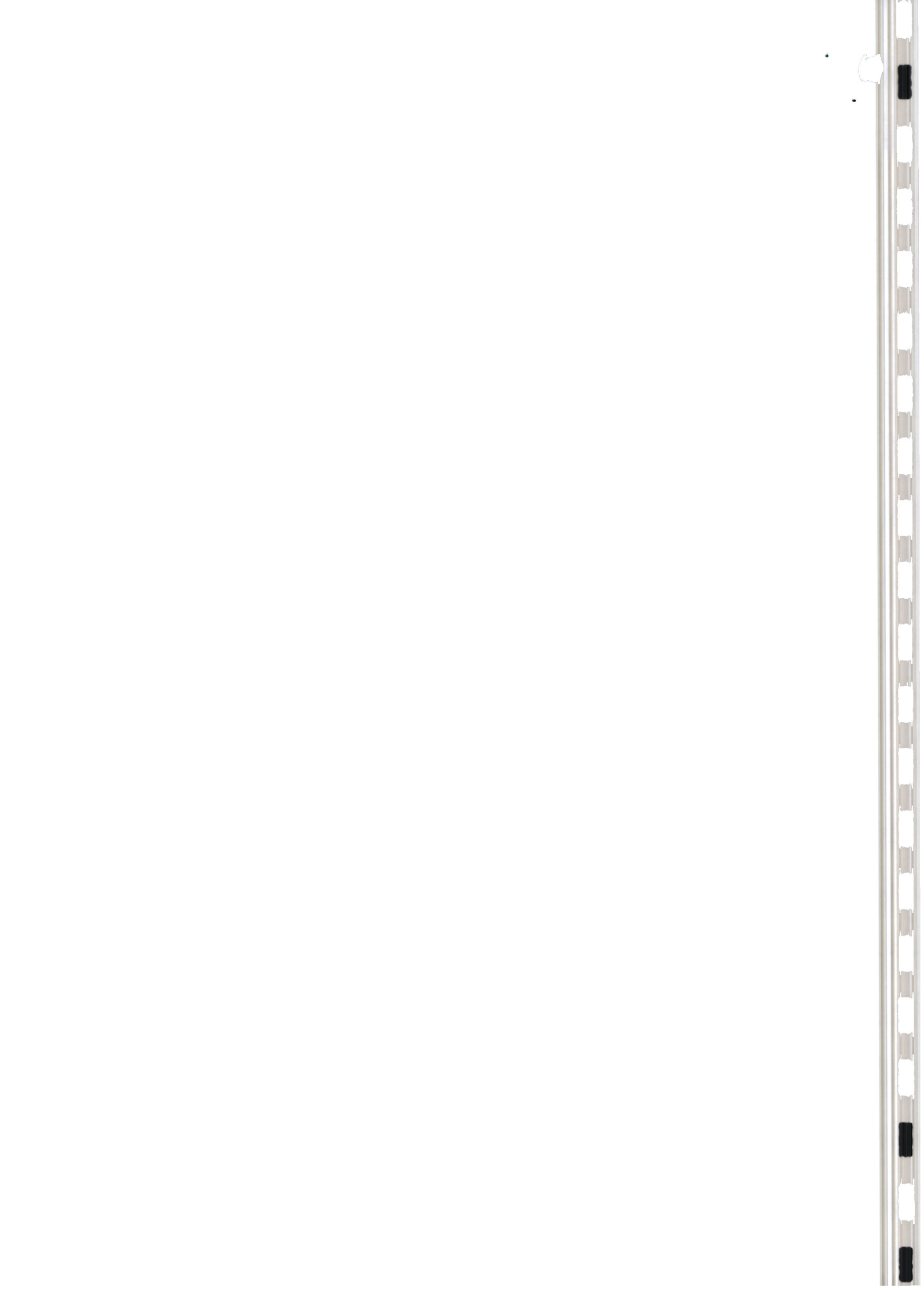


ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

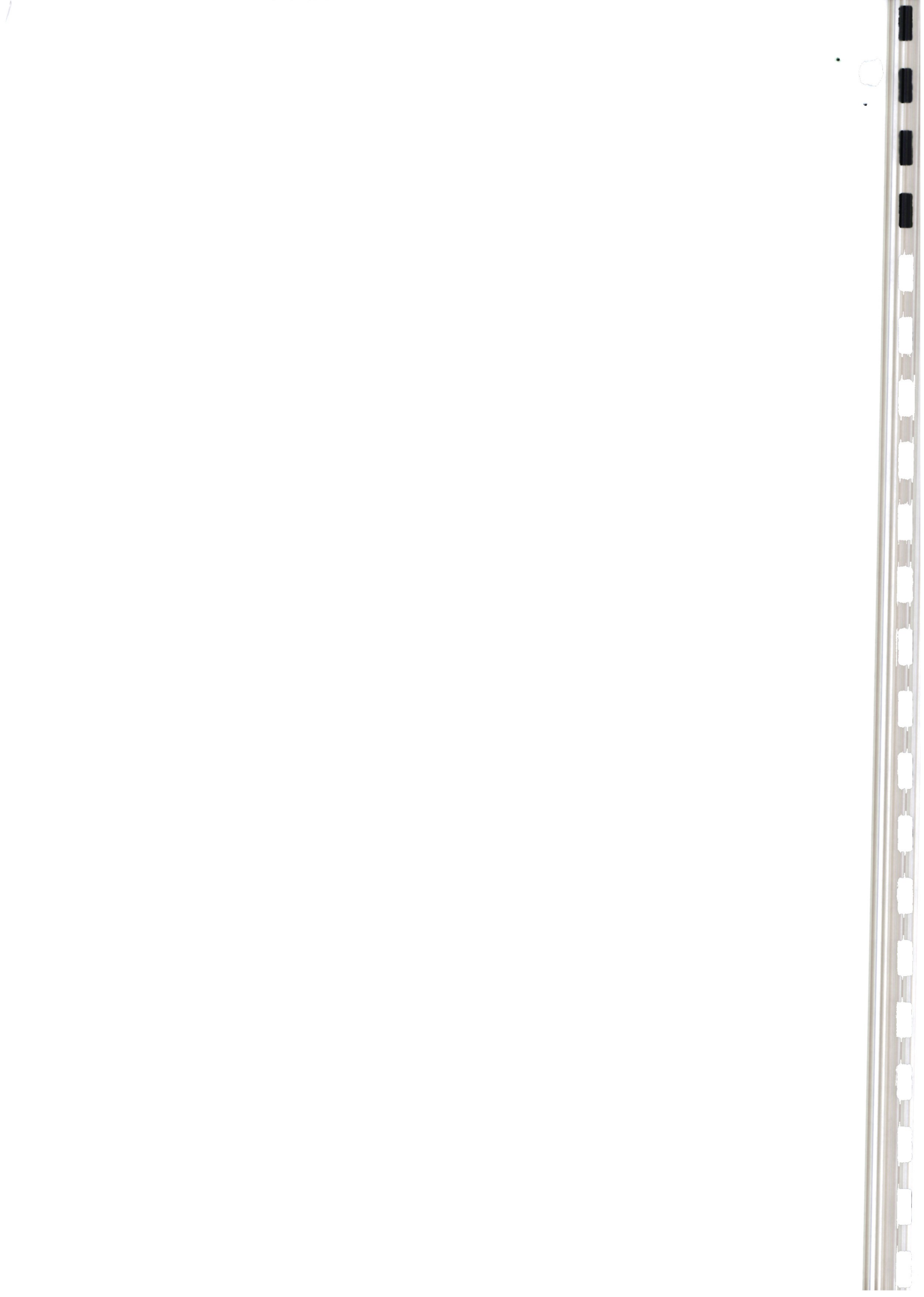
	Kenya Kshs'000	Tanzania Kshs'000	Uganda Kshs'000	Eliminated on consolidation Kshs'000	Total Kshs'000
Statement of comprehensive income					
Year ended 30 June 2018					
Operating income					
External	6,543,352	366,490	272,480	-	7,182,322
Inter-segment	(956,214)	-	-	-	(956,214)
Total operating income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

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



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	Kenya Kshs'000	Tanzania Kshs'000	Uganda Kshs'000	Eliminated on consolidation Kshs'000	Total Kshs'000
Statement of comprehensive income					
<i>Year ended 30 June 2017</i>					
Operating income					
External	6,065,952	392,370	286,108	-	6,744,430
Inter-segment	(531,409)	-	-	-	(531,409)
Total operating income	5,534,543	392,370	286,108	-	6,213,021
Segment profit	151,268	(29,207)	12,060	-	134,120
Statement of financial position:-					
Segment total assets	12,645,269	447,459	230,710	(1,500,800)	11,822,639
Segments liabilities	1,631,987	536,534	397,352	(1,608,027)	957,847
Non operating liabilities	682,127	-	-	-	682,127
Total liabilities	2,314,115	536,534	397,352	(1,608,027)	1,639,974
Other information:-					
Additions to property, plant and equipment	21,631	23,338	-	-	44,968
Additions to intangible assets	4,656	-	-	-	4,656
Depreciation of property, plant and equipment	563,094	5,470	2,478	-	571,043
Amortization of prepaid operating leases	3,736	-	552	-	4,288
Amortization of intangible assets	15,388	61	-	-	15,449
Provision for obsolete inventories	230,014	-	1,613	-	231,626
Provision for bad and doubtful debts	190,496	-	2,320	-	192,816
Bad debts recovered	17,436	-	-	-	17,436
Finance cost	182,298	-	-	-	182,298
Finance income	54,165	-	-	-	54,165
Income tax	217,399	(1,849)	-	-	215,550
Effects of discounting of staff receivables	(3,826)	-	-	-	(3,826)
	1,496,486	27,021	6,964	-	1,530,470
Off balance sheet items:					
Capital expenditure commitments	296,283	-	-	-	296,283
Operating lease commitments	58,215	10,894	-	-	69,109
Total	354,498	10,894	-	-	365,392



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Segmental Income Statement for the year ended 30 June 2018

	KSC 2017 Kshs '000	Simlaw Kenya 2017 Kshs '000	Tanzania 2017 Kshs '000	Uganda 2017 Kshs '000	Group Total 2017 Kshs '000
Revenue	5,154,062	1,389,290	366,490	272,480	7,182,322
Cost of Sales	(3,193,476)	(1,093,132)	(207,719)	(203,720)	(4,781,852)
Gross Profit	1,960,586	296,158	158,772	68,760	2,400,471
Other Income	50,621	8,599	142	199	59,561
Operating Expenses	(1,359,447)	(251,698)	(166,468)	(53,839)	(1,831,452)
Finance Costs	(36,271)	(8,648)	(2,126)	(10,953)	(57,998)
Finance Income	4,112	-	-	155	4,267
Profit before Tax	619,601	44,410	(9,680)	4,323	574,849
Tax	(326,623)	(14,451)	-	-	(341,074)
Profit after Tax	292,978	29,959	(9,680)	4,323	233,775

Segmental Statement of Financial Position as at 30th June 2018

	KSC 2018 Kshs '000	Simlaw Kenya 2018 Kshs '000	Tanzania 2018 Kshs '000	Uganda 2018 Kshs '000	Elimination on Consolidation	Group Total 2018 Kshs '000
Non-Current Assets	5,335,233	148,612	96,168	25,095	(55,696)	5,549,411
Inventories	2,085,589	713,948	244,386	113,218	(83,805)	3,073,337
Receivables	3,140,957	325,561	123,505	104,897	(1,731,611)	1,963,309
Cash and Bank	1,514,468	72,313	22,725	22,871	-	1,632,377
Other Assets	51,805	16,291	232	-	-	68,328
Total Assets	12,128,051	1,276,725	487,017	266,081	(1,871,113)	12,286,762
Shareholders' Funds	10,895,927	212,512	(95,709)	(151,913)	(13,175)	10,847,642
Long-Term Liabilities	733,642	-	-	-	-	733,642
Payables	333,607	106,913	53,000	66,064	-	559,584
Other Payables	164,875	895,446	529,726	351,930	(1,857,938)	84,040
Bank loan	-	61,854	-	-	-	61,854
Over-Drafts	-	-	-	-	-	-
Total Liabilities	12,128,051	1,276,725	487,017	266,081	(1,871,113)	12,286,762

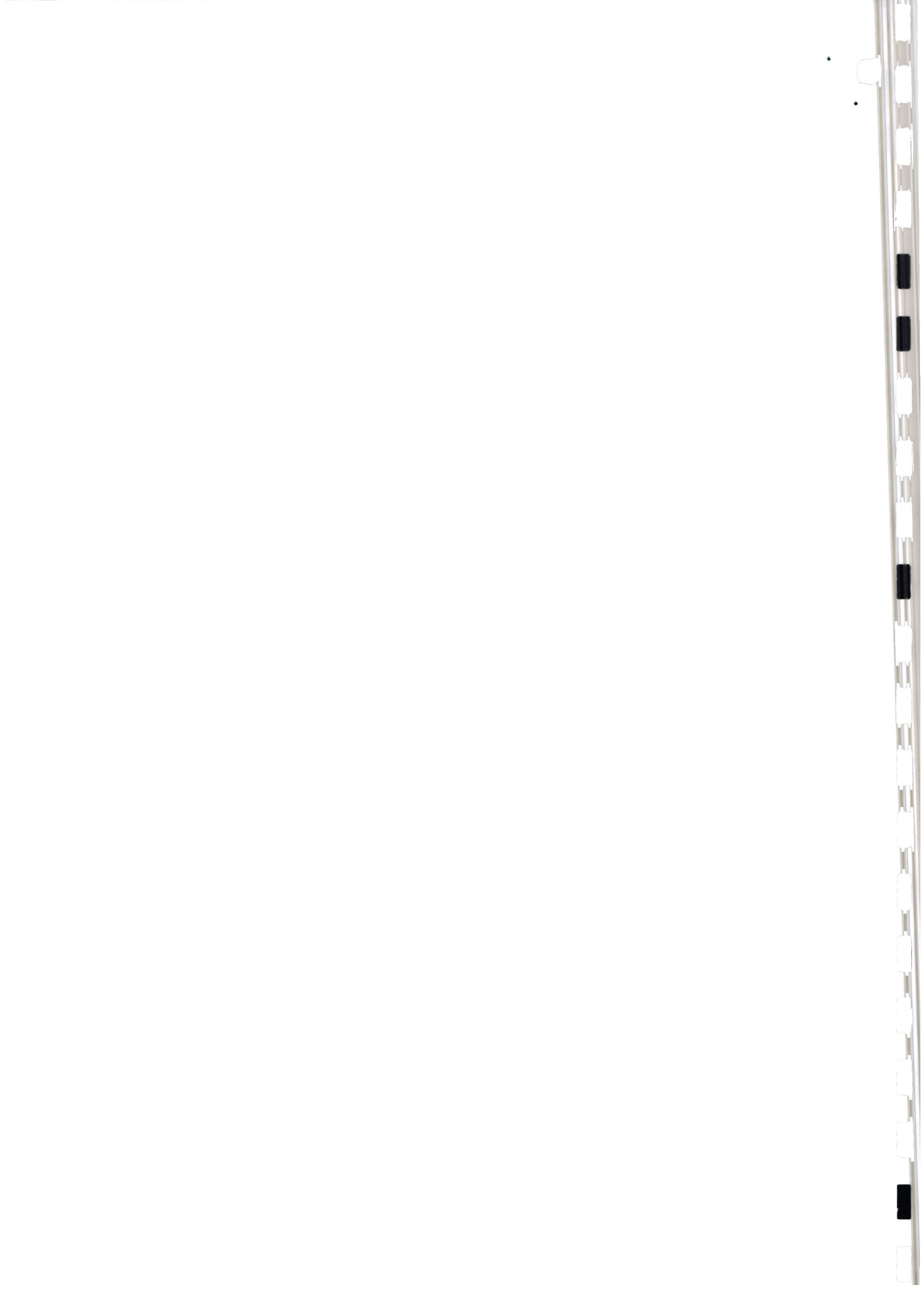
Inter-segment revenues are eliminated upon consolidation and reflected in the 'Eliminated on consolidation' column.



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

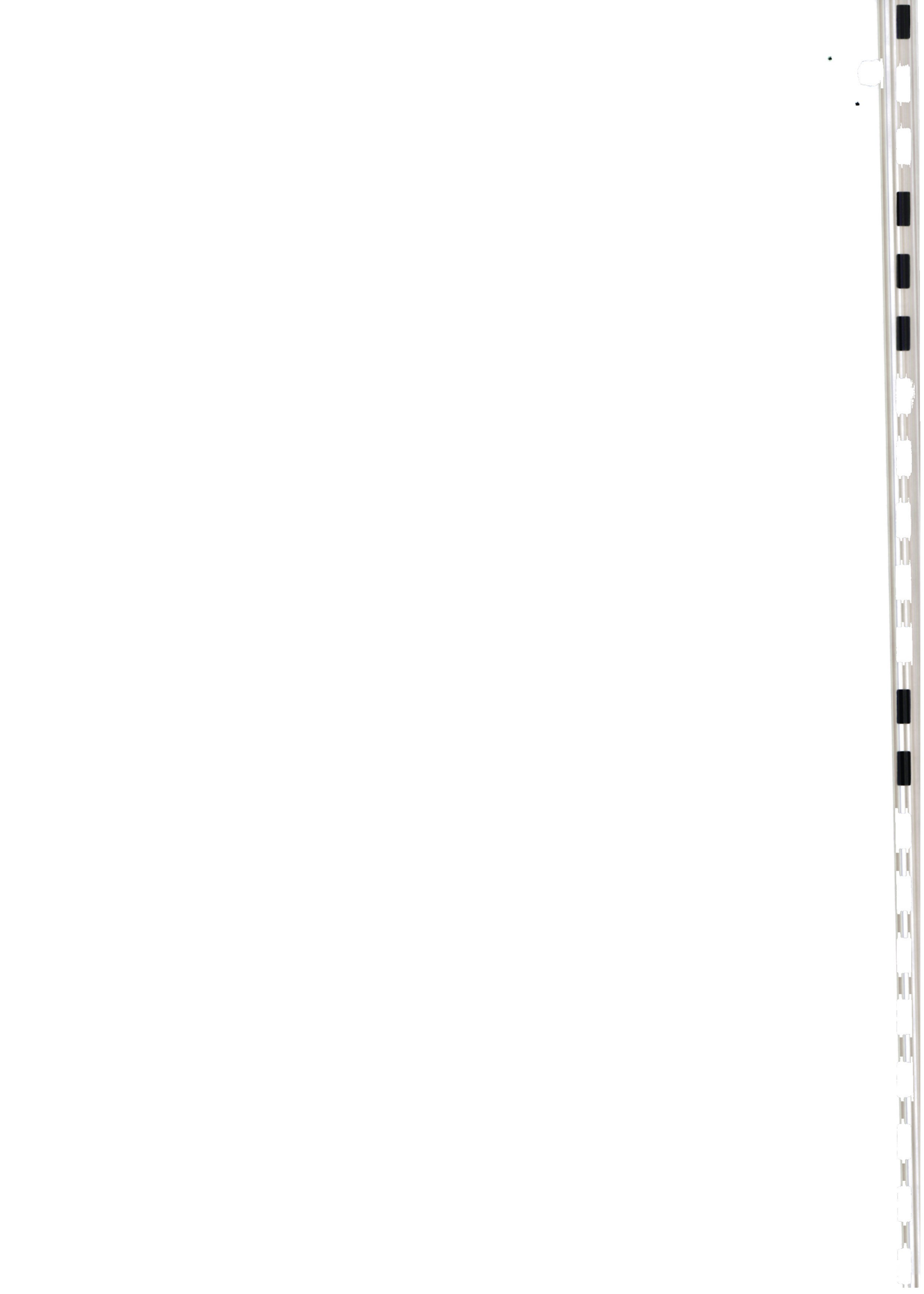
39. CASH FLOW ITEMS

	Notes	2018		2017	
		Group Kshs '000	Company Kshs '000	Group Kshs '000	Company Kshs '000
<u>Depreciation & amortization:</u>					
PPE	16	272,177	254,756	568,637	554,463
Leases	17	-	-	3,736	3,736
Intangible	18	16,192	16,039	14,923	14,591
		288,369	270,795	587,296	572,790
<u>Inventories:</u>					
Opening Inventory	24	4,491,092	3,520,327	4,777,355	3,864,596
Closing inventory	24	3,073,337	2,085,589	4,491,092	3,520,327
cash Increase/decrease		(1,417,755)	(1,434,738)	(286,263)	(344,269)
<u>Biological Assets:</u>					
Opening Biological asset	22	81,958	81,865	119,897	119,717
Opening bearer restated	22	96,255	96,255	-	-
Closing Biological asset	22	177,937	177,505	81,958	81,865
cash Increase/decrease		(276)	(615)	(37,939)	(37,852)
<u>Receivables:</u>					
Opening Trade receivables	25	790,894	494,661	1,075,086	791,281
Opening current staff receivables	21	25,095	-	-	-
Closing Trade receivables	25	913,368	551,597	790,894	494,661
		97,379	56,937	(284,192)	(296,620)
Opening corporation tax	13c	45,486	9,940	123,593	79,429
Closing corporation tax	13c	96,703	57,499	45,486	9,940
		51,217	47,559	(78,108)	(69,490)
Opening deferred tax asset	27b	19,358	-	-	-
Closing deferred tax asset	27b	16,091	-	-	-
		(3,447)	-	-	-
opening Staff receivables	21	5,407	5,407	10,308	4,861
Closing Staff receivables	21	3,540	3,540	5,407	5,407
		(1,867)	(1,867)	(4,900)	547
cash Increase/decrease		143,282	102,629	(367,200)	(365,563)
<u>Payables:</u>					
Opening Trade Payables	29	543,384	326,209	688,525	399,315
Closing Trade Payables	29	559,584	333,607	543,384	326,209
		16,200	7,397	(145,141)	(73,105)
Opening unclaimed dividends	30	9,766	9,766	9,766	9,766
Closing unclaimed dividends	30	9,751	9,751	9,766	9,766
		(15)	(15)	-	-
Opening Employee benefits	28	41,525	29,839	36,945	26,616
Closing Employee benefits	28	41,061	33,027	41,525	29,839
		(464)	3,188	4,580	3,222
Opening Deferred Tax	27c	682,127	682,127	853,827	853,827
Closing Deferred Tax	27c	713,198	713,198	682,127	682,127
		31,071	31,071	(171,700)	(171,700)
Opening Corporation tax	13c	-	-	-	-
Closing Corporation tax	13c	-	-	-	-
		-	-	-	-
Cash Increase/decrease		46,791	41,640	(302,798)	(241,583)



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	notes	2018		2017	
		Group Kshs '000	Company Kshs '000	Group Kshs '000	Company Kshs '000
<u>Amounts from Parastatals:</u>					
Opening due from parastatals	23	928,306	924,930	873,263	858,076
Closing due from parastatals	23	884,142	872,211	928,306	924,930
		(44,164)	(52,719)	55,043	66,853
Opening due to parastatals	23	10,507	10,507	137,233	137,233
Closing due to parastatals	23	33,228	33,228	10,507	10,507
		22,721	22,721	(126,726)	(126,726)
Cash Increase/decrease		(66,885)	(75,440)	(71,683)	(59,873)
<u>Amounts due from/to Directors:</u>					
Opening due to Directors	23	13,954	13,954	15,713	15,713
Closing due to Directors	23	20,443	20,443	13,954	13,954
Cash Increase/decrease		6,489	6,489	(1,758)	(1,758)
<u>Amounts due from/to Related Parties:</u>					
Opening due from Related Parties	23	-	1,106,360	-	1,004,193
Closing due from Related Parties	23	-	1,383,430	-	1,106,360
		-	277,069	-	102,167
Opening due to Related Parties	23	-	2,889	-	178,308
Closing due to Related Parties	23	-	88,870	-	2,889
		-	85,980	-	(175,419)
Cash Increase/decrease		-	191,089	-	277,585
<u>Finance Costs:</u>					
Finance Costs paid during the year	12	57,998	36,271	183,654	162,667
<u>Finance income:</u>					
Finance income during the year	12	(4,267)	(4,112)	(54,165)	(54,165)
<u>Tax Paid:</u>					
Tax paid during the year	13	326,557	310,286	184,589	183,141
<u>Purchase of property, plant and equipment:</u>					
Additions	16	108,916	43,782	67,146	15,717
<u>Purchase of intangible assets</u>					
Additions	18	23,240	22,423	5,414	4,656
<u>Gain/loss on bearer assets</u>					
Gain	22c	(25,092)	(25,092)	55,461	55,461



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40. CONTINGENT LIABILITIES	Group and Company	
	2018	2017
Pending litigation claims	Kshs '000 53,590	Kshs '000 53,590
Claim by a former employee	2,000	2,000
Claim by former contractor	786,477	786,477
Claim by supplier (CHEMRECTIC CO. LTD)	6,000	6,000
	<u>848,067</u>	<u>848,067</u>

Pending litigation claims

The pending litigation claims relate to cases instituted by third parties against the Company. Judgment in respect of these cases had not been determined as at 30 June 2017. Based on the advice by the Company's lawyers, the directors are of the opinion that no liabilities will crystallize. Therefore, no provision has been made for the amount in these financial statements.

Claims by a former employee

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

Claim by former contractor

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

Claim by a supplier

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

41. FAIR VALUES

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

42. INCORPORATION AND ULTIMATE HOLDING ENTITY

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

43. CURRENCY

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

44. COMPARATIVE INFORMATION

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

45. EVENTS AFTER THE REPORTING DATE

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



CABBAGE



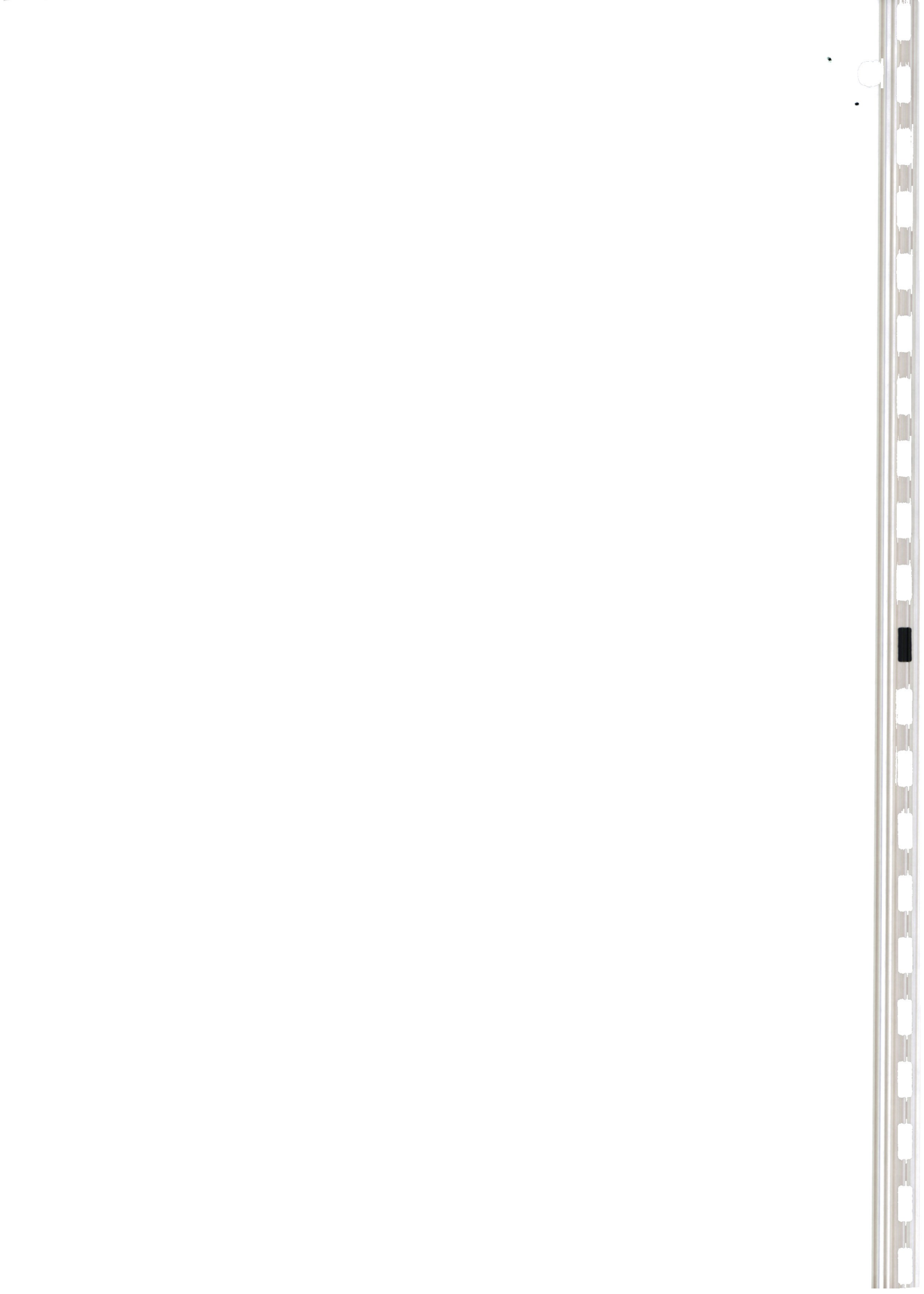


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APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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.

Ref. No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
1.0	Included in the operating expenses figure of Kshs 1,137,051,000 is total depreciation of Kshs 569,369,000 which is at a variance with the computed figure of Kshs 495,857,000 resulting to a variance of Kshs 73,512,000. The variance has not been reconciled and under the circumstance the accuracy and completeness of depreciation charge could not be confirmed.	Depreciation calculation is done on a monthly basis and depreciation is calculated on the revalued figure and at cost. As per policy Depreciation is charged on a reducing balance basis calculated at cost or valuation of an asset over its useful economic life. Depreciation is charged in full during the year of acquisition and nil during the year of disposal. For all assets that are fully depreciated then there is no depreciation is calculated. Therefore, the variation is expected when depreciation is calculated through straight line basis with other variable as highlighted are likely to be experienced. However, the workings on how the depreciation was arrived at have been attached for your review.	Patrick Thuo Head of Finance	Resolved	
2.1	Included in Administration expenses are provisions for trade receivables figure of Kshs 192,816,000. However the policy on provisions for trade receivables has not been disclosed in the financial statements. Under the circumstances the validity, accuracy and completeness of provisions for trade receivables of Kshs 192,816,000 could not be confirmed.	The policy on provisions for trade receivables states that Debts are considered for provision when; the debt has remained for twelve months and there is documented evidence that all collection avenues have been exhausted without success; when there is lack of supporting evidence for the debt; when the company has lost court case and will not be able to collect the debt; when the debtor is declared bankrupt; and when the debtor dies and debt cannot be recovered from any other means possible. This will be disclosed in the subsequent financial year.	Patrick Thuo Head of Finance	Resolved	



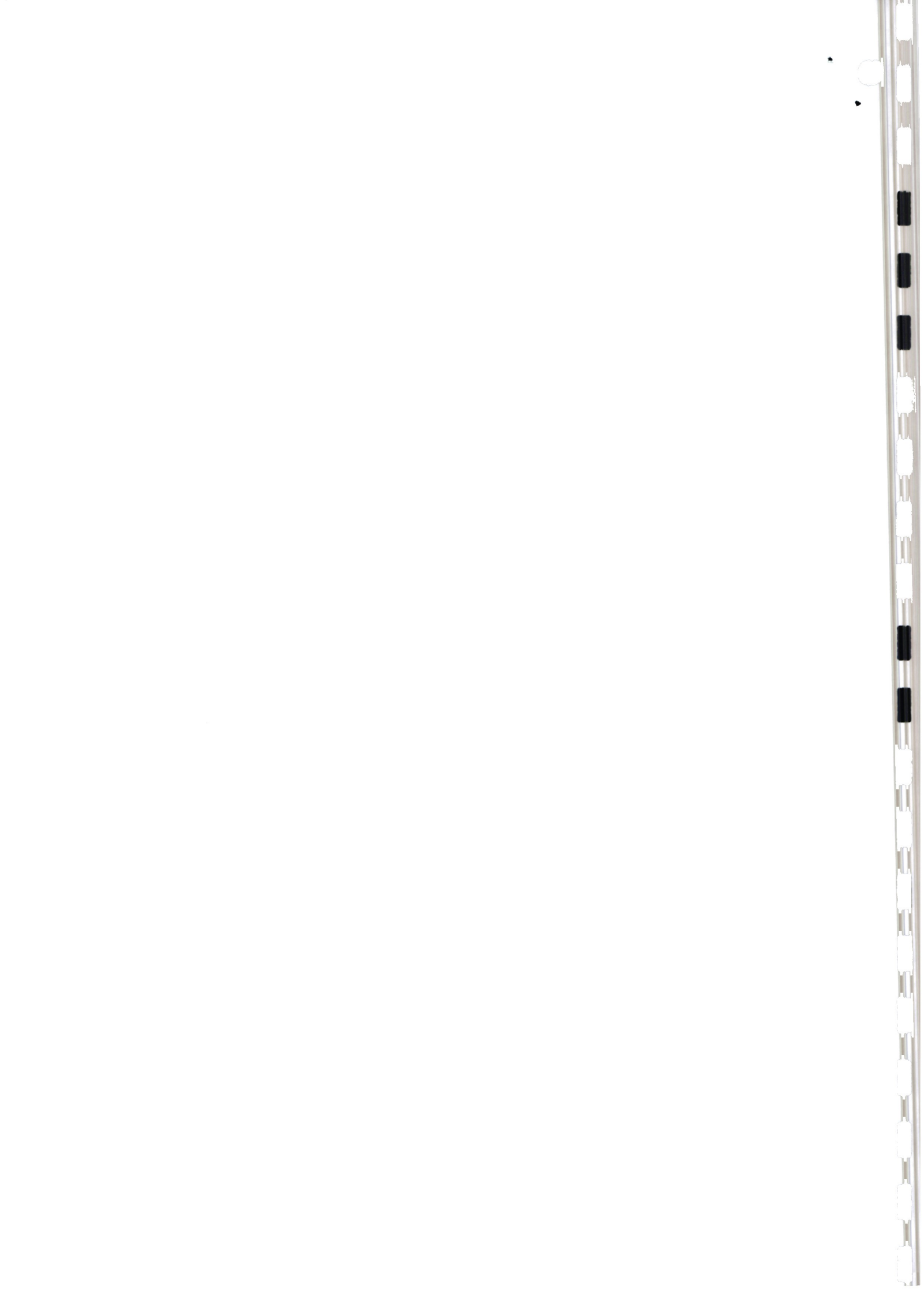
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2.2	<p>Included in Administration expenses are provisions for obsolete stocks figure of Kshs 231,626,000. However the policy on provisions for obsolete stocks has not been disclosed in the financial statements. Under the circumstances the validity, accuracy and completeness of provisions for obsolete stocks of Kshs 231,626,000 for year ended 30 June 2017 could not be confirmed.</p>	<p>The company declares provisions for obsolete stocks based on KEPHIS and the company's Quality Assurance Department results and Board approval. The amount declared has been certified by KEPHIS as low germ and are not meant for sale. These seeds are yet to be destroyed thus provided for as per the schedule.</p>	Patrick Thuo Head of Finance	Resolved	
3.1	<p>In 2015/16 Group financial statements reflects freehold land and buildings totaling to Kshs 2,778,310 at cost or revaluation. A consultant was engaged in 2008 to revalue company assets in line with IAS whereby land was valued at Kshs 1,570,489,000 and buildings valued at Kshs 1,539,001,000. The client adopted a conservative cost and undervaluation of Kshs 1,372,737,000 on land and buildings. In the circumstances it has not been possible to ascertain whether property, plant and equipment of Kshs 2,982,861,000 as at 30.06.2017 are fairly stated.</p>	<p>Under IFRS one can opt to account for the value of the land either at cost or market price. After the 2008 valuation, the company adopted to maintain land at cost and all other assets at market value. This covered the period from June 2008 to June 2015. As such the company is in compliant with the IFRS. The company carried out revaluation of assets in December 2015. The company adopted the market values in all the financials from FY2015/16 onwards. We have attached the extract of the valuation done in December 2015.</p>	Patrick Thuo Head of Finance	Resolved	
3.2	<p>Logbooks for 3 vehicles (KCC 875, KBG 380C, KBG 384C) were not availed for audit verification</p>	<p>The motor vehicle registration number KCC 875 is an old Land rover used when the firm commenced operations in 1956 and it is no longer in use but kept for ornamental as antique. Motor vehicles registration numbers KBG 380C and KBG 384C log books got lost and the company has done a formal request for replacement through letter dated 11th October 2018 to the Director General NTSA. Follow up on the replacement is in progress.</p>	Stephen Malakwen Head of HR	Resolved	



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3.3	<p>Logbooks for tractors and forklifts (KAN 369, KRY 529, KQZ 220) which had nil book value were not availed for audit verification.</p>	<p>The Trailers registration number KRZ 529 and KQZ 220 are old and were used when the firm commenced operations in 1956 and it is no longer in use but kept for ornamental as antique. Tractor registration number KAN 369 is still in operation and the process to replace the log book will commence.</p>	<p>Stephen Malakwen Head of HR</p>	<p>Resolved</p>
4.1	<p>Debtors with balances outstanding for more than 365 days totaling Kshs 36,172,713 were not provided for as bad debts contrary to credit policy 11 which requires provision of debts that have been outstanding for more than 12 months. Further, the basis for the provision for bad and doubtful debts of Kshs 679,857,000 has not been disclosed or supported in the accounting policies.</p>	<p>The company has different classes of receivables i.e. trade debtors, growers etc. which are unique and therefore providing for them requires that they are analyzed case by case. For example a grower may not be able to repay his debt within the first season but in the second season he will be able to fully repay his debt. A season is one full year.</p>	<p>Patrick Thuo Head of Finance</p>	<p>Resolved</p>
4.2	<p>No information was provided for audit review to confirm what constituted the Rwanda debt of Kshs 65,281,821 and when it was incurred. It was also not clear what strategy the company intended to adopt to make recoveries from the government of Rwanda. Further, details such as aging analysis and particulars of invoices outstanding were also not maintained. Under the circumstances the validity, accuracy and existence of trade export accounts receivables of Kshs 65,281,821 as at 30 June 2017 could not be confirmed.</p>	<p>This is an active account which had not matured by year end. The Rwanda government has a reputation of always paying in time when the invoices becomes due. The information and all invoices relating to Ministry of agriculture Rwanda including their aging analysis have been availed to the Auditor. The payments which have been received from Rwanda have also been availed to the auditor's review.</p>	<p>Patrick Thuo Head of Finance</p>	<p>Resolved</p>



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4.3	<p>Information available indicates that Kshs 46,000,000 relates to staff receivables who had left the organization. Although the management has indicated that a provision of Kshs 105,793,000 has been made and has commenced the process of documentation of write-off of the old debt to be forwarded to the board for approval, no explanation has been provided why the staff debtors were not deducted in the period it was incurred or upon issuance of final dues to an employee. The management has further not indicated the strategies it has put in place to recover the staff debtors who have since left the organization.</p> <p>In the circumstances it has not been possible to confirm the recoverability of Kshs 46,000,000 relating to staff receivables who had already left the organization.</p>	<p>This debt relates to stock variances debited to individual staff accounts. The amounts are normally higher than the final dues when the staff are leaving the company. The company has written to staff that have left the organization to repay the company and have started taking legal action to recover the amounts. The process of recovery is well documented and is being implemented to the letter.</p>	Patrick Thuo Head of Finance	Resolved	
5.0	<p>Statement of financial position reflects bank loan of Kshs 63,275,000 relating to Simlaw seeds Kenya Ltd for purchase of a building at Kijabe street Nairobi. However the nature of the loan has not been disclosed and no explanation has been provided for classifying the loan as current liability.</p> <p>Under the circumstances validity, accuracy and completeness of the loan of Kshs 63,275,000 as at 30 June 2017 could not be confirmed.</p>	<p>The company negotiated a loan facility on 4th February 2015 Amounting to Kshs. 100 Million with the Kenya Commercial Bank as per agreement attached. By 30 June 2017 the company had drawn an amount of 82.4 million and the repayments are as per the Loan Schedule Attached. The loan has been classified as non-current liability in the year ended 30 June 2018.</p>	Hezekiah Keitany Finance Manager- Simlaw Seeds Kenya	Resolved	
1.0	<p>There is a dispute regarding ownership of the Company. A suit was filed in court in 2005 by the ADC, being the major shareholder of the company against the former company's directors. The matter is still pending determination</p>	<p>This case had been dismissed at some point but was reinstated and it is awaiting hearing. In the meantime, both Kenya Seed Company and ADC have been negotiating, under the guidance of the Ministry of Agriculture, The National Treasury and The Attorney General's office with a view to reaching an amicable settlement. The matter was last in court on 23rd June, 2017</p>	Company Secretary Wilkister Simiyu	Unresolv ed	TBA



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2	<p>No Provision has been made for the contingent Liabilities in the Financial statements. Consequently, contingent liabilities figure of Kshs. 842,067,000 will impact negatively on the financial operation of the company if they actualize.</p>	<p>As explained in Note 40 of the Financial Statements, "Based on the advice by the Company's lawyers, the directors are of the opinion that no liabilities will crystallize. Therefore, no provision has been made for the amount in these financial statements". These are Contingent Liabilities which the Directors, based on the professional advice are of the opinion that the same will not crystallize. We have attached a letter from our Lawyers Namachanja & Mbugua Advocates to support our position.</p>	<p>Wilkister Simiyu Company Secretary</p>	Resolved	
3	<p>Payables amounting to Kshs 13,238,000 relates to accrued leave pay for the year ended 30 June 2017. Audit review of staff leave accrual records revealed that members of staff rarely go on leave. No information was availed for the anomaly.</p>	<p>The company has streamlined processes to ensure that all the staff proceed on leave as and when their leave is due. Since then the accrued leave has dropped to 13.238 million in the year ended 30th June 2017 from 14.08 Million in 2016. This figure will continue to reduce as more staff utilize their leave days as and when due.</p>	<p>Stephen Malakwen Head of HR</p>	Resolved	
4	<p>Kibo Seed Company Limited (Tanzania) has a net current liability of Kshs 204 million and accumulated losses of Kshs 87 million; Mount Elgon Seed Company limited (Uganda) has a net liability of Kshs 141 million and made no profit or loss; Simlaw Seeds Company Uganda has a net liability of Kshs 30 million as at 30 June 2017 and made a profit of Kshs 12 million during the year, while Simlaw Seeds Company Tanzania has continued to make losses which has accumulated to Kshs 0.866 million as at 30 June 2016. The continued operation of these subsidiaries as a going concern is thus dependent upon continued support from the parent Company, creditors and their bankers</p>	<p>The parent Company has continued and will continue supporting these subsidiaries.</p> <p>The Board is in the process of turning around these subsidiaries to revert them into profitability.</p>	<p>Azariah Soi Managing Director</p>	Unresolved	TBA

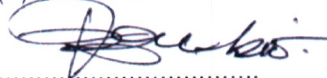


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FOR THE YEAR ENDED 30 JUNE 2018**

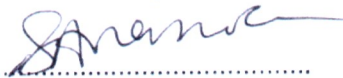
5.1	<p>Audit review revealed the company had a total of 409 employees. The ethnic composition of the company had one community with 47.86% (195 employees) and during the year under review the company recruited 17 new employees out of which 10 or 59% were from one community contrary to Part III section 7(2) of the National Cohesion and Integration Act No.12 of 2008 which states that no public establishment shall have more than one third of its staff or 33% from the same community. Consequently the management is in breach of the law.</p>	<p>The Company strives to ensure compliance with the 33% ethnic requirement as provided for under the Act. However it is clarified that the current trend in staff composition is attributed to the Company's location which is predominantly occupied by two ethnic Groups. The region is a major catchment area for manpower to the Company particularly the lower cadre. Notwithstanding the above the company will strive to comply with the requirements on ethnic composition and has made deliberate efforts to ensure there is balance in its recruitment for established positions. Such efforts include ensuring that there is adequate publicity for vacant positions in the company to afford equal opportunity to those eligible.</p>	Stephen Malakwen Head of HR	Unresolved	TBA
5.2	<p>Review of staff files revealed that some employees were still on the payroll despite their contracts having expired. Although the management has explained that it is in the process of renewing their contracts the company is in breach of the law.</p>	<p>Management was in the process of renewing the contracts of the indicated staff hence the decision to continue obtaining the services from them and paying them for the services provided. Management shall ensure it communicates to staff before the end of their contract and either terminate them from the payroll at the end of the contracted period or formally renew their terms of employment.</p>	Stephen Malakwen Head of HR	Resolved	

NB: Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.



Mr. Azariah Soi
 Managing Director
 2019



Hon. Nathan Anaswa
 Chairman of the Board
 2019



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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



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APPENDIX III: INTER-ENTITY TRANSFERS

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

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

Head of Finance
Kenya Seed Company Ltd

Sign.....

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

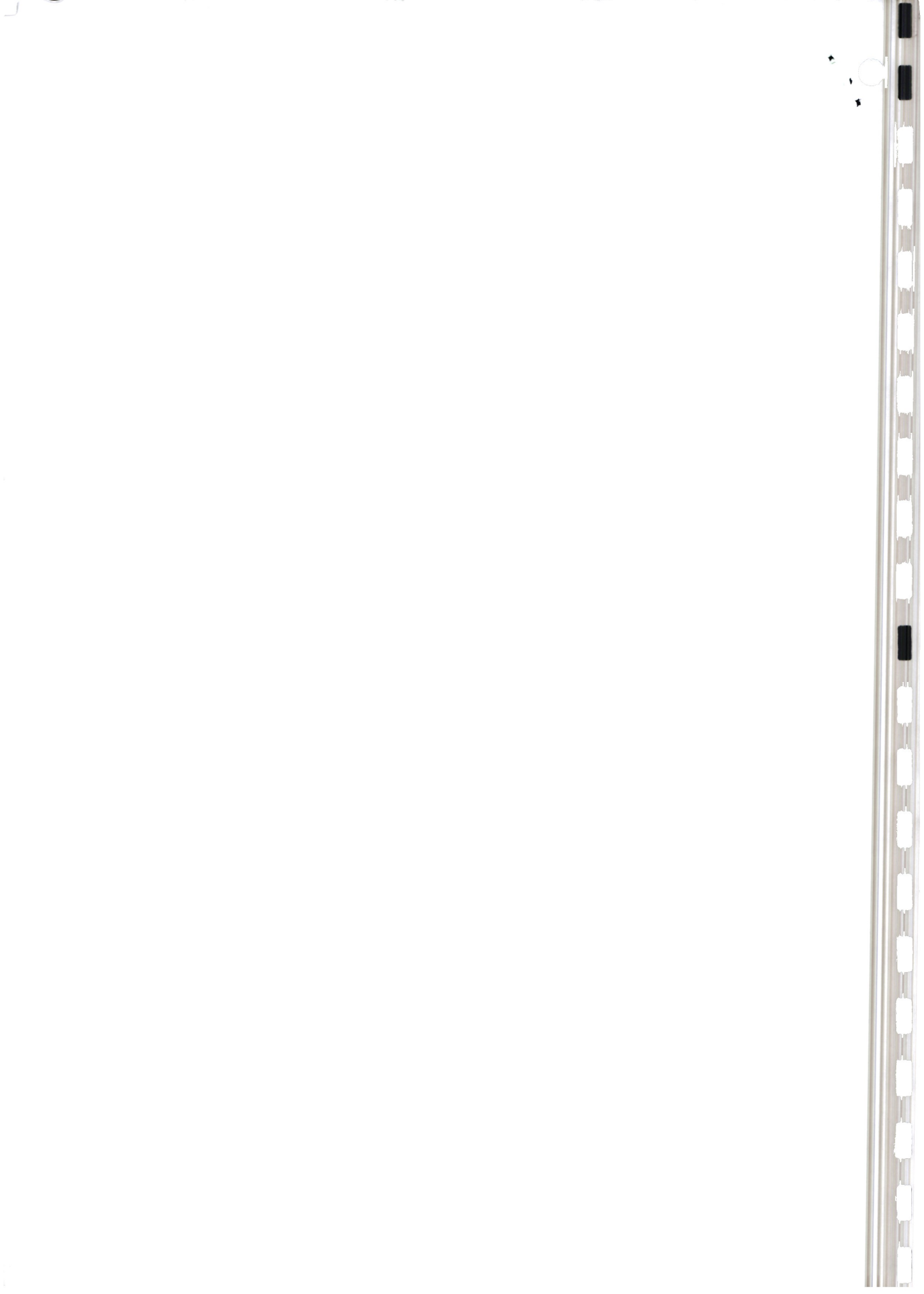
Sign.....



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

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



TOMATOES



