REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

KENYA SEED CO. LTD
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REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA SEED COMPANY LIMITED AND ITS SUBSIDIARIES

FOR THE YEAR ENDED 30 JUNE, 2021

KENYA SEED COMPANY LTD

& ITS SUBSIDIARIES

Top Quality Seed

ISO 9001:2015 CERTIFIED FIRM

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE

YEAR ENDED 30TH JUNE 2021

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

COVID 19 PREVENTIVE MEASURES

1. PLEASE OBSERVE SOCIAL DISTANCE!

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Cabinet secretary, Ministry of Agriculture, Livestock and Co-operatives, Honourable Peter Munya, planting a tree at seed driers complex during a tour of the maize processing factory.

MD Presenting a trophy to the winner of Kenya Seed Classic golf tournament at the Kitale Club.

KEY ENTITY INFORMATION

Background Information

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

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

Where we operate:

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

KEY ENTITY INFORMATION (continued)

Principal Activities

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

Maize Varieties

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

Wheat Varieties

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

Sorghum Varieties

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

Finger Millet Varieties

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

KEY ENTITY INFORMATION (continued)

Pasture Varieties

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

Dry Shell Beans

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

Sunflower Varieties

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

Nerica Rice Varieties

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

Groundnuts

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

SimSim

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

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

KEY ENTITY INFORMATION (continued)

Simlaw Seeds Company Ltd Products

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

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

Value vegetables
Cauliflower amazing f1, Brocolli conde f1

Eggplant
Black Beauty and Early Long Purple

Okra
Pusa Sawani and Crimson Spineless

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

Carrots
Carrot Nantes, Napolitana f1

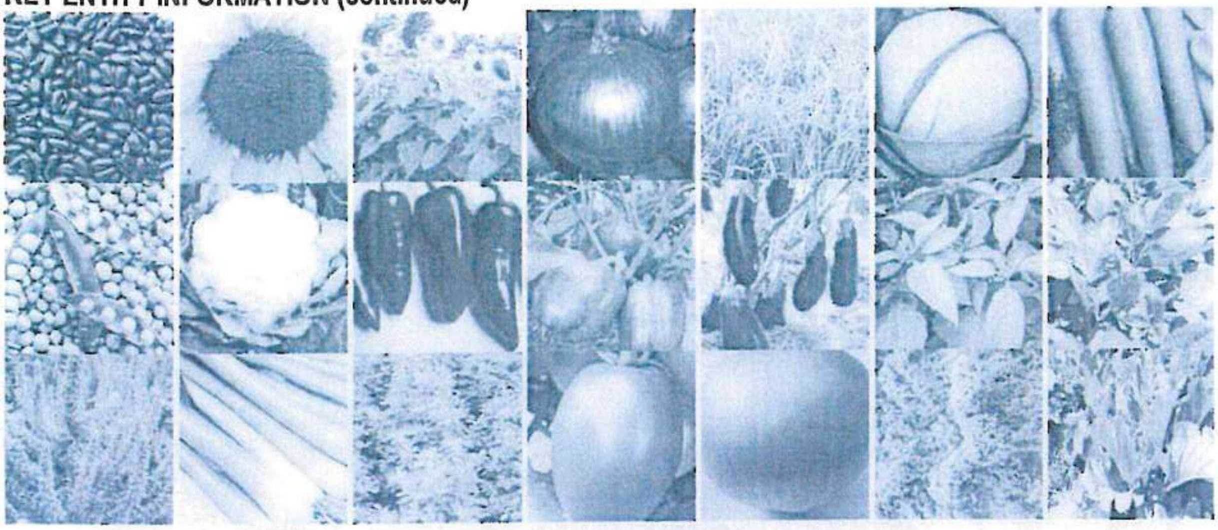
Pepper
California Wonder, Yolo Pepper Lafayette f1, Long Red Cayenne and Fresno (Bullet), Double up, Citrine.

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

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

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

Herbs
Coriander Dhania, Parsley and Celery



OUR VISION

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

OUR MISSION

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

OUR CORE VALUES

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

KEY ENTITY INFORMATION (continued)

Directors

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

Hon. Nathan Anaswa	Chairman	From 7th Feb 2017 to 6th Feb 2020
Dr. Julius Muia	Principal Secretary, The National Treasury	
Prof. Hamadi Iddi Boga	Principal Secretary, State Department of Crop Development & Agricultural Research	
Mr. Mohamed Bulle	Managing Director, ADC	From 7th Feb 2017 to 6th Feb 2020
Mr. Simon Cherogony	Managing Director, KFA	From 7th Feb 2017 to 6th Feb 2020
Mr. Lawrence Njiru		From 7th Feb 2017 to 6th Feb 2020
Mr. William Kundu		From 7th Feb 2017 to 6th Feb 2020
Dr. Nathaniel Tum		From 7th Feb 2017 to 6th Feb 2020
Dr. Indeje Wanyama	Alternate Director to the Principal Secretary, The National Treasury	
Dr. Johnson Irungu	Alternate Director to the Principal Secretary, State Department of Crop Development & Agricultural Research	
Executive		
Mr. Fred Oloibe	Ag. CEO from 17th April 2020	
Mr. Azariah Soi	From 17th April 2020 proceeded on terminal leave	

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

Corporate contacts

Tel: (054)-31909-14
Mobile: 0722205144, 0726141856, 0733623668
Email: info@kenyaseed.co.ke
Website: www.kenyaseed.com

Principal Bankers

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

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

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

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

	Cooperative Bank of Kenya P.O. Box 1058 - 30200 Kitale, Kenya
Independent and Principal Auditors	Office of Auditor General P.O. Box 30084 – 00100 GPO Nairobi, Kenya
Principal Lawyers	Kidiavai & Company Advocates, Commissioners for Oaths and Notaries Public 2nd Floor, Mazop Building P.O. Box 437 – 30200 Kitale, Kenya.
	Albert Kamunde & Company Advocates, Commissioners for Oaths, Notary Public and Certified Public Secretaries, 4th Floor, Blue Violets Plaza Kindaruma Road, off Ngong Road P.O. Box 56936 – 00100 Nairobi, Kenya.
	Namachanja & Mbugua Advocates, Notaries Public and Commissioners for Oaths A4, Hurlingham Park, Arwings Kodhek Road P.O. Box 26301 – 00100 Nairobi, Kenya.
Subsidiaries	Simlaw Seeds Company Limited Kijabe Street P.O. Box 40042 – 00100 Nairobi, Kenya.
	Kibo Seed Company Limited Mbegu House, Opposite Golden Rose Hotel Plot No. 355 Block X, Area F P.O. Box 25 Arusha, Tanzania.
	Simlaw Seeds Company Tanzania Limited (Dormant Entity) Mbegu House, Opposite Golden Rose Hotel Plot No. 355 Block X, Area F P.O. Box 25 Arusha, Tanzania.
	Simlaw Seeds Company Uganda Limited 6th Street, Industrial Area P.O. Box 21303 Kampala, Uganda.
	Mount Elgon Seed Company (Dormant Entity) Nakivubo Place P.O. Box 23810 Kampala, Uganda.

MAIZE

OUR BOARD OF DIRECTORS

Mr. Mohamed M. Bulle

Mr. Mohamed Bulle was born in 1958.He is the chairman of the Board of directors of Kenya Seed Company Limited, He is the Managing Director of ADC. Prior to being appointed MD he was the Director of Operations at ADC. He has over 30 years' experience. He holds a Master of Environmental Science from Antioch University, USA and Bachelor of science in Agricultural Education and Extension and a Diploma in Agriculture from Egerton university. He is a member of the Environmental Institute of Kenya-EIK and has accreditation with NEMA as an environmental impact assessment and audit (EIA and Audit) Lead Expert. He is also a member of the board of directors of Young Muslim Association (YMA) and North-Eastern Muslim Welfare Society

Mr. Fred Oloibe

Mr. Fred Oloibe was born on the 18th September 1974 and is the Acting Managing Director from 17th April 2020 and 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). He is a Fellow on seed policy from the University of California.

Dr. Indeje Wanyama, Alternate Director to the PS, The National Treasury

Dr. Indeje Wanyama was born on 04th September 1969. He has more than 10 years of Corporate Finance and Management. He started out as an Economist/Planning Officer in the Ministry of Education, and rose to become Deputy Director – Financial and Sectoral Affairs Department in the Ministry of Finance/The National Treasury. He previously served as Deputy Chief Finance Officer at the State Department of Livestock for two years; Assistant Director of Budget-Budgetary Supply Department in the Ministry of Finance/The National Treasury for a period of six years; and as Senior Finance Officer in the Ministry of Finance-Budgetary Supply Department for five years. He previously worked as a lecturer at USIU, and was a Lead Consultant in the development of the Strategic Plan for the Office of the Controller of Budget 2012-17 and involved in preparation of Strategic Plan for the Ministry of Water and Irrigation for the Government of Southern Sudan. He has a BA (Economics) from University of Nairobi, an MSc in Economic Policy Analysis from Addis Ababa University, Ethiopia, and a PhD in Management Science from Shanghai University of Finance and Economics. He is a Certified Public Accountant of Kenya.

Mr. Eliud Mathu

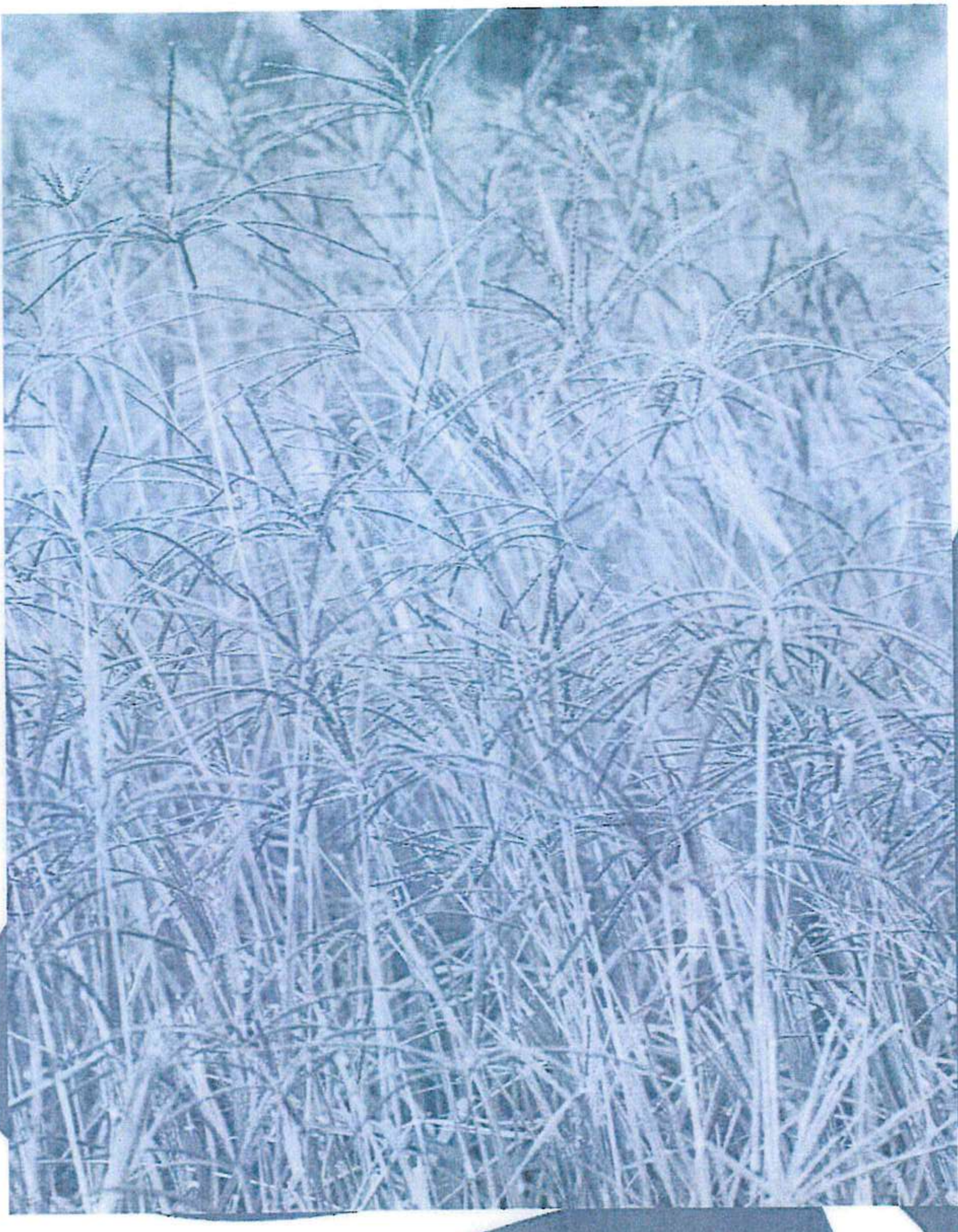
Mr. Eliud Mathu was born on 27th August 1968. He is a seasoned Agricultural economist with over 25 years combined working experience impacting Agricultural policy and its development at the State Department for Crop Development, including hands-on technical support to farmers at the grassroots. A versatile leader with a broad Corporate Governance experience representing the State Department in various state corporation Boards championing ethical and professional governance and policy formulation for execution of their mandates in regulation, delivery of services to Kenyans, economical processing of agricultural produce, Training and research. An avid reader who constantly develops his knowledge in new technologies in practical agricultural practices in developing countries and passionate for efficient and effective service delivery by state corporations. Current scope of influence includes senior government officials, senior executives and boards of State Corporations.

Eliud is well versed in modern agricultural economic and management trends and has consistently acquired modern skills through training and personal development attending global trainings and seminars in the United States, India, Brazil, Pakistan, Mozambique, Uganda, Japan, South Africa, China and Kenya to keep abreast with emerging trends in modern agricultural practices in developing countries. He has a Master of science in Agriculture and applied Economics at Egerton, with university of Pretoria partnership 4-month residency, Bachelor of science Agricultural Economics at Egerton University).

CS. Wilkister Simiyu

CS. Wilkister Simiyu was born on 16th June, 1981 and is the Company Secretary and Head of Legal Services. She has 15 years' work experience both as a practicing advocate and an in-house counsel having worked as a practicing advocate at Kitiwa & Co. and Nyaundi Tuiyot & Co. and an in-house counsel at Moi University and its affiliates. She has an LLM specializing in Commercial and Corporate Law and a Post Graduate Diploma in Law and Development both from University of London She holds LLB degree(Hons) from Moi University and postgraduate diploma in Law (KSL). She is a Certified Public Secretary(CPSK), Certified Governance and Legal Auditor and currently pursuing a Masters of Law degree. She joined the company in October 2016.

BOMA RHODES



OUR MANAGEMENT TEAM

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

Mr. Fred Oloibe was born on the 18th September 1974 and is the Acting Managing Director from 17th April 2020 and 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). He is a Fellow on seed policy from the University of California

CS. Wilkister Simiyu was born on 16th June, 1981 and is the Company Secretary and Head of Legal Services. She is an Advocate of the High Court since 2006. She has over 15 years' work experience as a practicing advocate at Kitiwa & Co. Advocates and Nyaundi Tuiyot & Co. and an in-house counsel at Moi University and its affiliates. She has an LLM specializing in Commercial and Corporate Law and a Post Graduate Diploma in Law and Development both from University of London. She holds LLB degree (Hons) from Moi University and a Postgraduate Diploma in Law (KSL). She is a Certified Public Secretary (CPSK), Certified Governance and Legal Auditor. She joined the company in October 2016.

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

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

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

OUR MANAGEMENT TEAM (continued)

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

CPA Patrick Thuo was born on 20th August 1972 and is the Head of Finance. He holds a Bachelor of Commerce and is pursuing a Master's in Business Administration from the University of Nairobi. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), the Kenya Institute of Management (KIM), a graduate of Advanced Management Programme (Strathmore IESE Business School, Barcelona Spain) and a Certified Public Secretaries (CPSK) 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.

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

OUR MANAGEMENT TEAM (continued)

Mr. 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.

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 Production Manager, Kitale.

Mr. Paul Tonui was born on 12th August 1962. Mr. Tonui has a diploma in Farm management from Egerton University. He joined the company in 1st June 1988 as a management farm trainee at Elgon Downs Farm for one year, he was then posted to production seed maize as a field officer, where he has vast experience as the wheat and Maize production field officer for a period of twelve years, in Nakuru (1989-2015), (2016-2020) was the acting production manager seed maize, He is currently the Operations Manager, Nakuru Branch.

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.

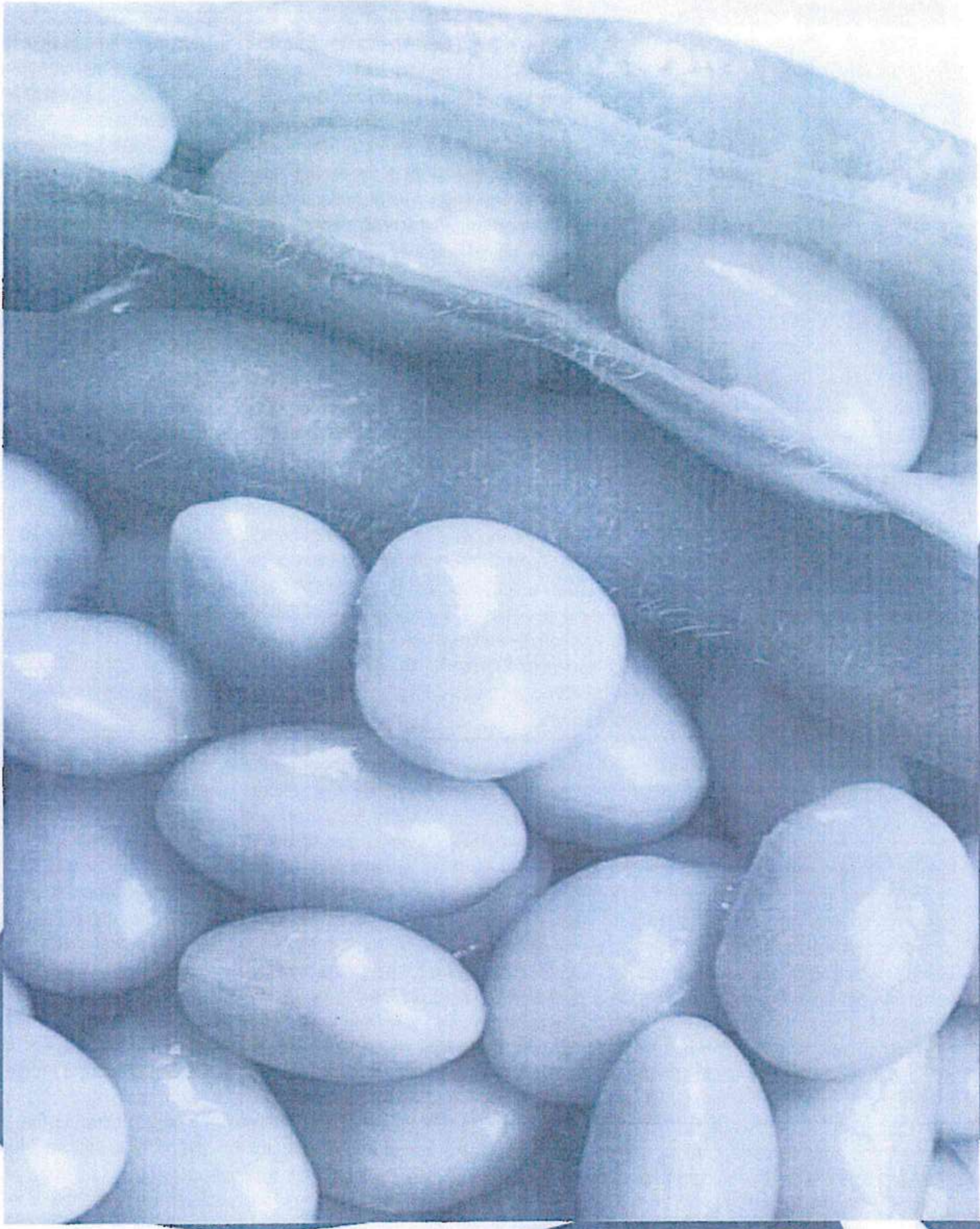
OUR MANAGEMENT TEAM (continued)

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

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.

Ms. Jane Gitau was born on 2nd April 1967 and is the Senior Corporate Communications Officer. Ms. Gitau has over 30 years of experience in public relations and communications. She was previously the President of Public Relations Society of Kenya (PRSK). She holds Masters in Journalism Studies from Cardiff University in UK. She joined the company in August 2019. She is a fellow of Public Relations Society of Kenya (PRSK) and Secretary General of Africa Public Relations Association (APRA). She has previously worked for the International Livestock Research Institute (ILRI), the Eastern African Sub Regional Support Initiative for Advancement of Women (EASSI) and the media.

SOYA BEANS



CHAIRMAN'S STATEMENT

Dear Shareholders,

It is with great pleasure that I present to you the annual report and financial statements of Kenya Seed Company for the year ended 30th June 2021.

Business Environment Overview

The COVID-19 challenge is not something any of us would have imagined. Unlike in the past when we have faced election-related volatility, the pandemic arrived with high uncertainty and unpredictability. The effects are not limited to public health; they affect all spheres of Kenyan society. Kenya's economic growth is expected to drop to 1.5% this year, and contract 1% in the worst-case scenario under the impact of the corona virus outbreak that has hit tourism, agricultural exports and remittances. The measures taken to slow down the rate of infection, including home confinement, travel restrictions, the closure of schools and entertainment spots, the suspension of public gatherings and conferences, and a nightly curfew are expected to affect both production and consumption. Globally, the pandemic has led to an international public health emergency and a corresponding shutdown of many parts of the global economy. The economy is experiencing a colossal negative impact with the International Monetary Fund projecting severely impacted growth across all regions.

Kenya's Big Four economic plan, focuses on manufacturing, affordable housing, universal health coverage, and food and nutrition security. It envisages enhancing structural transformation, addressing deep-seated social and economic challenges. By implementing the Big Four strategy, Kenya hopes to reduce poverty rapidly and create the much-needed decent jobs for the youth.

The agricultural sector, which continues to be the mainstay of Kenya's economy contributing 26% of the GDP, experienced mixed results. 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 hereby delighted to report that the Company posted a marked improvement in performance of Kshs 6.5 billion and Kshs 5.2 billion for group and company respectively in 2021 as compared to the same period last year of Kshs 5.1 billion and Kshs 6.4 billion for the company and the group respectively. The results for the company however fell below the projected estimates of Kshs.5.97 billion by 12% for the company. The recorded profit before tax was Kshs 885 million and Kshs 824 million for group and company respectively in the period ended 30th June 2021 from Kshs 721 million and Kshs 614 million recorded for the period ended 30th June 2020. This was due to increased sales posted during the period.

The Group asset base increased by 5% from Kshs 13.15 billion to Kshs 13.87 billion and the company asset base increased by 5% from Kshs 12.94 billion in the previous year to Kshs 13.57 billion respectively in the year under review.

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. Following this initiative, the Company was able to avail sufficient quantities of seed of all the major varieties for all agro-ecological zones.

Future Outlook

The future outlook of Kenya Seed Company is bright. The Board has continued to develop 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 which include Tanzania, Uganda, Rwanda, Burundi and Democratic Republic of Congo. In addition to expanding the regional market, the Company has made strides in expanding her product portfolio to include vegetable seeds, pastures, and sunflower seeds among others. The Board of Directors will continually review the various business strategies in place to ensure sustained business profitability and growth. In the financial year 2020/21, the board will initiate strategies which will enhance governance and compliance practices to relentlessly focus on risk management.

Appreciation

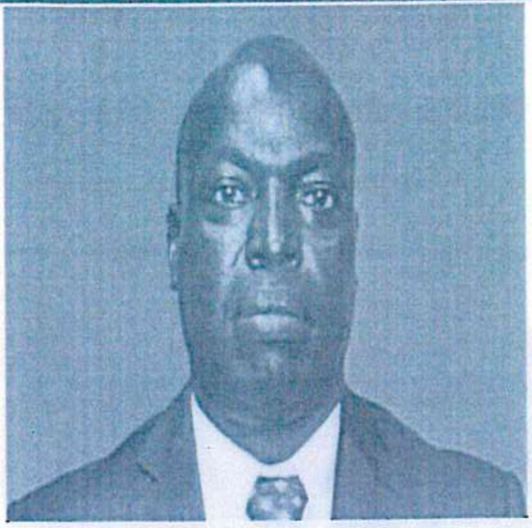
I wish to extend my sincere appreciation to all our shareholders, business partners, advisors, esteemed customers, our farmers, the Board of Directors, the Management team and the entire staff for their unwavering support and confidence in the Company and our products.

Continue following the Ministry of Health directives to stay safe from Covid-19.

God bless Kenya Seed Company and each one of you.

Mr Mohammed M. Bulle
Chairman

NERICA RICE



CEO'S STATEMENT

I am delighted to present to you the performance of Kenya Seed Company for the year ended 30th June 2021.

Financial Performance

During the period the company turnover increased by 3% from Kshs. 5.1 billion in the year 2020 to Kshs 5.2 billion in the year ending 30th June 2021 while Group turnover increased by 1% from Kshs 6.4 billion in 2020 to Kshs 6.5 billion in 2021. This remarkable performance was occasioned by increased sales of seed maize and other crops in the period. The company posted an increase in pretax profit from Kshs 721 million in 2020 to Kshs 821 million in 2021, while the Group posted an increase from Kshs 614 million in 2020 to Kshs 885 million in 2021.

The company closing Cash and Cash equivalent position increased from Kshs 2.2 billion in 2020 to Kshs 2.5 billion due to increased sales while Group Cash and Cash equivalent increased from Kshs 2.48 billion to Kshs 2.82 billion. The Group asset base increased by 5% from Kshs 13.15 billion to Kshs 13.87 billion and the company asset base increased by 5% from Kshs 12.94 billion in the previous year to Kshs 13.58 billion respectively in the year under review.

Research and Development

In line with our mission of availing top-quality seed to the farmers, we continue to focus on the production of parental seed materials for the development of superior varieties that are high yielding and tolerant to pests and diseases. The company will continue to invest in research which has enabled her to release new seed varieties. Once these new varieties are fully commercialized shall afford farmers an opportunity to maximize their productivity and diversify into other food crops. Already Kenya Seed Company has forwarded new seed varieties to National Performance Trials (NPT) and we expect that most of these varieties shall be released soon. This is geared towards ensuring that there is food security and nutrition in support of the government's Big Four Agenda.

Covid-19

The covid-19 pandemic has greatly affected the global economy and the company was not an exception. The company is fully aware that the future of the economy and work comes into the fore when dealing with corona virus pandemic. Upon the onset of the pandemic, the company adopted agility and engaged her business risk techniques in line with the health protocols to ensure that they delivered on her core mandate. I would like to pass my thoughts to those who may have lost a loved one, those infected as well as the medical doctors and nurses who are fighting courageously for the good health of everyone.

Operations

The global climatic change i.e., locust infestations and floods has impacted negatively rain-fed agriculture in the country. To mitigate against this, the company has collaborated with key Growers who have invested in modern farm equipment and irrigation infrastructure to cushion against seed shortage. This initiative has gone a long way in ensuring consistent supply of top-quality seeds in sufficient quantities.

Timely availability of sufficient fertilizer is critical to efficient and effective seed production activity. For this, we have continued to partner with the government in accessing the subsidized fertilizer for our growers in an effort to lower the production costs and increase farmers' margins.

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

Future Outlook

Going forward, we are on the right path to greater prosperity with numerous opportunities for business growth and expansion supported by anticipated national economic growth. Our future growth will come from:

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

Acknowledgement

I take this opportunity to express my gratitude to our customers for their loyalty and continued support. My appreciation also goes out to our Shareholders for their commitment to our Strategy, to the Directors of Board whose leadership and guidance have continued to inspire and challenge us, to our regulators and the government whose invaluable oversight and assistance have been key to our progress so far, to our stakeholders and to the communities that we have the privilege of serving. 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.

Fred Oloibe
Ag. Managing Director

AMARANTHUS (TERERE)

REVIEW OF KENYA SEED COMPANY 'S PERFOMANCE FOR FY 2020/2021

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives. The company has 10 strategic pillars and 12 objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

* Pillar 1: Corporate communication
* Pillar 2: technology uptake
* Pillar 3: seed production
* Pillar 4: quality of seeds
* Pillar 5: productivity of subsidiaries
* Pillar 6: governance and risk management
* Pillar 7: human resources management
* Pillar 8: financial sustainability
* Pillar 9: marketing growth
* Pillar 10: Engagement/collaboration/partnerships with stakeholders

The company develops its annual work plans based on the above 10 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The company achieved its performance targets set for the FY 2019/2020 period for its 10 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators (KPI)	Activities	Achievements
Corporate Communication.	Ensure effective real time internal & external communication.	Communication Report	Improve use of existing modes of communication	Addition of five new lines i.e. Safaricom and Airtel added to the existing ones within our switchboard making it convenient for customers to reach us. There was also increased email usage from 200 to 250 users and migration of the entire mailing system to the cloud.
			Embrace emerging modes of communication	Acquisition of social media software (meltwater) which is used to track information about Kenya Seed Company in social media and online bloggers both locally and internationally. Existence of social media chat groups i.e. Whatsapp especially for functional committees
		CSR policy	Develop and implement a CSR policy	The Company is in the process of developing a CSR policy; however the company spent Kshs 11.7 million on CSR activities in the year where seed and fruit seedlings were issued, a public primary school was built among other community development activities..
Technology uptake.	Develop, release and commercialize market driven varieties and agronomic advice on crop varieties by 2020.	Number of varieties developed	Developing superior crop varieties for each of the macro ecological zones	The following varieties were submitted by R&D to the National Performance Trial (NPT); 8 for maize varieties for different agro zones 4 for wheat varieties. One wheat variety and 2 oat varieties were released for commercialization.
		Number of collaborating institutions	Collaborating with relevant institutions to develop and commercialize crop varieties	The company collaborated with 3 institutions namely University of Nairobi, Kenya Agricultural Research Organization (KALRO) and University of Eldoret. (UOE). The collaboration mainly focuses in breeding with new technologies expected to result in commercialization of new superior varieties.
		Number of recommendations made	Use of cost-effective Agronomic practices	Several recommendations were made to growers on the best Fertilizers, herbicides and insecticides to be used.

Strategic Pillar	Objective	Key Performance Indicators (KPI)	Activities	Achievements
	Improve operational efficiency	Number of machinery and equipments acquired.	Modernize farm machinery and equipment at EDF	The company acquired 2 (Two) tractors of 130 Hp each in its effort to modernize farm machinery and equipment at EDF.
		Number of subsidiaries Linked up	Link up subsidiaries to parent company ERP systems	The Company has begun the process of linking and automating the subsidiaries to parent company ERP systems. Infrastructural assessments have been done for Simlaw Uganda and Kibo seed Tanzania.
		Number of Upgraded equipment and storage.	Upgrade of equipment and storage facilities	The Company is working on a distribution model that ensures early movement of seed to Agents and Stockiest as opposed to keeping the seed in our stores; this will also reduce the pressure on additional storage requirement.
		Electrical energy consumption report	Reduce electrical energy consumption	There is reduced electric energy consumption by use of modern electric energy saving equipment.
		No of outsourced non-core activities	Outsource non-core activities	The company has outsourced non-core activities e.g., Security and staff welfare (tea serving)
		ISTA accreditation certificate	Attain ISTA accreditation by 2022	An approval was issued for the acquisition of additional lab equipment and some laboratory infrastructure adjustments. A compliance audit was done in the 2nd quarter by the regulators and gaps identified were addressed. The Company fulfilled KEPHIS authorization requirements and was awarded Certificate of Authorization as Seed Inspection and Testing Entity on the 19th January 2021.
Seed Production	Optimize seed production to meet 100% of annual planned target	Kilos per unit area	Increase yields per unit area by 10% by 2021	In the year 2020/2021 the Company Produced 27,388MT against a target of 28,045MT of maize seed. The average yield per acre was 850 Kilos which is below optimal average of 1,000 Kilos. This was due to bad weather leading to post harvest losses.
		Percentage increase of irrigated seed production area	Increase irrigated seed production area by 25% by 2023	The Company decreased irrigated seed production area from 5,388 acres in 2019/20 to 5,070 in 2020/21 due to reduced production area in the Wei wei irrigation scheme.
		No of new acreage identified	Explore new areas for seed production	Maize seed production commenced within the foreign subsidiaries mainly in Tanzania and Rwanda with support from the mother company. In Tanzania production is done on 1,071 acres and 58 acres in Rwanda.
Quality of seeds.	To ensure compliance with Seed Act Cap 326 as well as customer and stakeholder expectations on seed quality.	Reduced number of customers complains of seed quality	-Continuously implement and review effectiveness of quality assurance programs to enhance seed quality -Build capacity to attain ISTA accreditation and be an authorized institution in execution of OECD seed schemes. -Seek for authorization by KEPHIS to carry out delegated seed certification	The company has ensured there is effectiveness of quality assurance programs to enhance seed quality hence registering minimal customer complaints. The company attained the ISTA accreditation and KEPHIS Authorization. Training has been done for 12 members of staff from Quality Assurance as Seed inspectors and analysts and who have been gazetted.
Productivity of subsidiaries.		Assessment report	Establish need assessment for subsidiaries requirements	The subsidiaries have developed five-year strategic plans.

Strategic Pillar	Objective	Key Performance Indicators (KPI)	Activities	Achievements
	Invest required resources to revitalize subsidiaries	Kilos produced in host country	Lease land to do production of seed in host countries	There is production of seed maize in Tanzania and Rwanda. In Tanzania 1,071 acres was planted with estimates yield of 1,071,000 kilos and in Rwanda 58 acres was planted with an estimated yield of 58,000 kilos.
		Financial report	Convert subsidiary debt into equity and sell shares to host country	The company has commenced plans to convert subsidiary debt into equity.
Governance and Risk management	Improve the risk management frame work	Risk management policy.	Develop and implement a risk management policy.	The company has developed and is implementing the risk management policy, as well as departmental risk champions who have developed respective risk registers.
		Company assets status report	Secure company assets	To ensure the safety of property the Company has insured all property and has also installed CCTV cameras in all buildings.
Human Resources Management	Attract, retain and develop a competent motivated staff complement	Reviewed organization structure	Review and implement an organizational structure.	The company has a reviewed organization structure and implementation is ongoing.
		Succession management system	Develop and implement a Succession management system	The process of developing a Succession Management system has been initiated and will be concluded in 2021/22
		Employee satisfaction index report	Enhance employee satisfaction index by 2% annually	The company commenced the employee satisfaction survey which will be concluded in 2021/22.
		Performance Management system	Enhance the Performance Management system	Top management were trained on Performance management and the company is in the process of reviewing its performance management tools.
		Reward/ sanction report	Enhance the reward/ sanction and remuneration system	The company has a HR policy which guides on the reward/ sanction and remuneration system. The company also rewards its members of staff with a bonus pay based on the organizational performance.
		Training Needs Assessment Report	Ensure Staff Training and Development	The company has developed and is implementing the Training Needs Analysis (TNA).
		Work environment report	Develop and maintain a work environment that stimulates team spirit, passion, engagement and achievement	The company has continued to maintain a work environment that stimulates team spirit, passion, engagement and achievement through departmental team building forums.
Financial Sustainability	Improve Profit Before Tax by 20% annually	Audited Financial Statements	Increase gross profit margins by 1% annually	The Company has put in place strict internal control measure to prevent against losses. It has also negotiated for more favorable trading terms with suppliers. The gross profit margin grew from Kshs 1.90 billion in 2019/20 to Kshs 2.28 billion in 2020/21 translating to a 2% growth.
		Sales reports	Attain the Targeted Sales Volume of all Products	The company has always strived to attain the Targeted Sales Volume of all Products. In the flagship product maize, it attained a sales volume 27,171MT against a target of 28,000MT.
		Audited Financial Statements	Reduce overheads by 1% annually	There is reduced electric energy consumption by use of modern electric energy saving equipment. It has also ensured that the Seed maize producer price to selling ratio should not be more than 40%. It has also worked towards reducing overheads by outsourcing non-core functions and using internal resources. e.g. Training. The overheads reduced from Kshs 1.48 billion in 2018/19 to Kshs 1.39 billion in 2019/20 translating to a 7% reduction.

Strategic Pillar	Objective	Key Performance Indicators (KPI)	Activities	Achievements
Marketing Growth	Increase sales volume	Sales volume report and Promotion report.	Carry out aggressive marketing research in all regional markets	The Company achieved a sales volume of 27,171 MT of its flagship product maize against a target of 28,000 MT translating to 97% achievement. To attain the sales volumes in the subsequent years, the marketing team has done market segmentation and assigned targets to its outlets to step up visibility and sales. It has also intensified planned product promotion activities. There is synchronized Production, Processing and marketing demand to ensure product availability.
		Export report	Timely Supply of the required quantities of seed to all subsidiaries	The Company has continued to support its subsidies in Uganda and Tanzania and its sales outlet in Rwanda through timely Supply of the required quantities of seed.
		Sales Volume report	Product diversification i.e. Sale of complementary products	The company is in the process of partnering with suppliers of complementary products e.g. fertilizers and herbicides.
		Feedback and Market audit report.	Market 4 established seed varieties per eco zone	The company is in the process of conducting a market survey in 2021/22.
		Sales Volume report	Enhance Sale of slow adoption products	Establishment of business partnership and relationship with strategic stakeholders e.g. the County Governments and NGOs who purchase and distribute orphaned crop seeds e.g. finger millet and soya beans etc to groups.
	Improve Customer satisfaction level from 75% to 80 % in 5 years	Survey report	Conduct quarterly market research /intelligence.	Plans to carry out a market research/survey have commenced will be done by an external service provider.
Engagement/collaboration/partnerships with stakeholders	Enhance inter departmental & subsidiary linkages	Reviewed SLAs	Review SLA between departments and subsidiaries.	Ensured enhanced inter departmental linkage in Company and in the value chain.
		Quarterly Reports	Incorporate subsidiary in the parent company plans.	The company has ensured that critical subsidiaries plans have been incorporated into the Parent Company plans. The subsidiaries reports are sent to the parent company and are subsequently discussed at management meetings.
		Reviewed company service charter	Review company service charter	The Citizens Service Delivery Charter was reviewed and approved and subsequent implementation is ongoing.

CORPORATE GOVERNANCE STATEMENT

Corporate governance is the system of rules, practices, and processes by which a company is directed and controlled. Corporate governance essentially involves balancing the interests of a company's many stakeholders, such as shareholders, senior management executives, customers, suppliers, financiers, the government, and the community. Since corporate governance also provides the framework for attaining a company's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

The Board of Directors is the primary direct stakeholder influencing corporate governance. They are committed to the principle that the company and its subsidiaries 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 2021 is highlighted on Page (xi) 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 6 meetings in the financial year ending 30th June 2021. During their meetings the Board reviews the Company's performance against the planned strategies and also approves issues of strategic nature.

CORPORATE GOVERNANCE STATEMENT (continued)

The attendance at the Board meetings during the financial year 2020/21 is as follows:

Member	Meetings Held	Meetings Attended	% Attendance
Eliud .M, Kamau	6	5	100%
Peter.K.Waweru	6	5	100%
Indeje Wanyama	6	5	83%
Samuel Mecca	6	2	33%
Francis Okwara	6	2	33%
Kipkorir arap Menjo	6	2	33%
Gitonga Kamiti	6	2	33%
Mohamed Bulle	6	1	17%
Alice Chesire	6	1	17%

The 50th Annual General meeting was held on 26th march 2021 where the following Board members were elected to the Board of Kenya Seed Company.

1. Francis Okwara - Chairman of the board.
2. Samuel Mecca - Director
3. Kipkorir Arap Menjo -Director (KFA)
4. Alice Chesire
5. Gitonga Kamiti

The Court however on 11th May 2021 suspended the decision by the Cabinet Secretary to appoint the aforementioned Directors until the matter is heard and determined.

The Board Members sitting in the year were:

1. Dr Indeje Wanyama- Alternate Director representing Cabinet Secretary for National Treasury.
2. Mr. Eliud Mathu -Ministry of Agriculture, Livestock and fisheries.
3. Mr. Mohammed.M. Bulle -ADC
4. Mr. Peter Waweru in attendance of the meetings in the year as inspector of state corporations.

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 Approval 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.

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. In the year 2020/21 the Committee did have its sitting to deliberate on the Audit Matters as per its mandate. However, considering the dual reporting structure of the department, the reports for the year were channeled to the Managing Director

2. Research, Production and Marketing committee: The company has the Research, Production and Marketing Committee that deals with the core mandate of the company-seed production up to ensuring seed reaches the customer. Because of the challenges on constitution of the Board, there was no committee to consider the issues as has been the case when the Board is fully constituted. This committee is usually made up of 3 members of the Board with the Managing Director who step in the circumstances to consider all the issues across the company. Consequently, there was no Research Production and Marketing Committee meeting per se for the financial year 2020/21.

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..

There was no attendance at the Finance, Staff and General-Purpose Committee meetings for financial year 2020/21 for the reasons alluded to above under Research, Production and Marketing Committee. The Board Committees were not fully constituted during the period under review. As required by the Company's Board Charter, 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 was no attendance of the Simlaw Seeds Kenya Limited Board meetings during the financial year 2020/21.

5. Board of Kibo Seeds Tanzania Limited

This Board oversees the strategies of Kibo Seed Tanzania Limited.

There was no attendance of the Kibo Seeds Tanzania Limited Board meetings during the financial year 2020/21.

6. Board of Simlaw Seeds Uganda Limited

This Board oversees the strategies of Simlaw Seeds Uganda Limited.

There was no attendance of the Simlaw Seeds Uganda Limited Board meetings during the financial year 2020/21.

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 did not manage to carry out a self-evaluation exercise which they are essentially assisted by the State Corporations Advisory Committee.

Directors' Remuneration

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

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

Director Name	Sitting Allowance	Travel & Accommodation costs	Total
Alice Chesire	160	268	428
Eliud Mathu	260	495	755
Francis Okwara	280	453	733
Gitonga Kamiti	180	268	448
Indeje Wanyama	300	458	758
Kipkorir Arap Menjo	180	226	406
Mohammed .M.Bulle	140	271	411
Samuel Mecca	180	209	389
Total	**1,680**	**2,648**	**4,328**

Below is a summary of entitlements per Board Member

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

Code of Conduct

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

Internal Control

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

Conflicts of Interest

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

Going Concern

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

Company Shareholding

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

CORPORATE GOVERNANCE STATEMENT (continued)

The ten largest shareholders of the company as at 30th June 2020 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**

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.

....

Mr. Mohammed M. Bulle
Chairman, Board of Directors

.... 2021

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

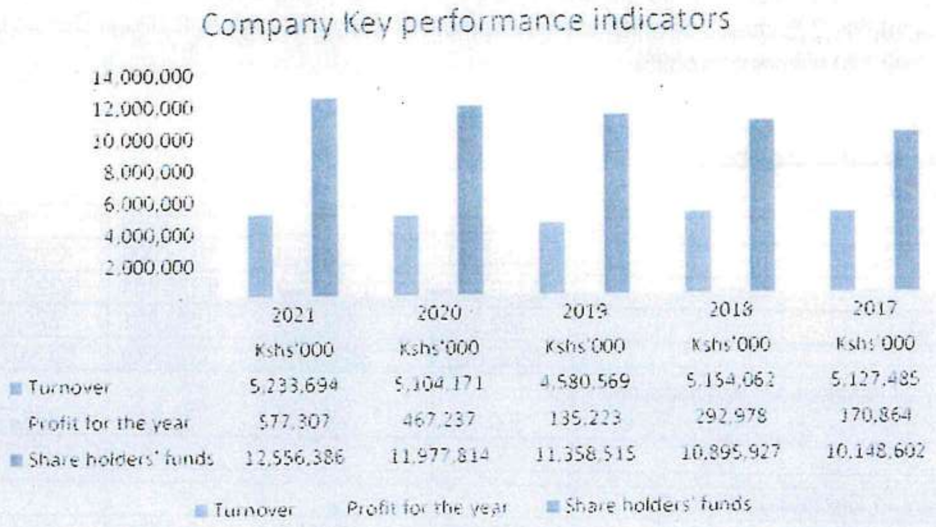
A1. Five Year Performance Trend

Group Trend

	2021	2020	2019	2018	2017
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Turnover	6,453,492	6,378,449	5,786,404	6,226,108	6,213,021
Profit before tax	883,076	614,059	243,811	574,849	349,671
Tax charge	(273,894)	(276,799)	(280,635)	(341,074)	(215,550)
Profit for the year transferred to retained earnings	609,183	337,260	(36,824)	233,775	134,120
Dividends	-	-	-	-	-
Share Capital and shareholders' Funds					
Ordinary Share capital	215,625	215,625	215,625	215,625	215,625
Share holders' funds	12,449,867	11,864,138	11,270,642	10,847,642	10,182,665
Earnings and Dividend per Share					
Earnings per share	57	31.28	(3.42)	21.68	12.44
Dividend per share (Kshs)	12	6.31	5.25	5.25	5.25
Seed Maize Produced (Kg)	27,435	25,287	27,694	13,484	24,500
CIG Seed Maize Sales (Kg)	27,154	26,578	24,032	28,668	27,861

Company Trend

	2021	2020	2019	2018	2017
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Turnover	5,233,694	5,104,171	4,580,569	5,154,062	5,127,485
Profit before tax	823,657	720,955	396,298	619,601	383,244
Tax charge	(246,350)	(253,718)	(261,075)	(326,623)	(212,380)
Profit for the year to retained earnings	**577,307**	467,237	135,223	292,978	170,864
Dividends	-	-	-	-	-
Share Capital and shareholders' Funds					
Ordinary Share capital	215,625	215,625	215,625	215,625	215,625
Share holders' funds	12,556,386	11,977,814	11,358,515	10,895,927	10,148,602
Earnings and Dividend per Share					
Earnings per share	54	43.34	12.54	27.17	15.85
Dividend per share (Kshs)	11	8.63	5.25	5.25	5.25
Seed Maize Produced (Kg)	27,435	25,287	27,694	13,484	24,500
CIG Seed Maize Sales (Kg)	27,154	26,578	24,032	28,668	27,861



A2: Revenues

The Group's revenue Increased from Kshs 6.38 Billion to Kshs 6.45 Billion as highlighted in the table below:

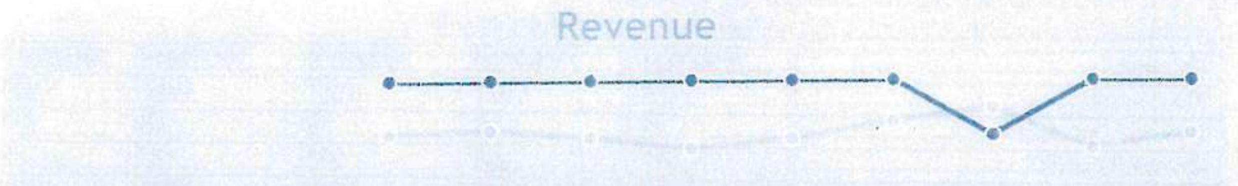
Product	2021	Product Contribution (%)	2020	Product Contribution (%)	Increase/decrease 2019 to 2020
	Kshs '000		Kshs '000		Kshs '000
Certified Maize Seeds	5,073,309	79%	5,003,242	78%	764,699
Basic Maize Seeds	55,251	1%	42,970	1%	(9,854)
Vegetable Seeds	971,426	15%	1,012,058	16%	24,977
Wheat Seeds	105,503	2%	180,652	3%	(36,698)
Pasture Seeds	100,418	2%	100,129	2%	(4,822)
Income from Other Seeds	85,369	1%	56,904	1%	4,520
Biological Assets (IAS41)	61,142	1%	(21,037)	0%	(141,251)
Milk	2,075	0%	3,532	0%	(486)
Total	**6,454,492**	100%	**6,378,449**	100%	**592,045**

The Company's revenue increased from Kshs 5.1 billion to Kshs 5.2 billion as highlighted in the table below:

Product	2021	Product Contribution (%)	2020	Product Contribution (%)	Increase/decrease 2019 to 2020
	Kshs '000		Kshs '000		Kshs '000
Certified Maize Seeds	4,730,764	90%	4,590,900	89.9%	705,203
Basic Maize Seeds	52,883	1%	45,192	0.9%	(8,576)
Vegetable Seeds	194,925	4%	221,495	4.3%	16,839
Wheat Seeds	105,757	2%	181,086	3.5%	(36,385)
Pasture Seeds	52,930	1%	62,296	1.2%	(4,264)
Income from Other Seeds	33,218	1%	20,600	0.4%	(8,177)
Biological Assets (IAS41)	61,142	1%	(20,930)	-0.4%	(141,251)
Milk	2,075	0%	3,532	0.1%	(486)
Total	**5,233,694**	**100%**	**5,104,171**	**100.0%**	**522,902**

From the above table the increase in Maize Seed Revenue was due increase in kilos sold from 26.5 million in 2020 to 27.15 million in 2021. The selling prices of seed Maize was maintained at Kshs 175 per kilo hence slight increased revenues. Most farmers planted maize seed as the rains came at the right time and the commercial maize prices had improved in the market.

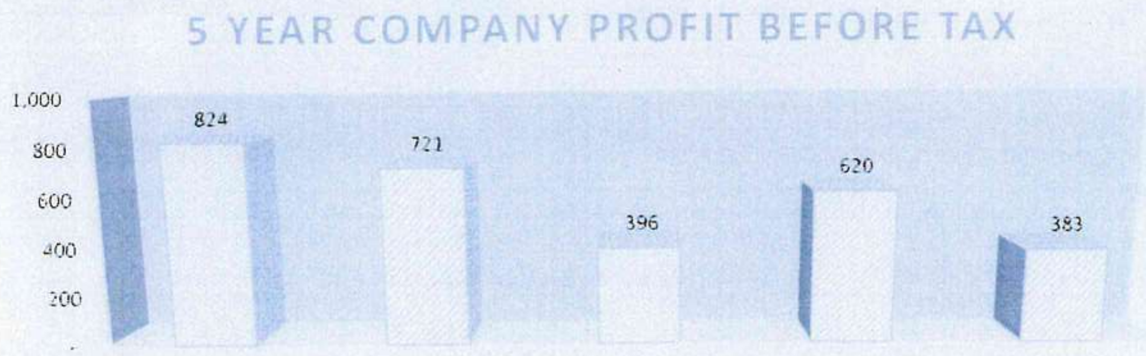
Revenue from Other crops like Rice reduced as a result of availability of cheap imported rice in the market, which makes locally produced rice noncompetitive and most farmers have resorted to using farm saved seed for millet and sorghum production due to its slow consumption adoption in the market.
The following is a chart showing the company revenues and percentage contribution for the year ending June 2021:



	Certified Maize Seeds	Basic Maize Seeds	Vegetable Seeds	Wheat Seeds	Pasture Seeds	Other Seeds	Fair value gain/loss on biological assets(IAS41)	sale of milk	Total
%age contribution	90%	1%	4%	4%	1%	0%	0%	0%	100%
Company 2019/2020 (Kshs)	4,590,900	45,192	221,495	181,086	62,296	20,600	(20,930)	3,532	5,104,171
%age contribution	90%	1%	4%	2%	1%	1%	1%	0%	100%
Company 2020/2021 (Kshs)	4,730,764	52,883	194,925	105,757	52,930	33,218	61,142	2,075	5,233,694

A2: Profit before Tax

The Group recorded an increase in profit before tax by 31% from Kshs 614 million in the year 2020 to Kshs 883 million in the year ended 30 June 2021. The Company recorded an increase in profit before tax by 12% to Kshs 824 million in the year ended 30 June 2021 from Kshs 721 million in 2020. This was majorly due to increase in seed maize sales from 26.5 million kilos in 2020 to 27 million kilos in 2021, at a price per kilo of Kshs 175 and reduction in total expenses by 2% from Kshs 1.46 billion in 2020 to Kshs 1.43 billion in 2021.
The Profit before Tax for both the company is highlighted in the following chart:



	2021 Kshs'000	2020 Kshs'000	2019 Kshs'000	2018 Kshs'000	2017 Kshs'000
Company Profit before Tax	824	721	396	620	383

A3: Cash and Cash Equivalents

The Group Closing Cash and Bank balance increased significantly from Kshs 2.48 billion in 2020 to Kshs 2.81 billion in 2021 while the Company Closing Cash and Bank balance increased significantly from Kshs 2.21 billion in 2020 to Kshs 2.58 billion in 2021. The positive net cash inflows were attributed to stringent financial management and maintaining optimized inventory, and increased maize seed sales from 26.5 million kilos to 27 million kilos at a price of Kshs 175 per kilo.

A4: Total Assets

The Group assets increased by 4% in the 2020 from Kshs 13.15 billion to Kshs 13.88 billion while the Company assets increased by 4% in the year ended 30th June 2020 from Kshs 12.94 billion to Kshs 13.55 billion hence increasing the company's value and facilitate the running of our business.

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

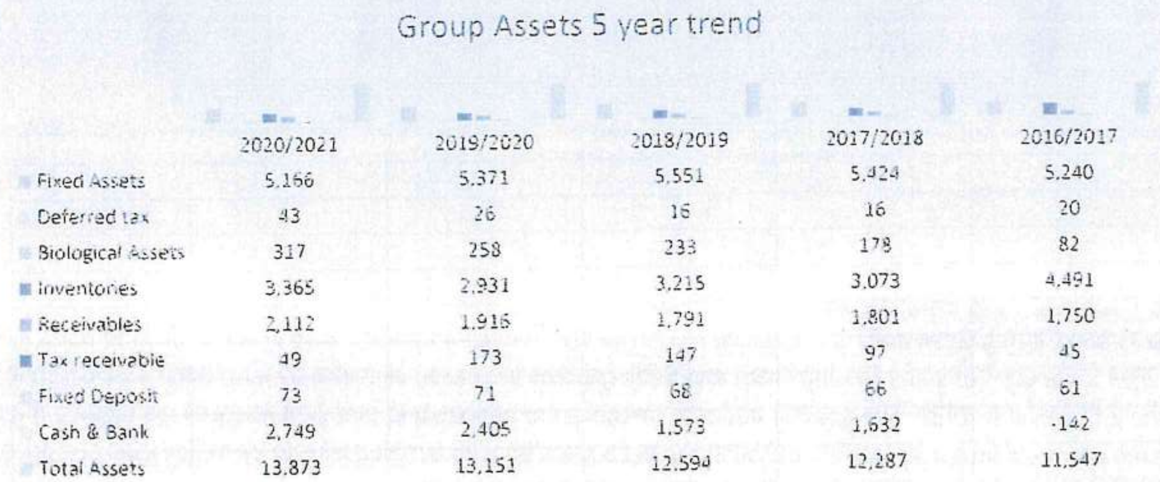
Category	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017
Fixed Assets	5,165	5,371	5,551	5,424	5,240
Deferred Tax asset	43	26	16	16	20
Biological Assets	317	258	233	178	82
Inventories	3,365	2,931	3,215	3,073	4,491
Receivables	2,131	1,916	1,791	1,801	1,750
Tax receivable	47	173	147	97	45
Fixed Deposit	73	71	68	66	61
Cash & Bank	2,740	2,405	1,573	1,632	(142)
Total	**13,881**	**13,151**	**12,594**	**12,287**	**11,547**

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

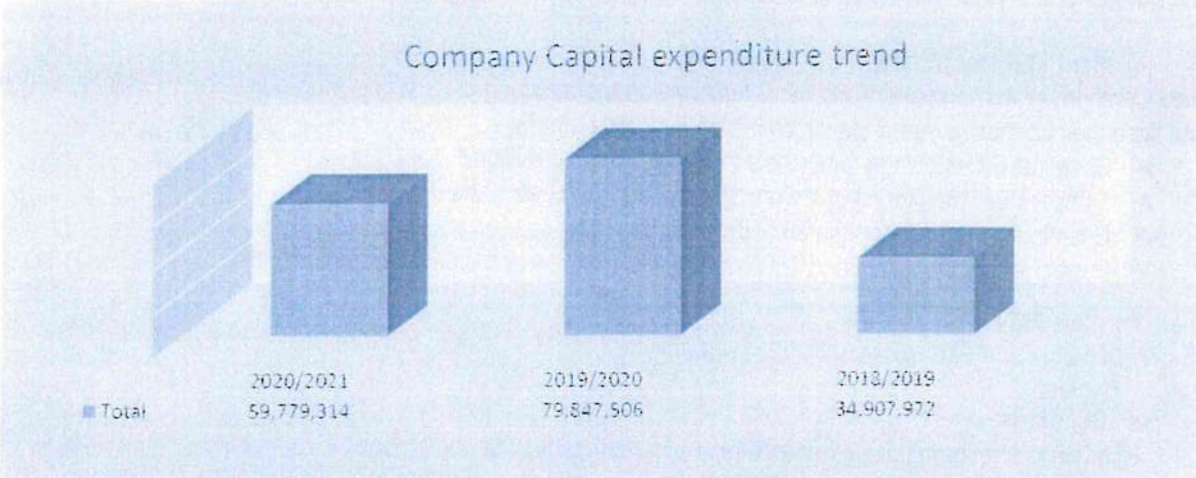
Category	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017
Fixed Assets	4,814	5,007	5,201	5,154	5,014
Investment in Subsidiaries	56	56	56	56	56
Loan Capital to subsidiaries	211	210	209	207	195
Biological Assets	317	258	233	178	82
Inventories	2,242	2,159	2,439	2,086	3,520
Receivables	3,314	2,889	2,712	2,811	2,544
Tax receivable	13	148	115	57	10
Fixed Deposit	73	71	68	66	61
Cash & Bank	2,508	2,143	1,378	1,514	18
Total	**13,548**	**12,939**	**12,410**	**12,128**	**11,499**

A5: Capital expenditures

The company had budgeted for Kshs 521 million to purchase capital items in the year ended 30th June 2021. However, the company incurred capital expenditures of Kshs 59.2 million in the different classes of assets as shown in the table below.



Class	2020/2021	2019/2020	2018/2019
Computers	10,509,050	4,627,595	2,680,651
Tools & Equipment	10,114,851	3,445,293	1,582,697
Furniture & Fittings	-	701,319	157,241
Motor Vehicle	19,436,328	20,374,692	12,600,000
Farm works	3,798,412	1,718,966	1,950,000
Tractors	15,010,000	26,415,370	15,937,383
Industrial Building	-	-	-
Machinery	320,175	-	-
Software	590.496	22,564,272	-
Total	59,779,312	79,847,506	34,907,972



Section B: Entity's compliance with statutory requirements

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

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

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

Section C: Key projects and investment decisions the entity is planning/implementing
The Company plans to spend Kshs 340.67 million on capital items for the financial year 2021/2022.

The Board has deemed this Investment critical because of the need for efficiency and the fact that most of the assets need replacement. In FY2020/21, the Company acquired Fixed Assets totaling Kshs 59.8Million out of the Budgeted figure of Kshs 521 million due to constrained Budgetary and Cash flow issues. This has necessitated the need to buy the items in the Budget for FY2021/22 as listed below:

- **Land**

The company sort approval from National treasury to purchase land worth Kshs 180 million, this has been set aside in the budget for the year 2020/2021 to enable the company undertake the proper tendering process in year 2021/2022

- **Plant and Machinery**

The Company plans to spend Kshs 30.675 million on modernizing of its processing plant and machinery which have out lived their economic useful life which includes among others;

- Chemical Batch treater for Basic seed unit at Kshs 5 million.
- Temperature monitoring system at Basic Seed Unit Lab Kshs 8 million
- Chemical seed dresser Kshs 8 million.
- Power generator 50Kva and 150Kva at Kshs 3 million and 5.5million respectively.

- **Furniture and Fittings:**

A total of Kshs 7.6 million will be utilized in replacement of old and worn-out furniture of various categories.

- **Buildings**
- The total expenditure proposed for the construction and completion of various buildings during the budget period (2021/2022) amounts to Kshs 30.85 million in a bid to improve warehouse capacity and reduce on storage/rental costs.
- **Computer Hardware and Software totaling to Kshs 42.35 million are as detailed below:**

a) Computer Hardware

The total budgeted amount for the financial 2020/2021 under this vote head is Kshs 34.85 million with the major item being Infrastructure Upgrade for Fiber Connectivity at Kshs 6.5 million, laptops and Desktops totaling Kshs 8.8 million.

b) Computer Software

A total of Kshs 7.5 million has been planned to be utilized under this vote head and includes among others;

- Audit software Kshs 6.5 million
- Asset Management software Kshs 1 million

- **Motor Vehicles/Motor Cycles**

The Company plans to purchase motor vehicles at a total cost of Kshs 97.28 million. This is meant to replace the aging fleet that is costly to maintain and hence increase efficiency.

- A 65-seater bus at Kshs 20 million to be used for staff welfare matters.
- Six Suzuki at Kshs 21 million to be used by the field officers across the fields in the country to reach all the farmers.
- Six 4WD single cab pickups Kshs 27 million and three 4WD double cab pickups Kshs 16.5 million to assist in promoting sales of company products.
- Two 5tonne Canters Kshs 8.03 million.
- Two Saloon cars Kshs 8 million.
- Seven motorbikes at kshs 1.75million
- One salon car Kshs 3.0 million.

- **Tools and Lab Equipment**

The company proposes to spend Kshs 87.84 million in acquisition of various Tools and Equipment and includes among others;

- 2kgs auto packaging machine at Processing unit Kshs 40 million
- Dockage machine Kshs 2.0 million
- Maize grader Kshs 5.0 million
- Precleaner Kshs 3.0 million
- Seven Digital moisture meters Kshs 2.1 million
- Seven Electronic weighing scales kshs 1.75 million

- **Irrigation and farm implements totaling Kshs 44.14 million**

The company plans to acquire two electronic irrigation pumps at Kshs 2.4 million and one 10-ton tipping trailer at Kshs 1.0 million for Elgon Downs Farm to enhance farming activities and reduce operating costs. Replacement and modernization of various farm equipment which includes a precision planter at Kshs 4.0 million, one towed boom sprayer at Kshs 3.5 million, and construction of a pivot irrigation system at Kshs 30.0 million.

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

i) "Big Four" Initiatives

In view of the Big Four Agenda, the Company will avail sufficient top-quality seeds to the Kenyan farmers in support of the 100% Food Security and Nutrition. The seeds include; Maize, Wheat, Pasture, Sunflower, Rice, Sorghum, Millet among others and indirectly by providing raw materials for agro-processing thus contributing towards the Manufacturing Agenda. In the medium term we are focusing on developing varieties that are high yielding, drought tolerant resistant to pests and diseases as part of the Vision 2030 project.

ii) Vision 2030 Flagship Projects

- **Research and Development of New Varieties (3)**
- The Company will continue to focus on the pre-released varieties to be entered for DUS (Distinction, Uniformity and Stability) tests with KEPHIS by 30th June 2022 as follow. (i) 1 Maize (ii) 1 wheat (iii) 1 sunflower. The varieties are at the final cycle of release by the regulator.
  NB: It takes two years for a variety to be released i.e. 1st cycle is year one and Final cycle is year two.
- The details are as per the table below;

	Variety	Name	Attributes	Activity	Current DUS percentage Status
01	Maize	H1801	This is a Highland variety that performs better than all existing varieties with a yield of 55 bags per acre.	• Do Preliminary DUS • Generate descriptor for the same • Sent to regulator for DUS verification	40%
02	Wheat	KSWH4	It's best for the highland zones and has good milling qualities and rust tolerance.	• Do Preliminary DUS • Generate descriptor for the same • Sent to regulator for DUS verification	40%
03	Sunflower	H4653	It's for the late maturity zones, has good yield performance, black seeded and has high oil content.	• Do Preliminary DUS • Generate descriptor for the same • Sent to regulator for DUS verification	40%

- **Seed Quality Improvement (3)**

The Company will improve three existing maize seed varieties to eliminate the reported defects as follows.

S/N	Variety	Defect(s)	Activity	Current percentage Status
1	H6506	Lack of uniformity	Identify the sources none uniformity from all the three parentals Select for uniform parentals (KSL 5007)	30%- The non-inform parental identified and is KSL5007
2.	H9401	Open tip cover on cobs leading to rotting	*Identify the parentals causing bare tips* *Selecting parentals for good husk cover.*	*30%*
3.	H614	Lodging - Less resistance to wind and storm	*Reduce lodging by selecting parentals against lodging*	*30 %* *The parental that causes lodging has been identified as inbred A*

- **Food Security**

  Maize Seed Production (30.000 MT)

  In the FY 2020/2021 seed maize production was 27.435 MT. In the contract period the company will produce 30 MT which is higher than the previous year. The production is derived from market demand and availability carryover stocks from the previous season.

  Wheat Seeds Production (2.800 MT)

  In the year 2020/2021 the Company produced 1,231 MT of Wheat seed, whereas in the contract year production will increase to 2.800 MT due to availability of carryover stocks that will be sufficient for the market.

  Sunflower Seed Production (195 MT)

  The Company will produce 195 MT of Sunflower seed, in the year the company produced 126 from 93 MT produced in the prior year. The increase is being attributed to growing demand.

  Sorghum Seed Production (113MT)

  The Company will produce 113 MT of sorghum seed in the contract year to meet the market demand. The decrease in production from precious year of 219 MT is due to sufficient carryover stocks for the market being held by the Company.

  Pasture Seed Production (292MT)

  In the contract year the Company will produce 292 MT of Pasture seed, the demand being driven by growth in the dairy industry. The quantities produced in the current year are Rhodes 52 MT, Oats 91 MT, which are enough as there was sufficient carryover.

iii) Ease of Doing Business

a) Access to Credit facilities (60%)

The company will continue to facilitate access to affordable credit facilities to growers of all seed crops, by entering into Memorandum of Understanding (MOU) with financial institutions and issuing letters of undertaking for respective growers. The facilitation has always focused on the maize seed growers but in the contract year the other crop growers will be incorporated. The seed maize production target for FY 2021/22 will be 30,623 MT and the credit facilitation contributes to the production of 18,000 MT.

b)Access to Insurance facilities (40%)

The Company will collaborate with service providers in the insurance industry for purposes of offering growers of seed insurance covers to mitigate against adverse weather and pest/disease infestations. The target is to increase from 140 to 145 growers and it will be completed by 31st May 2022.

iv) Implementation of Presidential Directives.

The Board commits to implement Presidential Directives, Circulars and Executive Orders relevant to its mandate as shown in table 6 below. In addition, the Board will implement any other directive that may be issued up to 31st May 2021.

S/No	Directive	Description	Date Issued	Timelines	Total Estimated Cost	Funds Allocated FY 2020/21	Key Deliverables FY 2020/21
01.	On allocation of 10% of Corporate Social Responsibility (CSR) budget for production of fruit tree seedlings	Ensure the directive is adhered to through establishing tree nurseries and acquiring and distribution of the same.	2018	Annual	1,057,000	1,057,000	Production of seedlings as follows; Avocado 5,000, and Macadamia 1,000

v) Project Completion Rate (100%) – Irrigation Infrastructure (Elgon Downs Farm)

The Company plans to increase its irrigation infrastructure in its Elgon downs farm which is mainly used for multiplication of its breeder seeds.

Project Name	Project Description	Location	Total Estimated Cost	Current Status (status of physical completion)	Allocation for FY 2021/22	Expected Deliverables (Outputs) for FY 2020/21
Irrigation-Infrastructure	-The company plans to increase it's irrigation infrastructure from the current 200 acres to 300 acres. This involves the purchase of portable rain guns, portable water pumps and installation of the pivot irrigation.	Kitale	100 M	0%	60 M	The benefits of include: • Seed production across the year. • Adequate availability of basic seed.

Section D: Major risks facing the entity

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

	Risk Category	Description	Risk Treatment measures (mitigation)
1	Political	The risk of losses occurring as a result of political events either destruction of our properties or boycott of our products	(i) Ensuring adherence to the strategic plan of the Company. (ii) Ensuring good co-existence with the stakeholders (iii) Using risk management instruments and remaining neutral in the political scene (iv) Fairness and Diversity in our employment policies
2	Credit Risk	The risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial	-Rigorous vetting of customers before extending credit. -Regular review of receivables to ensure adherence to payment terms

		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.	-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

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Kenya Seed Company' focuses on the community with an overall objective of adding value to the society. The company ensures that community is at the heart of its work either as customers or as recipients of environmental and sustainability effort. The company is a national citizen and in the human spirit of community building we support, provide for, work with and strengthen communities in our region to reassure our society over their well-being. The company makes an investment of 1% annual company profit before tax towards CSR.

Our CSR activities are based on the four pillars of education, health, sports and environmental sustainability. Initially we, donated tree seedling to the farmers that bought our seed. Then we became more systematic developing our own tree nursery from which we donate to schools, religious bodies and anyone else interested in environmental conservation.

Traditionally we have donated indigenous trees. In the year under review, we experienced great demand for fruit tree seedlings. To meet this demand, we had to buy the fruit tree seedlings and then donate them. Unpredictable climate change was also experienced. These two reasons caused us to intensify our environmental sustainability efforts. We started the journey to expand the nursery to cover both indigenous and fruit trees. In the year under review, we started the diversity. This will continue with 10% of our CSR budget going to the expansion & diversity of the nursery.

Tabulated below are the CSR activities for the year 2020-2021

NO	PROJECT	PILLAR	LOCATION	AMOUNT KSHS.
1.	Muthara United Self-Help Group Construction of a Community Borehole	Environment	Meru County	3,000,000
2.	Football Team Black Stars Provide playing Kits Uniform	Sports	Trans-Nzoia County Saboti Constituency	300,000
3.	Giving Hope to Hopeless Organization	Health	Trans-Nzoia County Kiminini Constituency	100,000
4.	Mugeiyot Primary School Painting & Branding	Education	Trans-Nzoia County Kwanza Constituency	4,800,000
5.	Establish fruit tree nursery which will cater for tree seedling for donations instead of buying	Environment	Kenya Seed EDF	500,000
6.	Fruit tree Seedling Distribution under the greening Initiative to three Counties	Environment	Trans-Nzoia, Uasin Gishu and Elgeyo Marakwet	2,250,000
7.	Indigenous tree seedlings	Environment	Elgon Young Professionals	Not valued
			International Day of Forest	Not valued
			Field Day in Meru	Not valued
			ESACO (Kapenguria	Not valued
			Eldoret Marathon	Not valued
TOTAL				**10,950,000**

In conclusion these events are always opportunities for the company to assure farmers of our concern with the welfare of the community within our region as well as ensuring creation of awareness of our products. The above-mentioned institution appreciated the support from the company and the institutions got the opportunity to expand their knowledge on Kenya Seed products.

Economic sustainability

Financial sustainability

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

Capacity improvement

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

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

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

Regulated environment

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

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

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

Technology and Automation

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

a) Initiatives

   i. Conversion of manual payment system to electronic. For many years, the company has been paying out suppliers and other creditors through the cheque system. This was not only time laborious and time consuming, but also inefficient. The ERP system was configured to output the payment data to a bank software, thus enabling real time payment of creditors and staff salaries.

   ii. Purchases through MPESA. Our customers have been paying for seed purchases through MPESA platform for a short while. The pay-bills amounts are aggregated at the end of the day and the funds transferred to the bank automatically without human intervention. This has increased efficiency in cash management.

   iii. Travel management- Our staff per diem are conveniently paid through MPESA.

   iv. KCB Agency – Our retail customers on seed cash purchases pay through a bank agent and our staff do not handle cash. We therefore do not incur the cost of transporting money to the bank and the security thereof.

   v. Mobile POS applications for our route sales staff- Hitherto, our route sales staff would carry seed and sell manually to customers on their routes. Hover, with advent of technology, they are now able to sell using a mobile application App installed on a cell phone and a blue tooth printer for cash sale receipts. The systems are updated in real time for inventory and sales.

b) Cloud Applications

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

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

- Integration of operations into single real time system spreading across all the departments which has resulted in optimal resource use utilization.
- Introduction to designed workflow which has resulted to in efficiency in human resource.

- Improved reporting as departments are now enabled to timely share the information.
- Reduced inventory cost, resulting from better planning, tracking and forecasting or requirements.
- General Low cost of operation.
- Improved information access and provision of consolidated picture of company activities for better decision making.

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

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

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

ii. Environmental sustainability and performance

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

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

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

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

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

iii) Employee welfare

Occupational safety and health

During the year the company carried out the following:

- Maintenance of fire-fighting equipment was done Bi- annually.
- Safety induction was conducted for new employees especially the interns.
- Warning signs clearly marked in the company factories e.g. "Falling Stacks" etc, fire exit and the emergency evacuation procedures.
- Each Workplace in the Company Registered.
- Process has been started to carry out medical examination fire audit and safety audit.
- Occupational Safety and Health Training done.
- Occupational Safety and Health matters handled through the staff committee.
- Workplace accidents reported on time to the insurance.

Talent management

The Company attracts and retains high-quality employees, developing their skills, and continuously motivating them to improve their performance. A training need analysis is developed for each department and consolidated employees send for training to various training institutions/ some training institutions come to the Company to train staff to develop their knowledge and skills.

The table shows the number of staff trained taking into account the gender ratios:

Gender	2021	2020
Male	113	107
Female	80	82
Total	193	189

Performance appraisal frameworks

The Company carries out staff appraisal in the first and second half. The Company recently changed the performance appraisal tool where by a staff is appraised according to their job descriptions and their targets and achievements. The employees meet with their supervisors to discuss the results are used to either promote the staff or renew their contracts This exercise is carried out to measure performance and essential for the growth of a company and the employee. It helps the company to find out whether the employee is being productive or is a liability. It helps the employee to find out where his / her career is heading.

Knowledge sharing platforms

The Company through Corporate Communications Department and the Information Communications Technology department provide information through staff mail sharing information regarding products and services and the Company's achievements through the newsletters, feedback reports from customers and staff that help in improving the services offered by the Company

iv) Market place practices-

a) Responsible Competition practice.

Currently, there are various seed companies in the market, but Kenya seed respects the space for other seed producing companies through marketing its products and demonstrating to our customers the best agronomical practices, which has enabled the company to maintain the largest market space in the country and abroad.

b) Responsible marketing and advertisement

- Modem marketing calls for more than developing a good product, pricing it attractively and making it accessible to the targeted consumers. Kenya Seed Company communicates with both its existing and potential customers as well as other stakeholders in the industry.
- The Kenya Seed Company remains committed to upholding responsible marketing business practices and values across its operations. Over the past Financial Year 2020/2021, the Company continued to follow ethical marketing practices through the use standard procedures and channels to advertise its seed products.
- The Company utilizes several modes for marketing and advertising. These include the use of radio, bill boards, field demonstrations, Agricultural Society of Kenya shows as well as local and international exhibitions through these media the Company promotes its products ethically and with fair practice within the industry, enabling the sharing of factual information to farmers and the public.

c) Product stewardship

Seed maize varieties on a demonstration plot where farmers learn about good agronomical practices

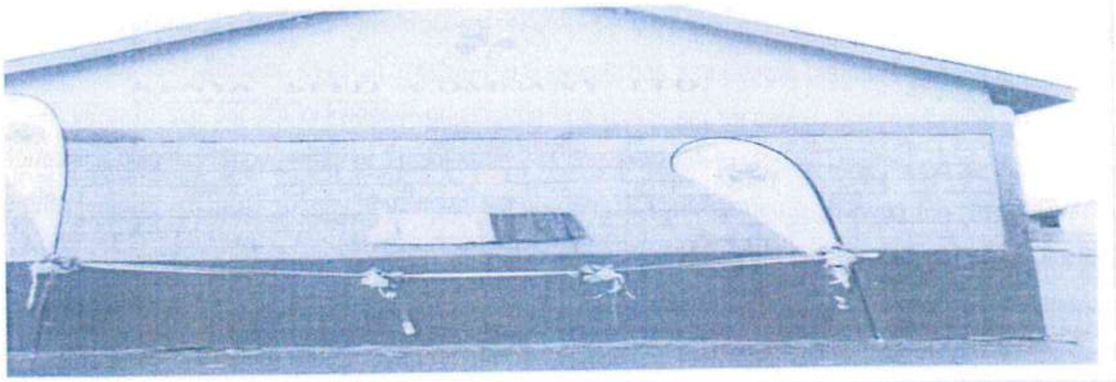
- Kenya Seed Company has a quality assurance system to ensure that seed is of good quality when purchased by smallholder farmers in index countries. The company holds ISO 9001: 2015, ISO 17025 and ISTA certifications, and participates in Organization for Economic Co-operation and Development (OECD) Seed Schemes. The Company works closely with Kenya Plant Health Inspectorate Service (KEPHIS) the official seed quality regulator in the Country. This goes a long way to ensure that consumer rights and interests in getting quality seed is attained.

-The Company has an elaborate seed distribution channel that ensures that Seed gets to our customer, promptly and in the right state. The channel starts from the Marketing stores to the Company branches, then to appointed and licensed Agents and Stockists and finally to the farmers throughout the Country.

Social sustainability

1. Education

The company has continued to promote education by sponsoring school activities and individual school going children through donation of school fees and other materials to enhance the process of learning within schools in our business environment. The company donated Kshs 4.8 million on completion of the construction of class rooms at Mugeiyot primary school in kwanza constituency, to improve lives of the society.



Kenya Seed competed the construction of 8 classrooms at Mugeiyot Primary School, Kwanza Constituency, Trans Nzoia County

2. Economic empowerment

Program	2021	2020	2019
Internship beneficiaries	4	2	4
Industrial attachments	205	128	80
Total	**209**	**130**	**84**

Kenya Seed Company enables the surrounding communities to improve their livelihoods by offering jobs to the locals. The company provided casual/temporary employment to 1,600 locals in the company's Elgon Downs Farm and the processing factories during the peak seasons of the year.
The company assists various county governments to collect county Cess from the contracted maize seed growers and remit to the respective County governments. This ensures that the county governments provide the required services to the general public.

3. Innovation and capacity development

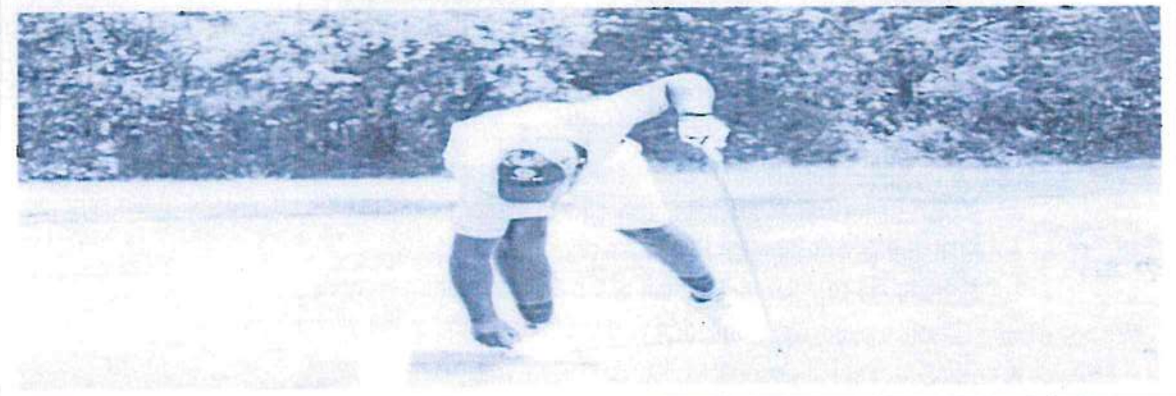
During the year, the company collaborated with various stakeholders in breeding of new technologies which are expected to result in commercialization of new superior seed varieties. Some of the institutions involved are University of Nairobi, Kenya Agricultural Research Organization (KALRO), CIMMYT.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

4. Internship and industrial attachment

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

Sports

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



This is part of our corporate activities to engage, network and meet with stakeholders for long term goals and increase our sales in future'.
A golfer tees off during the Kenya Seed Classic Golf tournament held at Kitale Club on 13th March 2021.

5. Procurement

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

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

- **Procurement Planning**

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

- **Buy Kenya Build Kenya**

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

i) Creating Value for Special Groups

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

Category	2020/2021 (Awards in Kshs.)	2019/2020 (Awards in Kshs.)
PWD	12,759,421.26	1,145,367
Women	165,819,200.03	71,701,085
Youth	23,967,535.34	8,369,112
Total	**202,546.156.63**	**81,215,564**

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

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

ii) Empowering Local Firms

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

Period	2020/2021(Awards in Kshs.)	2019/20 (Awards in Kshs.)
1st Half	435,431,933.90	489,423,339.61
2nd Half	587,274,174.78	471,680,548.02
Total	**1,022,706,108.68**	**961,103,887.63**

- Process Improvement

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

- Compliance to Statutory Requirements

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

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

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

6. Other forms of supporting the community

Kenya Company is committed to partnering with the society through different means and ways by giving back. Our initiative to give back to society is through the CSR Program; our staff participates in these programs to give back to society/community around us using their different gifted expertise. This has created a positive relationship with the society, who in turn promotes our business by buying our products. During the year the company sponsored the construction of the borehole project at Muthara in Meru in County among others.

Kenya Seed Company sponsored the construction of the Muthara Borehole project to impact the lives of the community in that area so that they can start producing food crops to enhance their lives among other benefits.
The first phase of the construction was completed under the FY 2020/2021.Staff from Kenya Seed led by Meru Branch manager Risper chepkonga inspect the first phase of the project.Branch manager Risper chepkonga inspect the first phase of the project.

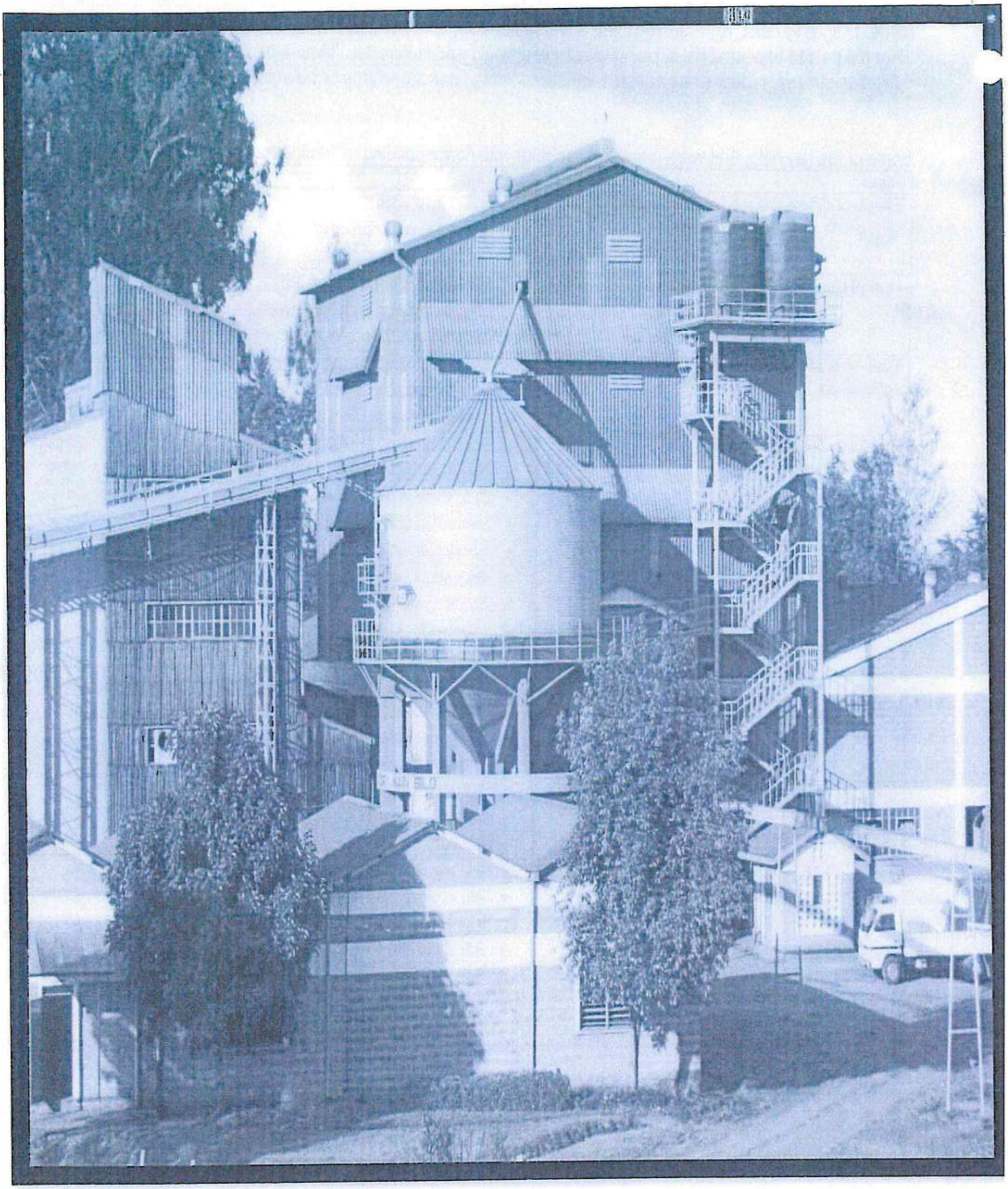
Tree planting exercise conducted at show ground forest on 19th June 2021 to cover the 10% forest cover directive by the government. The exercise was in partnership with the Kenya Forest Service,Vi agroforestry and Kenya Seed Company with the guest of honour being CS Devolution Hon. Eugene Wamalwa and Riftvalley Regional Commissioner George Natembeya. The Ag.MD kenya seed was represented by SCCO Jane Gitau

7. Enterprise risk management

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

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

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



Maize processing plant at seed driers in Kitale.

WHEAT

REPORT OF THE DIRECTORS

The Directors submit their audited consolidated financial statements for the year ended 30th June 2021 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 cereal 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 2021 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 10.73 (2020: Kshs 8.63) per share totaling Kshs 115,716,975 in respect of the year ended 30 June 2021 (2020: Kshs. 93,018,426). 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 (xv) & (xvi).

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

BY ORDER OF THE BOARD

....
Mr. Fred Oloibe
Ag. Managing Director
Kitale, Kenya

.... **2021**

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, 2021. 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, 2021, 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 60 were approved by the Board of Directors on .... and were signed on its behalf by:

Mr. Fred Oloibe	**Mr. Mohammed .M. Bulle**
Ag. Managing Director	Chairman of the Board

REPORT OF THE AUDITOR GENERAL ON KENYA SEED COMPANY LTD & IT'S SUBSIDIARIES

SORGHUM

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA SEED COMPANY LIMITED AND ITS SUBSIDIARIES FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Seed Company Limited and its Subsidiaries set out on pages 1 to 70, which comprise of the statement of financial position as at 30 June, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the 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 as at 30 June, 2021 and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in Cost of Sales

The Group statement of profit or loss and other comprehensive income reflects cost of sales of Kshs.3,613,195,000 which, as disclosed in Note 5 to the financial statements, includes the Company's cost of sales amounting to Kshs.3,012,523,000 which comprised of goods purchased at a cost of Kshs.2,520,630,000. However, review of the purchases costing analysis and supporting schedules provided revealed that the purchases costs amounted to Kshs.2,319,966,000 resulting to an unexplained variance of Kshs.200,664,000.

In the circumstances, the accuracy and completeness of the purchase costs amount of Kshs.2,527,619,000 could not be confirmed.

2. Property, Plant and Equipment

The Group statement of financial position reflects property, plant and equipment net book value of Kshs.5,096,994,000 which, as disclosed in Note 16 to the financial statements includes Company assets valued at Kshs.4,746,931,000. However, the following unsatisfactory observations were made:

2.1 Unsupported Land Balance

The balance includes land valued at Kshs.2,675,100,000. However, review of records and information from records held by the Ministry of Land and Physical Planning revealed that there was an overstatement in the land acreage and valuation as described below;

(i) The land balance includes a parcel of land valued at Kshs.173,600,000 which constitutes a parcel of land, measuring 212 acres valued at Kshs.70,800,000 was registered on 14 March, 1933. However, a portion of the land valued at Kshs.6,800,000 and measuring 20.3 acres was curved out the mother title and registered under a different land reference (LR) number and only a parcel of land valued at Kshs.96,000,000 measuring 192 acres remained registered within the mother title. Management has therefore over stated the value of the land parcel by maintaining the original mother parcel, the curved-out parcel and the remaining parcel in their land register which puts the value of the land at Kshs.173,600,000 instead of Kshs.102,800,000 resulting to over-valuation of Kshs.70,800,000.

(ii) Further, the balance includes another parcel of land valued at Kshs.305,320,000 which constitutes a parcel of land valued at Kshs.122,820,000 measuring 375 acres which was registered on 14 March, 1933. However, a portion of the land measuring 10.27 acres was curved out of the mother title and surrendered to the Government leaving the remaining parcel valued at Kshs.185,500,000 and measuring 364.73 acres registered within the mother title. Similarly, Management has misstated the value of the parcel by maintaining the original mother parcel.

(iii) In addition, title deeds for the two parcels of land situated in Endebess within Trans Nzoia County, with an acreage of 365 acres and 192 acres with a total value of Kshs.281,500,000 were not provided for audit verification.

2.2. Reconciliation of the Fixed Assets Register

The property, plant and equipment balance includes plant and machinery with a net book value of Kshs.169,590,000 which differs with the net book value reflected in the fixed asset register of Kshs.226,652,000 resulting to an unexplained variance of Kshs.57,062,000. Further, the register includes a motor vehicle and a tractor trailer which were sold in the year 2014 and 2015 respectively. The Company has not updated the fixed assets register to exclude the disposed motor vehicles which still appear as fixed assets.

2.3. Lack of Valuation for Fully Depreciated Assets

Note 16(a) to the financial statements reflects plant assets at a historical cost of Kshs.450,993,955 which have been fully depreciated. However, although the assets are still in use and the Company continues to derive economic benefits while incurring costs such as fuel and maintenance, Management has not carried out valuation to reflect their fair values in the financial statements.

In the circumstances, the accuracy, completeness, ownership and valuation of the Company's property, plant and equipment balance of Kshs.4,746,931,000 could not be confirmed.

3. Unsupported Investment in Subsidiaries

The statement of financial position reflects the Company's investment in subsidiaries balance of Kshs.55,699,000 which, as disclosed in Note 18 to the financial statements comprises of 327,000 shares of Ushs.5,000 each held in Simlaw Seeds Company Uganda Limited valued at Kshs.54,496,000, 10,000 shares of Tshs.1,000 each held in

Kibo Seed Company Limited valued at Kshs.1,000,000, 5,000 shares of Kshs.40 each held in Simlaw Seeds Company Limited valued at Kshs.200,000 and unquoted investments in Mt. Elgon Seeds Company Limited valued at Kshs.3,000 all totalling to Kshs.55,699,000. However, Management did not provide the share certificates issued by the subsidiaries or any Board Valuation Report to support the investments in the subsidiaries.

Further, Note 18 to the financial statements indicates that Kenya Seed Company Limited owns 100% shareholding in Kibo Seed Company Limited, Simlaw Seeds Company Limited, Mt. Elgon Seed Company Limited, Simlaw Seeds Company Uganda Limited and Simlaw Seeds Company (TZ) Limited. However, the financial statements for Kibo Seed Company Limited show that Kenya Seed Company Limited holds 9,998 shares (99.98%) while the Director's shareholding is 2 shares (0.02%), the financial statements of Simlaw Seeds Company Limited show that Kenya Seed Company Limited holds 4,998 shares (99.9996%) while private shareholders hold 2 shares (0.0004%) and the financial statements for Simlaw Seeds Company Uganda Limited show that Kenya Seed Company Limited hold 4,999 shares (99.9998%) in the subsidiary while one (1) shareholder owns one (1) share (0.0002%). In addition, the financial statements for Mt. Elgon Seed Company Limited and Simlaw Seeds Company (TZ) Limited were not provided for the audit but Management explained in the financial statements that the two subsidiaries have been dormant and therefore did not have any activities during the year under review.

In the circumstances, the ownership and accuracy of investment in subsidiaries balance of Kshs.55,699,000 could not be confirmed.

4. Unreconciled Cash and Cash Equivalents

As disclosed in Note 34 to the financial statements, the Group statement of financial position reflects cash and bank balance of Kshs.2,813,071,000 which includes an amount of Kshs.2,508,227,000 that was held in various bank accounts. Review of the bank reconciliation statements revealed that the balance includes an amount of Kshs.939,954,327 held in a local bank account while the bank statement reflected a balance of Kshs.1,007,268,195 resulting to a variance of Kshs.67,313,868. The bank reconciliation statement indicated that the difference was as a result of unpresented cheques amounting to Kshs.67,411,924 and unbanked cheques with a total value of Kshs.98,056 already posted in the cashbook but not appearing in the bank statement. However, detailed schedule to support the unpresented cheques was not provided for audit review.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.2,813,071,000 could not be confirmed.

5. Trade and Other Receivables

The Group statement of financial position reflects trade and other receivables balance of Kshs.938,697,000 which as disclosed in Note 25 to the financial statements includes an amount of Kshs.526,659,000 under the Company's trade and other receivables balance. However, review of records revealed the following unsatisfactory matters.

5.1 Unsupported Receivables Balances

The balance includes receivables balance amounting to Kshs.16,477,843 comprising of Kshs.908,829 indicated as sales from the Company's shops and Kshs.15,569,014 indicated as change over differences arising out of system change from one Enterprise Resource Planning (ERP) system to another. However, records were not provided to support how revenues collected in cash would be treated as receivables and how the system change over differences will be cleared from the books of account.

Further, the balance includes an insurance claim of Kshs.28,889,250 and a VAT recoverable amount of Kshs.83,878,739 both of which were not supported.

5.2 Provision for Bad and Doubtful Debts

Note 25 to the financial statements reflects a provision for bad and doubtful debts balance of Kshs.719,879,000. The balance includes an amount of Kshs.162,459,334 receivable from Mount Elgon Seed Company Limited, a subsidiary of the Company. Review of the aged debtors report provided further revealed a receivable amount from the subsidiary of Kshs.100,871,349. It was not possible to confirm why a portion of receivables from Mt. Elgon Seed Company was classified as receivable while another part was included in the provision for bad and doubtful debts yet the Management has indicated that the subsidiary is in the process of being wound up.

Further, review of the supporting schedule on provisions of bad and doubtful debts revealed a balance of Kshs.11,509,996 described as Mt. Elgon running account. This is despite the disclosure in the financial statements under the key entity information section that Mt. Elgon Seed Company is a dormant entity. In addition, it was noted that, an amount of Kshs.50,078,000 owed by Mt. Elgon Seed Company, under loan capital to subsidiaries has been fully provided for thereby reducing the overall capital loans to the subsidiaries.

Management did not provide evidence of the effort made to dispose off the assets held by the subsidiary to recover the trade debt.

5.3 Unexplained Variance - Trade Receivables

Note 25 to the financial statements reflects gross trade receivables balance of Kshs.1,162,494,000 which differs with the debtors supporting schedule balance of Kshs.1,160,457,888 by an unexplained variance of Kshs.2,036,112.

5.4 Unreconciled Receivables Balances

Review of the debtors' ageing report, revealed that payments were made by various customers but the Company has not updated and reconciled the respective receivables accounts amounting to Kshs.1,560,773.

In the circumstances, the accuracy, completeness and regularity of the trade and other receivables balance of Kshs.938,697,000 could not be confirmed.

6. Sales Transactions not traced to the System Incoming Bank General Ledger

As disclosed in Note 4 to the Group financial statements, the Group statement of profit and loss and other comprehensive income reflects revenue amounting to Kshs.6,454,493,000 which includes revenue amounting to Kshs.5,233,694,000 generated by the Company. However, review of the Company's ERP system revealed that sales amounting to Kshs.477,073,895 made in cash, direct deposits, mobile money transactions or cheques could not be traced to the system incoming bank general ledger.

In the circumstances, the accuracy of the revenue balance amounting to Kshs.6,454,493,000 could not be confirmed.

7. Unsupported Balance due to Subsidiary

As disclosed in Note 20 to the financial statements, the Group statement of financial position reflects an amount due to subsidiaries and related parties' balances of Kshs.55,623,000. The balance is indicated to be due from Simlaw Seeds Company Limited. However, the financial statements of Kibo Seed Company Limited reflect an amount of TZS.61,361,001 (equivalent to Kshs.2,875,437) from Kenya Seed Company Limited as at 30 June, 2021 but was not disclosed anywhere in the financial statements.

In the circumstances, the accuracy and completeness of the balance of Kshs.55,623,000 could not be confirmed.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.5,976,880,072 and Kshs.5,234,959,408 respectively, resulting to an under-collection amounting to Kshs.741,920,664 or 12% of the budget. Similarly, the Company spent an amount of Kshs.4,439,989,204 against an approved budget of Kshs.5,379,162,664 resulting to an under-expenditure of Kshs.939,173,460 or 17% of the budget.

Further, the Company reflects approved recurrent budget of Kshs.5,361,000,000. However, the supporting appendix of the itemized recurrent budget reflected an amount of Kshs.5,341,637,428 resulting to unallocated budget amount of Kshs.19,362,572 which was not itemized on the expenditure budget lines.

The under-collection of revenue and under-expenditure affected the Company's planned activities and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Audit Issues

In the audit report of the previous year, several issues were raised in the Report on Financial Statements, Reports on Lawfulness and Effectiveness in the use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved some of the issues.

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, 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. Non-Compliance with Law on Staff Ethnic Composition

During the year under review, the Company's total employees was three hundred and forty-nine (349) out of whom two hundred and eight (208) representing 59% were members of the same ethnic community. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community".

In the circumstances, Management was in breach of the law.

2. Un-surrendered Unclaimed Dividends

As disclosed in Note 32 to the financial statements, the statement of financial position reflects an unclaimed dividends balance of Kshs.9,203,000. Review of records revealed that the balance relates to twenty-two (22) shareholders and date back to the year ending 30 June, 2018 whose owners could not be located. Management has indicated that it is in the process of submitting the unclaimed dividends to the Unclaimed Financial Assets Authority (UFAA). However, and as previously reported, the unclaimed dividends still remain in the custody of the Company and had not been submitted to UFAA as at the time of the audit in July, 2022. This contrary to Section 20 (1) of the Unclaimed Financial Assets Act, 2011 which states that 'a person holding assets presumed abandoned and subject to the custody of the Authority as unclaimed assets under this Act shall make a report concerning the assets to the Authority as provided in this section.

In the circumstances, Management was in breach of the law.

3. Lack of a Functional Board of Directors

Review of records revealed that during of the year under review, the Company operated without a substantive Board of Directors for more than ten (10) months. Management has explained that the Board composition was subject to a court case whose ruling was delivered on 11 May, 2021. During the year under review, the Board consisted of three (3) non-executive Directors and two (2) executive Directors. This is contrary to the Articles of Association which states that a Board shall consist of - a chairman; the chief executive; the Permanent Secretary of the parent Ministry; the Permanent Secretary to the Treasury; and not more than eleven other members not being employees of the state corporation.

As a result, the various Board Committees did not have the required membership during the year under review. This is contrary to Section 9 of the State Corporations Act, Cap 446 of the Laws of Kenya which states that a state corporation may establish committees consisting of members of the Board to deal with various matters as the Board may specify.

In the circumstances, Management was in breach of the law.

4. Loss of Company Resources

Review of internal audit reports and management reports revealed that the Company lost funds amounting to Kshs.68,631,254 during the year under review and a further Kshs.51,771,000 during the financial year 2019/2020 all totalling to Kshs.120,402,254. The losses were occasioned by various forms of irregularities and misconduct by the Company's employees. Available records revealed that some actions were taken or recommended against the employees involved in the misappropriations including dismissal from service. However, Management did not provide for audit verification, evidence of the measures taken to recover or write-off the losses in line with Regulation 148 (5) and (6) of the Public Finance Management (National Government) Regulations, 2015.

Further, Management did not maintain an updated loss register and did not provide any evidence of notification to the relevant institutions on the losses. This is contrary to Regulation 153 of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officer shall maintain a register of all losses incurred and attach a list of all losses incurred during that year to the financial statements submitted to the Auditor-General for audit with a copy to the National Treasury.

In the circumstances, Management was in breach of the law and value for money could not be established.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of a Risk Management Policy

Management did not provide any information on the risk management strategies taken by the Company, such as the enhancement of internal controls, to mitigate against future potential fraudulent actions by employees of the Company.

In the circumstances, the existence of effective internal controls at the Company could not be confirmed.

2. Long Outstanding Balances Due from Subsidiaries

As disclosed in Note 23 (b) to the financial statements, the statement of financial position reflects amounts due from subsidiaries totalling to Kshs.1,646,928,667. This balance comprises an amount of Kshs.1,759,310,012 due from the Company's four (4) subsidiaries and a provision of Kshs.112,381,345 due from the dormant Mt. Elgon Seed Company Limited.

The ageing analysis of the balance of Kshs.1,759,310,012 revealed that an amount of Kshs.1,747,521,000 due from the subsidiaries had exceeded the 30-day period prescribed in Clause 3.7 of the Company's credit policy framework (revised in May, 2015). The overdue balance includes an amount of Kshs.1,322,317,000 which further includes an amount of Kshs.112,381,345 due from Mt. Elgon Seed Company Limited, which was due for more than one year.

In the circumstances, existence of effective debt recovery mechanisms could not be confirmed and the recoverability of the dues remains doubtful.

3. Long Outstanding Balances

As disclosed in Note 23 (c) to the financial statements, the statement of financial position reflects an amount of Kshs.1,169,253,000 due from parastatals and other Government controlled organizations. The balance includes an amount of Kshs.1,128,147,000 which has been outstanding for over 60 days. Further, an amount of Kshs.897,123,000 or 80% has been owing for over one year against the Company's credit policy framework (Revised, May, 2015) which provides that all supplies to be evaluated and vetted, NGOs and Government related parties shall be done against confirmed LPOs with trade terms of up to 30 days and 45 days respectively.

In the circumstances, existence of an effective debt management system could not be confirmed and the recoverability of the dues remains doubtful.

4. Long Outstanding Staff Receivables

As disclosed in Note 21 to the financial statements, the statement of financial position reflects a gross staff receivables balance of Kshs.113,184,000 which includes an amount of Kshs.51,481,326 relating to staff advances and loans to former staff of Kenya Seed Company Limited which had not been recovered as at 30 June, 2021. Review of records revealed that most of these staff advances have been outstanding for more than one year. No reason has been provided for failure to recover these debts or clear the long outstanding balances from the Company's books.

Further, the Company had staff imprests of Kshs.3,937,000 which were overdue as at 30 June, 2021. At the time of audit, an amount of Kshs.296,587 had been recovered leaving a balance of Kshs.3,640,413 which is owed by former staff of the Company.

In addition, Note 21 to the financial statements discloses total provision for bad and doubtful debts of Kshs.101,305,000 against the gross staff receivables balance of Kshs.113,184,000 which translates to 89% of the staff receivables. Management did not provide a basis for the huge provision for the gross staff receivables.

In the circumstances, existence of effective internal controls on debts could not be confirmed.

5. Variations on Seed Payables

Review of records revealed that the amounts due to the farmers are calculated based on the payable quantity and clean seed payable. It is not clear why the Company has discriminative application of payable weights to the contracted farmers. It was also noted that most of these purchases with the discriminative rates relate to Elgon Downs Farm which is owned by the Company.

Review of the clean seed purchase reports revealed that the schedules reflect varying quantities subjected to the prevailing purchase rates. An analysis of a sample of 122 farmers' transactions per payable quantity yielded an amount of Kshs.46,577,603 while the computation on clean seed payable quantity amounted to Kshs.50,591,951 resulting to an unexplained variance of Kshs.4,014,348. Management did not provide a satisfactory reason for this discriminative pricing for products purchased from the contracted farmers.

In the circumstances, the risk of loss of revenues through computations to settle payments to farmers is based on differing weights of their respective seed deliveries is not explained.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

Responsibilities of Management and the Board of Directors

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 controls, risk management and overall governance.

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

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.

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

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

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

I communicate with 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.

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

06 March, 2023

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

		Group		Company	
	Notes	2021 Kshs '000	2020 Kshs '000	2021 Kshs '000	2020 Kshs '000
Revenue	4	6,454,492	6,378,449	5,233,695	5,104,171
Cost of sales	5	(3,613,195)	(3,761,444)	(3,012,523)	(2,946,595)
Gross profit		2,841,297	2,617,005	2,221,172	2,157,576
Other income	6	34,858	32,519	27,172	22,905
		2,876,155	2,649,523	2,248,344	2,180,481
EXPENSES					
Operating expenses	7	(854,159)	(984,614)	(714,270)	(678,803)
Administration expenses	8	(751,526)	(655,348)	(448,494)	(512,751)
Selling and distribution expenses	9	(246,793)	(270,333)	(158,523)	(167,057)
Research and development costs	10	(121,532)	(112,485)	(106,180)	(101,333)
		(1,974,010)	(2,022,781)	(1,427,467)	(1,459,945)
Operating Profit	11	902,145	626,743	820,877	720,536
Finance Income	12 (b)	17,016	2,289	2,793	2,515
Finance cost	12 (a)	(10,866)	(15,573)	-	(2,096)
Profit before taxation		908,295	614,059	823,670	720,955
Income Tax expense	13 (a)	(260,459)	(276,799)	(246,350)	(253,718)
Profit for the year		**647,836**	**337,260**	**577,320**	**467,237**
Profit attributable to:					
Owners of the parent company		647,836	337,260	577,320	467,237
Earnings per share attributable to:					
Basic (Kshs per share)	14	57	31.28	54	43.34
Other comprehensive income:					
Profit for the year		647,836	337,260	577,320	467,237
Exchange differences on translating foreign operations	35	(19,104)	7001	-	-
Income tax effect	35	5,732	(2100)	-	-
Fair value gain on Bearer Plants	22(a)	1,265	(2,145)	1,265	(2,145)
Revaluation Surplus			-		-
Total comprehensive income		**635,729**	**340,016**	**578,585**	**465,092**
Attributable to:					
Owners of the parent		**635,729**	**340,016**	**578,585**	**465,092**

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

STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2021

		Group		Company	
		2021	2020	2021	2020
	Notes	Kshs '000	Kshs '000	Kshs '000	Kshs '000
ASSETS					
Non-current assets					
Property, plant and equipment	16	5,096,994	5,287,901	4,746,931	4,926,529
Intangible assets	17	67,682	82,991	66,640	80,363
Investment in subsidiaries	18	-	-	55,699	55,699
Deferred tax asset	29(b)	42,770	26,038	-	-
Staff receivables	21	4,359	3,825	4,359	3,825
Bearer biological assets	22(a)	211,049	202,596	211,049	202,596
Loan capital to subsidiaries	23(a)	-	-	211,283	209,914
		5,422,854	5,603,351	5,295,961	5,478,926
Current assets					
Consumable biological assets	22(b)	106,054	55,754	106,054	55,113
Staff receivables	21	19,116	26,887	7,521	13,279
Cash and cash equivalent	34	2,813,071	2,476,170	2,581,017	2,213,676
Inventories	24	3,364,899	2,930,943	2,242,365	2,158,970
Trade and other receivables	25	938,697	853,669	526,659	486,036
Amounts due from subsidiaries	23(b)	-	-	1,646,929	1,384,514
Due from Parastatal and other Government controlled organization	23(c)	1,169,253	1,031,841	1,128,236	1,001,547
Tax recoverable	13(c)	47,181	172,696	13,346	147,568
		8,458,271	7,547,959	8,252,126	7,460,703
Total assets		**13,881,125**	**13,151,310**	**13,548,087**	**12,939,629**
EQUITY AND LIABILITIES					
Equity					
Share capital	26	215,625	215,625	215,625	215,625
Share premium	26	281	281	281	281
Revaluation surplus		4,153,982	4,244,959	4,088,113	4,179,090
Translation reserve	35	(48,544)	(35,171)	-	-
Proposed Dividends		226,407	-	226,407	-
Retained earnings		7,952,115	7,438,444	8,025,972	7,582,817
		12,499,867	11,864,138	12,556,398	11,977,814
Non-current liabilities					
Deferred tax liability	29(c)	467,052	570,851	467,052	570,851
Bank Loan	33(b)	10,035	33,918	-	-
Amounts due to directors	23(d)	17,298	21,731	17,298	21,731
		494,385	626,500	484,350	592,583

STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2021 (continued)

	Notes	Group 2021 Kshs '000	Group 2020 Kshs '000	Company 2021 Kshs '000	Company 2020 Kshs '000
Current liabilities					
Bank overdraft	33(a)	-	-	-	-
Amounts due to directors	23(d)	2,161	2,180	2,161	2,180
Due to subsidiaries	19	-	-	56,266	37,719
Due to Parastatal and other government controlled organizations	23(e)	13,289	5,283	13,289	5,283
Employee benefits obligations	30	52,553	53,182	45,117	43,197
Trade and other payables	31	809,668	590,823	381,303	271,650
Unclaimed dividends	32	9,203	9,203	9,203	9,203
		886,874	660,672	507,339	369,232
Total equity and liabilities		**13,881,125**	**13,151,310**	**13,548,087**	**12,939,629**

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

....
Mr. Fred Oloibe
Ag. Managing Director

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

....
Mr. Mohammed.M. Bulle
Chairman of the Board

STATEMENT OF CHANGES IN EQUITY

GROUP	Share capital	Share premium	Revaluation reserve	Translation Reserve	Retained earnings	Proposed Dividend Kshs '000	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000		Kshs '000
Year ended 30 June 2020							
As at 1 July 2019	215,625	281	4,209,364	(40,072)	6,885,444	-	11,270,643
Prior year adjustment	-	-	-	-	94,372	-	94,372
Total comprehensive income for the year	-	-	-	4,901	342,161	-	347,061
Fair value Gain of Bio Assets	-	-	-	-	(2,145)	-	(2,145)
Revaluation adjustments	-	-	-	-	-	-	-
Transfer of excess depreciation	-	-	35,595	-	118,612	-	154,207
As at 30 June 2020	**215,625**	**281**	**4,244,959**	**(35,171)**	**7,438,444**	**-**	**11,864,138**
Year ended 30 June 2021							
As at 1 July 2020	215,625	281	4,244,959	(35,171)	7,438,444	-	11,864,138
Prior year adjustment	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(13,373)	647,836		634,464
Fair value Gain of Bio Assets	-	-	-	-	1,265		1,265
Proposed Dividends	-	-	-	-	(226,407)	226,407	-
Transfer of excess depreciation	-	-	(90,977)	-	90,977		-
As at 30 June 2021	**215,625**	**281**	**4,153,982**	**(48,544)**	**7,952,115**	**226,407**	**12,499,867**

COMPANY	Share capital	Share premium	Revaluation reserve	Translation Reserve	Retained earnings	Proposed Dividend Kshs '000	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000		Kshs '000
Year ended 30 June 2019							
As at 1 July 2019	215,625	281	4,143,495	-	6,999,113	-	11,358,515
Prior year adjustment	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	467,237		467,237
Fair value Gain of Bio Assets	-	-	-	-	(2,145)	-	(2,145)
Revaluation adjustments	-	-	-	-	-	-	-
Transfer of excess depreciation	-	-	35,595	-	118,612		154,207
As at 30 June 2020	**215,625**	**281**	**4,179,090**	**-**	**7,582,817**	**-**	**11,977,814**
Year ended 30 June 2020							
As at 1 July 2020	215,625	281	4,179,090	-	7,582,817	-	11,977,814
Total comprehensive income for the year	-	-	-	-	577,320	-	577,320
Fair value Gain of Bio Assets	-	-	-	-	1,265	-	1,265
Proposed Dividends	-	-	-	-	(226,407)	226,407	-
Transfer of excess depreciation	-	-	(90,977)	-	90,977	-	-
As at 30 June 2021	**215,625**	**281**	**4,088,113**	**-**	**8,025,972**	**226,407**	**12,556,399**

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

STATEMENT OF CASH FLOWS

	Notes	Group 2021 Kshs '000	Group 2020 Kshs '000	Company 2021 Kshs '000	Company 2020 Kshs '000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Profit before taxation	P&L	908,294	614,059	823,670	720,955
Adjustment for: -					
Depreciation and amortization	16&18	288,158	303,154	251,900	274,111
Gain/Loss on Bearer Plants	22a	1,265	21,037	1,265	20,930
Exchange Gain/loss		10,865	15,573	(2,793)	2,096
		1,208,582	953,823	1,074,042	1,018,092
Changes in working capital: -					
Inventories		(433,956)	296,921	(83,395)	279,737
Biological Assets		(58,752)	(25,092)	(59,394)	(25,025)
Trade and other receivables		(77,792)	(19,952)	(35,397)	(38,136)
Trade and other payables		226,221	101,095	111,571	10,290
Amounts due from/to Parastatals		(137,413)	(53,068)	(126,690)	(74,922)
Amounts due from/to directors		(4,452)	3,183	(4,452)	3,183
Amounts due from/to related parties			-	(237,231)	(88,494)
Cash flows used in operations		722,439	1,256,910	639,055	1,084,724
Finance costs		(10,865)	(15,573)	-	(2,096)
Finance income		-	2,889	2,793	2,515
Tax paid	13c	(259,612)	(275,228)	(215,928)	(243,277)
Net cash flows used in operating activities		**451,962**	**968,998**	**425,920**	**(91,879)**
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment	16	(76,109)	(113,577)	(59,189)	(78,585)
Purchase of Land	16	-	-	-	-
Purchase of intangible assets	18	(787)	(2,228)	(590)	(1,263)
Interest on FDR			-	-	-
Disposal proceeds from sale of assets		1,200	-	1,200	-
Net cash flows from investing activities		**(75,696)**	**(115,805)**	**(58,579)**	**(79,848)**
CASH FLOW FROM FINANCING ACTIVITIES:					
Dividends paid			-	-	-
Loan movement		(23,883)	(25,479)	-	-
Net cash flows from financing activities		**(23,883)**	**(25,479)**	**-**	**-**
Cash and cash equivalents:					
Movement during the year		352,383	827,714	367,341	762,017
Effect of movements in exchange rates on cash held		(15,482)	7,370	-	5,670
As at 1 July 2020		2,476,170	1,641,086	2,213,676	1,445,987
As at 30 June 2021	34	**2,813,071**	**2,476,170**	**2,581,017**	**2,213,676**

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

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget Line	Original & Final Budget	Actual on Comparable basis	Performance Difference	% Change
	2020-2021	2020-2021	2020-2021	
Revenue:				
Maize Seeds	5,250,000,000	4,783,646,811	-466,353,189	-9%
Wheat Seeds (note 1)	181,034,483	105,757,423	-75,277,060	-42%
Pasture Seeds (note 2)	201,380,705	52,930,430	-148,450,275	-74%
Sunflower seeds (note 3)	48,974,978	12,204,015	-36,770,963	-75%
Sorghum seeds (note 4)	17,685,000	7,813,980	-9,871,020	-56%
Vegetable Seeds (note 5)	200,000,000	151,782,294	-48,217,706	-24%
Millet Seeds (note 6)	4,147,500	1,003,245	-3,144,255	-76%
Beans & Pulses seeds	35,157,406	43,142,781	7,985,374	-23%
Farm produce	25,200,000	64,481,988	39,281,988	156%
Rice seeds	13,300,000	12,196,441	-1,103,559	-8%
Other Seeds	-	-	-	0%
Total Revenue	**5,796,880,072**	**5,234,959,406**	**-741,920,665**	**-12%**
Cost of Sales	(3,562,914,539)	(3,012,522,703)	550,391,836	-15%
Gross Profit	**2,413,985,533**	**2,222,436,703**	**-191,528,829**	
Other income (note 7)	57,353,444	29,964,963	-27,388,481	48%
Total Income	**2,471,318,977**	**2,252,401,667**	**-218,917,310**	
Operating expense (note 8)	1,039,790,526	714,269,304	325,521,222	31%
Administration expense (note 9)	528,746,716	448,493,818	80,252,899	15%
Selling & Distribution expense	175,070,760	158,523,437	16,547,324	9%
Research & Development expense (note10)	72,640,123	106,179,942	-33,539,819	-46%
Total Expenses	**1,816,248,125**	**1,427,466,501**	**388,781,625**	**21%**
Finance Charges	-	-	-	
Profit Before Taxes	**655,070,851**	**824,935,166**	**169,864,315**	**26%**
Tax Charges		(246,350,292)	246,350,292	
Surplus for the Period	**655,070,851**	**578,584,875**	**76,485,977**	**12%**

Budget Notes for the variances of more than 10%:

1. **Wheat Seed sales**

   The decrease in wheat sales is due to diversification to farming other crops like maize in the rift valley region due to expected price increase in commercial maize.

2. **Pasture Seed sales**

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

3. **Sunflower seed sales**

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

4. **Sorghum seed sales**

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

5. **Vegetable seed sales**

   There was decrease in demand for vegetable seeds during the year after the maize season was over, due to delay in planting season that brought about by delay in harvesting the maize crop.

6. **Millet seed sales**

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

7. **Other Income.**
Other incomes increased by 16% due to higher proceeds from scrap Sales, chemical and packaging materials and bad debts recovery during the year as compared to the previous reporting period.

8. **Operating expenses**
The operating expenses decreased by 0.05% due to increase in employment costs

9. **Administration expenses**
These expenses decrease is as result of VAT disallowed by KRA and time barred invoices which reduced in the year from Kshs 122M in 2020 to Kshs 75M in 2021 and the actual obsolete inventory was more than the budgeted provisions for inventory.

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

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

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

a) General Information

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

b) Statement of Compliance and Basis of Preparation

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

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

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

c) Critical judgments and sources of estimation uncertainty

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Available for sale assets

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

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

d) Revenue recognition

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

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

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

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

e) Property, plant and equipment

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Freehold land is not depreciated.

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

f) Leases

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

All other leases are classified as operating leases.

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Intangible assets

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

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

Research and development costs

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

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

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

h) Investment in subsidiaries

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

i) Biological assets

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

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

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

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

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

i) Consumable biological assets

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

ii) Bearer biological assets

Other biological assets are classified as bearer biological assets.

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

j) Inventories

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

k) Impairment of non-financial assets

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

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

(i) Classification

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

Loans and receivables

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

(ii) Recognition and measurement

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

(iii) Offsetting financial instruments

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

(iv) Impairment of financial assets

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

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

Financial instruments – under IFRS 9 – Effective 1 January 2018

(i) Recognition and initial measurement

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

(ii) Classification and subsequent measurement

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(iii) Offsetting financial instruments

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

(iv) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVOCI, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The "incurred loss" model is replaced by the "expected credit loss" model in IFRS 9. This applies to all financial assets not held at fair value through profit and loss (FVTPL) – certain investments, loans, trade receivables and other receivables.

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

(v) Derecognition of financial assets

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

m) Foreign currency transactions

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Foreign operations

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

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

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

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

o) Provisions

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

p) Provisions for debtors

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

q) Provisions for obsolete stocks

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

r) Loan capital to subsidiaries

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

s) Dividends

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

t) Employee benefits

(i) Defined benefits scheme

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

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. A provision is made for the estimated annual gratuity as a result of services rendered by employees up to the reporting date.

u) Contingent liabilities

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

v) Income Taxes

Current Tax

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

Deferred tax

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

IFRS 16: Leases

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

IFRIC 23: Uncertainty Over income tax treatments

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

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

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

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

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

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

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

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

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

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

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

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

ii) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

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

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

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

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

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

iii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

Title	Description	Effective Date
IAS 39-Financial Instruments: Recognition and Measurement	IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 4- Insurance Contracts (Superseded)	IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

Title	Description	Effective Date
IFRS 7- Financial Instrument Disclosures	IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 16- Leases	IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 16 — Property, Plant and Equipment	IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 37 — Provisions, Contingent Liabilities and Contingent Assets	IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Title	Description	Effective Date
	(possible obligations and present obligations that are not probable or not reliably measurable).	
IAS 41 — Agriculture	IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 1 — First-time Adoption of International Financial Reporting Standards	IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general-purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 3 — Business Combinations	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.
IFRS 17 — Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.

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

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year ending 30th June 2020.

3. OWNERSHIP OF KENYA SEED COMPANY LIMITED

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

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

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

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

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

The 2001 Share Issue

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

Notes to the Financial statements

		Group		Company	
		2021	2020	2021	2020
4.	**REVENUE**	Kshs '000	Kshs '000	Kshs '000	Kshs '000
	Income from Certified Maize Seeds	5,073,309	5,003,242	4,730,764	4,590,900
	Income from Basic Maize Seeds	55,251	42,970	52,883	45,192
	Income from Vegetable Seeds	971,426	1,012,058	194,925	221,495
	Income from Wheat Seeds	105,503	180,652	105,757	181,086
	Income from Pasture Seeds	100,418	100,129	52,930	92,296
	Income from Other Seeds	85,369	56,904	33,218	20,600
	Income from sale of milk	2,075	3,532	2,075	3,532
	Fair value gain/loss on biological assets	61,142	(21,037)	61,142	(20,930)
		6,454,492	6,378,449	5,233,694	5,104,171

		Group		Company	
		2021	2020	2021	2020
5.	**a) COST OF SALES**	Kshs '000	Kshs '000	Kshs '000	Kshs '000
	Opening stock	2,930,943	3,214,865	2,158,970	2,438,707
	Purchases	4,587,916	3,959,091	2,520,630	2,163,440
	Factory overheads	636,845	563,934	575,287	503,418
	Less:				
	Closing stock	(3,364,899)	(2,930,943)	(2,242,365)	(2,158,970)
	Low germinating seed		-	-	-
	Intra-Group purchases	(1,177,610)	(1,045,502)	-	-
	Cost of goods sold	3,613,195	3,761,444	3,012,523	2,946,595

		Group 2021	Group 2020	Company 2021	Company 2020
5.	**b) COST OF SALES**				
	Cost for Certified Maize Seeds	2,750,825	2,788,831	2,639,060	2,523,602
	Cost for Basic Maize Seeds	52,292	42,685	52,763	44,907
	Cost for Vegetable Seeds	588,898	680,871	170,896	199,076
	Cost for Wheat Seeds	95,550	124,160	97,672	125,823
	Cost for Pasture Seeds	61,957	87,616	31,112	40,100
	Cost for Other Seeds	63,673	37,281	21,019	13,087
	Cost for by products	-	-	-	-
	Total	3,613,195	3,761,444	3,012,523	2,946,595

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

		Group		Company	
6.	**OTHER INCOME**	2021	2020	2021	2020
		Kshs '000	Kshs '000	Kshs '000	Kshs '000
	Bad debts recovered - trade debtors	16,937	4,650	14,527	4,500
	Gain on disposal of property	500	-	500	-
	Rental income	1,743	2,970	1,743	2,970
	Interest on subsidiary loan	1,369	1,367	1,369	1,367
	Interest on growers advances and car loans	7,373	4,602	7,373	4,602
	By-products	(4,793)	7,582	(4,793)	7,582
	Coffee sales	-	2	-	2
	Sale of chemicals and fertilizer	3,414	2,638	71	28
	Sale of gunnies & sundry items	6,246	(867)	6,246	(867)
	Miscellaneous	2,069	9,575	136	2,722
		34,858	32,519	27,172	22,905

7. OPERATING EXPENSES

	Group 2021 Kshs '000	Group 2020 Kshs '000	Company 2021 Kshs '000	Company 2020 Kshs '000
(a) EMPLOYMENT COSTS				
Salaries and allowances	477,407	417,372	278,802	251,906
Wages	113,981	71,783	113,981	60,214
Staff welfare	104,044	77,727	65,266	48,733
Leave pay accrual	2,338	(4,074)	(910)	(4,401)
Pension scheme contributions	19,582	17,890	12,093	10,637
Staff gratuity accrual	46,563	42,565	30,357	26,144
National Social Security Fund (NSSF)	3,560	4,784	3,560	2,202
	767,475	628,047	503,149	395,435

Employment costs for subsidiaries categorized under Admin expenses

The average number of employees at the end of the year was:				
	Group		Company	
	2021	2020	2021	2020
Permanent employees- Management	160	160	105	98
Permanent employees- Unionisable	79	79	48	51
Temporary and contracted employees	428	428	196	200
Total	**667**	**667**	**349**	**349**

	Group		Company	
Gender distribution in numbers	**2021**	**2020**	**2021**	**2020**
Female	278	278	127	130
Male	389	389	222	219

	Group 2021 Kshs '000	Group 2020 Kshs '000	Company 2021 Kshs '000	Company 2020 Kshs '000
(b) ESTABLISHMENT COSTS				
Depreciation	84,084	83,143	59,666	76,630
Amortization (Note 18)	14,263	14,503	14,229	14,441
Rent and rates	50,567	53,784	32,406	33,050
Power and light	12,198	15,243	10,063	12,497
Repairs and maintenance–buildings	13,305	11,293	9,858	6,510
Water supply	1,319	1,207	914	693
	175,736	179,173	127,136	143,821
(c) MACHINERY COSTS				
Depreciation	50,309	121,215	46,397	102,790
Fuel and oil costs	23,703	23,452	15,365	15,374
General repairs	33,433	31,603	20,114	20,259
Weighbridge costs	36	140	36	140
Other workshop costs	2,072	985	2,073	985
	109,553	177,394	83,985	139,547
TOTAL OPERATING EXPENSES	1,052,765	984,614	714,269	678,803

	Group		Company	
8. ADMINISTRATION EXPENSES	**2021**	**2020**	**2021**	**2020**
	Kshs '000	**Kshs '000**	**Kshs '000**	**Kshs '000**
Provisions for:				
- Trade receivables	22,995	117,030	22,708	78,137
Provision for obsolete stocks	204,621	218,514	174,641	182,479
Directors' remuneration - fees	2,161	2,180	2,161	2,180
- other expenses	6,515	15,572	6,515	10,796
Legal and professional fees	18,220	15,578	8,320	6,534
Insurance	17,774	18,720	13,577	10,312
Training expenses	11,182	13,645	10,567	11,667
Postage and telecommunications	16,776	21,126	11,490	11,165
Bank charges	5,121	6,666	2,380	3,591
Mpesa charges	105	131	105	131
Printing and stationery	13,664	10,065	7,100	4,476
Auditors' remuneration	10,003	11,798	4,200	4,569
Office equipment	2,330	1,351	-	-
Licenses and trade subscriptions	15,263	13,408	6,437	5,473
AMS/SAP Maintenance	21,441	16,650	18,717	16,650
VAT disallowed expenses	75,973	122,353	75,973	122,353
Security Services	30,907	29,657	24,018	21,970
Fixed Asset loss on revaluation	-	-	-	-
ISO/Corruption prevention	14	1,913	14	1,913
Fumigation & hygiene maintenance	677	987	602	876
Tender expenses	1,449	456	1,261	456
Withholding tax Rwanda	22,444	6,849	22,444	6,849
Miscellaneous expenses	8,544	1,789	486	1,359
Corporate social responsibility	3,800	3,615	3,565	3,520
Statutory levies	-	2,400	-	2,400
Stock quantity difference	30,298	-	30,298	-
Loss on exchange	8,724	-	-	-
Lab & analyses sample-Simlaw Kenya	1,005	-	-	-
Farm expenses	915	2,895	915	2,895
	552,921	655,348	448,494	512,751

	Group		Company	
	2021	**2020**	**2021**	**2020**
9. SELLING & DISTRIBUTION EXPENSE	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**
Transport and travelling	181,647	190,609	123,350	130,869
Depreciation-subsidiaries	3,010	-	-	-
Publicity	40,689	56,359	17,983	19,032
Entertainment	59	72	-	-
Demonstrations	8,688	9,095	4,489	4,492
Sampling and testing seed products	12,700	14,198	12,701	12,663
	246,793	270,333	158,523	167,057
10. RESEARCH AND DEVELOPMENT EXPENSES				
Research and development	74,351	102,134	60,447	92,012
Laboratory and analysis of sample	47,181	10,351	45,733	9,321
	121,532	112,485	106,180	101,333

	Group		Company	
11. OPERATING PROFIT	**2021**	**2020**	**2021**	**2020**
	Kshs '000	**Kshs '000**	**Kshs '000**	**Kshs '000**
The operating profit is arrived at after charging:				
Provision for obsolete inventories	204,621	218,514	174,641	182,479
Provision for bad and doubtful debts	22,995	117,030	22,708	78,137
Depreciation	286,326	286,326	251,900	259,347
Amortization of intangible assets	16,377	16,828	14,313	14,764
Employment costs (note 7(a))	767,475	628,047	503,149	395,435
Directors' emoluments - fees	2,161	2,180	2,161	2,180
- other expenses	6,515	15,572	6,515	10,796
Auditors' remuneration	10 003	11,798	4,200	4,569
Effects of discounting of staff receivables	900	1,179	900	1,179
Gain on disposal of property, plant and equipment	500	-	500	-
Operating rentals receivable	(1,743)	(2,970)	(1,743)	(2,970)
Bad debts recovered	(14,678)	(4,650)	(14,527)	(4,500)

12. a) FINANCE COSTS

Interest charged on overdraft	-	-	-	-
Bank Loan interest	2,220	6,200	-	-
Loan negotiation fees	-	-	-	-
Foreign exchange loss	8,645	9,373		2,096
	10,865	15,573	-	2,096
b) FINANCE INCOME				
Interest on FDR	(1,872)	(2,515)	(1,872)	(2,515)
Interest on treasury bills	-	-		-
Foreign exchange gain	(15,144)	(374)	(921)	-
	(17,016)	(2,889)	(2,793)	(2,515)

13. TAXATION

- Statement of comprehensive income: -

(a) Taxation charge

Charge for the year	325,053	193,317	310,945	160,238
Deferred tax credit	(103,799)	32,996	(103,799)	43,071
Under provision in previous years	39,205	50,485	39,205	50,409
	260,459	276,799	246,350	253,718

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

Accounting profit before tax	908,295	775,762	823,670	720,955
Tax at the applicable rate of 25%	249,781	193,941	226,506	180,239
Tax effect of expenses not deductible	81,419	32,532	91,113	23,071
Tax effect of revenues that are not taxable	(109,946)	(82)	(110,473)	-
Prior year current tax adjustments	39,205	50,409	39,205	50,409
	260,459	276,799	246,350	253,718

		Group		Company	
		2021	2020	2021	2020
13.	**TAXATION (Continued)**	Kshs '000	Kshs '000	Kshs '000	Kshs '000
	Statement of financial position: -				
(c)	Tax (payable)/recoverable				
	As at 1 July	165,979	146,988	147,568	114,938
	Exchange rate differences	3,306	419	-	-
	Taxation charge	(342,511)	(193,422)	(310,945)	(160,238)
	Tax paid	259,612	275,228	215,928	243,277
	Prior years understatement	(39,205)	(63,234)	(39,205)	(50,409)
	As at 30 June	47,181	165,979	13,346	147,568

14. EARNINGS PER SHARE

Earnings per share have been calculated on the after-tax profit (loss) for the year of Kshs 647 million and Kshs 577 million for the Group and Company respectively (2020: Kshs (337 million) and Kshs 467 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 2021 or 30 June 2020. Therefore, the diluted earnings per share are the same as the basic earnings per share.

15. PROPOSED DIVIDEND

In respect of the current year, the directors propose that a dividend of Kshs 10.73 (2020: Kshs 8.63) per share amounting to Kshs 115,716,975 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 been recognized as liabilities in the financial statements, having it coming from retained earnings.

Financial year	Proposed Dividend	Interim Dividend Paid	Unpaid proposed dividend
	Kshs '000	Kshs '000	Kshs '000
2014/2015	56,602	-	56,602
2015/2016	56,602	-	56,602
2016/2017	56,602	-	56,602
2017/2018	56,602	-	56,602
2018/2019	56,602	-	56,602
2019/2020	56,602	-	56,602
2020/2021	56,602		56,602
Totals	**452,813**	-	**452,813**

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 2021

	Freehold Land Kshs '000	Residential Buildings Kshs '000	Farm works Kshs '000	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 2020	2,842,732	2,280,718	336,272	997,712	92.038	219,107	329,938	111,743	25,529	96,255	7,332,044
Additions		6,624	3,798	3,845	15,010	14,209	21,924	10,698			76,109
Revaluation	-	-	-	-	-	-	-	-	-	-	-
Capitalization	-		-	-	-	-	-	-		-	-
Asset Impairment	-	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-1,200	-	-	-	-1,200
Adjustment	1,912	3.839	-	-6,313		16,407	300	-7.407	-4.228	-	4,510
As at 30 June 2021	2,844,643	2,291,180	340,070	996,664	107,048	249,724	351.201	105,479	21,301	96,255	7,403,566
Accumulated Depreciation											
At 1 July 2020	-	611,935	92,214	744,955	31.742	178.362	269,315	91,103	-	15,198	2,034,826
Charge for the year	527	111,748	15.564	55.245	8.779	35.701	27,956	11,474	-	5.066	272,061
Eliminated on Disposal	-						-1.200				-1,200
Costing adjustments	-										
Adjustment	-31	1,166	-	273	-	8,161	164	-6,516	-	-	885
As at 30 June 2021	496	772,517	107.778	800.474	40,521	222,225	296.236	96.061	-	20.264	2,306,572
Net carrying amounts											
As at 30 June 2021	2,884,147	1,568,663	232,292	196,191	66,526	27,499	54,966	9,418	21,301	75,991	5,096,994

16. PROPERTY PLANT AND EQUIPMENT

b) Company –Year ended 30 June 2020

	Land	Industrial, residential buildings Kshs '000	Farm works Kshs '000	Plant and machinery Kshs '000	Tractors, trailers and Fork-lifts Kshs '000	Furniture and Equipment Kshs '000	Motor vehicles Kshs '000	Computers Kshs '000	Work-in-progress Kshs '000	Coffee bushes Bearer Kshs '000	Total Kshs '000
Cost or Valuation											
At 1 July 2019	2,675,100	2,147,783	334,553	884,528	65,622	180,144	219,594	61,293	-	96,255	6,664,872
Additions		-	1,719	-	26,415	4,147	20,375	4,628	21,301	-	78,584
Adjustment on Re-valuation		-	-	-	-	-	-	-	-	-	-
Capitalization		-	-	-	-	-	-	-	-	-	-
Disposals		-	-	-	-	-	-	-	-	-	-
At 30 June 2020	2,675,100	2,147,783	336,272	884,528	92,038	184,290	239,968	65,921	21,301	96,255	6,743,458
Accumulated depreciation											
At 1 July 2019	-	494,334	76,750	619,867	25,203	122,112	158,118	51,064	-	10,132	1,557,580
Charge for the year		106,559	15,464	47,823	6,539	28,139	41,908	7,850	-	5,066	259,347
Eliminated on disposal		-	-	-	-	-	-	-	-	-	-
At 30 June 2020	-	600,892	92,214	667,690	31,742	150,251	200,026	58,914	-	15,198	1,816,927
Net carrying amount											
At 30 June 2020	**2,675,100**	**1,546,891**	**244,058**	**216,839**	**60,296**	**34,039**	**39,943**	**7,006**	**21,301**	**81,057**	**4,926,529**

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

SUMMARY OF FULLY DEPRECIATED ASSETS		
Non-Current Assets	COST/VALUATION	ACCUMULATED DEPN as at 30.06.2020
Plant & Machinery	145,167	(145,167)
Office Equipment & Tools	17,130,261	(17,130,261)
Furniture and Fittings	8,613,364	(8,613,364)
Motor Vehicles	180,674,672	(180,674,672)
Fork Lifts	2,000,000	(2,000,000)
TR/TRAILERS	1,757,000	(1,757,000)
Computer Hardware	28,129,103	(28,129,103)
Software asset/Intangible Asset	33,638,560	(33,638,560)
TOTAL	**272,088,127**	**(272,088,127)**

16. PROPERTY PLANT AND EQUIPMENT

c) Group –Year ended 30 June 2020

	Freehold Land	Residential Buildings	Farm works	nd machinery	Tractors and Forklifts	Furniture equipment	tor vehicles	Computers	Work-in-progress	Coffee Bushes	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Cost or valuation											
As at 1 July 2019	2,838,656	2,231,018	334,553	970,849	65,622	232,138	301,805	92,752	38,123	96,255	7,201,770
Additions	2,635	2,976	1,719	11,658	26,415	6,864	26,968	7,777	26,565	-	113,577
Revaluation	-	-	-	-	-	-	-	-	-	-	-
Capitalization	-	39,217	-	-	-	-	-	-	(39,217)	-	-
Asset Impairment	-	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-	-	-
Adjustment	1,440	7,506	-	15,205	-	(19,894)	1,405	1,659	59	-	7,380
As at 30 June 2020	2,842,732	2,280,717	336,272	997,712	92,038	219,107	330,178	102,188	25,529	96,255	7,322,727
Accumulated Depreciation											
At 1 July 2019	-	496,355	76,750	679.993	25.203	170.121	218,243	71,703	-	10.132	1,748,500
Charge for the year	-	110,047	15.464	57.111	6.539	31.067	50,026	9,772	-	5.066	285.093
Eliminated on Disposal	-	-	-	-	-	-	-	-	-	-	-
Costing adjustments	-	-	-	-	-	-	-	-	-	-	-
Adjustment	-	5,533	-	7,851	-	(22,826)	1.047	9,628	-	-	1,233
As at 30 June 2020	-	611.935	92.214	744.955	31,742	178.363	269.316	91.103	-	15,198	4,709,926
Net carrying amounts											
As at 30 June 2020	2,842,732	1,668,782	244,058	252,757	60,296	40,745	60,862	11,085	25,529	81,057	5,287,901

16. PROPERTY PLANT AND EQUIPMENT

d) Company –Year ended 30 June 2021

	Land	Industrial, residential buildings Kshs '000	Farm works Kshs '000	Plant and machinery Kshs '000	Tractors, trailers and Forklifts Kshs '000	Furniture and Equipment Kshs '000	Motor vehicles Kshs '000	Computers Kshs '000	Work-in-progress Kshs '000	Coffee bushes Bearer Kshs '000	Total Kshs '000
Cost or Valuation											
At 1 July 2020	2,675,100	2,147,783	336,272	884,528	92,038	184,290	239,968	65,921	21,301	96,255	6,743,456
Additions		-	3,798	320	15,010	10,115	19,436	10,509	-	-	59,189
Adjustment on Revaluation		-	-	-	-	-	-	-	-	-	-
Capitalization		-	-	-	-	-	-	-	-	-	-
Disposals		-	-	-	-	-	(1,200)	-	-	-	(1,200)
At 30 June 2021	2,675,100	2,147,783	340,070	884,848	107,048	194,405	258,205	76,430	21,301	96,255	6,801,445
Accumulated depreciation											
At 1 July 2020	-	600,892	92,214	667,690	31,742	150,251	200,026	58,914	-	15,198	1,816,927
Charge for the year		106,559	15,564	47,569	8,779	29,371	17,830	8,049	-	5,066	238,787
Eliminated on disposal		-	-	-	-	-	(1,200)	-	-	-	(1,200)
At 30 June 2021	-	707,451	107,778	715,259	40,521	179,622	216,656	66,963	-	20,264	2,054,514
Net carrying amount											
At 30 June 2021	2,675,100	1,440,332	232,292	169,590	66,526	14,784	41,549	9,467	21,301	75,991	4,746,931

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

Non-Current Assets	COST/VALUATION	ACCUMULATED DEPN as at 30.06.2021
Industrial Building	1,634,00	(1,634,000)
Plant & Machinery	6,192,876	(6,192,876)
Office Equipment & Tools	140,601,820	(140,601,820)
Furniture and Fittings	22,028,110	(22,028,110)
Motor Vehicles	179,474,672	(179,474,672)
Fork Lifts	2,000,000	(2,000,000)
TR/TRAILERS	3,956,960	(3,956,960)
Computer Hardware	58,567,361	(58,567,361)
Software asset/Intangible Asset	36,538,155	(36,538,155)
TOTAL	450,993,955	(450,993,955)

The Additions in 2019 relate to three parcels of Land which were revalued in the year but had not been revalued in 2015 due to lack of documentation

17. INTANGIBLE ASSETS

	Group 2021 Kshs '000	Group 2020 Kshs '000	Company 2021 Kshs '000	Company 2020 Kshs '000
Cost				
As at 1 July	197,210	194,933	175,082	173,819
Additions	787	2,228	590	1,263
Adjustment		50	-	-
As at 30 June	197,997	197,210	175,673	175,082
Amortization				
As at 1 July	114,219	97,391	94,720	79,956
Charge for the year	16,097	16,828	14,313	14,764
As at 30 June	130,316	114,219	109,033	94,720
Net carrying amount				
As at 30 June	**67,682**	**82,991**	**66,640**	**80,363**

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.

18. INVESTMENT IN SUBSIDIARIES

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

	2021 Kshs '000	2020 Kshs '000
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
Mt. Elgon	3	-
	55,699	55,696

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

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

	Company	
	2021	2020
19. DUE TO SUBSIDIARIES	Kshs '000	Kshs '000
Simlaw Seeds Kenya Limited	56,266	37,719
	56,266	37,719

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

20. AVAILABLE FOR SALE INVESTMENTS-UNQUOTED	2021 Kshs000'	2020 Kshs 000'
Mt Elgon Hospital-Equity shares	200	200
Kenya Farmers Association-Equity shares	2	2
Less: Accumulated impairment losses	(202)	(202)

	Group		Company	
	2021	2020	2021	2020
21. STAFF RECEIVABLES	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Gross staff receivables	126,484	121,538	113,184	106,225
Provision for bad and doubtful debts	(103,010)	(90,826)	(101,305)	(89,121)
Net receivables	23,475	30,712	11,880	17,104
Within one year (note 25)	(19,116)	(26,887)	(7,521)	(13,279)
Amounts receivable after one year	4,359	3,825	4,359	3,825

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. (2019: 6% p.a.) while other advances are given for varying periods and are interest free.

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

	2021	2020
	Kshs '000	Kshs '000
Advances	53,885	65,917
Car Loan	5,279	9,794
Imprest	3,937	4,455
Others	50,083	26,059
Impairment	(101,305)	(89,121)
Net receivable	11,880	17,104

		Group and Company	
		2021	2020
22.	**BIOLOGICAL ASSETS**	Kshs '000	Kshs '000
(a)	**Bearer biological assets**		
	Coffee	68,260	66,995
	Livestock	64,898	61,439
	Trees	77,891	74,162
		211,049	202,596
i	**Coffee:**		
	Fair value as at 1 July	66,995	69,140
	Increase in fair value (note 22(c))	1,265	(2,145)
	Transferred to note 16 (PPE)	-	-
	Fair value as at 30 June	68,260	66,995

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

22. BIOLOGICAL ASSETS (continued)

In the estimation of the fair value of the coffee plants, the following significant assumptions were made in 2020/2021:

i) The coffee bushes will remain productive for the next 15years after year end;
ii) The biological transformation will remain at 100%;
iii) The pretax incremental borrowing rate will remain at 12.02%;
iv) The prevailing weather and climatic conditions will not change; and,
v) The sales and cost of sales are expected to escalate at an average of 5.35% p.a.

In the estimation of the fair value of the coffee plants, the following significant assumptions were made in 2019/2020:

i) The coffee bushes will remain productive for the next 16years after year end;
ii) The biological transformation will remain at 100%;
iii) The pretax incremental borrowing rate will remain at 11.95%;
iv) The prevailing weather and climatic conditions will not change; and,
v) The sales and cost of sales are expected to escalate at an average of 5.43% p.a.

Livestock	Cattle Kshs'000	Sheep Kshs'000	Goats Kshs'000	Total Kshs'000
Year ended 30 June 2021				
Fair value as at 1 July 2020	59,675	1,254	510	61,439
Decreases due to sales	(5,815)	(1,293)	(292)	(7,400)
As at 30 June 2021	53,860	39	219	54,039
Gains arising from physical changes	8,971	1,148	421	10,539
Increases due to newborns	278	27	15	319
Fair value (loss)/gain on livestock (note 22 (c))	9,249	1,175	436	10,859
Fair value as at 30 June 2021	63,108	1,135	654	64,898
Year ended 30 June 2020				
Fair value as at 1 July 2019	50,690	1,142	422	52,253
Decreases due to sales	(6,646)	(617)	(49)	(7,312)
As at 30 June 2020	44,044	525	373	44,941
Gains arising from physical changes	15,350	703	130	16,182
Increases due to newborns	281	27	8	316
Fair value (loss)/gain on livestock (note 22 (c))	15,631	730	138	16,498
Fair value as at 30 June 2020	59,675	1,254	510	61,439

22. BIOLOGICAL ASSETS (continued)

During the year, the livestock yielded 83,014, litres of milk (2020 – 113,285 litres).

Significant assumptions made in the estimation of the fair value of the livestock in 2020/2021 include:

(i) The market conditions will remain constant;
(ii) The prevailing climatic conditions will not change;
(iii) The sales and cost prices are expected to escalate at an average rate of 5.35% p.a.;
(iv) The level of biological transformation for each category of livestock are follows: -
(v) The livestock will attain their full maturity at the age of 36 months.

Category	Age	Percentage
Calves I	0 - 6 months	24%
Calves II	6 months - 1 year	12%
Weaners I	1 & half years - 2 years	13%
Weaners II	2 & half years - 3 years	18%
Mature	over 3 years	33%
		100%

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

During the year, the livestock yielded 83,014 litres of milk (2020 – 113,285 litres).
Significant assumptions made in the estimation of the fair value of the livestock in 2019/2020 include:

(i) The market conditions will remain constant;
(ii) The prevailing climatic conditions will not change;
(iii) The sales and cost prices are expected to escalate at an average rate of 5.43% p.a.;
(iv) The level of biological transformation for each category of livestock are follows: -
(v) The livestock will attain their full maturity at the age of 36 months.

Category	Age	Percentage
Calves I	0 - 6 months	24%
Calves II	6 months - 1 year	12%
Weaners I	1 & half years - 2 years	10%
Weaners II	2 & half years - 3 years	4%
Mature	over 3 years	49%
		100%

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

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

	2021	2020
	no.	no.
Cattle	724	657
Goats	245	185
Sheep	360	397
	1,329	1,239

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

22. BIOLOGICAL ASSETS (continued)

iii Trees

Significant assumptions made in the estimation of the fair value of the trees in 2021 include:

(i) The sales and cost prices are expected to escalate at an average rate of 5.35% p.a.;
(ii) Since the trees are not fully mature, their transformation is based on the current age of tree species;
(iii) Prevailing market lending interest rate of 12.02% has been used as the discounting factor;
(iv) Cash inflows and outflows accrue evenly throughout the useful life; and
(v) 20% of the trees planted will not attain maturity due to natural factors.

The maturity for the trees

Trees are categorized as follows:

Category	Maturity	Number of trees	Value Kshs '000
Eucalyptus Grandis	20 years	24,680	31,002
Ordinary Blue Gum	20 years	18,266	31,937
Cupressus Lusitanica	20 years	7,020	14,951
		49,966	77,891

The 49,966 trees cover 134 acres of land.

Significant assumptions made in the estimation of the fair value of the trees in 2020 include:

(i) The sales and cost prices are expected to escalate at an average rate of 5.43% 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 11.95% 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	20 years	20,765	31,464
Ordinary Blue Gum	20 years	18,283	27,069
Cupressus Lusitanica	20 years	7,250	15,629
		46,298	74,162

The 46,298 trees cover 144 acres of land.

Trees	2021 Kshs '000	2020 Kshs '000
Fair value as at 1 July	74,162	62,517
Decrease in fair value (note 22(c))	3,729	11,645
Fair value as at 30 June	77,891	74,162

22. BIOLOGICAL ASSETS

(b) Consumable biological assets	Maize Kshs '000	Wheat Kshs '000	pasture Kshs '000	Sun-flower Kshs '000	Sorghum Kshs '000	Oats Kshs '000	Millet Kshs '000	Beans Kshs '000	Vegetables Kshs '000	Total Kshs '000
i) Group										
Fair value at 1 July 2020	26,217	14,065	11,373	429	324	1,805	7	893	642	55,755
Additional costs for old crop	3,056	11,759	622	889	57	288	-	667	-	17,225
Gains in fair values due to physical changes - 2019/2020 crop	27,915	(12,264)	(10,622)	(210)	(8)	(894)	65	(1,217)	-	2,766
Decrease in fair value due to harvesting	(57,189)	(13,560)	(1,374)	(1,107)	(259)	(1,199)	(72)	(343)	(642)	(75,746)
Increase in fair value due to new planting	42,120	3,009	5,197	1,244	141	285	-	516	-	52,512
Gain/(loss) in fair value due to physical changes - 2020/2021 crop	45,864	1,682	6,185	(361)	303	(193)	7	54	-	53,541
Fair value at 30 June 2021	**87,984**	**4,691**	**11,383**	**883**	**444**	**92**	**7**	**570**	-	**106,054**
ii) Company										
Fair value at 1 July 2020	26,217	14,065	11,373	429	324	1,805	7	893	-	55,113
Additional costs for old crop	3,056	11,759	622	889	(57)	288	-	667	-	17,225
Gains in fair values due to physical changes - 2019/2020 crop	27,915	(12,264)	(10,622)	(210)	(8)	(894)	65	(1,217)	-	2,766
Decrease in fair value due to harvesting	(57,189)	(13,560)	(1,374)	(1,107)	(259)	(1,199)	(72)	(343)	-	(75,104)
Increase in fair value due to new planting	42,120	3,009	5,197	1,244	141	285	-	516	-	52,512
Gain/(loss) in fair value due to physical changes - 2020/2021 crop	45,864	1,682	26,185	(361)	303	(193)	7	54	-	53,541
Fair value at 30 June 2021	**87,984**	**4,691**	**11,383**	**883**	**444**	**92**	**7**	**570**		**106,054**

22. BIOLOGICAL ASSETS

(b) Consumable biological assets	Maize Kshs '000	Wheat Kshs '000	pasture Kshs '000	Sun-flower Kshs '000	Sorghum Kshs '000	Oats Kshs '000	Millet Kshs '000	Beans Kshs '000	Vegetables Kshs '000	Total Kshs '000
iii) Group										
Fair value at 1 July 2019	39,414	1,077	6,277	519	-	129	-	1,358	575	49,349
Additional costs for old crop	14,266	4,417	2,436	639	71	206	-	452	749	23,236
Gains in fair values due to physical changes - 2018/2019 crop	(18,647)	8,734	(7,108)	(95)	(37)	23	34	(1,810)	(575)	(19,481)
Decrease in fair value due to harvesting	(35,033)	(14,228)	(1,604)	(1,063)	(34)	(358)	(34)	-	-	(52,355)
Increase in fair value due to new planting	45,119	15,752	8,479	2,530	216	1,607	66	2,732	-	76,500
Gain/(loss) in fair value due to physical changes - 2019/2020 crop	(18,902)	(1,687)	2,894	(2,101)	108	198	(59)	(1,839)	(107)	(21,494)
Fair value at 30 June 2020	**26,217**	**14,065**	**11,373**	**429**	**324**	**1,805**	**7**	**893**	**642**	**55,755**
iv) Company										
Fair value at 1 July 2019	39,414	1,077	6,277	519	-	129	-	1,358	-	48,774
Additional costs for old crop	14,266	4,417	2,436	639	71	206	-	452	-	22,487
Gains in fair values due to physical changes - 2018/2019 crop	(18,647)	8,734	(7,108)	(95)	(37)	23	34	(1,810)	-	(18,906)
Decrease in fair value due to harvesting	(35,033)	(14,228)	(1,604)	(1,063)	(34)	(358)	(34)	-	-	(52,355)
Increase in fair value due to new planting	45,119	15,752	8,479	2,530	216	1,607	66	2,732	-	76,500
Gain/(loss) in fair value due to physical changes - 2019/2020 crop	(18,902)	(1,687)	2,894	(2,101)	108	198	(59)	(1,839)	-	(213,870
Fair value at 30 June 2020	**26,217**	**14,065**	**11,373**	**429**	**324**	**1,805**	**7**	**893**	-	**55,113**

22. BIOLOGICAL ASSETS (continued)

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

	Group and Company	
	2021	2020
	Kgs '000	Kgs '000
Maize	1,392.26	479.27
Wheat	369.60	113.38
Sunflower	37.12	0.76
Pasture	11.06	6.69
Sorghum	12.32	-
Beans	0.00	10.00
Millet	2.00	0.68
Oats	61.50	12.85
	1,885.87	623.64

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

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

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

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

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

22. (c)	Group		Company	
	2021	2020	2021	2020
Fair value gains/(losses)	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Coffee (IAS 16-Bearer Plants)	1,265	(2,145)	1,265	(2,145)
Livestock	3,303	11,596	3,303	11,596
Trees	3,729	11,645	3,729	11,645
Consumable biological assets	54,110	(44,172)	54,110	(44,172)
Total as per IAS 41	61,142	(20,930)	61,142	(20,930)

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	
	2021	2020
(a) Loans capital to subsidiary companies	Kshs '000	Kshs '000
Simlaw Seeds Company Limited	144,298	144,298
Mt Elgon Seed Company Limited	50,078	50,078
Kibo Seed Company Limited	21,452	21,452
Simlaw Seeds Company Tanzania Limited	28,816	28,816
Simlaw Seed Company Uganda Limited	16,717	15,348
	261,361	259,992
Less provisions for Mt. Elgon Seed Company Limited	(50,078)	(50,078)
	211,283	209,914

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

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

	Company	
	2021	2020
(b) Amounts due from subsidiaries	Kshs '000	Kshs '000
Simlaw Seeds Company Limited	907,931	706,951
Kibo Seed Company Limited	536,313	508,873
Mt Elgon Seed Company Limited	112,381	112,381
Simlaw Seed Company Uganda Limited	202,684	168,690
	1,759,310	1,496,895
Less provisions for Mt. Elgon Seed Company Limited	(112,381)	(112,381)
	1,646,929	1,384,514

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

Aging Analysis for Amount due from Subsidiaries:									
	Just not due	0-30	31-60	61-90	91-120	120-180	180-365	over 365	Total
Kibo	-	-6	-	206-	8,712	13,015	14,530	499,857	536,314
Mt. Elgon	-	-	-	-	-	-	-	112,381	112,381
Simlaw Kenya	(12)	11,771	19,359	122,750	129,173	-	-	605,156	907,659
Simlaw Uganda	-	24	-	17,160	58,574	22,275	-	104,923	202,956
Total	**(12)**	**11,789**	**19,359**	**140,116**	**196,459**	**35,290**	**14,530**	**1,277,792**	**1,759,310**

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

	Group		Company	
	2021	**2020**	**2021**	**2020**
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Ministry of Agriculture	824,776	815,968	824,150	811,521
Various County Governments	285,684	154,600	250,293	130,366
Kenya Farmers Association (KFA) – net	53,599	53,118	48,599	51,505
National Cereals and Produce Board	5,194	8,155	5,194	8,155
	1,169,253	1,031,841	1,128,236	1,001,547

	2021	**2020**	**2021**	**2020**
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Kenya Farmers Association (KFA) – net				
Gross receivable amount	62,555	63,970	48,599	51.505
Provision for bad and doubtful debts	(8,956)	(10,852)	-	-
Net receivable amount	53,599	53,118	48,599	51.505

Aging Analysis for Government controlled organizations for the Company:									
	Just not due	0-30	31-60	61-90	91-120	120-180	180-365	over 365	Total
Ministry of Agriculture	119	375	-	1,042	385	1,369	9,577	811,402	824,150
County Governments	-	736	-1,966	-	183,880	16,983	12,463	38,196	250,293
Kenya Farmers Ass	-	-3,076	4,038	280	5,193	-90	-42	42,297	48,599
ADC	-	-	-	-	-	-	-	-	-
NCPB	(267)	-287	-	264	58	-34	-35	5,228	5,194
KARI	-	-	-	-	-	-	-	-	-
Total	**(148)**	**-2,253**	**2,072**	**1,586**	**189,516**	**18,229**	**21,963**	**897,123**	**1,128,236**

	2021	**2020**
	Kshs'000	Kshs'000
Kenya Farmers Association (KFA) – net		
Gross receivable amount	62,555	48,599
Provision for bad and doubtful debts	(8,956)	-
Net receivable amount	53,599	48,599

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.

(d) *Amounts due to directors*

	Group and Company 2021 Kshs '000	Group and Company 2020 Kshs '000
Provision for accrued fees, gratuity, leave	19,459	23,911
Due after one year	(17,298)	(21,731)
Due within one year	2,161	2,180

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

	Group 2021 Kshs'000	Group 2020 Kshs'000	Company 2021 Kshs'000	Company 2020 Kshs'000
Kenya Plant Health Inspectorate (KEPHIS)	13,289	5,283	13,289	5,283
National Cereals and Produce Board	-	-	-	-
Kenya Farmers Association	-	-	-	-
Kenya Agricultural Research Institute	-	-	-	-
	13,289	5,283	13,289	5,283

(f) Transactions within the Group

	Group and Company 2021 Kshs '000	Group and Company 2020 Kshs '000
Kenya Seed Company Limited sales to:		
Simlaw Seeds Uganda	98,009	72,655
Simlaw Seeds Company Limited	786,053	668,206
Kibo Seed Company Limited	52,987	39,681
	937,049	780,542
Simlaw Seed Company Limited sales to:		
Kenya Seed Company Limited	233,436	247,737
Simlaw Uganda	2,079	955
Kibo Seed Company Limited	5,020	16,268
	240,535	264,960
Payments made by Kenya Seed Company Limited on behalf of:		
Simlaw Seeds Company Limited	1,635	44
Mt Elgon Seed Company Limited	-	-
Simlaw Seeds Uganda Limited	-	119
Kibo Seed Company Limited	-	180
	1,635	342

(f) Transactions within the Group

	Group and Company 2021 Kshs '000	Group and Company 2020 Kshs '000
Payments made on behalf of Kenya Seed Company Limited:		
Simlaw Seeds Company Limited	1,635	48
Simlaw Seeds Uganda Limited	-	-
Kibo Seed Company Limited	797	14
	2,432	62

(g) **Transactions with Parastatal organizations**

	Group and Company	
Sales to:		
National Cereals and Produce Board	6,389	7,254
Kenya Farmers Association	123,935	105,566
Agricultural Development Corporation	-	47,000
	130,234	159,820
Purchases from:		
Agricultural Development Corporation	7,717	445,834
The Kenya Power & Lighting Company Limited	89,850	70,308
Kenya Farmers Association	2,884	6,303
Telkom Kenya	594	400
Kenya Agricultural Research Institute	5,897	7,375
Agricultural Society of Kenya	-	2,665
National Cereals and Produce Board	97,047	64,647
	203,989	597,532

(h) **Transactions with directors**

Directors Fees	2,161	2,180
Managing Director's salary and gratuity provision	10,193	12,812
Board Salaries and allowances	13,716	19,071
	26,070	34,063

(i) **Key management compensation**

Salaries and allowances	100,301	122,184

(j) **Transactions with the staff retirement benefit scheme**

Contributions collected on behalf of the scheme	37,813	36,202

	Group		Company	
	2021	2020	2021	2020
24 INVENTORIES	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Certified Maize Seeds	1,159,970	921590	947,450	819,973
Basic Maize Seeds	347,325	343,745	343,278	343,745
Wheat Seeds	185,049	188,805	184,743	188,226
Pastures	51,955	84,251	52,711	66,112
Sorghum	81,306	79,969	82,426	81,089
Finger millet	38,072	36,498	38,072	36,498
Rice	30,741	54,204	30,741	54,204
Vegetables	960,864	661,983	85,904	67,157
Beans & pulses	16,575	17,511	16,568	17,498
Sunflower	215,050	222,635	213,921	222,133
Chemicals	230,493	214,195	225,097	209,851
Fertilizers	83,217	5881	80,388	4,702
Packaging materials	231,124	169,004	203,785	149,898
Fuel and other inventories	55,957	57,072	23,031	16,498
Miscellaneous & Welfare items	19,716	16,238	14,726	9,185
Cleanings and rejects	49,950	50,491	35,071	33,107
Provision for Obsolete stocks	(392,466)	(193129)	(335,546)	(160,905)
	3,364,899	2,930,943	2,242,365	2,158,970

25. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021	2020	2021	2020
Trade receivables	1,631,699	1,592,477	1,162,494	1,148,015
Other receivables	119,357	77,405	84044	62,795
Provision for bad & doubtful debts	(812,359)	(816,213)	(719,879)	(724,773)
Trade & Other Receivables	**938,697**	**853,669**	**526,659**	**486,036**
Staff receivables (note 21)	**19,116**	**26,887**	**7,521**	**13,279**
Total	957,813	880,555	534,179	499,316

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 postdated cheques that are within the customer's bank guarantee.

		2021	2020
26.	**SHARE CAPITAL**	Kshs '000	Kshs '000
	Authorized share capital:		
	20,000,000 ordinary shares of Kshs 20 each	400,000	400,000
	Issued and fully paid:		
	10,781,265 ordinary shares of Kshs 20 each	215,625	215,625

The issued and fully paid share capital excludes 3,370,000 ordinary shares worth Kshs 67,400,000 that were issued in the year ended 30 June 2002, which were revoked after the High Court of Kenya ruling on 6 April 2006. These shares are currently a subject matter before the Kenyan Court of Appeal (Note 2). The nominal share capital together with the premium on these shares is now classified under trade and other payables (Note 31).

27. REVALUATION RESERVE

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

28. RETAINED EARNINGS

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

		Group		company	
		2021	2020	2021	2020
29.	**DEFERRED TAX**	Kshs '000	Kshs '000	Kshs '000	Kshs '000
(a)	***Statement of comprehensive income***				
	Deferred liability credit	(103,799)	(43,071)	(103.799)	(43,071)
	Deferred asset credit/(charge)	16,732	10,110	-	-
	Charge for the year	(87,067)	(32,961)	(103,799)	(43,071)

(b) ***Deferred tax asset***

Deferred taxation is calculated on all temporary differences under the liability method using the enacted tax rate of 27.5%.

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

Deferred tax assets:	As at 1 July 2020 Kshs '000	Income Kshs '000	As at 30 June 2021 Kshs '000
Unrealized foreign exchange losses	17	286	269
Leave pay provision	(1,123)	(795)	(1,918)
Tax losses carried forward	-	-	-
Excess depreciation of tax wear and tear allowances	(2,152)	(1,607)	(3,759)
Provision of impairment of inventories	-	(14,125)	(14,125)
Gratuity provision	(2,496)	212	(2,284)
General bad debt provision	(20,257)	(158)	(20,415)
Fair value gain on biological assets	(27)	(27)	-
Net deferred tax asset	(26,038)	(16,732)	(42,770)

(c) Deferred tax liability

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

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

	As at 1 July 2020 Kshs '000	Statement of comprehensive Income Kshs '000	As at 30 June 2021 Kshs '000
Deferred tax liabilities:			
Accelerated capital allowances	54,002	(17,780)	36,222
Revaluation surplus	444,813	18,516	463,329
Fair value gain on biological assets	-	-	-
Leave pay provision	1,568	(1,318)	250
	500,383	(582)	499,801
Deferred tax assets:			
Gratuity provision	1,938	(1,938)	-
General bad debts provision	67,980	(121,568)	(53,588)
Unrealized foreign exchange losses	911	(352)	559
Staff bad debt provision	(18,047)	13,844	(4,203)
Leave pay provision	-	-	-
Fair value gain on biological assets	17686	6,797	24,483
	70,468	(103,217)	(32,749)
Net deferred tax liability	570,851	(103,799)	467,052

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

30. EMPLOYEE BENEFITS OBLIGATIONS	**Group** 2021 Kshs '000	**Group** 2020 Kshs '000	**Company** 2021 Kshs '000	**Company** 2020 Kshs '000
Due to the defined benefit scheme's ex-staff	-	-	-	-
Gratuity provision	51,781	51,997	44,345	42,012
Benevolent fund	772	1,186	772	1,186
As at 30 June	52,553	53,182	45,117	43,197

31. TRADE AND OTHER PAYABLES	**Group** 2021 Kshs '000	**Group** 2020 Kshs '000	**Company** 2021 Kshs '000	**Company** 2020 Kshs '000
Amounts due to disputed share-holders (note 26)	124,690	124,690	124,690	124,690
Trade payables	618,240	390,118	212,797	108,385
Accrued leave pay	19,721	18,899	13,328	14,237
Accruals and other payables	47,017	57,116	30,488	24,338
	809,668	590,823	381,303	271,650

32. UNCLAIMED DIVIDENDS	Group and Company 2021 Kshs '000	2020 Kshs '000
At beginning of the year	9,203	9,203
Unclaimed during the year	-	-
At end of the year	9,203	9,203

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

33. BANK OVERDRAFT AND BANK LOAN

	Group		Company	
	2021 Kshs '000	2020 Kshs '000	2021 Kshs '000	2020 Kshs '000
a) Bank overdraft-KCB		-	-	-
b) Bank Loan-KCB	(10,035)	(33,918)	-	-

- As at 30 June 2021, the company had no overdraft (2020: Kshs Nil) with Kenya Commercial Bank.
- As at 30 June 2021, Simlaw Seeds Kenya had an outstanding bank loan of Kshs 10,035 million (2020- Kshs 33,918 million). The loan was acquired from Kenya Commercial Bank for duration of 5 Years, at an interest rate of 17% for purchase of property at Number 2, Kijabe Street, L.R. no 209/4360/33 used as security for Loan.

34. CASH AND CASH EQUIVALENTS

	Company Account number	Group 2021 Kshs '000	Group 2020 Kshs '000	Company 2021 Kshs '000	Company 2020 Kshs '000
Cash on Hand		1,596	2,885	792	1,621
Mpesa		3,354	6,469	3,354	6,469
Barclays Bank-Kshs	0038202995	1,046,111	438,871	1,008,293	395,995
Barclays Bank-Dollar	227213949	103,689	36,625	95,039	28,353
KCB-Rwanda	4400617351	108,281	58,899	108,281	58,899
KCB-Kenya	1105122484	1,012,649	1,405,317	939,954	1,328,315
NBK-Kenya	01003048613200	10,278	7,789	10,278	7,789
Equity-Kenya	0330293593306	236,006	209,077	236,006	209,077
Cooperative Bank	1141502576900	106,230	106,239	106,230	106,239
KCB Tanzania		813	1,660	-	-
Standard Chartered Bank - Ug		62	58	-	-
KCB-Uganda		19,493	44,415	-	-
Centenary Bank Uganda		77,986	65,494	-	-
National Bank of Commerce TZ		672	3,471	-	-
National Micro Finance Bank TZ		9,155	8,698	-	-
Stanbic Bank Ltd –UG		25	23	-	-
Stanbic Bank Ltd -TZ		3,884	9,460		-
Total Cash **(Note 34a)**		**2,740,282**	**2,405,252**	**2,508,227**	**2,142,758**
Fixed Deposits **(Note 34b)**	1126074047	**72,789**	**70,918**	**72,789**	**70,918**
Cash & Cash Equivalent **(34a +34b)**		2,813,071	2,476,170	2,581,017	2,213,676
			-	-	-
Total Cash and Cash		2,813,071	2,476,170	2,581,017	2,213,676

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

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

		Group 2021 Kshs '000	Group 2020 Kshs '000	Company 2021 Kshs '000	Company 2020 Kshs '000
Fixed deposits	(Note34 b)	72,789	70,918	72,789	70,918
Cash at bank and in hand	(Note34 a)	2,740,282	2,405,252	2,508,227	2,142,758
		2,813,017	**2,476,170**	**2,581,017**	**2,213,676**

35. FOREIGN OPERATIONS TRANSLATION RESERVE

Subsidiary	2021 Kshs	2020 to 2021 Kshs	2020 Kshs
Simlaw UG	4,536,167	(3,623,318)	8,159,486
Kibo	27,972,825	19,510,626	8,462,199
Simlaw TZ	4,205,338	(271,558)	4,476,896
MESC	11,829,379	(2,243,286)	14,072,664
	48,543,709	**13,372,464**	**35,171,245**

Exchange differences on translating foreign operations	19,103,521
Income tax effect at 30%	(5,731,056)
	13,372,464

36. CAPITAL EXPENDITURE COMMITMENTS

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

	Group		Company	
	2021	**2020**	**2021**	**2020**
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Authorised but not contracted for	400,883	582,167	340,672	521,956

37. OPERATING LEASE COMMITMENTS

Minimum lease payments committed under various operating leases:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Not later than 1 year	-	-	-	-
Later than 1 year but not later than 5 years	-	-	-	-
	-	-	-	-

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The company does not enter into derivative transactions.

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

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

The policy of the company is to minimize the negative effect of such risks on cash flow, financial performance and equity
This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

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

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

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

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

The amount that best represents the company's maximum exposure to credit risk as at 30 June 2021 is made up as follows:

		Group		Company
	2021	2020	2021	2020
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Net trade receivables	938,697	853,669	526,659	486,036
Net staff receivables	19,116	26,887	7,521	13,279
	957,813	880,555	534,179	499,316

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

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

	Group		Company	
	2021	2020	2021	2020
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Past due but not impaired:				
- by up to 30 days	3,386	121,142	3,386	52,410
- by 31 to 60 days	8,725	57,018	8,725	9,909
- by 61 to 90 days	21,109	93,389	9,514	38,179
- over 90 days	924,592	609,006	512,553	398,817
	957,813	880,555	534,179	499,316

Movement in provisions for doubtful debts:

	Group		Company	
	2021	2020	2021	2020
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
As at 1 July	816,213	717,417	724,773	664,266
Recoveries during the year	(12,319)	(4,414)	(12,319)	(4,264)
Provisions for the year	34,394	125,671	33,354	86,778
Reversal of overprovision	(25,929)	(22,460)	(25,929)	(22,007)
As at 30 June	812,359	816,213	719,879	724,773

(b) Market risk

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

Interest rate risk

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

	Change in Interest rate	Effect on profit Before Tax	Effect on Equity
		Kshs '000	Kshs '000
2021	-10.00%	(88,911)	(62,238)
	10.00%	88,911	62,238
2020	-10.00%	(62,674)	(43,872)
	10.00%	62,674	43,872

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Exchange risks

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

Financial assets	**Group 2021** Kshs '000	**Group 2020** Kshs '000	**Company 2021** Kshs '000	**Company 2020** Kshs '000
Amount due from Rwanda customers (note 25)		228,058		228,058
Cash and cash equivalents (note 34) Dollar & Rwanda accounts	211,970	95,524	203,320	87,252
	211,970	323,582	203,320	315,310

USD	Change in currency rate	Effect on profit Before Tax Kshs '000	Effect on Equity Kshs '000
2021	-10.00%	(1,910)	(1,337)
	10.00%	1,910	1,337
2020	-10.00%	(700)	(490)
	10.00%	700	490

(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 2021	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	464,997	232,499	290,623	174,374	1,162,494
Other receivables and prepayments	-	-	84,044	-	84,044
Amount due from related parties	-	-	1,646,929	-	1,646,929
Bank balances and cash deposits	2,581,017	-	-	-	2,581,017
Total financial assets	3,046,014	232,499	2,021,596	174,374	5,474,483
Financial liabilities					
Total financial liabilities	(152,521)	(76,260)	(95,325)	(57,195)	(381,302)
Net liquidity gap	**2,893,493**	**156,238**	**1,926,271**	**117,179**	**5,093,181**

	Up to 1 month	1 – 3 Months	3 - 12 months	over 1 year	Total
At 30 June 2020					
Financial assets					
Trade receivables	310,505	155,253	194,066	116,440	776,264
Other receivables and prepayments	-	-	77,405	-	77,405
Amount due from related party	-	-	1,594,428	-	1,594,428
Bank balances and cash deposits	2,476,170	-	-	-	2,476,170
Total financial assets	2,786,675	155,253	1,865,899	116,440	4,924,266
Financial liabilities					
Total financial liabilities	(236,329)	(118,165)	(147,706)	(88,624)	(590,823)
Net liquidity gap	**2,550,346**	**37,088**	**1,718,193**	**27,816**	**4,333,443**

(d) *Operational risk*

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

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

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

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

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

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

39. CAPITAL MANAGEMENT

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

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

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

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

In the short to medium term, profits are distributed via dividends, and extra profits retained in the company are used to self-fund investing and operating activities. The company does not have any long-term debt. The company aims to maintain capital discipline in relation to investing activities.
The company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The company's policy is to keep the gearing ratio between 10% and 25%. The company includes within net debt, interest bearing loans and borrowing, trade and other payables, less cash and cash equivalent.

	2021 Kshs '000	2020 Kshs '000
Trade and other payables (note 31)	809,025	590,823
Less: Cash and other short-term deposits (note 34)	(2,581,017)	(2,476,170)
Net debt	(1,771,991)	(1,885,346)
Total Capital (Equity)	12,499,867	11,864,138
Capital and net debt	10,727,876	9,978,792
Gearing ratio	-14%	-16%

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

40. CASH FLOW ITEMS

	Notes	2021 Group Kshs '000	2020 Group Kshs '000	2021 Company Kshs '000	2020 Company Kshs '000
Depreciation & amortization:					
PPE	16	269,468	286,326	237,587	259,347
Intangible	18	16,097	16,828	14,313	14,764
		285,565	**303,154**	**251,900**	**274,111**
Inventories:					
Opening Inventory	24	2,930,943	3,214,865	2,158,970	2,438,707
Closing inventory	24	3,364,899	2,930,943	2,242,365	2,158,970
cash Increase/decrease		**420,956**	**(296,921)**	**83,395**	**(279,737)**
Biological Assets:					
Opening Biological asset	22	258,350	233,259	257,709	232,683
Opening bearer restated	22	-	-	-	-
Closing Biological asset	22	317,103	258,350	317,103	257,709
cash Increase/decrease		**58,752**	**25,092**	**59,394**	**25,025**
Receivables:					
Opening Trade receivables	25	880,555	824,442	499,316	495,174
Opening current staff receivables	21	-	-	-	-
Closing Trade receivables	25	957,813	880,555	534,179	499,316
		77,257	56,113	34,863	4,141
Opening corporation tax	13c	172,696	146,988	147,568	114,938
Prior years' tax assessments		(39,205)	(63,234)	(39,205)	-
Closing corporation tax	13c	47,181	172,696	13,346	147,568
		(164,720)	(37,526)	(173,427)	32,630
opening Staff receivables	21	3,825	2,460	3,825	2,460
Closing Staff receivables	21	4,359	3,825	4,359	3,825
		534	1,365	534	1,365
cash Increase/decrease		**(86,928)**	**19,952**	**138,029**	**38,136**
Payables:					
Opening Trade Payables	31	590,823	481,200	271,650	250,496
Closing Trade Payables	31	809,025	590,823	381,302	271,650
		218,202	109,624	109,652	21,154
Opening unclaimed dividends	32	9,203	9,203	9,203	9,203
Closing unclaimed dividends	32	9,203	9,203	9,203	9,203
		-	-	-	-
Opening Employee benefits	30	53,182	61,712	43,197	54,061
Closing Employee benefits	30	52,553	53,182	45,117	43,197
		(630)	(8,529)	1,920	(10,864)
Cash Increase/decrease		**217,572**	**101,095**	**111,571**	**10,290**

	notes	2021 Group Kshs '000	2020 Group Kshs '000	2021 Company Kshs '000	2020 Company Kshs '000
Amounts from Parastatals:					
Opening due from Parastatals	23	1,031,841	963,772	1,001,547	930,084
Closing due from Parastatals	23	1,169,253	1,031,841	1,128,236	1,001,547
		137,413	68,069	126,690	71,462
Opening due to Parastatals	23	5,283	8,743	5,283	8,743
Closing due to Parastatals	23	13,932	5,283	13,932	5,283
		8,649	(3,460)	8,649	(3,460)
Cash Increase/decrease		**128,763**	**71,528**	**118,040**	**74,922**
Amounts due from/to Directors:					
Opening due to Directors	23	23,911	20,728	23,911	20,728
Closing due to Directors	23	19,459	23,911	19,459	23,911
Cash Increase/decrease		**(4,452)**	**3,183**	**(4,452)**	**3,183**
Amounts due from/to Related Parties:					
Opening due from Related Parties	23	-	-	1,384,514	1,284,298
Closing due from Related Parties	23	-	-	1,646,929	1,384,514
		-	-	262,415	100,216
Opening due to Related Parties	23	-	-	37,719	25,997
Closing due to Related Parties	23	-	-	55,623	37,719
		-	-	17,904	11,722
Cash Increase/decrease		**-**	**-**	**244,511**	**88,494**
Finance Costs:					
Finance Costs paid during the year	12	**(19,589)**	**15,573**	**-**	**2,096**
Finance income:					
Finance income during the year	12	**17,016**	**(2,889)**	**2,793**	**(2,515)**
Tax Paid:					
Tax paid during the year	13	**259,612**	**275,646**	**215,928**	**243,277**
Purchase of property, plant and equipment:					
Additions	16	**76,109**	**113,577**	**59,189**	**78,584**
Purchase of intangible assets					
Additions	18	**787**	**2,228**	**590**	**1,263**
Gain/loss on bearer assets					
Gain	22c	**1,265**	**(2,145)**	**1,265**	**(2,145)**

41. SEGMENTAL INFORMATION

Business segments

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

Geographical segments

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

- Kenya
- Tanzania
- Uganda

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

	Kenya	Tanzania	Uganda	Eliminated on consolidation	Total
Statement of comprehensive income	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Year ended 30 June 2021					
Operating income					
External	6,903,442	398,829	328,832	-	7,631,103
Inter-segment	(1,177,610)	-	-	-	(1,177,610)
Total operating income	5,725,832	398,829	328,832	-	6,454,492
Segment profit	**(610,785)**	**(6,513)**	**(6,521)**	**-**	**(623,820)**
Statement of financial position: -					
Segment total assets	15,116,483	511,386	482,157	(2,228,989)	13,881,127
Segments liabilities	1,716,103	749,588	612,110	(2,163,593)	914,207
Non-operating liabilities	467,052	-	-	-	467,052
Total liabilities	**2,183,155**	**749,588**	**612,110**	**(2,163,593)**	**1,381,260**
Other information: -					
Additions to property, plant and equipment	64,175	1,672	10,263	-	76,109
Additions to intangible assets	590	16	181	-	787
Depreciation of property, plant and equipment	250,809	15,071	3,588	-	269,468
Amortization of intangible assets	15,749	231	117	-	16,097
Provision for obsolete inventories	78,137	-	-	-	78,137
Provision for bad and doubtful debts	-	-	-	-	-
Bad debts recovered	16,937	-	-	-	16,937
Finance cost	2,096	-	-	-	2,096
Finance income	-	-	-	-	-
Income tax	256,413	1,507	2,601	-	260,521
Effects of discounting of staff receivables	-	-	-	-	-
	684,907	**18,497**	**16,749**	**-**	**720,153**
Off balance sheet items:					
Capital expenditure commitments	400,883	-	-		400,883
Operating lease commitments	-	-	-		-
Total	**400,883**	**-**	**-**		**400,883**

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

Statement of comprehensive income	Kenya Kshs'000	Tanzania Kshs'000	Uganda Kshs'000	Eliminated on consolidation Kshs'000	Total Kshs'000
Year ended 30 June 2020					
Operating income					
External	6,690,553	382,741	350,657	-	7,423,951
Inter-segment	(1,045,502)	-	-	-	(1,045,502)
Total operating income	5,645,051	382,741	350,657	-	6,378,449
Segment profit	**356,147**	**(36,241)**	**15,209**	-	**335,115**
Statement of financial position: -					
Segment total assets	14,277,256	473,177	369,183	(1,968,305)	13,151,310
Segments liabilities	1,383,862	723,493	517,353	(1,908,387)	716,321
Non-operating liabilities	570,851	-	-	-	570,851
Total liabilities	**1,954,714**	**723,493**	**517,353**	**(1,908,387)**	**1,287,172**
Other information: -					
Additions to property, plant and equipment	100,374	5,035	8,168	-	113,577
Additions to intangible assets	2,108	-	119	-	2,228
Depreciation of property, plant and equipment	268,333	15,299	1,461	-	285,093
Amortization of intangible assets	14,764	(344)	-	-	14,420
Provision for obsolete inventories	199,755	18,759	-	-	218,514
Provision for bad and doubtful debts	117,030	-	-	-	117,030
Bad debts recovered	4,650	-	-	-	4,650
Finance cost	14,889	304	379	-	15,573
Finance income	2,515	-	374	-	2,889
Income tax	272,491	1,958	-	-	274,449
Effects of discounting of staff receivables	-	-	-	-	-
	996,910	**41,011**	**10,502**	-	**1,048,423**
Off balance sheet items:					
Capital expenditure commitments	582,167	-	-		582,167
Operating lease commitments	-	-	-		-
Total	**582,167**	-	-		**582,167**

Segmental Income Statement for the year ended 30 June 2021

	Kenya Seed Co. Kshs '000	Simlaw Kenya Kshs '000	Tanzania Kshs '000	Uganda Kshs '000	Group Total Kshs '000
Revenue	5,234,959	1,669,748	398,829	329,832	7,633,368
Cost of Sales	(3,012,523)	(1,318,682)	(223,138)	(261,745)	(4,816,087)
Gross Profit	**2,222,437**	**351,066**	**175,691**	**68,087**	**2,817,281**
Other Income	27,172	4,343	3,344	-	34,858
Operating Expenses	(1,427,467)	(302,202)	(174,244)	(61,312)	(1,965,225)
Finance Costs	-	(10,943)	-	(8,645)	(19,589)
Finance Income	2,793	-	3,230	10,993	17,016
Profit before Tax	**824,935**	**42,263**	**8,020**	**9,122**	**884,341**
Tax	(246,350)	(10,063)	(1,507)	(2,601)	(260,521)
Profit after Tax	**578,585**	**32,200**	**6,513**	**6,521**	**623,820**

Segmental Income Statement for the year ended 30 June 2020

	Kenya Seed Co. Kshs '000	Simlaw Kenya Kshs '000	Tanzania Kshs '000	Uganda Kshs '000	Group Total Kshs '000
Revenue	5,102,026	1,586,383	382,741	350,657	7,421,806
Cost of Sales	(2,946,595)	(1,196,618)	(223,989)	(278,041)	(4,806,946)
Gross Profit	**2,155,431**	**389,765**	**158,752**	**72,616**	**2,614,860**
Other Income	22,905	7,003	2,610	-	32,519
Operating Expenses	(1,459,945)	(312,443)	(195,342)	(55,052)	(2,022,781)
Finance Costs	(2,096)	(12,793)	(304)	(379)	(15,573)
Finance Income	2,515	-	-	374	2,889
Profit before Tax	**718,810**	**71,532**	**(34,283)**	**17,559**	**611,914**
Tax	(253,718)	(18,773)	(1,958)	(2,350)	(276,799)
Profit after Tax	**465,092**	**52,759**	**(36,241)**	**15,209**	**335,115**

Segmental Statement of Financial Position as at 30th June 2021

	KSC 2020 Kshs '000	Simlaw Kenya 2020 Kshs '000	Tanzania 2020 Kshs '000	Uganda 2020 Kshs '000	Elimination on Consolidation	Group Total 2020 Kshs '000
Non-Current Assets	5,080,319	214,170	91,230	46,705	(55,699)	5,375,725
Inventories	2,242,365	868,585	236,498	179,156	(161,704)	3,364,899
Receivables	3,611,122	324,988	169,135	157,647	(2,011,496)	2,251,396
Cash and Bank	2,508,227	118,882	14,523	98,650	-	2,740,282
Other Assets	106,054	42,770	-	-	-	148,824
Total Assets	**13,548,088**	**1,568,395**	**511,386**	**482,157**	**(2,228,898)**	**13,881,127**
Shareholders' Funds	12,556,399	376,929	(238,202)	(129,953)	(65,306)	12,499,867
Long-Term Liabilities						
Payables	486,512	10,035	-	-	-	496,546
Other Payables	381,302	179,350	124,481	123,892	-	809,025
Bank loan	123,875	1,002,081	625,106	488,218	(2,163,593)	75,688
Over-Drafts	-	-	-	-	-	-
Total Liabilities	**13,548,088**	**1,568,395**	**511,386**	**482,157**	**(2,228,898)**	**13,881,127**

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

Segmental Statement of Financial Position as at 30th June 2020

	KSC 2020 Kshs '000	Simlaw Kenya 2020 Kshs '000	Tanzania 2020 Kshs '000	Uganda 2020 Kshs '000	Elimination on Consolidation	Group Total 2020 Kshs '000
Non-Current Assets	5,265,187	222,800	103,506	37,694	(55,699)	5,573,488
Inventories	2,158,970	640,343	194,196	99,138	(161,704)	2,930,943
Receivables	3,317,601	319,444	152,142	121,549	(1,750,902)	2,159,834
Cash and Bank	2,142,758	128,359	23,333	110,802	-	2,405,252
Other Assets	55,113	26,680	-	-	-	81,792
Total Assets	**12,939,629**	**1,337,627**	**473,177**	**369,183**	**(1,968,305)**	**13,151,310**

Shareholders' Funds	11,977,814	344,728	(250,316)	(148,170)	(59,917)	11,864,138
Long-Term Liabilities	594,762	-	280	-	-	595,042
Payables	271,650	128,794	107,574	76,088	-	584,106
Other Payables	95,403	830,187	615,639	441,264	(1,908,387)	74,106
Bank loan	-	33,918	-	-	-	33,918
Over-Drafts	-	-	-	-	-	-
Total Liabilities	**12,939,629**	**1,337,627**	**473,177**	**369,183**	**(1,968,305)**	**13,151,310**

42(a) CONTINGENT LIABILITIES

	2021	2020
	Kshs '000	Kshs '000
Pending litigation claims	53,590	53,590
Claim by former contractor	786,477	786,477
Claim by supplier (CHEMRECTIC CO. LTD)	6,000	6,000
Claim by KRA	-	881,541
Claim by ADC	45,000	-
	891,067	1,727,608

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 2021. 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 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.

Claim by KRA
KRA Conducted an in-depth Tax Audit of Kenya Seed Company in 2017 and 2018. After the assessment, KRA issued a demand of Kshs 881.541 million broken as Corporation Tax (790.6 million); VAT (80. 4 million) and Withholding Tax (10.6 million). The Company, after reviewing the KRA demand with the Tax Consultants disputed the KRA calculations and objected to the entire amount demanded. As at 30 June 2020, the matter is being handled at the Alternative Dispute Resolution stage of the arbitration process. The Management and the Tax Consultants position is that the company will be able to prove her tax compliance and that KRA will cancel that assessment.

Claim by ADC
ADC requested for Kshs 45 million being the difference between the new approved price of Kshs 74.00 per Kilo and the old price of Kshs 68.00 per kilo which was paid for the crop they delivered in 2019/2020 with the understanding that the new price will be effective in the financial year 2020 for ADC, the current

year 2020/2021 for other growers. This matter will be presented to the Board for re-approval of the effective date for the new price for ADC.

42(b) CONTINGENT ASSETS	2021 Kshs '000	2020 Kshs '000
FY2020/21 Seed shop Loss	7,888	-
FY2020/21 Narok Branch Loss	47,010	-
FY2019/20 Narok Loss	51,771	51,771
FY2020/21 Imprest Loss	13,733	-
	120,402	**51,771**

FY2020/21 Seed shop Loss

During the year, an amount of Kshs. 7.888 million was suspected to have been embezzled by the seed shop cashier. Administration action was taken against the suspected cashier who was summarily dismissed. This was

reported in Kitale Police Station vide Police Abstract OB32/7/2/2022. It is expected that the suspect will be prosecuted, convicted and give the company the grounds to recover the stolen funds.

FY2020/21 Narok Branch Loss

During the year, the company lost Kshs 47,010,290 through unauthorized removal of stocks from the company's Narok Branch. In compliance with the company policy, the management promptly sent the staff on suspension and commenced investigations. Thereafter, the suspected staff was taken through the disciplinary process and was found culpable and was dismissed from service. The matter is undergoing investigation in order to commence prosecution. It is expected that the suspect will be prosecuted, convicted and give the company the grounds to recover the stolen funds.

FY2019/20 Naro Branch Loss

During the year, it was reported that the company lost Kshs 51,771,000 through unauthorized removal of stocks from the company's Narok branch. The matter is undergoing investigation in order to commence prosecution. It is expected that the suspect will be prosecuted, convicted and give the company the grounds to recover the stolen funds.

FY2020/21 Imprest Misappropriation

The management discovered the loss of company funds suspected to have been perpetrated by 15 members of staff stationed at the Research Department. In compliance with the company policy, the management promptly sent the staff on suspension and commenced investigation. Thereafter the suspected staff was taken through the disciplinary process and was subsequently found culpable and has been dismissed from service. It is expected that the suspect will be prosecuted, convicted and give the company the grounds to recover the stolen funds.

43. FAIR VALUES

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

44. INCORPORATION AND ULTIMATE HOLDING ENTITY

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

45. CURRENCY

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

46. COMPARATIVE INFORMATION

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

47. EVENTS AFTER THE REPORTING DATE

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

CABBAGE

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Audit Report Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Expected Date of Resolution
1.0	**Presentation of Financial Statements** The financial statements are titled as belonging to 'Kenya Seed Company Ltd' but contain information of the subsidiaries. Therefore, the statements should have been labelled as belonging to 'Kenya Seeds Limited and its Subsidiaries'. In addition, the financial statements of the holding Company and the subsidiaries are not consolidated as required by IFRS 10 and Section 639 of the Companies Act, 2015.	The findings have been noted and the Financial Statements will read Kenya Seeds Limited and its Subsidiaries' going forward. Consolidation was also done in line with IFRS 10 and Section 639 of the Companies Act, 2015.	Head of Finance	Resolved	
2.1	**Freehold Land** Correspondences between Kenya Seed Company Limited, Ministry of Lands and Physical Planning and Ministry of Agriculture, Livestock and Fisheries revealed that two parcels of land valued at Kshs. 193,620,000 had been sub-divided and new parcel numbers issued even though the Company's asset register still identified the land through the old parcel number. In addition, the certificate of the title for the land parcel L. R. NO.2116/484 valued at Kshs. 90,000,000 was not provided for audit verification	Management has noted the observations has contracted a valuer to verify all the assets including the land. A surveyor has also been contracted to do the beaconing and correct the anomaly	Company Secretary	Not Resolved	30th June 2023

Audit Report Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Expected Date of Resolution
2.2	**Motor Vehicles** Examination of the respective log books, asset register and physical verification indicated that some motor vehicles were not included in the assets register and, further no documents were provided to confirm their ownership by the Company. Further, re-computation of the depreciation on the newly acquired motor vehicles indicated that Management overcharged on depreciation by Kshs. 622,056 during the period under review	Management has contracted a firm to conduct verification and revaluation process. All missing logbooks will be procured. Management have configured the system to address the audit findings	Company Secretary Head of Finance	Not Resolved Resolved	30th June 2023
2.3	**Amounts Due from Subsidiaries** It was observed that amount totaling Kshs.1,142,452,000 owed by subsidiaries had been outstanding for more than 30 days and had therefore exceeded the Company's thirty – day credit	Management has implemented strict compliance with the Credit Limit period of 30-days	Head of Sales & Marketing	Resolved	
2.4	**Amounts Due from Parastatals and Other Government Controlled Organizations** Analysis of the total balance indicated that the debts totalling Kshs.931,091,000 had been outstanding for over 30 days with some dating back to the year 1995	These are from GOK-Ministry of Agriculture and Counties. Management has continued with the follow-ups process to have the debt paid	Head of Sales & Marketing	Not Resolved	30th June 2023
2.5	**Inventories** In view of the large stock of obsolete stock amounting to Kshs.193,129,000, which has not been disposed for many years, the inventories balance totalling Kshs.2,930,943,000 as at 30 June, 2020 may not be fairly stated	Management will expedite the disposal process	Quality Assurance Manager	Unresolved	30th June 2022

Audit Report Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Expected Date of Resolution
2.6.1	**Current Staff Receivables** **There was a balance of surrendered staff imprests totaling** Kshs,4,373,458 due from ex-staff and Kshs.81,450 from serving staff that were due for surrender	From serving staff, the imprest relates to amount received in the later days of the year and was fully surrendered after year-end	Head of Finance	Resolved	
		For ex-staff, management is following up with the ex-staff to recover the amounts	Head of Finance	Unresolved	30th June 2023
2.6.2	**Non-current Staff Receivables** An aging amount of 73,448,000 advanced to both current and former staff as salary advances, car loans and laptop loans had not been recovered in line with the applicable Company regulations:	From serving staff, the advances relate to amount received in the later days of the year and was fully recovered	Head of Finance	Resolved	
		For ex-staff, management is following up with the ex-staff to recover the amounts	Head of Finance	Unresolved	30th June 2023
2.6.3	**Selling and Distribution Expenses** Expenditures totaling Kshs.7,221,405 comprised of Kshs.4,538,617 and Kshs.2,682,788 relating to per diem for both local and overseas travel respectively were not properly supported with relevant records such as work tickets, air tickets, boarding passes, copies of stamped passports for overseas travel, attendance minutes and outcome reports for the activities undertaken	Management has fully implemented the Audit Recommendations	Head of Finance	Resolved	
1	**Irregular Increment of Salaries and Allowances** Management contravened Section 11(b) and 11(f) of the Salaries and Remuneration Commission Act, 2011 which empowers the Commission to review all matters relating to the salaries and remuneration of public officers including making	Management has commenced the process of regularizing the staff terms and conditions through the SRC	Head of Human Resources	Unresolved	30th June 2023

Audit Report Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Expected Date of Resolution
	recommendation on matters relating the salary and remuneration, of a particular state of public officer				
2.0	**Unclaimed Dividends** Statement of financial position reflects unclaimed dividends balance totaling of Kshs. 9,203,000 as disclosed in Note 32 to the financial statements and which had as 30 June, 2020 not been transferred to the Unclaimed Financial Assets Authority contrary to the provisions of the Unclaimed Assets Act, No 40 of, 2011 Consequently, Management is in breach of the law	Management as initiated the process of surrendering the unclaimed dividends to UFAA	Head of Finance	Unresolved	31st December 2022
3.0	**Lack of Ethnic Diversity in Staff Establishment** Analysis of the Company payroll for the month of June, 2020 indicated that out of the three hundred and forty-eight (348) employees, two hundred and two (202) or approximately 58% were from one ethnic community contrary to Section 7 of the National Cohesion and Integration Act, 2008 which requires all public entities to represent the diversity of the people of Kenya in employment of staff. In addition, during the year under review the Company recruited twenty (20) new staff out of whom eight (8) or approximately 40% were from the dominant ethnic community. Consequently, the Company is in breach of the law	The Company recognizes the need to comply with requirements of the National Cohesion and Integration Act, 2008. It has always strived to ensure that the requirements of the Act is met. This includes ensuring that that whenever opportunities arise, advertisement of such opportunities is done to attract more responses from applicants outside the County. However, due to the geographical location of the Company, the catchment area for labour particularly the lower cadre jobs, the local environment and its environs are predominantly occupied by two ethnic communities whom majority of the applicants come from	Head of Human Resources	Unresolved	30th June 2023

Audit Report Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Expected Date of Resolution
1.0	**Duplicated Bank Accounts and payment of casuals** Examination of the casual wages payroll and bank reports on the payments indicated duplicated payments totaling Kshs.334,482 made to the same bank account with various payee details	Management has regularized this anomaly and do not recruit any staff before they submit their bank accounts	Head of Human Resources	Resolved	
2.0	**Unpaid Post-Dated Cheques** The Company had accumulated unpaid post-dated cheques totaling Kshs. 29,229,996 that has had remained unpaid for considerably long periods contrary to the Company's policy. The cheques arose as a result of staff, particularly in Eldoret Branch, flouting the Company policy and that corrective measures, including administrative action, had been taken against the staff. However, no documentary evidence was provided to confirm the assertion, or effort made to collect the debts from customers	Management has expedited the collection and recovery process from the debtors	Head of Finance	Unresolved	30th June 2023

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. Fred Oloibe	**Mr. Mohammed.M. Bulle**
Ag. Managing Director	**Chairman of the Board**
.... 2021	**.......................... 2021**

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

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

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

Status of Projects completion

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

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

APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:	

	Breakdown of Transfers from the State Department of Crop Development			
	FY 2020/2021			
a.	Recurrent Grants			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		N/A	N/A	N/A
		Total	N/A	N/A
b.	Development Grants			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		N/A	N/A	N/A
		Total	N/A	N/A
c.	Direct Payments			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		N/A	N/A	N/A
		Total	N/A	N/A
d.	Donor Receipts			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		N/A	N/A	N/A
		Total	N/A	N/A

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

Head of Finance
Kenya Seed Company Ltd

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

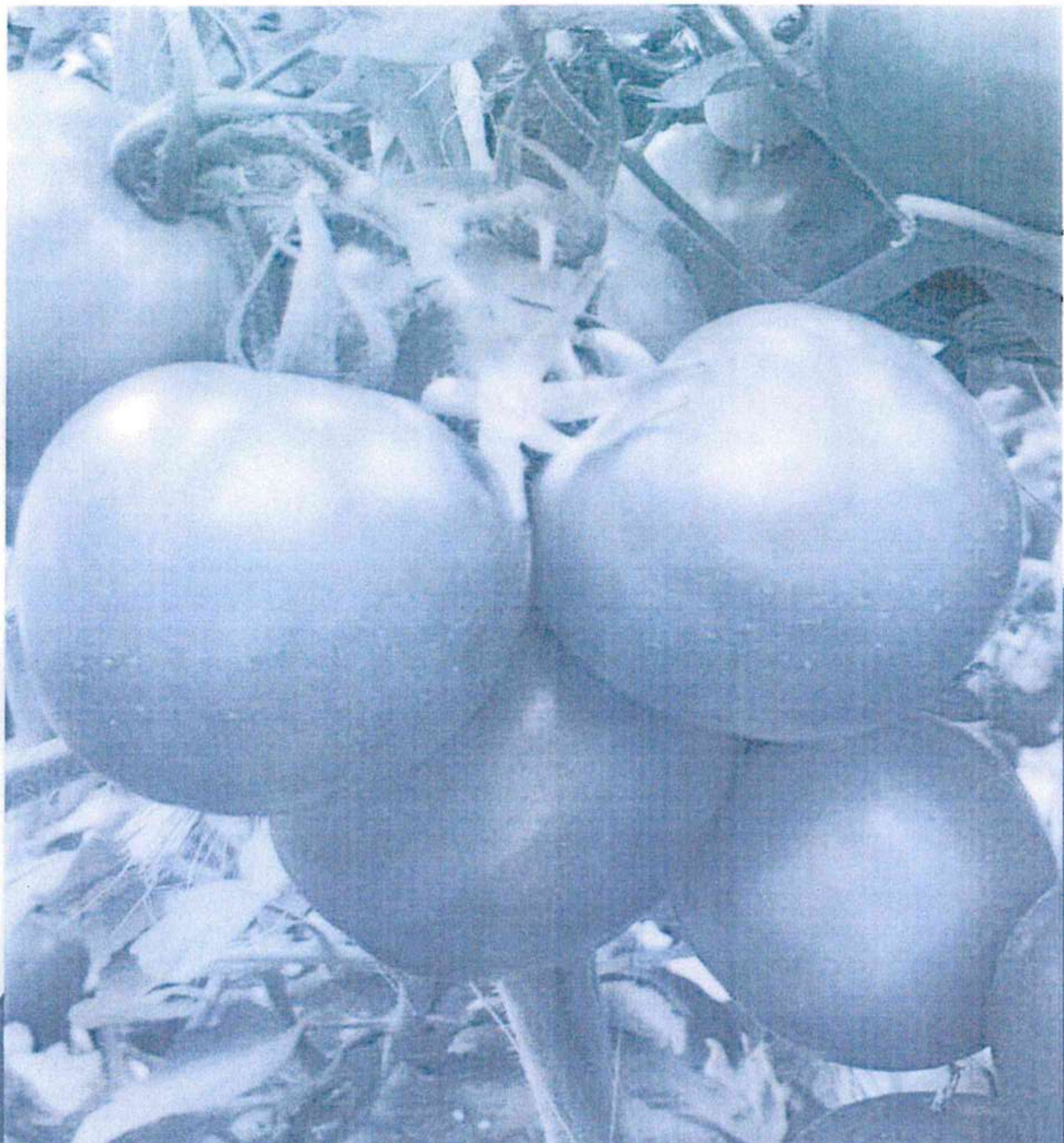
Head of Accounting Unit
Ministry of Agriculture, Livestock, Fisheries & Irrigation

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

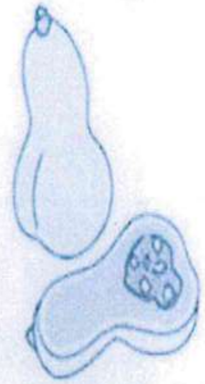
APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

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

TOMATOES



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



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

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

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