

REPUBLIC OF KENYA



REPORT

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C. Ndlovu

THE AUDITOR-GENERAL

ON

**KIBO SEED COMPANY
LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2020**



KIBO SEED COMPAY LIMITED UBORA WA KUAMINIKA



Annual Report and Financial Statements For the Financial Year Ended June 30, 2020

Prepared in accordance with International Financial Reporting Standards
(IFRS)

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Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

Table of Contents

Table of Contents	ii
1.0 CORPORATE INFORMATION.....	iv
1.1 Our Seed business	vi
1.2 Our Seed Brands.....	vi
1.2.1 Hybrid Seed Maize	vi
1.2.2 Sunflower Seed	vi
1.2.3 Indigenous Vegetables	vi
1.2.4 Horticulture and other Crops	vi
1.3 Where We Operate.....	vii
2.0 BOARD OF DIRECTORS	ix
3.0 MANAGEMENT TEAM.....	xii
4.0 CHAIRMAN'S STATEMENT	xiv
5.0 CHIEF EXECUTIVE OFFICER REPORT	xv
6.0 STATEMENT OF CORPORATE GOVERNANCE	xviii
6.1 Board of Directors.....	xviii
6.2 Board Meetings	xviii
7.0 CORPORATE GOVERNANCE STATEMENT	xix
7.1 Governance Principles	xix
7.2 Board Evaluation	xix
7.3 Directors' Remuneration	xix
7.4 Code of Conduct	xix
7.5 Internal Control.....	xx
7.6 Conflicts of Interest	xx
7.7 Going Concern	xx
7.8 Company Shareholding.....	xx
7.9 Director's Shareholding	xx
7.10 Independence	xx
7.11 Activities and Achievements	xx
8.0 MANAGEMENT DISCUSSION AND ANALYSIS	xxii
8.1 Background.....	xxii
8.2 The entity's operational and financial performance.....	xxii
8.2.1 Revenues.....	xxii

1

8.2.2	Profit before Tax	xxiii
8.2.3	Cash and Cash Equivalents	xxiii
8.2.4	Entity's compliance with statutory requirements	xxiii
8.2.5	Key projects and investment decisions the entity is planning/implementing	xxiv
8.2.6	Major risks facing the entity	xxiv
8.2.7	Material arrears in statutory/financial obligations	xxv
9.0	CORPORATE SOCIAL RESPONSIBILITY STATEMENT	xxvi
10.0	REPORT OF THE DIRECTORS.....	xxvi
10.1	Principle Activities.....	xxvi
10.2	Results	xxvi
10.3	Auditors	xxvii
11.0	STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xxix
11.1	Approval of the financial statements	xxix
REPORT OF THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENT FOR KIBO SEED COMPANY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020.....		xxxi
12.0	FINANCIAL STATEMENTS.....	1
12.1	Statement of Profit or loss and other Comprehensive Income for the year ended 30 June 2020.	1
12.2	Statement of Financial Position as at 30 June 2020	2
12.3	Statement of Changes in Equity for the year ended 30th June 2020	3
12.4	Statement of Cash Flows for the year 30 June, 2020	3
13.0	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	4
13.1	Maize seed:	4
13.2	Vegetable & Sunflower.....	5
13.3	Pastures & Miscellaneous:	5
13.4	Selling and distribution expenses	5
13.5	Finance costs.....	5
14.0	NOTES TO THE FINANCIAL STATEMENTS.....	6
ACCOUNTING CONCEPTS AND CONVENTIONS		6
III.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	6
APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS).....		18
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....		32
APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY		33
APPENDIX III: INTER-ENTITY TRANSFERS.....		34

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

1.0 CORPORATE INFORMATION

VISION

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

MISSION

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

CORE VALUES

Teamwork: KSC staff work as a team committed to the realization of the Company goals. We endeavor to pull in one direction internally and externally in delivering on our mandate.

Professionalism: We take a professional and objective approach in all our operations. We uphold competence, high standards, reliability and excellence in our work.

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

Passion for quality: We recognize that our customers are the reason we exist. We therefore endeavor to provide high quality services which meet customer needs and honor commitments that we have made to them.

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

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

Directors

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

Non-Executive

Mr. Simon Cherogony	Chairman	-	Retired on 7 th February 2020
Dr. Nathaniel Tum	Member	-	Retired on 7 th February 2020
Mr. Abraham Koech	Member	-	Alternative Director to the Principal Secretary The National Treasury

Executive

Mr. Fred Oloibe	Ag. Managing Director from 17 th April 2020
Mr. Azariah Soi	Managing Director to 17 th April 2020

Company Secretary

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

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

Registered office and Principal place:

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

Principal Bankers

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

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

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

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

Independent and Principal Auditors

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

Principal Lawyers

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

Branches

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

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

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

Morogoro Branch
P.O Box 4186,
Morogoro, Tanzania

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

What we do:

1.1 Our Seed business

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

1.2 Our Seed Brands

1.2.1 Hybrid Seed Maize

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

1.2.2 Sunflower Seed

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

1.2.3 Pasture Seed

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

1.2.3 Indigenous Vegetables

The indigenous vegetables are: Amaranthus (Mchicha), Spider Plant (Mgagani), Night Shade (Mnavu), Jews Mallow (Murere/Mlenda), Kunde Mboga.

1.2.4 Horticulture and other Crops

a) Cabbage:

These varieties include hybrid and OPV for example Gloria F1, Pruktor F1, Almasi F1, Waridi F1, Imani F1, Copen Hagen Market, Glory of Enkuizen & Chinese Cabbage

b) Tomato

The tomato varieties include both hybrid as well as OPV as follows: Kibo Star F1, Nyota F1, Milele F1, Kilele F1, Monica F1, Riogrande, Mwanga, Tanya, Tengeru, Cal J, Roma,

c) Watermelon include: Zawadi F1, Juliana F1, Princess F1, Daytona F1, Sugar Baby, Crimson Sweet.

d) Carrots includes Nantes and Kuroda

e) Spinach Fordhook Giant

f) Collard and Kale 1000 headed

g) Onions include: Red Wonder, Bombay Red and Red Creole, Texas grano,

h) Dania Coriander

i) Herbs: Persely, Dill, Fennel, Celery, Basil

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

- j) Others include Squash Ambassador butternut, Peas, Beetroot, Leeks, Ushindi F1.
- k) Pepper: Habenero, California wonder, Victory F1
- l) Okra: Okra Lulu, Okra Clemson and Okra Pusa/Sawani
- m) Eggplant: DB3, Tengeru white, Black Beauty and Long Purple.

1.3 Where We Operate

The company operates in the entire United Republic of Tanzania through strategically located distribution channels as well registered agents and stockiest. The table below shows the branch located offices.

Where to find our Branches in Tanzanian

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

SPIDER PLANT (MGAGANI)



Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

2.0 BOARD OF DIRECTORS

Mr. Fred Oloibe



Mr. Fred Oloibe was born on the 18th September 1974 and is the Acting Managing Director from 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.

Mr. Simony Kipchumba Cherogony



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

Dr. Nathaniel K. Tum

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



Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

agriculture and institutional management. He is an Advocate of the High Court of Kenya and a member of Law Society of Kenya, a Governance Auditor and member of the Institute of Certified Public Secretaries of Kenya (ICPSK). He is also a Fellow of the Kenya Institute of Management (FKIM) as well as Board member of Fellows of KIM and a member of the Institute of Management (UK).

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



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

Ms. Wilkister Simiyu

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



KENYA FEDHA SUNFLOWER





Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

3.0 MANAGEMENT TEAM

The Company has a diverse and dedicated management team that assists the Managing Director in his role of achieving the company's strategic objectives. The Leadership team of Kibo Seed Company Limited and their roles which reports directly to the Managing Director as at 30th June 2020 is as set out below:



Mr. Francis Mwaura Chege

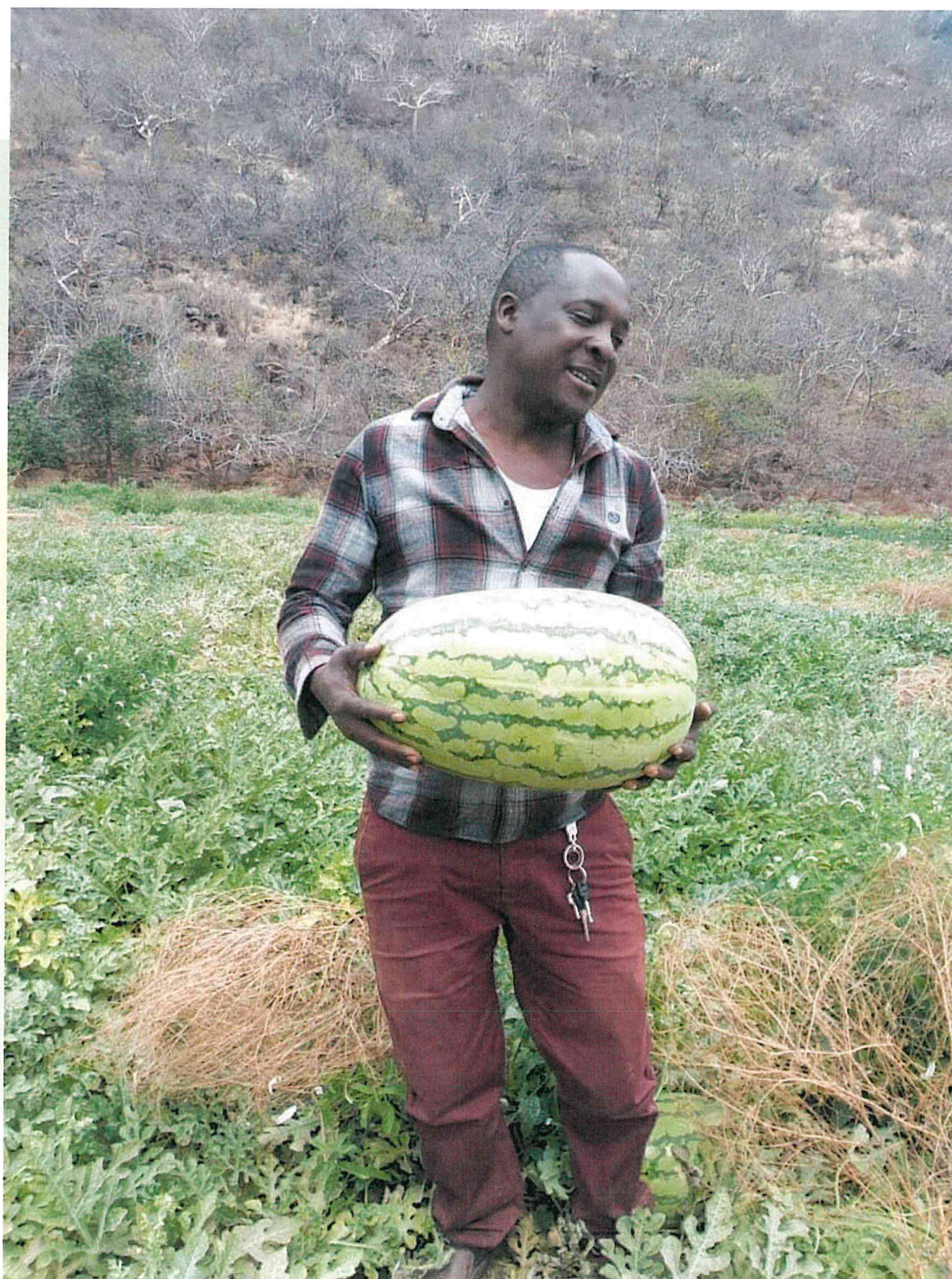
Mr. Francis Chege was born on 3rd June 1970 and is the General Manager, Kibo Seed Company Tanzania Ltd, a subsidiary of Kenya Seed Company since June 2014. Previously he was the Head of sales and marketing for the Group. He holds Bcom degree in Marketing from University of Nairobi and Msc. in Global 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 14 years and has over 20 years' experience in management and marketing.

CPA Charles Onyango Osii

CPA Charles Osii was born on 17th January 1978 and is the Associate Senior Country Strategist at Kibo Seed Company Ltd Tanzania, a subsidiary of Kenya Seed Company since October 2019. He is Certified Public Accountant (CPA) and a full member of the Institute of Certified Public Accountant of Kenya (ICPAK) and certified QMS ISO 9001:2015 Lead Auditor. He has worked in the company for the last 10 years as a Planning Officer in Strategy and Business Development department where he was involved in performance Contracting, Corporate strategic plan and Quality Management System and most recently in Finance department as Accountant in charge Inventory, Noncurrent Assets, Insurance and Rwanda branch financial reporting. He holds a degree in Agribusiness Management from Egerton University and Diploma in Farm Management from Egerton University.



ZAWADI F1 WATERMELON





Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020



4.0 CHAIRMAN'S STATEMENT

Dear Shareholders,

It is a great honour to present to you the annual report and financial statements of Kibo Seed Company for the year ended 30th June 2020. Allow me to briefly report to you matters on a few areas of interest.

Business Environment Overview

The financial year 2020 started very well with every business having high expectations of great achievement. However, this was short-lived when the world was greeted with a health crisis leading to lockdown of most economies. The global economy was projected to slump to (4.9) % in 2020 compared to a growth of 2.9% in 2019 attributed to the ravaging effects of COVID-19.

Tanzania's economy experienced a relatively stable economic performance since they did initiate lockdown like other economies as a result of COVID-19. The economy was also upgraded to middle level low-income economy. The agricultural sector, which continues to be the mainstay of Tanzania's economy contributing 30% of the GDP, experienced mixed results with maize. Sunflower and vegetables sub sectors recording fair prices in the international market. The seed

subsector faced ordinary challenges with decrease in prices of commercial maize de-motivating many farmers to reduce their acreage of commercial maize crop therefore affecting the demand for certified seed negatively.

Financial Review

The Company posted an improved performance though still in a loss-making position in the year under review. The Company recorded over 100% improvement in profit before tax from restated value of Tshs (2.5) billion reported in 2019 as compared to Tshs (742) million for the year ended 30 June 2020.

Seed Supply

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

Future Outlook

The future of Kibo Seed Company is very promising arising from the fact that Kibo Seed Company is now able to carry out local seed production and satisfying internal markets by 50% with popular varieties. Local seed production will improve seed availability, affordability and company profitability due to reduced cost of sales.

The company has also initiated product portfolio expansion to cover the inherent gaps which were in the market and this increase the market share and improve company cashflow.

The company has partnered with other stakeholders in the research field to carry out other improved technologies which will give the company competitive advantage in the market by introducing higher performing products in terms of yield, disease and pest tolerant.

Board Operation

The Board of Directors will continually review the various business strategies in place to ensure sustained business profitability and growth.

Due to the impact of the Corona pandemic the board did not meet as per the board timetable but was able to offer vision and guidance through continuous virtual interaction through the Managing Director which enabled the company to remain afloat during the turbulent season of COVID-19.

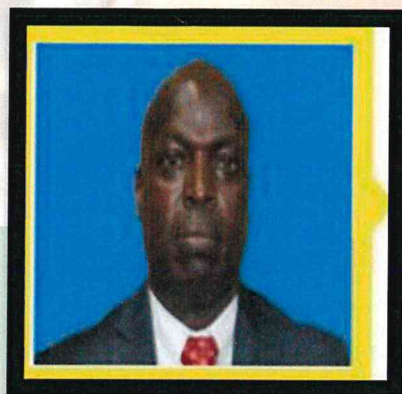
Appreciation

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

Mr. Symon Chetogony

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020



5.0 CHIEF EXECUTIVE OFFICER REPORT

I take this pleasure to present to you the performance of Kibo Seed Company for the year ended 30 June 2020. It is worth noting the company like any other company in the world was faced with the challenge of COVID-19 which changed how businesses are conducted in the world.

Financial Performance

In the FY2019/20, the turnover increased by 16% from Tsh.7.58 billion in 2018/19 to Tsh. 8.70 billion in the year under review. Operating profit of the Company significantly improved by 93% from Tshs 1.84 billion as restated to Tshs3.56 billion

Profit before Tax for the company improved from the restated loss of Tshs. (2.51) billion in 2019 to Tshs. (742) million in 2020.

The closing Cash balance of the company improved significantly from Tshs. 221 million in 2019 to Tshs.501 million in 2020, due to high turnover.

The Balance Sheet increased by 0.03% from Tshs 9.58 billion in 2019 to Tshs. 9.84 billion in 2020 as a result of small increase non-current assets.

The amounts owed to the parent company and its subsidiaries increased by 7% from Tshs.12.1 billion to Tshs. 12.9 billion since the part of the stock supplied by the parent company remained unsold within the year under review.

Research and Development

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

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

Operations

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

Timely availability of sufficient fertilizer is critical to efficient and effective seed production activities. To realize this the company continued to strengthen partnership with the Ministry of Agriculture. This enabled farmers to access affordable fertilizers and technical field trainings in various regions and thus lowering their production costs. This resulted in increased farmer earnings and maintained competitive prices of seed.

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

Future Outlook

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

The company's future growth will come from:

- Focus on adequate supply of seed varieties whose demand could increase with the changing weather patterns and local seed production
- Commitment of marketing effort and resources into the hybrid vegetable seed

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Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

market which returns high profit margins

- Turning around the company to profitability, thus transforming them into revenue generating units through local seed production.
- Diversifying to non-maize seed product portfolios thus reducing over reliance on maize seed.
- Increasing the supply of sunflowers seed to meet the demand.
- Engaging in local maize production and enhance exportation of surplus to the parent company and other subsidiaries to pay off the long-time accumulating debt.
- Registering of additional varieties to increase the product portfolio.
- Cost cutting measures by relocating the company offices to the company plot at Ngaramtoni and improving Makambako processing plant to include the shop at the processing plant.

Customer focus

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

Acknowledgement

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

key to our progress so far, to our stake holders and other business partners and to the communities that we have the privilege of serving.

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

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

Thank you and God bless you.



Fred Oloibe
Acting Managing Director

GRAIN AMARANTHUS(MCHICHA)





Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

6.0 STATEMENT OF CORPORATE GOVERNANCE

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

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

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

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

6.1 Board of Directors

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

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

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

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

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

6.2 Board Meetings

The Board meets at least once quarterly or more often in accordance with exigencies of the business. The Board work plan and calendar of meetings is prepared in advance. Adequate notice is given for each board meeting, the agenda and papers are circulated in good time. The Board held 2 meetings in the financial year ending 30th June 2020 unlike the previous years due to the emergence the Covid-19 pandemic which changed the way of life of every institution in the world.

During their meetings the Board reviews the Companies performance against the planned strategies and also approves issues of strategic nature.

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

7.0 CORPORATE GOVERNANCE STATEMENT

The board held two board meetings in the year under review due to COVID -19 which affected several company calendars of events and the attendance was as follows:

Member	Meetings Held	Meetings Attended	% Attendance
Mr. Francis Mwaura	2	2	100%
Mr. Azariah Soi	2	2	100%
Mr. Abraham Koech	2	2	100%
Dr. Nathaniel Tum	2	2	100%
Mr. Symon Cherogony	2	2	100%

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

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

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

The structure of the board and the planning of the board's work are key elements to effective governance. The company's board of directors has established board committees as one way of managing its work thereby strengthening the board's governance role.

7.2 Board Evaluation

The Board undertakes an annual self-assessment to improve its members' individual and collective Performance for continuous growth and sustainability of the Company. The evaluation covers the Board as a whole, its committees, and individual members, the Chairman, the Managing Director and the Company Secretary. During the year, the Board were not evaluated due to unforeseen factors.

7.3 Directors' Remuneration

During every Board meeting, Directors are entitled to a sitting allowance, accommodation allowance and mileage reimbursement where applicable within government set limits for state corporations.

Below is a summary of entitlement per Board Member:

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

7.4 Code of Conduct

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

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

7.5 Internal Control

The effectiveness of the internal control is monitored on a regular basis by the Internal Audit function. The Internal Audit function reviews the Company's compliance with the laid down policies and procedures as well as assessing the effectiveness of the internal control structures.

The Internal Audit function focuses their attention to areas where the Company could be exposed to greatest risks. The Internal Audit function reports to the Audit Committee of the Board. The Company has established operational procedures and controls to facilitate proper safeguard of assets and accurate financial reporting.

7.6 Conflicts of Interest

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

7.7 Going Concern

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

7.8 Company Shareholding

Kenya Seed Company acquired 99.98% of shares in Kibo Seed Company through direct allotments which accumulated in acquiring majority shareholding in 2002. At the same time Nathaniel K. Tum and Eufrazio Julian Goes acquired 0.01% respectively and they hold ordinary shares of nominal of Tsh.1, 000 each in trust.

The largest shareholders of the company as at 30 June 2020 are as follows:

No.	List of Shareholders	No. of Shares	% Shareholding
1	Kenya Seed Company Limited	9,998	99.98

7.9 Director's Shareholding

The breakdown of the Directors shareholding in the Company as at 30 June 2020 is as follows:

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

7.10 Independence

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

7.11 Activities and Achievements

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


.....
Mr. Symon Cherogony
Chairman, Board of Directors
30 June 2020

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020



Kibo Seed Company Sales Coordinator Bwana Hassan Kimweri with the Minister for Agriculture, Livestock and Fisheries Mh. Japheth Hasunga during Selian Field day in Arusha.

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

8.0 MANAGEMENT DISCUSSION AND ANALYSIS

8.1 Background

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

Kibo seed was originally set-up as a sales satellite of Kenya Seed Company with the sole objective of distributing seed maize. However, in the Tanzanian market, the company's products have diversified over time to include farm inputs (herbicides, fungicides and insecticides) and horticultural seeds. The company has grown significantly since its inception in 2002. It has positioned itself as one of the most preferred seed suppliers of quality certified seed in Tanzania being the vegetable seed leader at 45% and doing 8% of the seed maize.

8.2 The entity's operational and financial performance

8.2.1 Revenues

Company Revenues had a significant increase by 16% from Tshs 7.5 Billion to Tshs 8.7 Billion despite of the Covid-19 pandemic challenged posed as highlighted in the table below

Product	Company		
	ACTUAL 2020	ACTUAL 2019	BUDGET 2019/2020
	TShs '000	TShs. '000'	TShs. '000'
Certified Maize Seeds	3,213,531	3,118,435	7,500,000
Vegetable Seeds	5,013,521	4,157,386	8,803,260
Miscellaneous	193,574	72,441	66,000
Pasture Seeds	39,189	66,162	114,000
Sunflower	46,704	53,988	200,004
Agro Chemicals	195,226	108,566	120,000
Total	8,701,745	7,576,978	16,803,264

The Company had a significant increase in sales for the year ended 30 June 2020 in vegetables (21%), Agrochemicals (80%) and Miscellaneous (189%) due adequate stock levels and favorable climatic conditions in East Africa. Vegetables contributed 58% of the company total revenue while Seed Maize contributed 37% of the Company revenue as highlighted in the following table below:

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

	Company	
Product	2020	Product Contribution%
	Tshs '000	
Certified Maize Seeds	3,213,531	37%
Vegetable Seeds	5,013,521	58%
Miscellaneous	193,574	2%
Pasture Seeds	39,189	0.45%
Sunflower	46,704	1%
Chemicals	195,226	2%
Total	8,701,745	100%

Management has intensified local production to reduce overreliance on imported seed maize from parent company and promoted sales of hybrid horticultural seeds that give high margins unlike Open pollinated varieties (OPVs).

8.2.2 Profit before Tax

The Profit before Tax are highlighted in the following Table

Company Performance		
Year	2020	2019 Restated
	Tshs'000	Tshs'000
Profit (Loss) before Tax	(741,930)	(2,508,701)

Kibo Seeds Company Tanzania reported a loss of Tshs. (742) Million for the year ended 30th June 2020

8.2.3 Cash and Cash Equivalents

The Company closed the year 30 June 2020 with a net cash position of Tshs.501 million. This was a significant improvement from the closing net cash position of Tshs. 221million as at 30 June 2019.

8.2.4 Entity's compliance with statutory requirements

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

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

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

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

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

The company has done major local production of Maize, local vegetables and sunflower spread out in various regions in Tanzania depending on the Agro-ecological zones.

8.2.5.1 Research and Development of New Varieties

During the year the engaged in registration of hybrids varieties which includes Maize H6213, H520 and H624 and Sunflower 4038 & 4088, Kibo Star F1, Red Wonder and Herbs. This will ensure these seeds will be sold in the Tanzanian market upon completion of the registration process.

8.2.5.2 Seed Quality Improvement

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

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

8.2.6 Major risks facing the entity

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

	Risk Category	Description	Risk Treatment measures (Mitigations)
1	Political	The risk of losses occurring as a result of political events either destruction of our properties or boycott of our products	(i) Ensuring good co-existence with the stakeholders (ii) Using risk management instruments and remaining neutral in the political scene (iii) Fairness and Diversity in our employment policies.
2	Credit Risk	The risks that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Where customers default on their payment commitment to us, the	(i) Rigorous vetting of customers before extending credit. (ii) Regular review of receivables to ensure adherence to payment terms. (iii) Enter into factoring arrangements on Government debt especially with those

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

		financial condition, results of operations and cash flows could be materially and adversely affected.	in financial crisis. (iv) Strict implementation of the credit policy
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) Timely planning of the raw material requirements. (iii) Capacity building of the current employees.
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	(i) Continuous investment in research and development to produce quality seed products (ii) Strengthen the distribution network. (iii) Vigorous promotion.
5	Adverse Weather & Climate change	This may affect the availability, quality and price of agricultural commodities as well as demand of our products	(i) Breeding early maturing seed varieties especially for those markets with shorter wet seasons. (ii) Breeding drought tolerant varieties.
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	(i) Thorough review of the sales projections to determine appropriate levels of production to avoid over stocking.

8.2.7 Material arrears in statutory/financial obligations

The company have tax liability of Tsh. 2,015,971,948.72 in dispute arising from Tanzania Revenue Authority (TRA) following tax audit for 2014-2016. The matter is now with Tanzania Tax Tribunal Board awaiting determination this is known material arrears in statutory/financial obligations as at the reporting date but has not been captured in the final accounts.

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

9.0 CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

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

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

During the year under review, the company undertook various Corporate Social Responsibility (CSR) initiatives. The company repaired the Ngaramtoni feeder road as well as supported Naioth Foundation orphanage and co-sponsored Simiyu Football Foundation with Honorable Lucas Mazava.

10.0 REPORT OF THE DIRECTORS

The Directors submit their report together with audited financial statements for the year ended June 30, 2020 which show the state of the company affairs.

10.1 Principle Activities

The core activity of the company is to produce, process and distribute maize, sunflower, pasture and horticultural seeds to the farmers through the company's' distribution channels spread across the United Republic of Tanzania and beyond.

10.2 Results

The results of the company for the year ended June 30, 2020. Below is summary of the profit or loss made during the year.

	2020	2019
		Restated
Description	Tshs '000'	Tshs '000'
Profit before tax	(741,930)	(2,508,702)
Taxation charge	(43,587)	(38,082)
Profit for the year	(785,517)	(2,546,783)

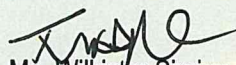
Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

10.3 Auditors

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

BY ORDER OF THE BOARD



Ms. Wilkister Simiyu
Company Secretary
Kitale, Kenya.

Date.. 30/06/2020

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020



Kibo Seed Company Ltd General Manager Mr. Francis Mwaura receives the Assistant Minister for Agriculture Mhe. Hussein Bashe at Mwanza NaneNane stand during 2020 Agricultural show



Kibo seed Company Ltd Sales Coordinator Bwana Hassan Kimweri receives the trophy for the best Seed Company during the Simiyu National NaneNane Show in Bariadi

Kibo Seed Company Limited

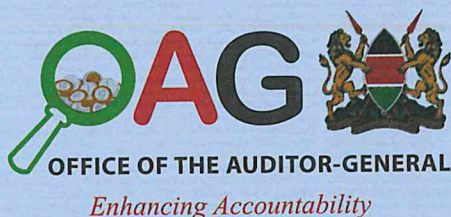
Annual Report and Financial Statements for the year ended June 30, 2020



Kibo Seed Company Ltd staff celebrates after having been declared the winner in the Seed company Category during the National Agricultural Show in Simiyu.

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON KIBO SEED COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kibo Seed Company Limited set out on pages 1 to 33, which comprise the statement of financial position as at 30 June, 2020 and the statement of profit or loss and comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kibo Seed Company Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act, 2015 and Tanzania Companies Act, Cap 212, Act No.12 of 2002.

Basis for Qualified Opinion

1. Unsupported Trade and Other Payables

Included in Note 11 under trade and other payables balance of Kshs.Tshs.2,384,578,097, is trade payable of Tshs.2,338,643,418 and other payables of Tshs.45,934,679. However, the balances were not supported by analysis and schedules making it difficult to ascertain the composition and aging of the outstanding creditors.

In the circumstances, it has not been possible to confirm that trade and other payable balance of Tshs.2,384,578,097 as at 30 June, 2020 is fairly stated.

2. Unreconciled Trade and Other Receivables

The increase in trade and other receivables of Tshs.227,260,663 reflected in the statement of cash flows differs with Tshs.186,459,627 recomputed from the balances reflected in the statement of financial position as at 30 June, 2020, resulting to unreconciled variance of Tshs.40,801,036.

In the circumstances, it was not possible to ascertain the accuracy and completeness of the statement of cash flows and the trade and other receivables balance as at 30 June, 2020.

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

Key Audit Matters

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

Emphasis of Matter

1. Going Concern

The Company registered a loss of Tshs.785,517,046 for the year under review compared to Tshs.2,546,783,513 posted in the year 2018/2019, resulting to accumulated losses of Tshs.5,793,536,500. In addition, the current liabilities balance of Tshs.15,310,684,697 exceeded the current assets balance of Tshs.7,589,895,877 resulting in negative working capital of Tshs.7,720,788,820. The Company is therefore technically insolvent and the financial statements have been prepared on a going concern basis on the assumption that it will continue to receive financial support from the creditors.

2. Contingent Liability

The Company has a contingent liability of Tshs.2,015,971,949 in respect to the uncertainty related to the outcome of the findings from Tanzania Revenue Authority regarding the various unpaid tax claims covering financial year 2014 to 2016 as per Tanzania Revenue Authority Audit. The claim includes unpaid corporate tax, transfer pricing penalty, skill and development levy, withholding tax, stamp duty and misuse of Electronic Fiscal Device (EFD). The Company responded to the findings, and the Tanzania Revenue Authority rejected the response, however, Kibo Seed Company filed an appeal for the waiver to allow for admitting of objection of which is yet to be heard and determined by the Tax Tribunal.

My opinion is not qualified in respect of these matters.

Other Matter

Budgetary Control and Performance

The comparative analysis of the Company's budget revealed that the revenue collection budget was Tshs.16,803,264,000. However, the Company realized only Tshs.8,701,744,788 resulting in under-collection of Tshs.8,101,519,212 or approximately

52% of the budgeted revenue for the year. Further, the Management had budgeted to spend Tshs.14,905,797,908 for recurrent and capital expenditure compared to the actual total expenditure of Tshs.9,476,343,486 resulting to under expenditure of Tshs.5,402,060,687, approximately 36% under expenditure.

The under collection and under expenditure of revenue is indicative that the Company did not meet its planned programmes.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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

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 Approved Information Communication Technology and Human Resources Policy

During the year under review, the Company was noted to run its activities without having an approved Information Communication Technology and Human Resources Policy. Further, it noted that the Company ICT unit backup procedures are done only for Sage Pastel data but no backup for other areas such as payroll which is processed under PAYTAN as well as Management reports, meeting minutes, letters and the like. The CCTV recorded footage is stored for a maximum duration of one month for a hard disk of 4 terabytes, which is too small for keeping the Company's records.

This is an indication of poor internal controls and risk management.

2. Lack of Approved Suppliers List and Supplier Reconciliations

The review of the e-procurement procedures and controls in place revealed that, the Company did not have an approved list of suppliers as required and as the best procurement practices. Further, the Company does not perform routine reconciliations between suppliers' accounts in the accounting system and statements obtained from suppliers leading to number of errors including multiple supplier's accounts in the system remaining outstanding for long. In some cases, the suppliers' accounts included growers paid in advance for which the recovery of the funds remain uncertain.

In the circumstances, it was not possible to ascertain the Company exercised economical procurement.

3. Improper Controls of Company Assets

The verification procedure performed on the Company assets, revealed that laptops purchased on 10 July, 2019, had its specifications in the invoice different from the laptops delivered with invoice indicating HP Probook 440 GS Core i5 4B ram 500GB, 14 inches' screen but actual PC specifications being HP 250 G6 Note Book PC Core i3, 2.3GHZM, 4GB Ram, 1TB). In addition, fixed asset register did not have asset code numbers, asset reference and serial numbers and fixed asset items were not labelled for identification purposes. Further, it was noted some assets had zero net book value yet they were still in good working conditions.

In the circumstances, there may not have been proper controls and security for the Company assets.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the 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 control.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless Management is aware of the intention to liquidate the Company or 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 money is applied in an effective manner.

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit

the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 skepticism throughout the audit.

I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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

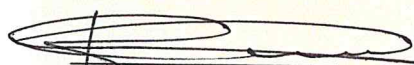
Nairobi

04 February, 2022

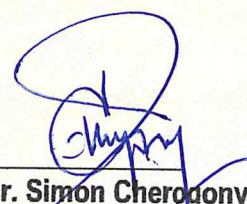
12.0 FINANCIAL STATEMENTS

12.1 Statement of Profit or loss and other Comprehensive Income for the year ended 30 June 2020.

DESCRIPTIONS	Notes	2020	2019 As Restated	2019
		Tsh.	Tsh.	Tshs.
Sales Revenue	(1)	8,701,745,788	7,576,975,649	7,576,975,649
Cost of Sales	(2)	(5,145,420,149)	(5,736,902,212)	(5,457,958,446)
Trading Profit		3,556,324,639	1,840,073,437	2,119,017,203
Other Income	(2)(a)	32,668,707	50,000	50,000
TOTAL INCOME		<u>3,592,924,882</u>	<u>1,840,123,437</u>	<u>2,119,067,203</u>
OPERATING EXPENSES				
Selling & Distribution Expenses	(3)	(751,050,281)	(1,220,917,475)	(1,220,917,475)
Administration Expenses	(4)	(2,064,957,397)	(1,991,350,928)	(1,984,636,728)
Operating Expenses	(5)	(1,394,314,506)	(986,307,942)	(986,307,942)
Research & Development Expenses	(6)	(115,655,403)	(133,901,886)	(133,901,886)
Finance Cost	(7)	(4,945,751)	(16,346,772)	(16,346,772)
TOTAL OPERATING EXPENSES		<u>(4,330,923,338)</u>	<u>(4,348,825,004)</u>	<u>(4,342,110,804)</u>
Profit before Tax		<u>(741,929,992)</u>	<u>(2,508,701,567)</u>	<u>(2,223,043,601)</u>
Income Tax	(8)	(43,587,054)	(38,081,946)	=
TOTAL COMPREHENSIVE PROFIT/LOSS		<u>(785,517,046)</u>	<u>(2,546,783,513)</u>	<u>(2,223,043,601)</u>


Mr. Francis Mwaura
General Manager


Mr. Charles Osii
Associate Senior Country Strategist
ICPAK M/NO:25743


Mr. Simon Cherogony
Chairman

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

12.2 Statement of Financial Position as at 30 June 2020

	Notes	2020 Tsh.	2019 As Restated Tsh.	2019 Tshs.
Non-Current Asset				
Property, Plant & Equipment	(16a)	241,563,387	2,470,855,665	2,434,277,971
Intangible Assets	(16b)	8,861,428	15,785,538	15,785,538
Total Non-Current Assets		2,250,424,815	2,486,641,203	2,450,063,509
Current Assets				
Inventories	(9)	4,265,250,283	4,419,560,304	4,698,504,070
Trade and other Receivables	(10)	2,428,348,429	2,241,888,802	2,241,888,802
Due from Related Parties	10(a)	64,819,031	19,447,599	19,447,599
Tax Recoverable	(12)	330,097,899	188,187,569	442,383,574
Cash & bank balances	(13)	501,380,235	221,285,110	221,285,110
Total Current Assets		7,589,895,877	7,090,369,384	7,623,509,155
Total Assets		9,840,320,693	9,577,010,587	10,073,572,666
Equity & Liabilities				
Capital and Reserve				
Share Capital	(14)	323,172,497	323,172,497	323,172,497
Accumulated losses & Revenue Reserves	(15)	(5,793,536,500)	(5,008,019,454)	(4,690,223,793)
Total Equity & Non-Current Liabilities		(5,470,364,003)	(4,684,846,957)	(4,367,051,296)
Current Liabilities				
Trade & Other Payables	(11)	2,384,578,097	2,158,906,785	2,337,673,202
Related Party Transactions	10(b)	12,926,106,600	12,102,950,758	12,102,950,758
Total Current Liabilities		15,310,684,697	14,261,857,543	14,440,623,960
Total Equity and Liability		9,840,320,693	9,577,010,587	10,073,572,666

Mr. Francis Mwaura
General Manager

Mr. Charles Osii
Associate Senior Country Strategist
ICPAK M/NO:25743

Mr. Simon Cherogony
Chairman

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

12.3 Statement of Changes in Equity for the year ended 30th June 2020

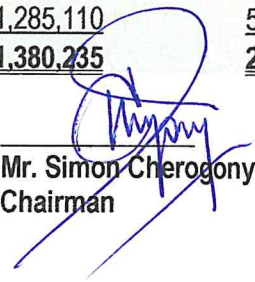
Year Ended 30 June,2019	Share Capital Tsh.	Accumulated Losses & Revenue Reserves Tsh.	Totals Tsh.
As at 1 July,2018	323,172,497	(2,502,482,787)	(2,179,310,290)
Prior Year Adjustment		(237,696,920)	(237,696,920)
Comprehensive Income/Loss	-	(2,267,839,747)	(2,267,839,747)
As at 30 June,2019 As Restated	323,172,497	(5,008,019,454)	(4,684,846,957)
As at 1 July,2019 as Restated	323,172,407	(5,008,019,454)	(4,684,846,957)
Comprehensive Income/Loss	-	(785,517,046)	(785,517,046)
As at 30 June,2020	323,172,407	(5,793,536,500)	(5,470,364,003)

12.4 Statement of Cash Flows for the year 30 June, 2020

	Notes	2020 Tsh	2019 Tsh.
Cash flow from operating activities			
(Loss) before tax		(741,929,992)	(2,508,701,567)
Adjustment:			
Depreciation of Plant & Equipment	(16a)	340,652,452	295,339,872
Amortization of intangible assets	(16b)	5,030,947	5,030,947
Effect of Depreciation adjustment	(17)	-	(36,577,693)
Prior year adjustment	(17)	-	41,246,846
		(396,246,593)	(2,203,661,595)
Working Capital Adjustments			
Decrease in inventory		154,310,021	1,082,479,950
Increase in trade & other receivables		(227,260,663)	(255,450,357)
Increase in trade & other payables		1,048,827,153	1,637,652,424
Income tax paid		(190,067,781)	31,790,039
Net cash flows (used in)/operating activities		785,808,730	2,496,472,056
Purchase of property and equipment	(16a)	(109,467,012)	(577,231,336)
Purchase of intangible asset		-	-
Net cash used in investing activities		(109,467,012)	(577,231,336)
Net(decrease)/increase in cash and cash equivalents		280,095,125	(284,420,874)
Cash and cash equivalents at the beginning of the year 2019		221,285,110	505,705,984
Cash and cash equivalents at 30 June,2020		<u>501,380,235</u>	<u>221,285,110</u>


Mr. Francis Mwaura
General Manager


Mr. Charles Osii
Associate Senior Country Strategist
ICPAK M/NO:25743


Mr. Simon Cherogony
Chairman

Kibo Seed Company Limited**Annual Report and Financial Statements for the year ended June 30, 2020**

The company prepares their budget proposal which is aligned to the strategic plan and business plans. This budget is then forwarded to the parent company for approval of expenditure.

13.0 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget Line	Original & Final Budget 2019-2020 Tsh.	Actual on Comparable basis 2019-2020 Tsh.	Performance Difference 2019-2020 Tsh.	% change
Revenue:				
Maize Seeds	7,500,000,000	3,213,531,210	(4,286,468,790)	-57%
Vegetable Seeds	8,803,260,000	5,013,521,193	(3,789,738,806)	-43%
Miscellaneous	66,000,000	193,573,935	127,573,934	193%
Sunflower	114,000,000	46,703,500	(67,296,500)	-59%
Agro -Chemicals	200,004,000	195,225,950	(4,778,050)	-2%
Pastures	120,000,000	39,189,000	(80,811,000)	-67%
Total Revenue	16,803,264,000	8,701,744,788	(8,101,519,212)	-23%
Cost of Sales	9,864,821,719	5,145,420,149	(4,719,401,570)	-48%
Gross Profit	6,938,442,281	3,556,324,638	(3,382,117,643)	-49%
Other income	-	32,668,707	32,668,707	0%
Total Income	6,938,442,281	3,588,993,345	(3,349,448,936)	-48%
Employment expense	1,753,537,151	1,565,339,193	188,035,369	11%
Operating expense	1,066,251,659	976,618,475	89,633,184	8%
Administration expense	966,797,463	927,294,754	39,502,709	4%
Selling & Distribution expense	1,115,527,019	751,050,281	364,476,738	33%
Research & Development expense	117,588,338	105,674,883	11,913,455	10%
Finance Charges	21,274,560	4,945,751	16,328,809	77%
Total Expenses	5,040,976,189	4,330,923,337	710,052,852	14%
Profit Before Taxes	1,897,466,092	(741,929,992)	(2,639,396,044)	
Corporate Tax	(569,239,828)	(43,587,054)	(612,826,882)	
Net Profit After Tax	1,328,226,264	(785,517,046)	(3,252,385,553)	

Budget Notes for the variances of more than 50%:**13.1 Maize seed:**

The negative variance of 57% was due to stock outs of popular varieties like H.628, H625 and H.614. Since we procure these varieties from the parent company Kitale the seeds were not available when there was

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

demand in the market. However, the local production was also affected by the excess rainfall that was received in East Africa during the year leading to post harvest losses.

We have put measures to by doing local production under irrigation to mitigate against this shortage.

13.2 Vegetable & Sunflower

The negative variance in vegetable sales of 43% was due to stock outs of the imported vegetables attributed to Covid-19 pandemic which lock out most of the countries.

The negative variance of 59% of sunflower (Kenya Fedha) was due to insufficient stock attributed to stock out from the parent company. Th small quantity of seeds produced locally could not meet market demand.

13.3 Pastures & Miscellaneous:

The negative variance of 67% was due to stock outs of pastures like desmodium, Lucerne, kikuyu grass and boma Rhodes which all are procured from the parent company and Simlaws Seeds. There was high demand in the market however the seeds were not available and the new regulations requires registration of all pastures and grasses also affected the importation.

Miscellaneous sales are for unclassified items like tools and equipment, Basic seeds maize, Basic vegetables, poly bags, Agro bags, water filter, Knap sack sprayers and pumps. The positive variance of 217% was due to high demand of these items especially pumps and chemicals as a result of high pest and disease infestation due to excessive rainfall received. Besides a lot of basic seed maize seeds were sold to our contracted growers.

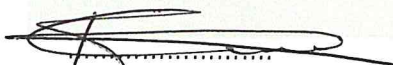
13.4 Selling and distribution expenses

These are expenses incurred on selling and distributing of the company products to customers. The positive variance of 32% was attributed to the austerity measures put in place to maximize on the revenue and improve efficiencies in sales by reduced number of days spent by sales representative in during travelling sales period whereby the sales representatives were encouraged to get orders from customers before proceeding to the field. There was reduction in seed packing cost as a result of stock outs of the products.

13.5 Finance costs

This consists of foreign exchange loss which cannot be pre-determined. The positive variance of 68% was due bulk payments to our suppliers which are fairly cheap and also abrupt drop of foreign exchange rates attributed to COVID-19 pandemic.

The financial statements were approved and signed by:



Mr. Francis Mwaura
General Manager



Mr. Fred Oloibe
Ag. Managing Director



Mr. Symon Cherogony
Chairman of the Board

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

14.0 NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING CONCEPTS AND CONVENTIONS

I. GENERAL INFORMATION

Kibo Seed was originally set up as a sales satellite of Kenya Seed Company with the sole objective of distributing seed maize. The company has diversified over time to include farm inputs and horticultural seeds. The company has continued to implement the strategies as laid out in the strategic plan for the year 2018-2023 and aligned the same with the business performance in the Republic of Tanzania. As part of monitoring and evaluation the strategic plan was reviewed during the year whereby challenges faced in implementation were highlighted.

II. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Presentation of financial statements

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

Items included in the Financial Statements of each of the entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Tanzania shillings (Tshs), which is the Company's functional and presentation currency.

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

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Revenue recognition

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

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

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

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

- Interest income is recognized on time basis, using the effective interest method. Effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected useful life of the financial asset to that asset's net carrying amount.
- ii) Other income is recognized on an accrual basis. It mainly relates interest on growers' advances, sale of chemicals, fertilizers, rental income and gain on disposal on assets.

b. Property, plant and equipment

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

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

ii) Machinery

The valuation analysis took into account the following factors:

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

iii) Other assets – based on their fair market values

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

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

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

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

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

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

c. Depreciation

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

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

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

d. Leases

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

All other leases are classified as operating leases.

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

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

e. Intangible assets

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

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

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

Research and development costs

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

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

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

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

f. Inventories

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

g. Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the relevant asset's recoverable amount is estimated in order to determine the extent of the impairment loss. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a decrease in revaluation.

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

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

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

Trade and other receivables

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

Cash and cash equivalents

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

Offsetting

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

Accounts payable

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

h. Foreign currency transactions

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

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

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

i. Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions for liabilities are recognized

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

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

j. Employee benefits

(i) Accrued leave pay

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

(ii) Gratuity

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

k. Contingent liabilities

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

l. Taxes

Current Tax

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

Taxation

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

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

SIGNIFICANT ACCOUNTING POLICIES(Continued)

Amendment/Interpretation to a standard	Effective date	Impact (State the impact of the standard if relevant to the entity)
IFRS 9: Financial Instruments (Issued 24 July 2014)	Effective for annual periods beginning on or after 1 January 2018	<p>Finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing <u>IAS 39</u> <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>The standard contains requirements in the following areas:</p> <ul style="list-style-type: none"> • Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk. • Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized • Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures • Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39
IFRS 15: Revenue from Contracts with Customers (Issued 28 May 2014)	Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018	<p>IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.</p> <p>The five steps in the model are as follows:</p> <ul style="list-style-type: none"> • Identify the contract with the customer • Identify the performance obligations in the contract • Determine the transaction price • Allocate the transaction price to the performance obligations in the contracts

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

Amendment/Interpretation to a standard	Effective date	Impact (State the impact of the standard if relevant to the entity)
		<ul style="list-style-type: none"> Recognize revenue when (or as) the entity satisfies a performance obligation. <p>Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.</p>
IFRIC 22: Foreign Currency Transactions and Advance Consideration <i>(Issued 8 December 2016)</i>	Applicable to annual reporting periods beginning on or after 1 January 2018	<p>The interpretation addresses foreign currency transactions or parts of transactions where:</p> <ul style="list-style-type: none"> there is consideration that is denominated or priced in a foreign currency; the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and The prepayment asset or deferred income liability is non-monetary. <p>The Interpretations Committee came to the following conclusion:</p> <ul style="list-style-type: none"> The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.
Clarifications to IFRS 15 'Revenue from Contracts with Customers' <i>(Issued 12 April 2016)</i>	Effective for annual periods beginning on or after 1 January 2018	Amends <u>IFRS 15</u> <i>Revenue from Contracts with Customers</i> to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) <i>(Issued 12 September 2016)</i>	Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual	Amends <u>IFRS 4</u> <i>Insurance Contracts</i> provide two options for entities that issue insurance contracts within the scope of IFRS 4: <ul style="list-style-type: none"> an option that permits entities to reclassify, from profit or loss to other comprehensive income, some

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

Amendment/Interpretation to a standard	Effective date	Impact (State the impact of the standard if relevant to the entity)
	periods beginning on or after 1 January 2018 and only available for three years after that date	<p>of the income or expenses arising from designated financial assets; this is the so-called overlay approach;</p> <ul style="list-style-type: none"> An optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach. <p>The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.</p>
<p><i>Transfers of Investment Property</i> (Amendments to IAS 40) (Issued 8 December 2016)</p>	Effective for annual periods beginning on or after 1 January 2018	<p>The amendments to <u>IAS 40</u> <i>Investment Property</i>:</p> <ul style="list-style-type: none"> Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

ii) New and amended standards and interpretations in issued effective in the year ended 30 June 2020

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

Amendment/Interpretation to a standard	Effective date	Impact (State the impact of the standard if relevant to the entity)
<p><i>IFRS 16: Leases</i></p> <p>(Issued 13 January 2016)</p>	<p>Applicable to annual reporting periods beginning on or after 1 January 2019</p>	<p>IFRS 16 specifies how an IFRS reporter will recognize, measure, present and discloses leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.</p>
<p><i>IFRIC 23: Uncertainty over Income Tax Treatments</i></p> <p>(Issued 7 June 2017)</p>	<p>Applicable to annual reporting periods beginning on or after 1 January 2019</p>	<p>The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:</p> <ul style="list-style-type: none"> • Whether tax treatments should be considered collectively • Assumptions for taxation authorities' examinations • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • The effect of changes in facts and circumstances.
<p><i>Prepayment Features with Negative Compensation (Amendments to IFRS 9)</i></p> <p>(Issued 12 October 2017)</p>	<p>Annual periods beginning on or after 1 January 2019</p>	<p>Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.</p>
<p><i>Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)</i></p> <p>(Issued 12 October 2017)</p>	<p>Annual periods beginning on or after 1 January 2019</p>	<p>Clarifies that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.</p>

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

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

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

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

New and amended standards and interpretations in issued but not effective in the year ended 30 June 2020

<p><i>IFRS 17 Insurance Contracts</i></p> <p><i>(Issued 18 May 2017)</i></p>	<p>Applicable to annual reporting periods beginning on or</p>	<p>IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based</p>
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Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

	after 1 January 2023	accounting for insurance contracts. IFRS 17 supersedes IFRS 4 <i>Insurance Contracts</i> as of 1 January 2021.
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The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

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

iii) Early adoption of standards

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

1. REVENUE

	2020 Tsh.	2019 Tsh.
Vegetable seeds	5,013,521,193	4,157,386,059
Maize seeds	3,213,531,210	3,118,432,265
Other seeds	279,466,435	192,590,900
Agrochemicals	195,225,950	108,566,425
Total	<u>8,701,744,788</u>	<u>7,576,975,649</u>

2 COST OF SALES

	2020 Tsh.	2019 Tsh.
Opening Inventories	4,698,504,070	5,502,040,254
Purchases	4,712,166,362	4,654,422,262
Closing Inventories	(4,265,250,283)	(4,698,504,070)
Total	<u>(5,145,420,149)</u>	<u>(5,457,958,466)</u>

COST OF SALES

	2020	2019 As Restated
Opening Inventories	4,419,560,304	5,502,040,254
Purchases	4,991,110,128	4,654,422,262
Closing Inventories	(4,265,250,283)	(4,419,560,304)
Total	<u>5,145,420,149</u>	<u>5,736,902,212</u>

2a) OTHER INCOME

	2020 Tsh.	2019 Tsh.
Gain on Inventory	32,668,707	-
Sale of Old tyres	-	50,000

3 SELLING AND DISTRIBUTION EXPENSES

	2020 Tsh.	2019 Tsh.
Local travelling	245,610,774	308,935,895

Kibo Seed Company Limited**Annual Report and Financial Statements for the year ended June 30, 2020**

Sales discounts	1,136,275	304,735,593
Sales Commission	155,000	-
Show	72,306,371	126,282,591
Freight	119,730,557	140,353,878
Advertising	172,644,954	186,606,320
Debt collection	1,846,950	1,187,250
Entertainment	1,611,400	1,279,800
Carriage outward	15,428,500	16,125,000
Production packing	109,146,159	113,386,266
Import/export/custom	4,077,341	2,989,882
Corporate Social Responsibility	-	11,900,000
Public Relation	7,356,000	7,135,000
Total	<u>(751,050,281)</u>	<u>(1,220,917,475)</u>

4 ADMINISTRATIVE EXPENSES

	2020	2019
	Tsh.	Tsh.
Wages & salary	1,325,305,223	1,283,689,850
Staff welfare	100,837,019	96,380,251
Legal & professional	104,985,750	136,481,949
Directors Allowances	60,513,146	164,768,484
Security	61,192,800	54,230,800
Office Stationery	37,985,300	77,551,563
Telephone & postages	71,500,782	60,320,209
Subscriptions	12,546,170	7,979,100
External Audit Fees & Expenses	26,694,500	11,856,750
Internal Audit Expenses	16,693,640	16,346,130
Gratuity	176,144,909	30,435,586
Municipal levy	27,528,308	21,678,049
Licenses	6,524,000	5,761,748
Accounting package	10,756,715	4,486,800
Fumigation	1,595,000	3,680,000
Leave pay	7,268,781	2,493,997
Bank Charges	16,885,354	13,209,685
Total	<u>(2,064,957,397)</u>	<u>(1,991,350,951)</u>

5 OPERATING EXPENSES

	2020	2019
	Tsh.	Tsh.
Generator Fuel	226,540	35,000
Generator expenses	636,500	-
Water	6,244,017	4,516,688
Electricity	12,412,800	8,305,800
Motor Vehicle Fuel	129,920,554	129,922,971
R & M Office	65,098,780	95,804,832
Depreciation	345,683,399	300,350,801

Kibo Seed Company Limited**Annual Report and Financial Statements for the year ended June 30, 2020**

Insurance	96,089,549	78,537,977
Motor Vehicle Repairs	171,081,298	146,072,141
Rent rates	149,225,038	222,776,712
Obsolete Stock Expenses	417,696,031	=
Total	<u>(1,394,314,506)</u>	<u>(986,322,922)</u>

6) RESEARCH AND DEVELOPMENT EXPENSES	2020	2019
	Tsh.	Tsh.
Seed Sampling and Testing	105,512,296	118,282,000
Strategic planning	10,143,108	15,619,886
Total	<u>115,655,404</u>	<u>133,901,886</u>

7 FINANCE COST	2020	2019
	Tsh.	Tsh.
Foreign Exchange Loss	<u>(4,945,751)</u>	<u>(16,346,772)</u>

8. CORPORATE TAX	43,587,054	-
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9. INVENTORIES	2020	2019
	Tsh.	As Restated Tsh.
Beans	276,332	-
Maize	838,864,975	1,324,133,380
Vegetables	2,587,818,071	2,313,394,273
Miscellaneous	460,960,256	301,431,790
Sunflower	5,017,868	13,464,325
Chemicals	71,329,929	44,017,370
Pasture	16,501,469	6,265,095
Stock Adjustments	416,854,071	416,854,071
Provision for obsolete stocks	(132,372,688)	=
Total	<u>4,265,250,283</u>	<u>4,419,560,304</u>

10. TRADE AND OTHER RECEIVABLES	2020	2019
	Tsh.	Tsh.
Trade receivables	2,797,521,635	2,775,574,908
Prepayments	164,512,900	-
	<u>2,960,395,029</u>	<u>2,775,574,908</u>
Provision for bad debts	<u>(533,686,106)</u>	<u>(533,686,106)</u>
	<u>2,428,348,429</u>	<u>2,241,888,802</u>

10 RELATED PARTY BALANCES		
(a) Amounts due from related parties		
Simlaw Company Limited –Tanzania	19,447,599	19,447,599

Kibo Seed Company Limited**Annual Report and Financial Statements for the year ended June 30, 2020**

Kenya seed company limited	40,877,854	-
Simlaw seeds company limited-Nairobi	4,493,578	-
	64,819,031	19,447,599

(b) Amounts due to related parties

Kenya seed company Limited	11,017,107,653	10,310,495,684
Simlaw seeds company limited – Tanzania	521,793,137	521,793,137
Simlaw seeds company limited – Nairobi	1,387,205,810	1,270,661,937
Total	(12,926,106,600)	12,102,950,758

(c) Related Party Transactions for the year 30 June 2020

	Purchases	Sales
	Tshs.	Tshs.
Kenya Seed Company	890,959,434	40,877,853
Simlaw Seeds Company	354,055,897	4,493,578
Total	1,245,015,331	45,371,431
(c) Transaction with directors	60,513,146	78,994,302
Total	60,513,146	78,994,302

11 TRADE AND OTHER PAYABLES

	2020	2019
	Tsh.	As Restated Tsh.
Trade payable	2,338,643,418	1,850,768,158
Other payables	45,934,679	14,842,665
Accruals	-	293,295,962
Total	2,384,578,097	2,158,906,785

12 TAX RECOVERABLE

	2020	2019
	Tsh.	As Restated Tsh.
As at 1 July	442,383,574	258,059,553
Withholding Tax	456,404	-
Prior year Adjustment	(103,911,824)	-
Payment during the year	179,390,360	184,324,021
Transfer Retained Earning	(144,436,493)	-
Current Year Tax	(43,784,122)	-
At 30 June	330,097,899	442,383,574

13 (a) CASH AND CASH EQUIVALENTS

	2020	2019
	Tsh.	Tsh.
Cash at hand	931,600	3,023,086
Cash at bank	500,448,635	218,262,024
Total	501,380,235	221,285,110

Kibo Seed Company Limited
Annual Report and Financial Statements for the year ended June 30, 2020

	2020 Tshs.	2019 Tshs.
(b) Bank and Cash break down		
National Bank of Commerce Ltd (NBC)	75,465,822	35,329,101
National Microfinance Bank Ltd (NMB)	183,197,073	84,517,451
Stanbic Bank T Ltd	205,686,690	68,214,850
Kenya Commercial Bank (T) (KCB) Ltd	<u>36,099,050</u>	<u>30,200,622</u>
Total	500,448,635	218,262,024
Cash in Hand	931,600	3,023,086
Total Cash and Bank balances	<u>501,380,235</u>	<u>221,285,110</u>

14 SHARE CAPITAL

	2020 Tshs	2019 Tshs
Authorized, issued and fully paid 323,173 ordinary shares of TZS 1,000 each	323,172,497	323,172,497

**15 ACCUMULATED LOSS & REVENUE
RESERVES**

	2020 Tshs	2019 As Restated Tshs
Total	<u>(5,793,536,500)</u>	<u>(5,008,019,454)</u>



Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

16.(a) FIXED ASSET MOVEMENT SCHEDULE FOR THE YEAR ENDED 30 JUN 2020.

PLANT PROPERTY AND EQUIPMENT									
	LAND	BUILDINGS	MOTOR VEHICLE	FURNITURE & FITTINGS	COMPUTERS, PRINTERS & DEVICES	OFFICE EQUIPMENT	PROCESSING PLANT	SOLAR POWER SYSTEM	TOTAL
	Tsh.	Tsh.	Tsh.	Tsh.	Tsh.	Tsh.	Tsh.	Tsh.	Tsh.
Cost as at 1 st July 2019	420,676,420	1,147,532,097	715,674,814	84,023,693	103,028,200	494,749,972	576,224,822	197,657,570	3,739,567,588
Additions	15,200,000	24,999,900	15,575,000	1,610,000	4,592,300	21,743,240	5,443,500	20,303,072	109,467,012
Adjustment	-	-	-	(8,009,474)	-	4,067,474	-	-	(3,942,000)
Adjustment	-	-	-	-	-	(81,131,016)	81,131,016	-	-
Adjustment	-	-	-	-	-	160,830,716	(160,830,716)	-	-
Total Assets at Cost	435,876,420	1,172,531,997	731,249,814	77,624,219	107,620,500	600,260,386	501,968,621	217,960,642	3,845,092,600
Accumulated Depreciation									
As at 1 st July 2019	-	27,081,514	462,334,784	70,244,426	86,533,978	276,423,531	291,839,415	90,831,969	1,305,289,616
Charge for the year	-	58,335,890	80,270,406	5,807,677	10,927,054	92,924,975	49,132,707	43,253,744	340,652,452
Adjustment	-	(726,775)	-	(7,891,224)	-	3,949,224	-	-	(4,668,775)
Adjustment	-	-	-	-	-	(76,115,122)	76,115,122	-	-
Adjustment	-	-	-	-	-	68,771,896	(68,771,896)	-	-
Adjustment	-	-	-	(41,906)	101,587	(1,982,438)	(35,821,324)	-	(37,744,081)
Total Depreciation	-	84,690,629	542,605,191	68,118,972	97,562,619	363,972,065	312,494,024	134,085,713	1,603,529,212
Net Carrying Amount									
As at 30 th June 2020	435,875,420	1,087,841,369	188,644,623	9,505,247	10,057,882	236,288,321	189,474,597	83,874,929	2,241,563,387
As at 30 th June 2019	420,676,420	1,120,450,583	253,340,030	13,779,267	16,494,222	218,326,441	284,385,406	106,825,600	2,434,277,970

Kibo Seed Company Limited**Annual Report and Financial Statements for the year ended June 30, 2020**

The adjustments in the PPE movement was as a result of the reclassification of assets.

16.(b) INTANGIBLE ASSET MOVEMENT FOR THE YEAR ENDED 30 JUNE 2020**INTANGIBLE ASSET**

	Tshs.
Cost as at 1 July 2019	31,725,050.18
Addition	-
Total Asset at Cost	<u>31,725,050.18</u>
DEPRECIATION	
As at 1 July 2019	15,939,512.52
Adjustment	1,893,162.53
Charge for the year	<u>5,030,946.98</u>
Total Depreciation	<u>22,863,622.03</u>
NET CARRYING AMOUNT	
AS AT 30 JUNE 2020	8,861,428.15
AS AT 30 JUNE 2019	15,785,538.00

17. RESTATEMENT OF FINANCIAL RESULTS

Management of the company has restated the financial statements resulting from the various prior year adjustments which cumulatively affected balances in the prior year accounts (FY 2018/19). The table below details the related prior year adjustments.

Date	Description	2019 TZS
June 30, 2020	Relates to Prior year Tax paid	(216,114,060)
June 30, 2020	Relates to overstated stocks	(278,943,766)
June 30, 2020	Relates to Adjustments for Credit note	214,399,779
June 30, 2020	Relates to Adjustments Depreciation	36,577,693
June 30, 2020	Relates to Adjustments Un-posted invoice	(35,633,362)
June 30, 2020	Relates to Opening balance Adjustment for Audit fee	6,714,178
June 30, 2020	Relates to Adjustments Un-posted invoice for Service Levy	13,235,516
June 30, 2020	Relates to Adjustments invoice posted twice	22,067,100
Total		(237,696,920)

The company has determined that a correction was required, and as such, has restated its previously reported financial statements as at and for the year ended June 30, 2019 and all related disclosures. The impact of the correction is as follows:

Kibo Seed Company Limited
Annual Report and Financial Statements for the year ended June 30, 2020
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2020

	June 30,2019	Restatement Increase/ Decrease	June 30,2019 As Restated
DESCRIPTIONS	Tsh.	Tsh.	Tshs.
Sales Revenue	7,576,975,649	-	7,576,975,649
Cost of Sales	(5,457,958,446)	(278,943,766)	(5,736,902,212)
Trading Profit	2,119,017,203	(278,943,766)	1,840,073,437
Other Income	50,000	-	50,000
TOTAL INCOME	<u>2,119,067,203</u>	=	<u>1,840,123,437</u>
OPERATING EXPENSES			
Selling & Distribution Expenses	(1,220,917,475)	-	(1,220,917,475)
Administration Expenses	(1,984,636,728)	6,714,200	(1,991,350,928)
Operating Expenses	(986,307,942)	-	(986,307,942)
Research & Development Expenses	(133,901,886)	-	(133,901,886)
Finance Cost	(16,346,772)	-	(16,346,772)
TOTAL OPERATING EXPENSES	<u>(4,342,110,804)</u>	<u>6,714,200</u>	<u>(4,348,825,004)</u>
Profit before Tax	<u>(2,223,043,601)</u>	<u>(285,657,966)</u>	<u>(2,508,701,567)</u>
Income Tax	38,081,946	-	38,081,946
TOTAL COMPREHENSIVE PROFIT/LOSS	<u>(2,261,125,547)</u>	<u>(285,657,966)</u>	<u>(2,546,783,513)</u>

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

	June 30,2019	Restatement Increase/ Decrease	June 30,2019 As Restated
ASSETS	Tsh.	Tsh.	Tshs.
Non – Current Assets			
Property, Plant & Equipment	2,434,277,971	36,577,693	2,470,855,665
Intangible Assets	15,785,538	-	15,785,538
Total Non-Current Assets	2,450,063,509	36,577,693	2,486,641,203
Current Assets			
Inventories	4,698,504,070	(278,943,766)	4,419,560,304
Trade & Other Receivables	2,241,888,802	-	2,241,888,802
Dues from Related parties	19,447,599	-	19,447,599
Provision Tax	442,383,574	(254,196,005)	188,187,569

Kibo Seed Company Limited**Annual Report and Financial Statements for the year ended June 30, 2020**

Cash & Cash Equivalent	221,285,110	-	221,285,110
Total Current Assets	7,623,509,155	(533,139,771)	7,090,369,384
TOTAL ASSETS	10,073,572,666	(496,562,078)	9,577,010,587
EQUITY AND LIABILITIES			
Shareholders Fund			
Share Capital	323,172,497	-	323,172,497
Retained Earnings	(4,690,223,793)	(317,795,683)	(5,008,019,454)
Total Shareholders Fund	(4,367,051,296)	(317,795,683)	(4,684,846,957)
Current Liabilities			
Creditors & Accruals	2,337,673,202	(178,766,396)	2,158,906,785
Related Party Payable	12,102,950,758	-	12,102,950,758
Total Current Liabilities	14,440,623,960	(178,766,396)	14,261,857,543
TOTAL EQUITY & LIABILITIES	10,073,572,666		9,577,010,587

I. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The company does not enter into derivative transactions.

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

Market risk

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

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

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

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

a) Credit risk

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

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

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

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

The amount that best represents the company's maximum exposure to credit risk as at 30 June 2020 is made up as follows:

	2020 Tshs.	2019 Tshs.
Net Trade receivables	2,428,348,429	2,241,888,802

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

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

	2020 Tshs '000	2019 Tshs '000
Past due but not impaired:		
- by up to 30 days	132,354	79,418
- by 31 to 60 days	86,274	133,610
- by 61 to 90 days	205,901	14,837
- over 90 days	2,003,819	2,014,024
	2,428,348	2,241,889

II. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Movement in provisions for doubtful debts:

	2020 Tshs '000	2019 Tshs '000
As at 1 July	533,686	533,686
Recoveries during the year	-	-

1

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

Provisions for the year	-	-
Reversal of overprovision	-	-
As at 30 June	533,686	533,686

Cash and cash equivalents

The Company held cash and cash equivalents of TShs. 501,380,235 as at 30 June 2020; and TShs. 221,285,110 as at 30 June 2019. The cash and cash equivalents were held with reputable banks and financial institutions.

b) Market risk

Market risk is the risk that the fair value or future value of instruments will fluctuate due to changes in market valuables such as interest rates and foreign exchange rates.

The objective of market risk management policy is to protect and enhance the statement of financial position and income statement by managing and controlling market risk expenses within acceptable parameters and to optimize the funding of business operations and facilitate capital expansions.

Interest rate risk

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

	Change in Interest rate	Effect on profit Before Tax Tshs '000	Effect on Equity Tshs '000
2020	-10.00% 10.00%		
2019	-10.00% 10.00%		

Exchange risks

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

III. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

USD	Change in currency rate	Effect on profit Before Tax Tshs '000	Effect on Equity Tshs '000
2020	-10.00%		

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

	10.00%
2019	-10.00%
	10.00%

c) Liquidity risk

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

d) Operational risk

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

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

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

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

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



Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

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

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

IV. CAPITAL MANAGEMENT

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

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

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

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

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

V. FAIR VALUES

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

VI. INCORPORATION AND ULTIMATE HOLDING ENTITY

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

VII. CURRENCY

These financial statements are presented in Tanzania Shillings (Tshs). However, the rate of conversion of USD, Kshs. and EUROS are as follows; 2,307.94, 21.6505 and 2,591.060 respectively.

6

Kibo Seed Company Limited

Annual Report and Financial Statements for the year ended June 30, 2020

VIII.COMPARATIVE INFORMATION

FIVE YEAR PERFORMANCE TREND

Company	2020	2019 As Restated	2018	2017	2016
	Tshs'000'	Tshs'000'	Tshs'000'	Tshs'000'	Tshs'000'
Turnover	8,701,745	7,576,976	8,135,484	8,304,884	8,114,838
Profit before tax	(741,929)	(2,508,702)	(210,203)	(666,663)	87,513
Tax charge	(43,587)	(38,082)	0	39,683	(39,683)
Profit for the year transferred to retained earnings	(785,517)	(2,546,784)	(210,203)	(626,980)	47,830
Dividends	-	-	-	-	-
Share Capital and shareholders' Funds					
Ordinary Share capital	323,173	323,173	10,000	10,000	10,000
Share holders' funds	(5,470,364)	(4,684,847)	(2,502,483)	(2,008,791)	(1,342,128)
Earnings and Dividend per Share					
Earnings per share	(2.43)	(7.88)	(21.02)	(62.70)	4.78)
Dividend per share (Tshs)	0	0	0	0	0

IX. GEARING

	2020	2019 As Restated
	Tshs '000	Tshs '000
Trade and other payables	15,310,685	14,261,858
Less: Cash and other short-term deposits	(501,380)	(221,285)
Net debt	14,809,305	14,040,573
Total Capital (Equity)	(5,793,537)	(5,008,019)
Capital and net debt	9,015,768	9,032,554
Gearing ratio	164%	155%
Though the company's gearing ratio is higher, however, the directors consider this to be favorable since a greater percentage of debts are owed to related parties.		

Kibo Seed Company Limited**Annual Report and Financial Statements for the year ended June 30, 2020****APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

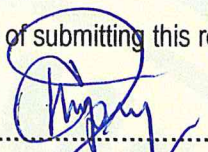
The following is the summary of issues raised by the external auditor and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved. This response is as stipulated in the Financial Reporting Template by Treasury. The audit report for the financial year 2018/19 has not been received thus these are auditors' recommendation for the financial year 2017/18.

Audit Report Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Expected Date of Resolution
1.0	Inventory Variance	It was due to data migration from all system in 2012. Details was sent to the office of the auditor general	The matter was presented to the board	Not resolved	Completion of investigation
2.0	Unsupported amount due to related parties	The documents were availed for inspection during the audit	System Analyst	Resolved	13/01/2019
3.0	Cash and cash equivalents variance	The Auditor did not avail the formular of how he arrived at cash and cash equivalent of 719.4 Million	System Analyst	Not resolved	20/02/2020
4.0	Financial Performance	The company had put in strategies to recover from accumulated losses by investing in local production	General Manager	Partly resolved	30/06/2023
5.0	Long outstanding Debtors	The Company engaged more debt collectors and also instituted legal actions to the Debtors with huge balances	General Manager	Partly resolved	Continuous
6.0	Irregular over expenditure	The Company engaged in sales promotion & publicity for the seeds. But as a resolved there was stock out	General Manager	Partly resolved	Continuous

Kibo Seed Company Limited**Annual Report and Financial Statements for the year ended June 30, 2020****NB: Guidance Notes:**

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


 Mr. Francis Mwaura
 General Manager
 3.9.2020


 Mr. Simon Cherogony
 Chairman
 3.9.2020

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY
Projects

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

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

Status of Projects completion

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

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

Kibo Seed Company Limited
Annual Report and Financial Statements for the year ended June 30, 2020

2	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3	N/A	N/A	N/A	N/A	N/A	N/A	N/A

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:			
Break down of Transfers from the State Department of Crop Development			
FY 2018/19			
a. Recurrent Grants			
	Bank Statement Date	Amount (Tshs)	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 (Tshs)	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 (Tshs)	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 (Tshs)	Indicate the FY to which the amounts relate
	N/A	N/A	N/A
	Total	N/A	N/A

Kibo Seed Company Limited
Annual Report and Financial Statements for the year ended June 30, 2020
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 - Tshs	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specified	
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

