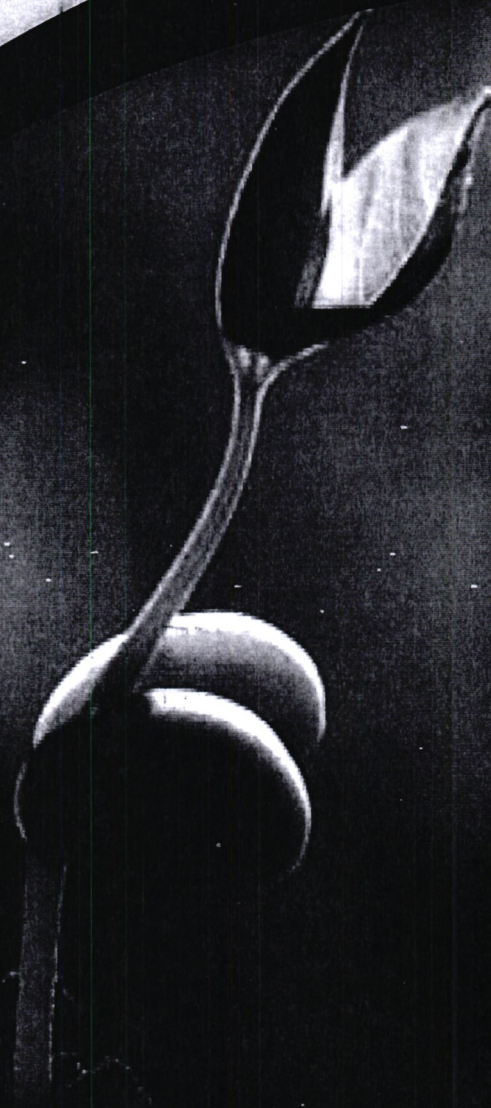


**Simlaw Seeds**

*Superior & Reliable*




**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2021**

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

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 THE NATIONAL ASSEMBLY PAPERS LAID			
DATE:	01 MAR 2023	DAY:	Wed
TABLED BY:	The Majority Whip		
CLERK-AT THE-TABLE:	Mudo		



**SIMLAW SEEDS COMPANY LIMITED  
HEADQUARTER AT NAIROBI - KIJABE STREET**



## COVID 19 PREVENTIVE MEASURES

To prevent the spread of COVID-19:

- ✓ Clean your hands often. Use soap and water, or an alcohol-based hand rub.
- ✓ Maintain a safe distance from anyone who is coughing or sneezing.
- ✓ Wear a mask when physical distancing is not possible.
- ✓ Don't touch your eyes, nose or mouth.
- ✓ Cover your nose and mouth with your bent elbow or a tissue when you cough or sneeze.
- ✓ Stay home if you feel unwell.
- ✓ If you have a fever, cough and difficulty breathing, seek medical attention.

*Calling in advance allows your healthcare provider to quickly direct you to the right health facility. This protects you, and prevents the spread of viruses and other infections.*

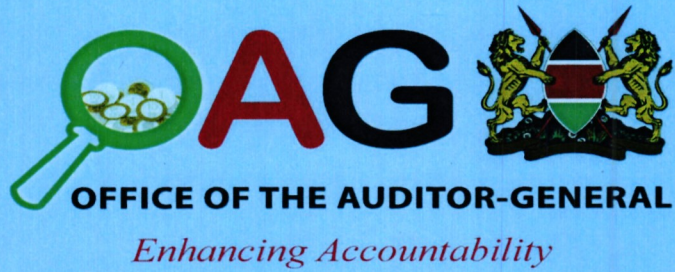
### *Masks*

*Masks can help prevent the spread of the virus from the person wearing the mask to others. Masks alone do not protect against COVID-19, and should be combined with physical distancing and hand hygiene.*

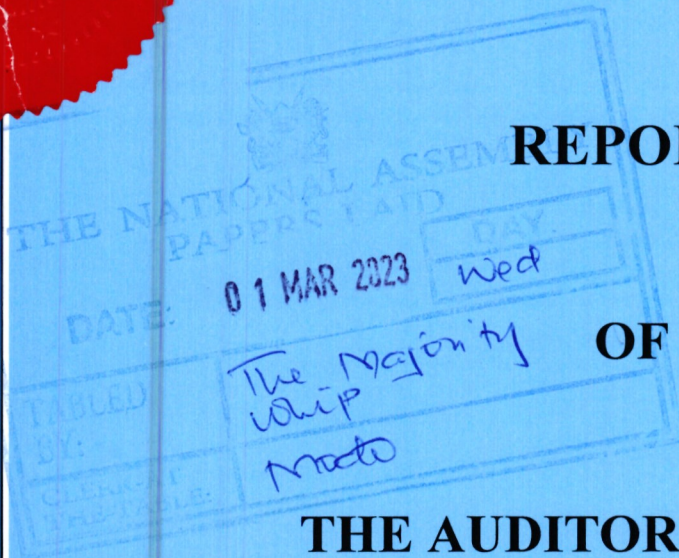
*Follow the advice provided by Ministry of health.*



REPUBLIC OF KENYA



**REPORT**



**OF**

**THE AUDITOR-GENERAL**

**ON**

**SIMLAW SEEDS COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2021**







## **VISION**

A world class supplier of certified seeds

## **MISSION**

To avail superior certified seeds and other farm inputs

## **CORE VALUES**

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

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

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

**Innovation and Creativity:** Simlaw Seeds 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.

**Quality Services:** 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.

**Respect:** We strive to show a deep respect for people inside and outside our company and for the communities in which they live, the natural & legal environment.



Simlaw Seeds Company Limited

Annual Reports and financial statements for the year ended June 30, 2021

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**Simlaw Seeds**

*Superior & Reliable*

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## Simlaw Seeds Company Limited

Annual Reports and financial statements for the year ended June 30, 2021

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### I. KEY ENTITY INFORMATION

#### GENERAL INFORMATION

Simlaw Seeds Company Limited is a limited liability company, incorporated in Kenya, under the Kenyan Companies Act and is domiciled in Kenya. The Company is primarily involved in availing sufficient quality certified seed competitively through research and development to the satisfaction of the stakeholders. The registered office is as shown below. For Kenyan Companies Act 2015 reporting purposes, the balance sheet is represented in these financial statements by the Statement of Financial Position and the profit and loss account by the Statement of Profit or Loss and other comprehensive income.

#### Directors

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

##### Non-Executive

Mr. Mohammed M. Bulle, Managing Director, ADC

Mr. Eliud Mathu Kamau, Ps Ministry of Agriculture

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

**Mr. Fred Oloibe**                      **Executive Managing Director**

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

**Registered office and  
Principal place of  
Business**                              Kijabe Street  
P.O. Box 40042 – 00100  
Nairobi, Kenya

**Principal Bankers**                      Absa bank Kenya Plc  
Moi Avenue Nairobi  
P O Box 30116 - 00100  
NAIROBI

Absa bank Kenya Plc  
Absa Plaza  
P O Box 30120 - 00100  
NAIROBI

Kenya Commercial Bank Limited  
Branch  
P O Box 182  
LOITOKITOK

Kenya Commercial Bank Limited  
University Way Branch



## Simlaw Seeds Company Limited

Annual Reports and financial statements for the year ended June 30, 2021

P O Box 7206-00300  
NAIROBI

### Independent and Principal Auditors

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

### Principal Lawyers

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

### Company Shareholding

Kenya Seed Company acquired Simpson and Whitelaw in 1979 and operated as a branch until 2001 when Simlaw Seeds was incorporated under The Companies Act (Chapter 486, Laws of Kenya) on 5<sup>th</sup> November 2002. The issued and fully paid share capital is 5000 share worth Kes .200, 000.

The shareholders of the company as at 30<sup>th</sup> June 2021 were as follows:

No.	List of Shareholders	No. of Shares	% Shareholding
1	Kenya Seed Company	4,998	99.9996%
2	Private Shareholders	2	0.0004
<b>Total</b>		<b>5,000</b>	<b>100.00</b>

### Our seed business

The main responsibility of Simlaw seeds is producing, producing marketing and distributing superior and reliable vegetable seeds for commercial and domestic use. The company has a wide range of seeds that have penetrated the market well.

### Our Seed Brands

- 1. Cabbage Seeds:** Gloria F1, Pruktor F1, Queen F1, Serena F1, Copen Hagen Market.
- 2. Onion Seeds:** Bombay Red, Red Creole, Red Passion F1, Red Nice F1, Sivan F1, Texas Grano.
- 3. Tomato Seeds:** NyotaF1, Rio Grande, Prostar F1, Monica F1, Cal J, Fortune Maker F1.
- 4. Beans Seeds:** Rose coco, Mwitmania, Mwezi Moja, Miezi Mbili, Warimu Dwarf ,KenyaTamu, Kenya Safi, Kenya Mavuno
- 5. Leafy Vegetables:**Collard Sukuma Wiki (Simlaw Select), Spinach Ford Hook Giant, Chinese Cabbage, Cauliflower, Broccoli, Kale
- 6. Kenya Seed Products:** Maize, Wheat, Sunflower ,Pasture, Sorghum, Finger Millet
- 7. Indigenous Vegetables:** The indigenous vegetables are: Amaranthus(Terere), Spider Plant (Saga), Night Shade (Managu), Jews Mallow (Murere/Mrenda), Crotalaria (Miro/Mito), KundeMboga.
- 8. Cucurbits:** Squash Ambassador F1, Cucumber Ashley, Watermelon Julie F1, Watermelon Sweet rose, Watermelon Princes Butternut, Pumpkin.



## Simlaw Seeds Company Limited

Annual Reports and financial statements for the year ended June 30, 2021

Where we operate:

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

## **Simlaw Seeds Company Limited**

***Annual reports and financial statements for the year ended June 30, 2021***

### **II. 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.

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

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



#### **Mr. Eliud Mathu Kamau, PS Ministry of Agriculture**



Mr. Eliud Mathu was born on 27<sup>th</sup> August 1968. He is a seasoned Agricultural economist with over 25 years combined working experience impacting Agricultural policy and its development at the State Department for Crop Development, including hands-on technical support to farmers at the grassroots. A versatile leader with a broad Corporate Governance experience representing the State Department in various state corporation Boards championing ethical and professional governance and policy formulation for execution of their mandates in regulation, delivery of services to Kenyans, economical processing of agricultural produce, Training and research.

An avid reader who constantly develops his knowledge in new technologies in practical agricultural practices in developing countries and passionate for efficient and effective service delivery by state corporations. Current scope of influence includes senior government officials, senior executives and boards of State Corporations.



## **Simlaw Seeds Company Limited**

### **Annual reports and financial statements for the year ended June 30, 2021**

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

#### **Mr. Mohammed M. Bulle**

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



#### **CS. Wilkister Simiyu**

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



# Simlaw Seeds Company Limited

## Annual reports and financial statements for the year ended June 30, 2021

### III. MANAGEMENT TEAM



**General Manager**  
**Mr. David Kiplagat**

Mr. Kiplagat is a Master of Business Administration (MBA) Graduate from Staffordshire University in United Kingdom, a Post-Graduate Diploma (PGDBA) from the same University and a Bachelor of Science in Business Administration from the United States International University. He has vast experience in business administration spanning over 20 years where he has worked as a Manager and Director in various companies. Prior to his engagement at Simlaw Seeds Limited he served in the Board of Kenya Seed Co Ltd.



**Finance Manager**  
**Mr. Hezekiah Keitany**

Mr. Keitany was born in the year 1969 and he is the Head of Finance. He holds a Bachelor of Commerce from the University of Nairobi. He is a member of Certified Public Accountants of Kenya (ICPAK). He previously worked at Kibo Seed Co. Ltd., a foreign subsidiary of Kenya Seed in Tanzania as head of Finance.



**Chief H.R Officer**  
**Mr. Philip Arusei**

He is a holder of Bachelor of Business Management (HR Option) from Moi University. He is an experienced Human Resources & Administration Officer with a demonstrated history of working in the Agriculture and manufacturing industries. Skilled in staff competency development, Performance Management, Industrial relations and disciplinary processes and Human Resources Management Information Systems (HRMIS). He has an aptitude and professionalism in administration.



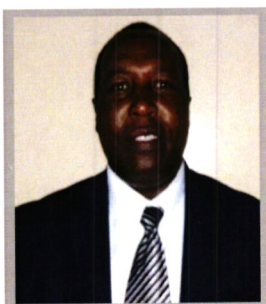
**Technical services Manager**  
**Mr. Michael Ngugi**

He was born on 27<sup>th</sup> December 1957 and is the Head of Research and Production. He joined the company in 1986 after 6 years as a Researcher with the Ministry of Agriculture, Research Division. He holds a BSc and MSc in Agriculture both from the University of Nairobi and a Post Graduate diploma in Maize research from Mexico. He has developed over 15 varieties of Vegetable crop. He has also served as the General Manager of Kibo Seed Company in Tanzania, a subsidiary of Kenya Seed Company.



## Simlaw Seeds Company Limited

### Annual reports and financial statements for the year ended June 30, 2021



#### **Sales & Marketing Manager**

##### **Mr. Robert Musyoki**

He holds a Bachelor of Science (Horticulture) from Egerton University and Master of Science - Horticulture (Molecular Breeding) from Jomo Kenyatta University of Agriculture and Technology.

He has a wealth of experience spanning over 10 years in marketing of seeds coupled with good agronomical understanding in field crop husbandry. He resigned from the company from February 2021.



#### **Ag. Sales & Marketing Manager**

##### **Mr. Thomas Kariuki**

He holds a Bachelor of Science (Horticulture) from Jomo Kenyatta University of Agriculture and Technology and Master of Science (Crop protection) from the University of Nairobi. He had done several related short courses locally and internationally. He possesses wealth of experience spanning over 10 years in seed production, plant breeding and in sales and marketing of agro inputs.



#### **Chief Engineer - Processing**

##### **Eng. Shadrack Langat**

Mr. Lagat was born on 15<sup>th</sup> January 1966 and is the Chief Engineer, Processing Department. Lagat joined Kenya Seed Company in the year 1993 and now has 25 years hands on experience in Seed Business and Quality Management Systems, having worked in Nakuru Branch, Head office Kitale - Factory, Basic Seed, Elgon Downs Farm and Seed dress. He is a Quality Management Systems Auditor. Currently he is the Head of Processing Simlaw Seeds.



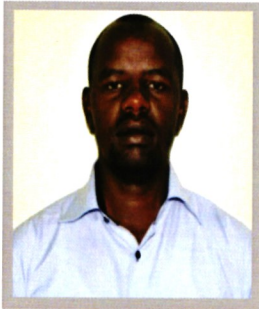
#### **Senior Quality Assurance Officer**

##### **Mrs. Epher Masibili**

She was born on 12<sup>th</sup> April 1962. Mrs. E. Masibili is the Senior Quality Assurance Officer. She holds a certificate in General Agriculture-crop and Livestock, Agricultural related discipline and Training on the job. She has an experience of 32 years in different areas of her field. Over these years of experience she has learnt that Seed needs to be handled with care since it is a basic input in Agriculture and that seed Quality is the possession of seed with required genetic and physical purity that is accompanied with physiological soundness and health status- thus free from pathogens.

## **Simlaw Seeds Company Limited**

### **Annual reports and financial statements for the year ended June 30, 2021**



#### **ICT Manager**

##### **Mr. Isaac Macharia**

Isaac Macharia is BSC IT Holder from JKUAT and currently undertaking MSC Project Management. A multi-skilled IT professional with over 10 years of experience as a software specialist, Extensive practical knowledge of complex systems builds, hardware and software's and Skilled at operating in a wide range of ICT platforms.



#### **Senior Procurement Officer**

##### **Mr. Edward Namasaka**

Mr. Edward Namasaka is the Senior Procurement Officer. He holds a Bachelor of Commerce degree from the University of Nairobi and a post graduate diploma in purchasing and supply management from Chartered Institute of Purchasing and Supplies Management. He has over 20 years' experience having worked at the manufacturing sector, non - governmental organization and Ministry of Agriculture. He is a member of Kenya Institute of Supplies Management.



## Simlaw Seeds Company Limited

*Annual reports and financial statements for the year ended June 30, 2021*

### IV. CHAIRMAN'S STATEMENT



Dear Shareholders,

I am delighted to report to you another successful financial year for Simlaw Seeds Company Ltd for the period ended 30<sup>th</sup> June, 2021.

Despite the numerous challenges including uncertain weather conditions at the expected time of planting, increased competition, and emergence of diseases and pests, the company has continued to record strong financial performance and growth.

#### **Business Environment Overview**

The COVID-19 challenge is not something any of us would have imagined. Recently, the coronavirus disease 2019 (COVID-19) was declared by the World Health Organization (WHO) as a global pandemic. This declaration forced many countries into lockdowns as well as enforcing travel restrictions to limit the spread of the disease due to human to human transmissions across various countries. While these measures were necessary at the time, they had potential impact on food and nutritional security. Thus, it was important that the food delivery channels and agriculture input supply remained open in the country.

Seed is an origin of food supply chain and the season for the production cannot be delayed as it can create a big impact to farmers to secure their living. Therefore, it was very important to get full support from the government through the state Department of Agriculture to ensure that all services like laboratory testing and phytosanitary certificate remained open. The international movement of seeds as well as agriculture input will not be affected nor will they be subjected to unauthorized roadblocks.

Kenya's economic growth is expected to drop to 1.4% this year under the impact of the corona virus outbreak that has hit tourism, agricultural exports and remittances. The pandemic has dealt a major blow to the economy, but the government's quick policy responses have helped to cushion the impact, and a partial recovery is underway. In response to the improving conditions, many of the tax and regulatory relief measures extended at the onset of the crisis have been discontinued. The economy is expected to continue to recover and gradually return to growth of above 5 percent. The near-term economic outlook for Kenya, as elsewhere, remains unusually uncertain and contingent on the course of the pandemic. Simlaw Seed Company's board took note of our business resilience during this time and is pleased with the company's performance.

The agriculture sector has been an indispensable part of the Kenyan economy since time immemorial. It is this sector that has played a pivotal role in the functioning of the economy since independence and up to the current day remaining as the largest contributor to the county's GDP averaging 20-25% of the total value. Economic development in countries like Kenya, with a large percentage of the population still living in rural areas, must unbridle the potential of the agriculture sector and seek to bolster the rural economy through integrated policy interventions that leverage technological advancements, build on rising domestic demand and seek synergies between multiple sectors in the pursuit of higher productivity and value addition.

The revamping of the agricultural sector is inevitable as it will ensure food security and reduction of poverty hence the Government intervention through one of its 'Big Four' agenda- Agriculture; through increased agriculture budgetary allocation annually. These has led to increased countrywide irrigation projects, input subsidy, strategic grain reserves and food security & crop diversification programs. The company contributions in the supply of seed will greatly be enhanced by the level of support the government has put forward on the agenda on agriculture and sectorial growth.

## **Simlaw Seeds Company Limited**

### **Annual reports and financial statements for the year ended June 30, 2021**

#### **Financial Review**

Despite the business environment downward trend, we are pleased to report that the Company posted an improved performance in the year under review despite the challenges experienced. Although the Company recorded a decline of 38% in profit after tax from Kes.52 million in 2020 to Kes.32.2million for the year ended 30 June 2021. The company's Turnover increased from Kes.1.586Billion in 2020 to a company record of Kes.1.669 Billion. The company asset base increased from Kes.1.33Billion (2020) to Kes.1.57Billion. The shareholders fund recorded a growth from Kes.489million to Kes.522Million at the close of the year.

#### **Seed Supply**

The company made significant progress in increasing seed acreage under irrigation by enhancing partnership with key growers who have installed irrigation capacity in their farms. As a result, the Company produced adequate seed to enhance its inventory sufficiently to meet market demand.

#### **Dividend**

Due to the liquidity position of the company, I wish to suggest that the board declare no dividend in the year so to build its reserve.

#### **Future Outlook**

The future outlook of Simlaw Seeds Company is bright. The Board is developing more strategies to grow the market and enhance financial management in order to increase profits and reduce wastage.

The Board is also putting in place strategies to expand business in the regional markets and diversify its product range.

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

#### **Appreciation**

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



Mohamed Bulle  
**Chairman**



## Simlaw Seeds Company Limited

### Annual reports and financial statements for the year ended June 30, 2021

#### V. REPORT OF THE GENERAL MANAGER



I am delighted to present to you the performance of Simlaw Seeds Company for the year ended 30<sup>th</sup> June 2021.

#### Financial Performance

In the FY2020/21, the turnover increased by 5% from Kes.1.586billion to Kes.1.669Billion. Profit after Tax for the period decreased from Kes.52 million to Kes.32.7Million.

The closing Cash balance reduced from Kes.128Million at the start of the year to Kes.118Million at end of the financial year as result of increased inventory levels and settlement of matured financial obligation at balance sheet date. The Company's cash balance decreased by Kes.10 Million and the asset base increased from Kes.1.3 Billion to Kes.1.568Billion. The non-current asset increased from Kes. 248 Million to Kes.255Million as a result of additions and depreciation on the fixed asset. Trade receivables and inventory increased due to sales growth in the fourth quarter of the financial year and maintenance of optimal stock levels.

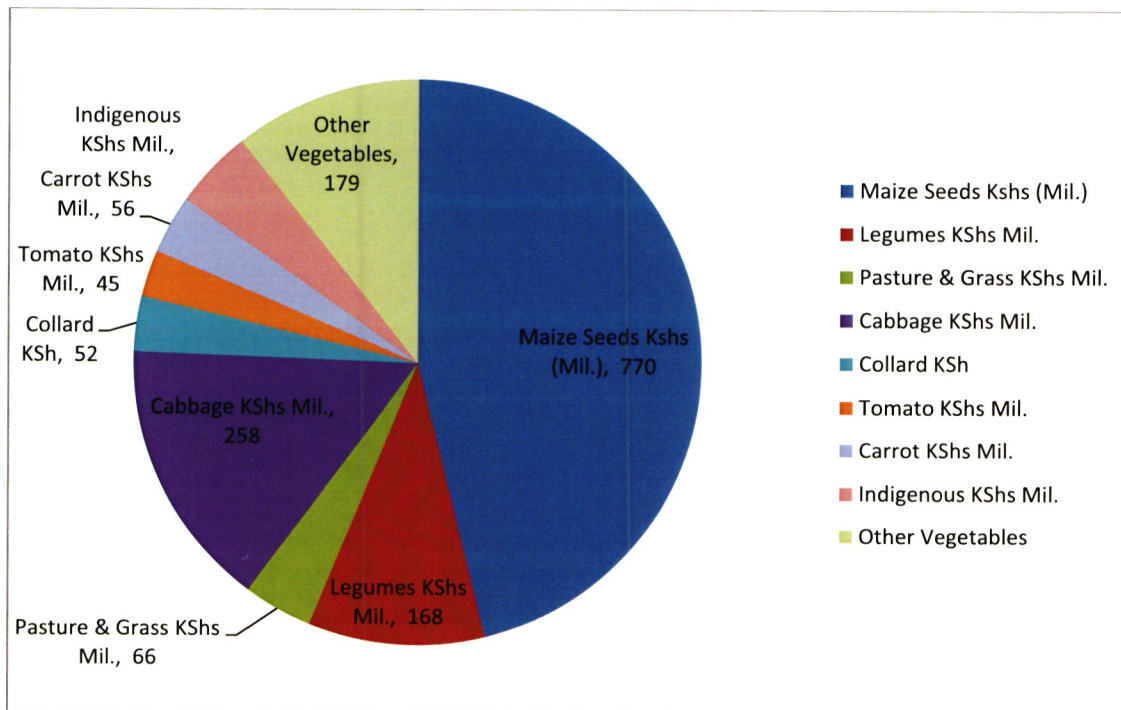
#### FIVE YEAR PERFORMANCE TREND

	2021	2020	2019	2018	2017
	Kes'000	Kes'000	Kes'000	Kes'000	Kes'000
<b>Turnover</b>	1,669,748	1,586,493	1,502,871	1,389,565	943,117
Profit before tax	42,200	71,562	56,955	44,686	12,683
Tax charge	(10,000)	(18,696)	(19,462)	(14,451)	(5,019)
Profit for the year transferred to retained earnings	32,200	52,866	37,494	29,960	7,664
Dividends	-	-	-	-	-
<b>Share Capital and shareholders' Funds</b>	521,226	489,026	436,267	356,609	326,850
Ordinary Share capital	200	200	200	200.00	200.00
Share holders' funds	521,226	488,826	436,067	356,809	327,050
<b>Earnings and Dividend per Share</b>					
Earnings per share	6,440	10,573	7,499	6,047	1,533
Dividend per share(Kshs)	0	-	-	-	-

## Simlaw Seeds Company Limited

Annual Reports and financial statements for the year ended June 30, 2021

### PERFORMANCE AT A GLANCE



Turnover in Kenya  
Shillings (Billions)

**1.669**

Profit before Tax in Kenya  
Shillings (Millions):

**42.2**

Balance Sheet Size in Kenya  
Shillings (Millions):

**1,568**

Shareholders' Funds Shillings  
(Millions):

**521.**



## **Simlaw Seeds Company Limited**

### ***Annual Reports and financial statements for the year ended June 30, 2021***

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#### **Covid-19**

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

#### **Research and Development**

In line with our clarion call of ensuring farmers obtain 'superior and reliable' seed varieties that are high yielding and tolerant to pests and diseases, the company continues to invest in research which has enabled her to release one Bean variety. The company has also forwarded two legumes varieties (Garden Pea and Soya bean) in the national performance trial for assessment and release to the market.

In the year under review several hybrid vegetables underwent performance trials and we are proud to state that three hybrid vegetables were selected for commercialization. This is geared towards ensuring that food security and nutrition under the government's Agenda four is realized through commercialization of best performing Vegetables based on disease tolerance, water efficient and paramount to this the yield Big four Agenda.

#### **Operations**

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

#### **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. The management is committed to pursuing strategies aimed at ensuring attainment of its goals.

The company's future growth will come from:

- Focus on adequate supply of short to medium season seed varieties whose demand will increase with the changing weather patterns
- Enhanced local production so as to reduce cost of sales and thus increasing profit margins
- Increased Commitment of marketing efforts and resources so as to increase vegetable seed market with expected outcome of higher returns hence increased profit margins
- Conducting more research on new products so as to outmatch prevailing material with the objective of adopting the same in our product portfolio
- Increased production of vegetables seed and legumes in areas under irrigation so as to over-come climate challenges.

#### **Customer focus**

In all our business activities, we place paramount importance on 'customer focus', seeking to maximize customer satisfaction by continuously looking at things from our customers' perspectives and anticipating their needs.

At Simlaw Seeds, we take great pride in providing the very best in customer service. We have remained focused on achieving unrivalled customer satisfaction levels through effective communication, increasing

## **Simlaw Seeds Company Limited**

### ***Annual Reports and financial statements for the year ended June 30, 2021***

direct customer contact through our branches across the country and related subsidiaries, delivering quality products on time and revamping our marketing activities.

#### **Acknowledgement**

Despite the Industry decline over the years, Simlaw Seeds performance has been on the rise against all odds. These achievements would not have been achieved without the wisdom and unwavering support of the Board. The leadership and guidance have not only been timely but have also been challenging and inspiring to the management team.

The continued loyalty and feedback from our customers is greatly appreciated and forms the basis of achieving the Company's vision, that is, to be a world supplier of certified seed. In executing this vision, I wish to take this opportunity to thank all staff of Simlaw Seeds for their focus, energy, and determination to succeed.

As an assurance to our mission, 'To avail superior certified seeds and other agricultural inputs to maximize productivity', the company will remain focused to its customers and stakeholders and through the wisdom of the Board, and the Management will guarantee excellence in all areas of the Company.



**David Kiplagat**  
**General Manager**



## Simlaw Seeds Company Limited

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### VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

The company has 6 strategic pillars and 8 objectives within its Strategic Plan for the FY 2018/2019-2022/2023. These strategic pillars are as follows:

- \* Pillar 1: Quality Seed availability
- \* Pillar 2: governance and risk management
- \* Pillar 3: human resources management
- \* Pillar 4: financial stability
- \* Pillar 5: marketing growth
- \* Pillar 6: Engagement/collaboration/partnerships with stakeholders

The company develops its annual work plans based on the above 10 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The company achieved its performance targets set for the FY 2020/2021 period for its 10 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators (KPI)	Activities	Achievements
Quality Seed availability	To ensure compliance with Seed Act Cap 326 as well as customer and stakeholder expectations on seed quality. Develop, release and commercialize varieties	Reduced number of customers complains of seed quality  Entry to NPT and DUS Commercialized variety  Develop infrastructure (cold storage/irrigation facility and greenhouses)	-Continuously implement and review effectiveness of quality assurance programs to enhance seed quality -Build capacity to attain ISTA accreditation and be an authorized institution in execution of OECD seed schemes. -Seek for authorization by KEPHIS to carry out delegated seed certification	The company has ensured there is effectiveness of quality assurance programs to enhance seed quality hence registering minimal customer complaints. KEPHIS Authorization. Training has been done for 3 members of staff from Quality Assurance as Seed inspectors and analysts and who have been gazette. Released and commercialized a bean variety and Kale variety Adequate seed supply from contracted growers
Governance and Risk management	Improve the risk management frame work	Risk management policy.	Develop and implement a risk management policy.	The company has developed and is implementing the risk management policy, as well as departmental risk champions who have developed respective risk registers.
		Company assets status report	Secure company assets	To ensure the safety of property, the Company has insured all property and has also installed CCTV cameras in all buildings.
Human Resources Management	Attract, retain and develop a competent and committed staff	Reviewed organization structure	Review and implement an organizational structure.	The company has a reviewed organization structure and implementation is ongoing.
		Succession management system	Develop and implement a Succession management system	Succession Management system and policy is in place.

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		Employee satisfaction index report	Enhance employee satisfaction index by 5% annually	The company commenced with the employee satisfaction survey which will be concluded in 2021/22.
		Performance Management system	Enhance the Performance Management system	Top management were trained on Performance management and the company is in the process of reviewing its performance management tools.
		Reward/ sanction report	Enhance the reward/ sanction and remuneration system	The company has a HR policy which guides on the reward/ sanction and remuneration system. The company also rewards its members of staff with a bonus pay based on the organizational performance.
		Training Needs Assessment Report	Ensure Staff Training and Development	The company has developed and is implementing the Training Needs Analysis (TNA).
		Work environment report	Develop and maintain a work environment that stimulates team spirit, passion, engagement and achievement	The company has continued to maintain a work environment that stimulates team spirit, passion, engagement and achievement through departmental team building forums.
Financial Stability	Improve Profit Before Tax by 20% annually	Audited Financial Statements	Increase gross profit margins by 1% annually	The Company has put in place strict internal control measure to prevent against losses. It has also negotiated for more favorable trading terms with suppliers. The gross profit margin dropped from Kshs 396Million in 2019/20 to Kshs 355 million in 2020/21.
		Sales reports	Attain the Targeted Sales Volume of all Products	The company has always strived to attain the Targeted Sales Volume of all Products. It attained a sales revenue Kes 1.66Billion from Kes 1,586Billion
		Audited Financial Statements	Reduce overheads by 1% annually. Maintained adequate inventory levels	The overall expenditure stood at Kes 308million against a budget of Kes 340Million The company established the annual demand reorder level lead time and cost of storage for each products
Marketing Growth	Increase sales volume	Sales volume report and Promotion report.	Carry out aggressive marketing research in all regional markets	The Company achieved a sales turnover of Kes 1.669Billion against a target of Kes 1.924Billion translating to 87% achievement. To attain the sales volumes in the subsequent years, the marketing team has done market segmentation and assigned targets to its outlets to step up visibility and sales. It has also intensified planned product promotion activities. There is synchronized Production, Processing and marketing demand to ensure product availability.
		Export report	Timely Supply of the required quantities of seed to all subsidiaries	The Company has continued to support its related companies in Uganda, Rwanda and Tanzania through timely Supply of the required quantities of seed.
		Sales Volume report	Product diversification i.e., Sale of complementary products	The company is in the process of partnering with suppliers of complementary products e.g., fertilizers and herbicides.
		Feedback and Market audit report.	Market 4 established seed varieties per eco zone	The company is in the process of conducting a market survey in 2021/22.



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		Sales Volume report	Enhance Sale of slow adoption products	Establishment of business partnership and relationship with strategic stakeholders e.g., the County Governments and NGOs who purchase and distribute orphaned crop seeds e.g., finger millet and soya beans etc to groups.
	Improve Customer satisfaction level from 75% to 80 % in 5 years	Survey report	Conduct quarterly market research /intelligence.	Plans to carry out a market research/survey have commenced will be done by an external service provider.
To enhance strategic partnerships and collaboration with key stakeholders	Engagement/collaboration/partnerships with stakeholders	Reviewed SLAs	Review SLA with stakeholders	Ensured enhanced inter departmental linkage in Company and in the value chain.
		Quarterly Reports	Ensure company plans are in line with the parent company.	The company has ensured that critical plans have been incorporated into the Parent Company plans. The company reports are sent to the parent company and are subsequently discussed at management meetings.
		Reviewed company service charter	Review company service charter	The Citizens Service Delivery Charter was reviewed and approved and subsequent implementation is ongoing.

## **Simlaw Seeds Company Limited**

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### **VII. CORPORATE GOVERNANCE STATEMENT**

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

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

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

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

#### **Board of Directors**

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

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

The current Board of Simlaw Seeds Company is composed of one executive director and five non- executive directors including the Chairman.

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

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

#### **The composition of board, date of appointment and position held as on 30<sup>th</sup> June 2021**

The Board Composition is highlighted on Page ii of this booklet.

#### **Board Meetings**

The Board meets at least once quarterly or more often in accordance with exigencies of the business. The Board work plan and calendar of meetings is prepared in advance. Adequate notice is given for each board meeting, the agenda and papers are circulated in good time. The Board held no meetings in the financial year ending 30<sup>th</sup> June 2021. During their meetings the Board reviews the Companies performance against the planned strategies and also approves issues of strategic nature.



## **Simlaw Seeds Company Limited**

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#### **Governance Principals**

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

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

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

#### **Board Committees**

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

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

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

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

#### **1. Audit Committee**

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

##### **Role of Audit Committee:**

- 1) Overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible information is disclosed.
- 2) Reviewing the financial statements and draft audit report, including quarterly information.
- 3) Reviewing with management the annual financial statements before submission to the Board focusing primarily on:

## Simlaw Seeds Company Limited

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

#### Composition and other details of Audit Committee

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

Due to exogenous factors the audit Committee were unable to have meetings during the financial year 2020/21:

#### 2. Production Research and Marketing Committee

The company has the production research and marketing committees that assist in discharging Board's responsibilities relating to matters of production, sales, marketing, research and development.

Due to exogenous factors the Production Research and Marketing Committee had no meetings during the financial year 2020/21.

#### 3. Finance, Staff and General Purpose Committee

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

Due to exogenous factors the Finance, Staff and General Purpose Committee had no meetings during the financial year 2020/21:

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

#### Directors' Remuneration

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

Below is a summary of entitlement per Board Member:

Type of payment	Chairman	Member
Honoraria	Kshs 80,000	N/A
Sitting allowance (per sitting)	Kshs 20,000	Kshs 20,000
Telephone – airtime for mobile phone per month	Kshs5,000	N/A
Transport allowance/mileage	AA rates	AA rates



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Lunch allowance	Kshs 2,000	Kshs 2,000
Director's fees per annum on prorata basis	Kshs 450,000	Kshs 450,000
Accommodation Allowance when travelling for meeting venues in Kenya	Kshs 18,200	Kshs 18,200
Accommodation Allowance when travelling for Board meeting in Uganda	US\$615	US\$615
Accommodation Allowance when travelling for Board meetings in Tanzania	US\$603	US\$603

#### Code of Conduct

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

#### Internal Control

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

#### Conflicts of Interest

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

#### Going Concern

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

#### Independence

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

#### Activities and Achievements

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



**Mr. Mohamed M. Bulle**  
**Chairman, Board of Directors**

Date: 30.09.2021.....

## Simlaw Seeds Company Limited

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### VIII. MANAGEMENT DISCUSSION AND ANALYSIS

#### Section A: The entity's operational and financial performance

##### Background

Simlaw Seeds Company vision is to be a world class supplier of certified agricultural seeds.

##### A1: Revenues

Revenues grew by 5% from Kshs1.586Billion to Kshs 1.669 Billion as highlighted in the table below

Product	2021	2020
	Kes '000	Kes '000
Maize	770,376	679,696
Legumes	169,254	146,167
Pasture	51,775	51,780
Cabbage	258,030	290,638
Tomato	44,649	52,527
Collard	52,346	78,389
Onion	28,180	29,198
Carrot	55,654	70,664
Spinach	35,617	37,985
Indigenous	75,638	58,659
Other vegetables	128,229	90,790
<b>Total</b>	<b>1,669,748</b>	<b>1,586,493</b>

The company recorded sales increased in Seed Maize, Vegetable seed, Legumes and pasture seeds. The increase was as result of aggressive marketing, promotional campaigns, company business remodeling and personal selling by the sale team and availability of stock.

Seed maize contributed 46% of annual sales revenue while other seeds and agricultural Inputs contributed 54% of the Company Revenues as highlighted in the following table. Vegetable revenues contributed 45% of the company revenue.

Management is exploring diversification strategies to reduce overreliance on seed maize.

##### A2: Profit before Tax

The Profit before Tax for the entity is highlighted in the following Table below



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	2021	2020
	Kes'000	Kes'000
Profit Before Tax	42,200	71,562

The Profits before tax decreased by 40% from Kes71.5Million record last year to Kes 42.2 Million in the year.

#### A3: Cash and Cash Equivalents

The company cash and bank balance stood at a net of Kes118 Million compared to KShs128Million at the beginning of the year. The company at the close of the year had a long term loan of Kes 10Million. This loan was for the utilized to acquire the premises and construct an additional floor. The loan is payable in five years.

#### Section B: Entity's compliance with statutory requirements

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

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

The Company ensured that it obtains the certificates of compliance from KRA, NHIF, NSSF and HELB.

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

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

The company in the year completed the construction of an additional floor to increase the space and to have most of its operation in one premise and completed the construction of Loitokitok Store.

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

##### (a) Research and Development of New Varieties (2)

One new bean and pea varieties have been entered on National performance trial for release next year.

##### (b) Seed Quality Improvement

The company will improve Cabbage GloriaF1 and Green grams Ks 20 to eliminate the reported defects. The two varieties targeted for improvement will be as follows;

No.	Variety	Defect(s)	Activity
1	Gloria F1	Black rot	Conduct more intensive trial for an improved black rot tolerant variety.
2	Green grams Ks20	Disease incidences	To get more superior lines of basic seed

#### Section D: Major risks facing the entity

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

## Simlaw Seeds Company Limited

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	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 adherence to the strategic plan of the Company. (ii) Ensuring good co-existence with the stakeholders (iii) Using risk management instruments and remaining neutral in the political scene (iv) Fairness and Diversity in our employment policies
2	Credit Risk	The risk that counterparties will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Where customers default on their payment commitment to us, the financial condition, results of operations and cash flows could be materially and adversely affected.	-Rigorous vetting of customers before extending credit. -Regular review of receivables to ensure adherence to payment terms -Enter into factoring arrangements on Government debt especially with those in financial crisis
3	Business interruption/continuity	Business interruptions stemming from network failure, incapacitation of staff, the unavailability of raw materials, information technologies, skilled labor, facilities or other resources, that may threaten the Company's capacity to continue operations over a period of time.	(i) Continuous improvement and maintenance of the network infrastructure.  (ii) Full implementation of the Business Continuity Policy.
4	Competition	Competitors may price their products below our prices and this will have an effect on the demand our products and reduced sales volumes especially in those markets that are price sensitive	Continuous investment in research and development to produce seed products Those outcompetes the competition and strengthen the distribution network.
5	Covid 19 Pandemic	This affects movement of people, production, distribution and import of seed as lockdown are imposed.	The adoption and administration of the vaccine to stop the spread.
6	Adverse Weather & Climate change	This may affect the availability, quality and price of agricultural commodities as well as demand of our products	Breeding early maturing seed varieties especially for those markets with shorter wet seasons
7	Inventory Holding Risk	The Company's inventory risk relates to seed stocks where the stocks are prone to damage/degradation during the stockholding period resulting in Write/ offs stocks resulting in reduced profits	Thorough review of the sales projections to determine appropriate levels of production To avoid over stocking.



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### **Section E: Material arrears in statutory/financial obligations**

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

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

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

## **Simlaw Seeds Company Limited**

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### **IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

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

One of the major environmental factors impacting on the way Simlaw Seed Company operates is climate change which results in erratic weather patterns which in turn affects planting and harvesting times, yield and pest controls. In mitigations, Management undertakes two cropping seasons to maximize the yields. Farmers are moving to early maturing varieties to cope with the sparsely rainfall as well as hybrid seed for maximum productivity.

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

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

All seeds are packaged in papers/ use of gunny bags and the Company has since stopped using the poly bag materials in an effort to conserve the environment. Every harvest is preceded by the sowing of seeds.

#### **Economic sustainability**

##### ***Financial sustainability***

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

##### ***Capacity improvement***

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

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

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



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### **Regulated environment**

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

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

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

### **iii) Employee welfare**

#### **Talent management**

The Company attracts and retains high-quality employees, developing their skills and continuously motivating them to improve their performance as guided by the Company's Human Resources Policy and Procedures Manual. A training needs analysis is developed for each department to address skills gaps/areas of noted weaknesses and consolidate to form an annual training plan. Upon consolidation and budgetary allocations, employees are send for training to various training institutions/ some training institutions come to the Company to train staff to develop their knowledge and skills.

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

<b>Gender</b>	<b>2021</b>	<b>2020</b>
Male	54	53
Female	39	35
Total	93	88

#### **Performance appraisal and rewards frameworks**

The Company carries out staff appraisal in the first and second half. The Company recently changed the performance appraisal tool whereby staff is appraised according to their job descriptions and their targets and achievements. The employees meet with their supervisors to discuss the results which are used to either promote the staff or renew their contracts. This exercise is carried out to measure performance essential for the mutual growth of the Company and the employee. It helps the Company to find out whether the employee is being productive, highlights on areas of improvement and or is a liability. It helps the employee on career progression.

#### **Knowledge sharing platforms**

The Company through Information Communications Technology department provides information through staff mail sharing information regarding products and services and the Company's achievements through the newsletters, feedback reports from customers and staff that help in improving the services offered by the Company. Additionally, the Company maintains a resource center for knowledge dissemination.

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### **Occupational safety and health (OSHA)**

During the year the company carried out the following:

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

#### **iv)Market place practices-**

##### **a) Responsible Competition practice.**

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

##### **b) Responsible supply chain and supplier relations**

The Company maintains a data base of suppliers of goods and services after a competitive vetting by the Committee nominated by Management. The Company is guided by the Public Procurement and Disposal act 2015. Upon qualifications, mutual contracts are signed and implemented appropriately. All invoices from the suppliers which are due for payment upon successful execution of works/deliveries are honored timely in reference to the Contracts and Company's finance policy.

##### **c) Responsible marketing and advertisement**

- Modern marketing calls for more than developing a good product, pricing it attractively and making it accessible to the targeted consumers. Simlaw Seed Ccompany communicates with both its existing and potential customers as well as other stakeholders in the industry.

- The Simlaw Seed Company remains committed to upholding responsible marketing business practices and values across its operations. Over the past Financial Year 2020/2021, the Company continued to follow ethical marketing practices through the use standard procedures and channels to advertise its seed products.

- The Company utilizes several modes for marketing and advertising. This include the use of radio, bill boards, product field demonstrations, Agricultural Society of Kenya shows as well as local and international exhibitions. Through these media, the Company promotes its products ethically and with fair practice within the industry, enabling the sharing of factual information to farmers and the public.



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### **d) Product stewardship**

-Simlaw Seed Company has a quality assurance system to ensure that seed is of good quality when purchased by smallholder farmers in index countries. The Company works closely with Kenya Plant Health Inspectorate Service (KEPHIS) the official seed quality regulator in the Country. This goes a long way to ensure that consumer rights and interests in getting quality seed are attained.

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

### **Corporate social responsibility/Community engagement**

Simlaw Seeds 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 will 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 visited Shanzu children's Orphanage located in Shanzu Mombasa County. The home host a number of children aged from few days old to eighteen years. The children's Home which is ran by catholic nuns is currently hosting 27 children under 18 years with majority of them in primary school. Children are mainly referred to the home by the social services and they come from different backgrounds. When they attain 18 years of age they are exited from the home and reunited with their relatives if they have any. The home heavily relies on well-wishers for their day to day living and although in the past they had many children under their care, the last one and half year has been tough and they have been forced to reduce the number.

The Company provided the home with assorted food stuff, toys and clothing

**Simlaw Seeds Company Limited**

*Annual Reports and financial statements for the year ended June 30, 2021*





## Simlaw Seeds Company Limited

Annual Reports and financial statements for the year ended June 30, 2021



*Simlaw Staff presenting foodstuff and other supplies at Shanzu children's Orphanage*

### CONCLUSION

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

## Simlaw Seeds Company Limited

### Annual Reports and financial statements for the year ended June 30, 2021

#### X. REPORT OF THE DIRECTORS

The Directors submit their report together with audited financial statements for the year ended June 30, 2021 which show the state of the company affairs.

##### Principal Activities

The Company carries out the business of importing, production and distribution of seeds.

##### Results

The results of the company for the year ended June 30, 2021 are set out on page 1 to 36. Below is summary of the profit or loss made during the year.

	2021	2020
	Kes'000	Kes'000
Profit before tax	42,200	71,562
Taxation charge	(10,000)	(18,696)
Profit for the year	32,200	52,866

##### Dividends

The directors do not recommend the payment of dividend in respect of the year ended 30<sup>th</sup> June 2021 (30 June 2020: nil)

##### Directors

The members of the Board of Directors who served during the year and to the date of this report are as shown on page ii and pages vii to viii of this booklet.

##### Auditors

The Auditor General is responsible for the statutory audit of the company's financial statements in accordance to Section 14 and 39 (i) of the Public Audit Act, 2015 and article 229 of Kenya Constitution.

BY ORDER OF THE BOARD



Ms. Wilkister Simiyu  
Company Secretary  
Kitale, Kenya.

Date: 30.09.2021



## Simlaw Seeds Company Limited

### Annual Reports and financial statements for the year ended June 30, 2021

#### XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Kenya Company's Act 2015, require the Directors to prepare financial statements in respect of that company, which give a true and fair view of the state of affairs of the company at the end of the financial year/period and the operating results of the Company for that year/period. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company. The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act and the Kenya Company's Act 2015. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2021, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

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

#### Approval of the financial statements

The financial statements and the accompanying notes from page 1 to 36 were approved by the Boards of Directors on 30 / 09 / 2021 and were signed on its behalf by:



David Kiplagat  
General Manager



Mr. Fred Oloibe  
Ag. Managing Director Chairman



Mr. Mohammed M. Bulle



**Simlaw Seeds Company Limited**

*Annual Reports and financial statements for the year ended June 30, 2021*

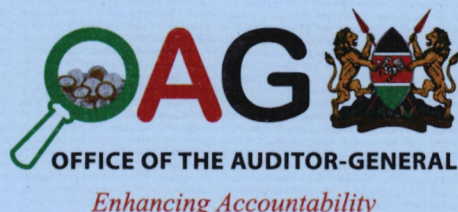
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# REPUBLIC OF KENYA

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

## REPORT OF THE AUDITOR-GENERAL ON SIMLAW SEEDS COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

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### PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Simlaw Seeds Company Limited set out on pages 1 to 41, which comprise of the statement of financial position as at 30 June, 2021 and the statement of profit or loss and other comprehensive income,



statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

### **Basis for Qualified Opinion**

#### **Property, Plant and Equipment - Fully Depreciated Assets**

As disclosed in Note 15 to the financial statements, the statement of financial position reflects property, plant and equipment balance of Kshs.212,390,000. Review of the asset register revealed that assets with a historical cost of Kshs.90,088,542 have been fully depreciated and have not been revalued but are still in use. This is contrary to provisions of International Accounting Standards 16 which require assets revaluations be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the balance sheet date.

In the circumstances, the valuation of property, plant and equipment balance of Kshs.212,390,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Simlaw Seeds 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 judgement are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

#### **Other Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.1,931,175,000 and Kshs.1,674,091,000 respectively resulting to an under-funding of Kshs.257,084,000 or 13% of the budget. Similarly, the Company spent an amount of Kshs.1,631,891,000 against an approved



budget of Kshs.1,742,141,000 resulting to an under expenditure of Kshs.110,250,000 equivalent to 6% of the approve budget.

The under realization of revenue mainly occurred under vegetable seed (19%), other seed (17%) and other operating income (33%) while the Company under spent on other operating expenses (13%), selling and distribution (16%) and research and distribution (33%).

The under-collection of revenue and under-performance may have put the Company under liquidity strains and erodes the ability to operate in the market competitively.

### **Other Information**

The Directors are responsible for the other information, which comprises the Report on Environmental and Sustainability Reporting, Report of the Directors and the Statement of Directors' Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

#### **Conclusion**

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

#### **Basis for Conclusion**

##### **Long Outstanding Trade and Other Payables**

As disclosed in Note 27 to the financial statements, the statement of financial position reflects trade and other payables balance of Kshs.172,957,000. An aging analysis performed revealed that invoices amounting to Kshs.13,137,893 have been outstanding for long with some dating back to the year 2012. The Company is exposed to risks of loss of funds through interest and penalties arising from litigations instituted by the creditors for failure to settle amounts owed to suppliers.

In the circumstances, the effectiveness in the use of public resources could not be confirmed.

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 of Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **1. Lack of a Functional Board**

During the year under review, the Company did not have a functional Board of Directors contrary to Section 75 of the Company's Articles of Association. Failure to have a functional Board impacted adversely on the overall governance and oversight role over the Company's operations.

In the circumstances, existence of an effective governance structure of the Company could not be confirmed.

#### **2. Lack of Risk Management Framework**

During the year under review, Management did not conduct any formal risk assessment to identify and document potential risks and mitigation measures. Further, the risk register maintained by Management was prepared in July, 2018 and had not been reviewed and updated. Failure to perform of risk assessment and absence of a risk assessment framework exposes the Company to various risks and vulnerabilities, which negatively impact on the operations of the Company.

In the circumstances, existence of an effective risk management framework could not be confirmed.

#### **3. Failure to Recover Outstanding Trade and Other Receivables**

As disclosed in Note 19 to the financial statements, the statement of financial position reflects net trade and other receivables balance of Kshs.212,786,000. The balance constitutes an amount of Kshs.87,551,772, Kshs.12,216,234 and Kshs.11,569,037 relating to trade receivables, growers' receivables and staff receivables, respectively that had been outstanding for more than 90 days.

Although the Management has stated that the Company has contracted services of debt collectors on overdue accounts, there was no evidence of the recovery made by the debt collector. Management has however made provisions for doubtful debts amounting to Kshs.57,297,000.

In the circumstances, the recoverability of long outstanding receivables could not be confirmed.



#### **4. Failure to Recover Outstanding Related Parties Dues**

As disclosed Note 20(b) to the financial statements reflects net dues from related parties balance of Kshs.41,017,000 which includes amounts of Kshs.13,956,000 due from Kenya Farmers Association (KFA) out of which an amount of Kshs.11,285,206 has been outstanding for more than one year. Similarly, the balance constitutes an amount of Kshs.37,306,000 in respect of County Governments out of which an amount of Kshs.10,902,098 has also been outstanding for more than one year. Although Management has made a specific provision for doubtful debts of Kshs.9,160,000, the provision maybe inadequate as the recovery rate for the debts is very low.

Further, as disclosed in Note 20(a) to the financial statements, an amount of Kshs.25,285,000 was advanced to Mt. Elgon Seeds Limited which has not been recovered for over five (5) years. Although Management has made a full provision for the receivable, it has not put in place clear measures to ensure recovery of the amount as the subsidiary is dormant and in the process of being wound-up.

In the circumstances, the recoverability of long outstanding receivables from Group Companies and related parties is doubtful.

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

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by 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 (IFRS) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters



related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not



reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the 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

23 September, 2022



## Simlaw Seeds Company Limited

### Annual reports and financial statements for the year ended June 30, 2021

#### XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 Kshs.'000'	2020 Kshs.'000'
Sales	5	1,669,748	1,586,493
Cost of Sales	6	(1,318,682)	(1,196,621)
<b>Gross Profit</b>		<b>351,066</b>	<b>389,872</b>
Other operating Income	7	4,343	7,003
		<b>355,409</b>	<b>396,875</b>
Administrative expenses	8	(170,451)	(153,642)
Selling and Distribution Expenses	9	(48,614)	(45,966)
Other Operating Expenses	10	(79,468)	(109,383)
Research and Development Costs	11	(12,456)	(10,121)
		<b>(310,989)</b>	<b>(319,113)</b>
<b>Operating Profit/(Loss)</b>		<b>44,420</b>	<b>77,762</b>
Finance Costs	12	(2,220)	(6,200)
<b>Profit/(Loss) Before Tax</b>		<b>42,200</b>	<b>71,562</b>
Tax (Charge) Credit(30%)	13 c	(10,000)	(18,696)
<b>Net Profit/(Loss) for the Year</b>		<b>32,200</b>	<b>52,866</b>
Earnings per share	14	6,440	10,573

The notes set out from page 6 to 36 form an integral part of the financial statements.

## Simlaw Seeds Company Limited

*Annual reports and financial statements for the year ended June 30, 2021*

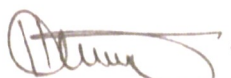
### XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	2021 Kshs.'000'	2020 Kshs.'000'
<b>Non-current assets</b>			
Property Plant and Equipment	15	212,390	220,584
Intangible Assets	16	780	2,216
Deferred Tax Asset	13 a	42,770	26,038
		<b>255,940</b>	<b>248,838</b>
<b>Current assets</b>			
Consumable biological assets	17	-	642
Inventories	18	868,585	640,340
Trade and other receivables	19	212,786	218,013
Amounts due from Group & Related Parties	20 a , b	106,631	102,997
Corporation Tax Recoverable	13 b	5,572	-
Cash and Bank	21	118,882	128,359
		<b>1,312,456</b>	<b>1,090,351</b>
<b>TOTAL ASSETS</b>		<b>1,568,396</b>	<b>1,339,189</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	22	200	200
Revaluation Reserve	23	65,869	65,869
Capital Reserves	24	144,298	144,298
Retained earnings	25	310,859	278,659
		<b>521,226</b>	<b>489,026</b>
<b>NON-CURRENT LIABILITIES:</b>			
Retirement Benefit Obligation-Actuarial Deficit			
Borrowing	26	10,035	33,918
		<b>10,035</b>	<b>33,918</b>
<b>CURRENT LIABILITIES:</b>			
Trade and other Payables	27	172,957	125,864
Corporation Tax Payable	13 b		6,436
Provision for Employee Entitlement	28	13,830	14,478
Due to Parent Company	20 c	850,348	669,467
		<b>1,037,135</b>	<b>816,245</b>
<b>TOTAL EQUITIES &amp; LIABILITIES</b>		<b>1,568,396</b>	<b>1,339,189</b>

The financial statements were approved by the Board on 30 / 09 / 2021 and signed on its behalf by:



Mr. David Kiplagat  
General Manager



Mr. Hezekiah Keitany  
Finance Manager  
ICPAK M/NO: 22083



Mr. Mohamed Bulle  
Chairman of the Board



**Simlaw Seeds Company Limited**

*Annual reports and financial statements for the year ended June 30, 2021*

**XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021**

	Share capital Kshs'000	Retained earnings Kshs'000	Loan capital Kshs'000	Revaluation reserve Kshs'000	Total Equity Kshs'000
<b>At 30 June 2019</b>	200	225,900	144,298	65,869	436,267
Profit for the Year	-	52,759	-	-	52,759
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	52,759	-	-	52,759
<b>At 30 June 2020</b>	200	278,659	144,298	65,869	489,026
Profit for the Year	-	32,200	-	-	32,200
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	32,200	-	-	32,200
<b>At 30 June 2021</b>	200	310,859	144,298	65,869	521,226

**Simlaw Seeds Company Limited**  
***Annual reports and financial statements for the year ended June 30, 2021***

**XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

		2021	2020
	NOTES	Kshs.'000'	Kshs.'000'
<b>Operating Activities</b>			
<b>Reconciliation of Operating Profit for the year</b>			
<b>Operating Profit</b>		<b>42,200</b>	<b>71,455</b>
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	15	14,615	10,530
Interest Expense	12	2,220	6,200
Gain on Sale of Motor Vehicle		-	(65)
Exchange Gain (loss)	10	8,724	6,593
<b>Operating Profit before changes in working capital</b>		<b>67,759</b>	<b>94,714</b>
Movement In Non Current Receivables			
Movement In Inventories	18	(228,245)	(50,345)
Movement In Consumable Biological Assets	17	642	(67)
Movement In Trade And Other Receivables	19	5,227	(6,356)
Movement In Trade And Other Payables	27	47,093	(39,872)
Movement In Amounts Due From Parent Company	20	180,881	18,051
Movement In Amounts Due From Group Companies & related Parties	20	(3,631)	5,901
Movement In Employee Entitlement	28	(648)	(84)
<b>Cash generated from Operations</b>		<b>69,078</b>	<b>101,685</b>
Interest Expense		(2,220)	(6,200)
Tax Paid		(38,742)	(23,403)
<b>Net Cash generated from operating activities</b>		<b>28,116</b>	<b>72,082</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Additions to machinery and equipment	15	(4,986)	(22,635)
Proceeds from Sale Fixed Assets		-	65
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(4,986)</b>	<b>(22,570)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Borrowings(Repayment)	26	(23,883)	(25,479)
<b>NET CASHFLOWS FROM INVESTING ACTIVITIES</b>		<b>(23,883)</b>	<b>(25,479)</b>
Net Increase in cash and cash equivalents		(753)	24,032
Cash and Cash equivalents at the beginning of the year		128,359	110,920
Effects of changes in exchange rates	10	(8,724)	(6,593)
Cash and Cash equivalents at end of the end of the year		118,882	128,359
<b>Bank and Cash balances as shown on the company balance sheet</b>		<b>118,882</b>	<b>128,359</b>



## Simlaw Seeds Company Limited

*Annual reports and financial statements for the year ended June 30, 2021*

### XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE, 2021

	Final Budget	Actual Performance	Performance	
Item	2020-2021	2020-2021	Difference	%
REVENUE	Kshs'000	Kshs000	Kshs 000	change
Maize	842,827	770,376	(72,451)	-9%
Wheat Seed	1,610	1,868	258	16%
Pasture	60,404	63,842	3,438	6%
Vegetable Seed	779,337	634,855	(144,482)	-19%
Other Seed	240,472	198,807	(41,665)	-17%
<b>Sales</b>	<b>1,924,650</b>	<b>1,669,748</b>	<b>(254,902)</b>	<b>-13%</b>
<b>cost of sales</b>	<b>(1,399,581)</b>	<b>(1,318,682)</b>	<b>80,899</b>	<b>-6%</b>
Other operating Income	6,525	4,343	(2,182)	-33%
<b>Gross Profit</b>	<b>531,594</b>	<b>355,409</b>	<b>(176,185)</b>	<b>-33%</b>
Administrative expenses	172,598	170,451	(2,147)	-1%
Selling and Distribution Expenses	57,901	48,614	(9,287)	-16%
Other Operating Expenses	91,796	79,468	(12,328)	-13%
Research and Development Costs	18,628	12,456	(6,172)	-33%
<b>Total Expenses</b>	<b>340,923</b>	<b>310,989</b>	<b>(29,934)</b>	<b>-9%</b>
<b>Operating Profit/(Loss)</b>	<b>190,671</b>	<b>44,420</b>	<b>(146,251)</b>	<b>-77%</b>
Finance Costs	1,637	2,220	583	36%
<b>Profit/(Loss) Before Tax</b>	<b>189,034</b>	<b>42,200</b>	<b>146,834</b>	<b>78%</b>

#### Budget Notes for the variances of more than 10%:

##### 1. Gross profit

The gross profit decreased by 33% above budget due to lower sales volume of Kshs 1.669Billion against a budget of Kshs 1.924Billion occasioned by adverse weather experienced in the year and product mix profit margin

##### 2. Selling and distribution

The selling and distribution expenses recorded a saving of 16% from the budget due promotional activity that were not conducted Covid 19 pandemic

##### 3. Administrative and Other operational expense

The cost centre decreased resulting in favorable variance of 1% due the level of activity in attaining the increased turnover and obsolete stock that lost viability and general bad debt provision on other receivables.

##### 4. Research and development

The saving in research and development vote due lower level activity occasioned by less staff in the department.

## **Simlaw Seeds Company Limited**

### **Annual reports and financial statements for the year ended June 30, 2021**

#### **XVIII. NOTES TO THE FINANCIAL STATEMENTS**

##### **1. Significant accounting policies**

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

###### **a) General Information**

Simlaw Seed Company Limited is a private liability company incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya. The company is a wholly owned subsidiary of Kenya seed company ltd. The registered office is as shown on page ii.

##### **2. Statement of Compliance and Basis of Preparation**

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates as detailed in note 2(a) below. It also requires management to exercise its judgment in the process of applying the company's accounting policies. These accounting policies are consistent with the previous period.

###### **a) Critical judgments and sources of estimation uncertainty**

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

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

- Trade receivables, held to maturity investments and loans and other receivables;
- Available for sale assets;
- Taxation;
- Valuation of biological assets

Estimation of useful lives of property, plant and equipment, land and intangible assets

- Determination of revalued amounts of property, plant and equipment; Notes 15

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



## **Simlaw Seeds Company Limited**

### **Annual reports and financial statements for the year ended June 30, 2021**

#### **NOTES TO THE FINANCIAL STATEMENTS**

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

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

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

##### **Available for sale assets**

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

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

##### **b) Revenue recognition**

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

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

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

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

##### **c) Property, plant and equipment**

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

## Simlaw Seeds Company Limited

### Annual reports and financial statements for the year ended June 30, 2021

#### NOTES OF FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

• Industrial and residential buildings	2.5%
• 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 Company at the lower of the fair value of the leased asset and the present value of the minimum lease payments determined as the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease liability to income statement over the lease term so as to produce constant annual rate of charge on the remaining balance of the obligations for each accounting year.



**NOTES OF FINANCIAL STATEMENTS (CONTINUED)**

**e) Intangible assets**

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

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

*Research and development costs*

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

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

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

**f) Biological assets**

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

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

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

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

## **Simlaw Seeds Company Limited**

### **Annual reports and financial statements for the year ended June 30, 2021**

#### **NOTES OF FINANCIAL STATEMENTS (CONTINUED)**

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

##### **i) Consumable biological assets**

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

##### **ii) Bearer biological assets**

Other biological assets are classified as bearer biological assets.

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

##### **g) 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.

##### **h) Impairment of non-financial assets**

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

##### **i) Financial instruments– under IAS 39 –up to 31 December 2017**

###### ***(i) Classification***

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



## Simlaw Seeds Company Limited

### Annual reports and financial statements for the year ended June 30, 2021

#### NOTES OF FINANCIAL STATEMENTS (CONTINUED)

##### ***Loans and receivables***

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

##### ***(ii) Recognition and measurement***

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

##### ***(iii) Offsetting financial instruments***

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

##### ***(iv) Impairment of financial assets***

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

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



**NOTES OF FINANCIAL STATEMENTS (CONTINUED)**

**Financial instruments – under IFRS 9 – Effective 1 January 2018**

***(i) Recognition and initial measurement***

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

***(ii) Classification and subsequent measurement***

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

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

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

***(iii) Offsetting financial instruments***

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

***(iv) Impairment of financial assets***

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

For financial assets carried at amortized cost (including loans and other receivables such as trade debtors), impairment losses should be recognized under the "expected loss model", building up a debtors' provision / allowance account against credit losses over the life of the financial asset (including an estimate of initial credit risk), rather than the "incurred loss model" used under IAS 39, where a loss was recognized only if there was a specific event (such as



**NOTES OF FINANCIAL STATEMENTS (CONTINUED)**

default) triggering an impairment review. Under the impairment approach in IFRS 9 it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, the Company will account for expected

credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

**(v) Derecognition of financial assets**

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

**m) Foreign currency transactions**

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

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

**j) Foreign operations**

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

**Provisions**

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

**k) Provisions for debtors**

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



## **Simlaw Seeds Company Limited**

### **Annual reports and financial statements for the year ended June 30, 2021**

#### **NOTES OF FINANCIAL STATEMENTS (CONTINUED)**

##### **k) Provisions for obsolete stocks**

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

##### **l) Loan capital to subsidiaries**

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

##### **m) Employee benefits**

###### ***(i) Defined benefits scheme***

The Company operates a defined benefits pension scheme for its employees. The scheme was administered independently by Aon Minet Insurance Brokers Limited and was funded by contributions from both the Company companies and employees at rates which were determined every three years by certified actuaries. The employer contributed 15% while the employee contributed 10% of the employee's basic pay to the scheme. The scheme's funds were managed by Old Mutual Asset Managers (Kenya) Limited. The scheme is subjected to valuations by independent actuaries once every three years to fulfill the requirements under the scheme rules and the requirements of the Income Tax (Retirement Benefits) Rules 1994 and the Retirement Benefits Act, 1997. The actuarial valuation method adopted entailed the comparison of the value of the scheme's assets at the valuation date with its liabilities and an assessment of the ability of the scheme to meet its obligations to members.

The company's obligations to all staff retirement benefits schemes are charged to the profit or loss as they fall due.

###### ***(ii) Defined contribution scheme***

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

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

###### ***(iii) Accrued leave pay***

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

###### ***(iv) Gratuity***

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



**NOTES OF FINANCIAL STATEMENTS (CONTINUED)**

**n) 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.

**o) Income Taxes**

***Current Tax***

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

***Deferred tax***

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

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

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

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will.
- reverse in the foreseeable future and taxable associates and interests in joint Ventures, deferred tax assets are recognized only to the extent e profit will be available against which the temporary differences can be utilized;

## **Simlaw Seeds Company Limited**

**Annual reports and financial statements for the year ended June 30, 2021**

### **NOTES OF FINANCIAL STATEMENTS (CONTINUED)**

- The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered; and,
- Deferred tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.



## Simlaw Seeds Company Limited

### Annual reports and financial statements for the year ended June 30, 2021

#### NOTES OF FINANCIAL STATEMENTS (CONTINUED)

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

##### i) Relevant new standards and amendments to be published standards effective for the year ended 30 June 2021

###### **IFRS 16: Leases**

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

###### **IFRIC 23: Uncertainty Over income tax treatments**

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

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

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

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

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

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

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

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

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

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

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

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognized when a liability to pay a dividend is recognized, and that these



## Simlaw Seeds Company Limited

### Annual reports and financial statements for the year ended June 30, 2021

#### NOTES OF FINANCIAL STATEMENTS (CONTINUED)

income tax consequences should be recognized in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions to which they are linked.

#### ii) Relevant new standards and amendments to be published standards effective for the year ended 30 June 2021

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

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

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

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

##### ***Amendments to IAS 1 and IAS 8 Definition of Material***

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

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

Title	Description	Effective Date
IAS 39-Financial Instruments: Recognition and Measurement	IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.



## Simlaw Seeds Company Limited

### Annual reports and financial statements for the year ended June 30, 2021

Title	Description	Effective Date
IFRS 4- Insurance Contracts (Superseded)	IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 7- Financial Instrument Disclosures	IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 16- Leases	IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

*The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.*

## Simlaw Seeds Company Limited

### Annual reports and financial statements for the year ended June 30, 2021

#### NOTES OF FINANCIAL STATEMENTS (CONTINUED)

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

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 16 — Property, Plant and Equipment	IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured both using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 37 — Provisions, Contingent Liabilities and Contingent Assets	IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 41 — Agriculture	IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 1 — First-time Adoption of	IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an	The amendments are effective for annual periods beginning



## Simlaw Seeds Company Limited

### Annual reports and financial statements for the year ended June 30, 2021

Title	Description	Effective Date
International Financial Reporting Standards	entity must follow when it adopts IFRS for the first time as the basis for preparing its general-purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.	on or after January 1, 2022. Early application is permitted.
IFRS 3 — Business Combinations	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.
IFRS 17 — Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.

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

#### iv) Early adoption of standards

The entity did not early adopt any new or amended standards in year ending 30<sup>th</sup> June 2021

## Simlaw Seeds Company Limited

*Annual reports and financial statements for the year ended June 30, 2021*

### NOTES OF FINANCIAL STATEMENTS (CONTINUED)

#### 4. Ownership of simlaw seeds company limited

Simlaw Seeds Company Limited was incorporated as a limited liability company under the Companies Act, Chapter 486 of the Laws of Kenya on 5<sup>th</sup> November 2002 by Kenya Seed Company Ltd and two subscribers.

<b>5 Revenue</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Income from Certified Maize Seeds	770,376	679,696
Income from Vegetable Seeds	665,176	708,846
Income from Wheat Seeds	1,869	1,291
Income from Pasture Seeds	63,842	51,784
Income from Other Seeds	168,485	144,876
<b>Total</b>	<b>1,669,748</b>	<b>1,586,493</b>
<b>6 Cost of sales</b>		
Opening Stock	640,340	589,995
Add: Purchases	1,504,761	1,188,280
: Overheads	42,166	58,686
Less : Closing stock	(868,585)	(640,340)
<b>Cost of Sales</b>	<b>1,318,682</b>	<b>1,196,621</b>
<b>7 Other income</b>		
Transport Charges	342	395
Miscellaneous income	1,311	6,208
Penalties on Returned Cheques	280	250
Bad Debts Recovered	2,410	
Gain/Loss on Disposal of Fixed Assets	-	150
Provision for obsolete stock		
	<b>4,343</b>	<b>7,003</b>



## Simlaw Seeds Company Limited

*Annual reports and financial statements for the year ended June 30, 2021*

### NOTES OF FINANCIAL STATEMENTS (CONTINUED)

	2021	2020
	Kshs '000	Kshs '000
<b>8 Administrative expenses</b>		
Salaries	91,803	88,272
Staff Training and Welfare	28,710	25,280
Gratuity	8,081	8,510
Pension	7,489	7,126
Wages	14,941	11,570
Rent and Rates	10,449	6,265
Leave Pay Provision	2,969	0
Power, Light and water	2,609	2,774
Repairs & Maintenance	2,868	3,382
Social Security (NSSF)	532	463
	<b>170,451</b>	<b>153,642</b>
	2021	2020
	Kshs '000	Kshs '000
<b>9 Selling and distribution</b>		
Public Relations and advertising	9,718	17,459
Freight and Transport	13,545	9,606
Travelling	22,341	16,239
Depreciation on distribution Vehicles	3,010	2,662
	<b>48,614</b>	<b>45,966</b>
	2021	2020
	Kshs '000	Kshs '000
<b>10. Other operating expenses</b>		
exchange loss	8,786	6,593
Sundry/ other Expenses	19,974	14,243
Donations and subscriptions	3,574	3,883
Security	4,354	4,938
Auditors Remuneration	1,740	4,375
Legal and Professional	1,489	2,064
Depreciation on other Equipment	6,440	3,659
Postage and telecommunication	2,769	5,634
Insurance	1,734	2,301
Bank Charges	1,580	2,138
Printing, stationary and Publications	3,136	2,776
Directors Emoluments	-	420
Provision for doubtful debts	287	38,893
Debt collection Expense	1,095	190
Provision for obsolete stock	22,510	17,276
<b>Total</b>	<b>79,468</b>	<b>109,383</b>

## Simlaw Seeds Company Limited

*Annual reports and financial statements for the year ended June 30, 2021*

### NOTES OF FINANCIAL STATEMENTS (CONTINUED)

		<b>2021</b>	<b>2020</b>
		<b>Kshs '000</b>	<b>Kshs '000</b>
<b>11</b>	<b>Research and development costs</b>		
	Motor Vehicle Running	3,248	3,001
	Field Inspection	3,348	3,055
	Labour Wages	2,592	2,057
	Travelling	2,050	1,743
	Farm Inputs	982	187
	Depreciation of Research Vehicles	236	79
		<b>12,456</b>	<b>10,122</b>
		<b>2021</b>	<b>2020</b>
		<b>Kshs '000</b>	<b>Kshs '000</b>
<b>12</b>	<b>Finance cost</b>		
	Interest on Bank Loan	2,220	6,200
<b>13</b>	<b>Taxation</b>	<b>2021</b>	<b>2020</b>
<b>a)</b>	<b>Deferred tax movement</b>	<b>Kshs'000</b>	<b>Movement</b>
			<b>Kshs'000</b>
	Deferred tax assets		
	Property, plant and equipment	(3,759)	1,607
	Leave provision	(1,918)	795
	Gratuity provision	(2,284)	(212)
	General bad debts provision	(20,415)	158
	obsolete stock provision	(14,125)	14,125
	Unrealized exchange losses	(269)	286
	Tax losses utilized	-	-
	Biological asset	-	(27)
	<b>Total</b>	<b>(42,770)</b>	<b>16,732</b>
			<b>(26,038)</b>
<b>b</b>	<b>Tax recoverable</b>	<b>2021</b>	<b>2020</b>
		<b>Kshs '000</b>	<b>Kshs '000</b>
	At the beginning of the year	(6,436)	(1,069)
	Charge for the year	(26,732)	(28,770)
	Tax paid during the year	38,742	23,403
	Previous Year overprovision	(2)	-
	At the end of the year	<u>5,572</u>	<u>(6,436)</u>
<b>c</b>	<b>Income tax expense</b>	<b>2021</b>	<b>2020</b>
		<b>Kshs '000</b>	<b>Kshs '000</b>
	Statement of comprehensive income	42,201	71,562
	Current taxation based on adjusted profit at 30%	26,732	28,771
	Deferred Tax Credit/(Charge)	<u>(16,732)</u>	<u>(10,075)</u>
		<u><b>10,000</b></u>	<u><b>18,696</b></u>



## **Simlaw Seeds Company Limited**

**Annual reports and financial statements for the year ended June 30, 2021**

### **NOTES OF FINANCIAL STATEMENTS (CONTINUED)**

#### **14 Earnings per share**

The earnings per share is calculated by dividing the profit after tax of Kshs.32,200,000 (2020: Kshs.52,866,000) by the average number of ordinary shares in issue during the year of 5,000 (2020: 5,000). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

**Simlaw Seeds Company Limited**

*Annual reports and financial statements for the year ended June 30, 2021*

**NOTES OF FINANCIAL STATEMENTS (CONTINUED)**

**15 PROPERTY PLANT AND EQUIPMENT**

Property, plant and equipment	Land	building	wip	Plant and Equipment	Motor vehicles	Computers	Furniture and fittings & equip	Total
<b>Cost/Valuation</b>	Kshs 000	Kshs 000	Kshs 000	Kshs 000	Kshs 000	Kshs 000	Kshs 000	Kshs 000
At 1st July 2020	<b>120,000</b>	<b>71,480</b>		<b>56,734</b>	<b>47,225</b>		<b>43,629</b>	<b>339,068</b>
Additions				3,020	-		1,966	<b>4,986</b>
Disposals								-
Transfers/adjustments (Wip)								-
At 30th June 2021	<b>120,000</b>	<b>71,480</b>		<b>59,754</b>	<b>47,225</b>	-	<b>45,595</b>	<b>344,054</b>
<b>Depreciation and impairment</b>								
At 1st July 2020		(1,625)		(42,029)	(36,378)	-	(38,452)	<b>(118,484)</b>
Depreciation		(1,816)		(3,054)	(5,389)		(2,920)	<b>(13,179)</b>
On Disposals								
At 30th June 2021	-	(3,441)		(45,083)	(41,767)	-	(41,372)	<b>(131,663)</b>
<b>NBV as at 30th June 2021</b>	<b>120,000</b>	<b>68,039</b>		<b>14,671</b>	<b>5,458</b>	-	<b>4,224</b>	<b>212,391</b>
<b>Cost/Valuation</b>								
At 1st July 2019	120,000	32,262	36,258	47,702	41,588		39,708	317,518
Additions		2,960		9,032	5,877		3,921	21,790
Disposals					(240)			(240)
Transfers/adjustments (Wip)		36,258	(36,258)					-
At 30th June 2020	<b>120,000</b>	<b>71,480</b>		<b>56,734</b>	<b>47,225</b>	-	<b>43,629</b>	<b>339,068</b>
<b>Depreciation and impairment</b>								
At 1st July 2019		(818)		(39,498)	(32,690)	-	(36,732)	(109,738)
Depreciation		(807)		(2,531)	(3,928)		(1,720)	(8,986)
On Disposals					240			240
At 30th June 2020	-	(1,625)		(42,029)	(36,378)	-	(38,452)	<b>(118,484)</b>
<b>NBV as at 30th June 2020</b>	<b>120,000</b>	<b>69,855</b>		<b>14,705</b>	<b>10,847</b>	-	<b>5,177</b>	<b>220,584</b>

Fixed assets consist of assets which are fully depreciated amounting to Kshs 90,088,542 (2020 KShs 85,035,836)



## Simlaw Seeds Company Limited

Annual reports and financial statements for the year ended June 30, 2021

### NOTES OF FINANCIAL STATEMENTS (CONTINUED)

#### 16 Intangible Assets

	<i>Kshs '000</i> 2021	<i>Kshs '000</i> 2020
<b>COST OR VALUATION</b>		
At 1st July	9,555	8,710
Additions		845
<b>At 30th June</b>	<b>9,555</b>	<b>9,555</b>
<b>DEPRECIATION</b>		
At 1st July	(7,339)	(5,795)
Charge for the year	(1,436)	(1,544)
At 30th June	(8,775)	(7,339)
<b>NET BOOK VALUE</b>	<b>780</b>	<b>2,216</b>

Intangible assets consist of assets that were fully depreciated amounting to KShs 7,745,855(2020 Kshs 7,745,855)

<b>17 Consumable biological assets</b>	<b>2021</b> KShs'000	<b>2020</b> KShs'000
Fair value at the beginning of the year	642	432
Decrease in fair value due to harvesting	(642)	(432)
Additions at cost		<u>682</u>
		682
Fair value loss arising from physical changes	<u>0</u>	<u>(107)</u>
Fair value at end of the year	<u>0</u>	<u>642</u>

Significant assumptions made in the estimation of the fair value of the biological assets:

- i) The market conditions will remain constant;
- ii) The prevailing climatic conditions will not change;
- iii) The pre-tax incremental borrowing rate will remain at 14%; and,

The prices of the farm inputs required to sustain the estimated yields will not change in the entire period considered to be the life cycle of the crops

**Simlaw Seeds Company Limited*****Annual reports and financial statements for the year ended June 30, 2021*****NOTES OF FINANCIAL STATEMENTS (CONTINUED)**

<b>18. Inventories</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Seeds and materials finished	915,669	664,918
Work in progress	-	-
Obsolete Inventories	<u>(47,084)</u>	<u>(24,575)</u>
	<b><u>868,585</u></b>	<b><u>640,343</u></b>

<b>19. Trade and other receivables</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs '000'</b>	<b>Kshs '000'</b>
i) Trade and other receivables	195,000	206,419
Provision for bad and doubtful debts	(8,048)	(7,890)
	<b><u>186,952</u></b>	<b><u>198,529</u></b>
ii) Growers receivables	19,926	10,940
Provision for bad and doubtful debts	(5,687)	(5,687)
	<b><u>14,239</u></b>	<b><u>5,254</u></b>
iii) Other receivables	43,562	43,562
Provision for bad and doubtful debts	(43,562)	(43,562)
	=	=
iv) Staff Receivables	11,595	12,349
v) VAT recoverable	-	1,563
vi) Pre-payments		318
	<b><u>11,595</u></b>	<b><u>14,230</u></b>
<b>Grand Total</b>	<b><u>212,786</u></b>	<b><u>218,013</u></b>



## Simlaw Seeds Company Limited

*Annual reports and financial statements for the year ended June 30, 2021*

### NOTES OF FINANCIAL STATEMENTS (CONTINUED)

#### 20 Related parties transactions and balances

Simlaw Seeds Company is a subsidiary of Kenya Seed Company Limited which holds 99.96% of its shares. The remaining 0.04% of the shares are held by private individuals.

	2021	2020
	Kshs '000	Kshs '000
<b>i) Sales to related parties</b>		
Kenya seed company limited	233,446	247,737
Kibo Seeds company limited	5,020	16,268
Simlaw Seed company Uganda	2,079	955
	<b>240,545</b>	<b>264,960</b>
<b>ii) purchases from related parties</b>		
	2021	2020
	Kshs '000	Kshs '000
Kenya seed company limited	786,053	685,865
<b>iii) Outstanding balances arising from sale and purchase of goods/services or advances to/from related companies are as below;</b>		
	2021	2020
	Kshs '000	Kshs '000
<b>a) Due from Group Companies</b>		
Kibo seeds company limited	57,282	63,597
Simlaw seeds company Uganda Ltd	8,331	9,106
Mt Elgon seeds company limited	<u>25,285</u>	<u>25,285</u>
	<b>90,898</b>	<b>98,128</b>
less provision- Mt Elgon seeds company limited	<u>(25,285)</u>	<u>(25,285)</u>
	<b>65,613</b>	<b>72,703</b>
<b>b) Due from related parties</b>		
Kenya Farmers Association	13,956	12,465
Ministry of Agriculture	(1,085)	5,036
County Governments	37,306	24,234
Provision of doubtful debts	<u>(9,160)</u>	<u>(11,441)</u>
	<b>41,017</b>	<b>30,294</b>
<b>c) Due to parents company</b>		
Current account sales	57,583	37,484
Current account purchases	<u>(907,931)</u>	<u>(706,951)</u>
Kenya seed company limited	<b>(850,348)</b>	<b>(669,467)</b>

## Simlaw Seeds Company Limited

*Annual reports and financial statements for the year ended June 30, 2021*

### NOTES OF FINANCIAL STATEMENTS (CONTINUED)

<b>21. Cash &amp; cash equivalents</b>	<b>Kshs '000</b>	<b>Kshs '000</b>
Cash In Hand	799	1,225
Barclays Bank Of Kenya	45,389	50,132
Kenya Commercial Bank	72,694	77,002
	<b><u>118,882</u></b>	<b><u>128,359</u></b>
<b>22. Share capital</b>	<b>2021</b>	<b>2020</b>
Authorized share capital:	Kshs '000	Kshs '000
5,000 ordinary shares of Kshs 40 each	200	200
<b>23. Revaluation reserve</b>		
The revaluation reserve relates to the revaluation of certain items of property, land, building, plant and equipment As indicated in the statement of changes in equity, This is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.		
<b>24. Capital Reserves</b>		
	<b>2021</b>	<b>2020</b>
	KShs'000	KShs'000
Capital Reserves	144,298	144,298
<b>25. Retained earnings</b>		
The retained earnings represent amounts available for distribution to the company's shareholders. Undistributed retained earnings are utilized to finance the company's business activities.		
<b>26. Bank loan</b>		
	<b>2021</b>	<b>2020</b>
	KShs'000	KShs'000
As at 1 <sup>st</sup> July	33,918	59,397
Additions	0	0
Repayments	(23,883)	(25,479)
Loan from Kenya Commercial Bank	<u>10,035</u>	<u>33,918</u>

Borrowing relates to a bank loan for purchase of property at Number 2, Kijabe Street, L.R. No 209/4360/33, used as security for Loan. The loan was acquired from Kenya Commercial Bank for duration of 5 Years, at an interest rate of 17%.



## Simlaw Seeds Company Limited

### Annual reports and financial statements for the year ended June 30, 2021

#### NOTES OF FINANCIAL STATEMENTS (CONTINUED)

##### 27. Trade and other payables

	2021	2020
	Kshs '000	Kshs '000
Trade Payables & Other Payables	172,957	125,864

##### 28. Employee benefits obligations

	2021	2020
	Kshs'000	Kshs'000
<b>(a) Leave pay provision</b>		
At the beginning of the year	4,493	6,912
Leave Paid	(1,068)	(1,338)
Provision for leave pay	2,969	(1,081)
At the end of the year	<u>6,394</u>	<u>4,493</u>
<b>(b) Gratuity provision</b>		
At the beginning of the year	9,985	7,650
Gratuity paid	(10,630)	(6,175)
Provision for gratuity	<u>8,081</u>	<u>8,510</u>
At the end of the year	<u>7,436</u>	<u>9,985</u>
	<u>13,830</u>	<u>14,478</u>

#### Financial risk management objectives and policies

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

The Company does not enter into derivative transactions.

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

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

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.

## Simlaw Seeds Company Limited

### Annual reports and financial statements for the year ended June 30, 2021

#### NOTES OF FINANCIAL STATEMENTS (CONTINUED)

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

*(a) Credit risk*

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

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

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

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

	<b>2021</b>	<b>2020</b>
	Kshs '000	Kshs '000
Net trade receivables	186,952	198,529
Other receivables	25,834	19,484
	<b>212,786</b>	<b>218,013</b>

#### **Collateral is held in form of bank guarantees for trade receivables.**

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

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



## Simlaw Seeds Company Limited

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### NOTES OF FINANCIAL STATEMENTS (CONTINUED)

	<b>2021</b>	<b>2020</b>
	Kshs '000	Kshs '000
Past due but not impaired:		
- by up to 30 days	63,839	57,634
- by 31 to 60 days	26,420	37,593
- by 61 to 90 days	23,010	24,260
- over 90 days	81,731	81,169
	<b><u>195,000</u></b>	<b><u>200,656</u></b>

### Financial risk management objectives and policies

Movement in provisions for doubtful debts:

	<b>2021</b>	<b>2020</b>
	Kshs '000	Kshs '000
As at 1 July	58,844	20,102
Recoveries during the year	(2,410)	(151)
Provisions for the year	287	38,893
As at 30 June	<b><u>56,721</u></b>	<b><u>58,844</u></b>

#### a) Cash and cash equivalents

The cash and cash equivalents of Kshs,'000' 118,882 (2020:Kshs'000' 128,359 ) 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.

## Simlaw Seeds Company Limited

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### NOTES OF FINANCIAL STATEMENTS (CONTINUED)

#### *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	Effect on Equity
		Kshs '000	Kshs '000
2021	-10.00%	(4,442)	(31,086)
	10.00%	4,442	31,086
2020	-10.00%	(7,156)	(27,866)
	10.00%	7,156	27,865.9

#### *Exchange risks*

USD	Change in currency rate	Effect on profit Before Tax	Effect on Equity
		Kshs '000	Kshs '000
2021	-10.00%	(41.1)	(288)
	10.00%	41.1	288
2020	-10.00%	(66.2)	(258)
	10.00%	66.2	258

#### *Liquidity risk*

Liquidity risk is the risk that the Company and 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.

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



## Simlaw Seeds Company Limited

### Annual reports and financial statements for the year ended June 30, 2021

#### NOTES OF FINANCIAL STATEMENTS (CONTINUED)

This represents the Net Assets (Assets less Liabilities) taken over by Simlaw Seeds Limited from Kenya Seed Company at the time of Incorporation.

#### 31. CONTINGENT LIABILITIES

There are no contingent liabilities for which provisions have not been made in these financial statements.

#### 32. 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 maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the capital base is monitored using, among other measures, the parameters determined by the directors. The policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

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

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

The company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The company includes within net debt, interest bearing loans and borrowing, trade and other payables, less cash and cash equivalent.

	2021	2020
	Kshs '000	Kshs '000
Total liabilities	1,047,170	850,163
Less: Cash and other short-term deposits (note 34)	(118,882)	(128,359)
Net debt,	928,288	721,804
Total Capital (Equity)	521,226	489,026
Capital and net debt	1,449,514	1,210,830
Gearing ratio	64%	60%

## **Simlaw Seeds Company Limited**

**Annual reports and financial statements for the year ended June 30, 2021**

### **NOTES OF FINANCIAL STATEMENTS (CONTINUED)**

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

#### **33. FAIR VALUES**

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

#### **34. INCORPORATION AND ULTIMATE HOLDING ENTITY**

The Company is domiciled and incorporated in The Republic of Kenya under the Companies Act, Cap 486, Laws of Kenya. The company is a state corporation by virtue of majority shareholding by government through Kenya seed company at 99.06%.

#### **35. CURRENCY**

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

#### **36. COMPARATIVE INFORMATION**

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

#### **37. EVENTS AFTER THE REPORTING DATE**

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



## Simlaw Seeds Company Limited

### Annual reports and financial statements for the year ended June 30, 2021

#### XIX. 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.

REFERENCE NO, ON THE EXTERNAL AUDIT REPORT	ISSUE/OBSERAVATION FROM AUDITOR	MANAGEMENT COMMENTS	RESPON SIBLE PERSON	TIME FRAME	STATUS
1	<b>Lack of Revaluation of Non-current asset.</b> The assets with a cost of Ksh 85,035,936 as at 30 June 2020 were fully depreciated but assets were still in use. Note 16 of the Financial statements reflected Plant and machinery balance of ksh 30,729,000. Thus the accuracy of plant and machinery of Kshs 30,729,00 could not be confirmed	Management shall revalue its asset to reflect the fair values in the books as the asset are in use despite having nil net value at the balance sheet date	Finance Manager	Sept 2022	Unresolved
2	<b>Amounts due from other subsidiaries</b> The Statement of Financial position reflects amount due from other subsidiaries balances of Kshs 72,703,000 after deducting Ksh 25,285,000 owed by Mt Elgon seed company as disclosed in note 20(a) of financial statements, The basis of provision was based on dormancy of the company, As previous	The amount due from Mt. Elgon Seed Co ltd of Kshs. 25,285,274.35 is as a result of dormancy of the company. The Main board is cognizant of the amount and has resolved to wind up Mt. Elgon Seed company and all related parties transaction in the books to be handled at winding up process stage			Unresolved

## Simlaw Seeds Company Limited

### Annual reports and financial statements for the year ended June 30, 2021

	<p>reported no reason has been provided for failure by the board to investigate and take appropriate action to recover the amount due to the related company which is in process of wound up.</p> <p>Further the amount due from other subsidiaries includes Kshs 63,597,000 of which 56,351,000 was over 90 days owed by Kibo seed company and Ksh 9,106,000 owed by simlaw seed Uganda and out of which Ksh 8,666,000 was over 90adys. There was no clear strategy on how to recover the amounts. Consequently the accuracy of the amount due from the subsidiaries of Ksh 72,703,000 as at 30 June 2020 could not be confirmed.</p>	<p>-On overdue amount from the subsidiaries management have entered into agreement with the subsidiaries that any additional purchases is paid in advance to avoid further accumulation of the debts and to provide a repayment plan.</p> <p>The provision is based on the prudence principle</p>			
3	<p><b>Amount due from Related Parties.</b> The financial statements reflects amount due from related parties balance of Kshs 30,294,000 after a provision of Ksh 11,441,000 as at 30 June 2020 as disclosed in Note 20(b). As previously reported the basis of the provision for bad and doubtful debts of Kshs</p>				unresolved



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### Annual reports and financial statements for the year ended June 30, 2021

	11,441,000 has not been provided as the related parties are Government institutions'. Thus the accuracy of the amount of Kes 30,294,000 as at 30 June 2020 could not be ascertained.				
4	<b>Lack of a policy on provision.</b> Other operating expenses figure of Ksh 109,383,000 includes provision for bad debts and provision of obsolete stock totaling Kshs 56,169,000 as disclosed Note10 to the financial statements, However the company did not have a policy to guide on the two provision.	Management to develop a policy on obsolete seed stock in line with CAP 326 to guide on provisions	Technical Manager	December 2022	resolved
5	<b>Budgetary control and performance</b>	To adhere to the budgetary allocation to operate in the market competitively	Finance & Human resource manager	September 2022	Unresolved
6	<b>Weak revenue performance combined</b>	For review on maize seed margins from parent company. The company to increase local production of horticultural seeds and undertake product diversification			unresolved
7	<b>Failure to appoint Managing director and company secretary.</b> During the year under review the company operated without a managing director and company secretary contrary to the registered company's Articles of	Simlaw Seeds is a subsidiary of Kenya Seeds Company whose financial accounts are consolidated together with its other Subsidiaries – Kibo Seed and Simlaw Seeds Uganda, to form the Group Financial statements. The Composition of Simlaw Seeds Company shareholding is wholly Kenya Seed Company and	General Manager	Dec 2022	resolved

## Simlaw Seeds Company Limited

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	<p>Association which provides that the board appoint the company secretary and the managing director of the company. The company did not hold any general meeting contrary to the company registered Articles and Section 310 of companies Act 2015 which provides that every public company shall hold a general meeting as its annual general meeting within six months from end of the year</p>	<p>Directorship is also a part of the Kenya Seed Company. Hence, when AGMs are held at group level it translates to an AGM of Simlaw Seeds and it covers all the ordinary business of the Company, including but not limited to: Approval of Financials, Approval of Auditors report, Approval of Dividends, Appointment of Auditors, Election of Directors and any special business.</p> <p>Notably, the delay to convene an AGM is for the past 3 years and this is due to delayed clearance by Ministry of Agriculture, Livestock, Fisheries and Co-operatives however the management- at Group level is pursuing the same so as to comply with the Memorandum and Articles of Association</p>			
8	<p><b>Discrepancy in Returns filed and the Official Records at the Registrar of companies</b></p> <p>A copy of returns filed at registrar of Companies indicated that the directors of the company are Ps, state department of Agriculture, Managing director Kenya Farmer association and two businessmen. However official search provided by registrar of companies on 15 February 2021 revealed that the directors of Kenya seed and five</p>	<p>Management shall ensure the discrepancy in returns filed and official records at registrar of companies are corrected to be in agreement</p>	Company secretary Manager	Sept 2022	resolved



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**Annual reports and financial statements for the year ended June 30, 2021**

	businessmen. No explanation has been provided for the discrepancy between the company records and those of the registrar of companies. Consequently management is in breach of the law and directorship of the company could not be ascertained				
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**Mr. David Kiplagat**  
**General Manager**



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**Mr. Mohamed Bulle**  
**Chairman of the Board**



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