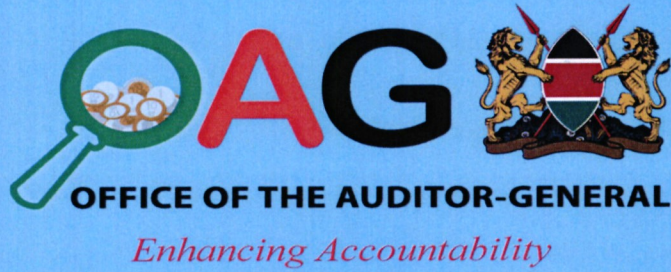


REPUBLIC OF KENYA



REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 14 JUN 2023

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LOM: HON. W. M. ANI
I CHUNG WAI, MP

OF

RSTHER NG'ENDO

THE AUDITOR-GENERAL

ON

SIMLAW SEEDS COMPANY LIMITED

**FOR THE YEAR ENDED
30 JUNE, 2022**

Simlaw Seeds

R

Superior & Reliable



Simlaw Seeds Company limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30 JUNE 2022**

P.O BOX 40042-00100 NAIROBI. TEL : (020) 2215066/67/83 (020) 2602191/93
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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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I. Key Entity Information

a) Background information

Simlaw Seeds Company Limited is a limited liability company, incorporated in Kenya, under the Kenyan Companies Act (Chapter 486, Laws of Kenya), is domiciled in Kenya, and has Branches in Karatina, Meru and Loitoktok. 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. The *entity* is domiciled in Kenya and has branches in x, x and x.

b) Principal Activities

The Company is primarily involved in availing sufficient quality certified seed competitively through research and development to the satisfaction of the stakeholders.

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 endeavour 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 endeavour to provide high quality services that meet customer needs and honour 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.

c) Directors

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

1. **Mr. Mohammed M. Bulle** - Chairman/MD ADC
2. **Mr. Fred Oloibe** - Chief Executive/MD
3. **Ms Edna Atisa** - Alternate Director to the PS, The National Treasury
4. **Mr.Elijah Julius Obebo** - Alternate Director to PS, M.O.A

d) Corporate Secretary

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

e) Registered Office

Simlaw House
Kijabe Street
P.O. Box 40042-00100
Nairobi, KENYA

f) Corporate Headquarters

P.O. Box 40042-00100 GPO
Simlaw House
Kijabe Street
Nairobi, KENYA

g) Corporate Contacts

Telephone: (254) 722 200 545, 0734 811,861
E-mail: info@simlaw.co.ke
Website: www.simlaw.co.ke

h) Corporate Bankers

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

Kenya Commercial Bank Limited
University Way Branch
P O Box 7206-00300
NAIROBI

Other Bankers

Kenya Commercial Bank Limited – Karatina Branch
Kenya Commercial Bank Limited – Meru Branch
Kenya Commercial Bank Limited – Loitoktok Branch

i) Independent Auditors

Auditor-General
The Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

j) Principal Legal Advisers

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

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 5th November 2002. The issued and fully paid share capital is 5000 share worth Kes .200, 000.

The shareholders of the company as at 30th June 2022 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
Total		5,000	100.00

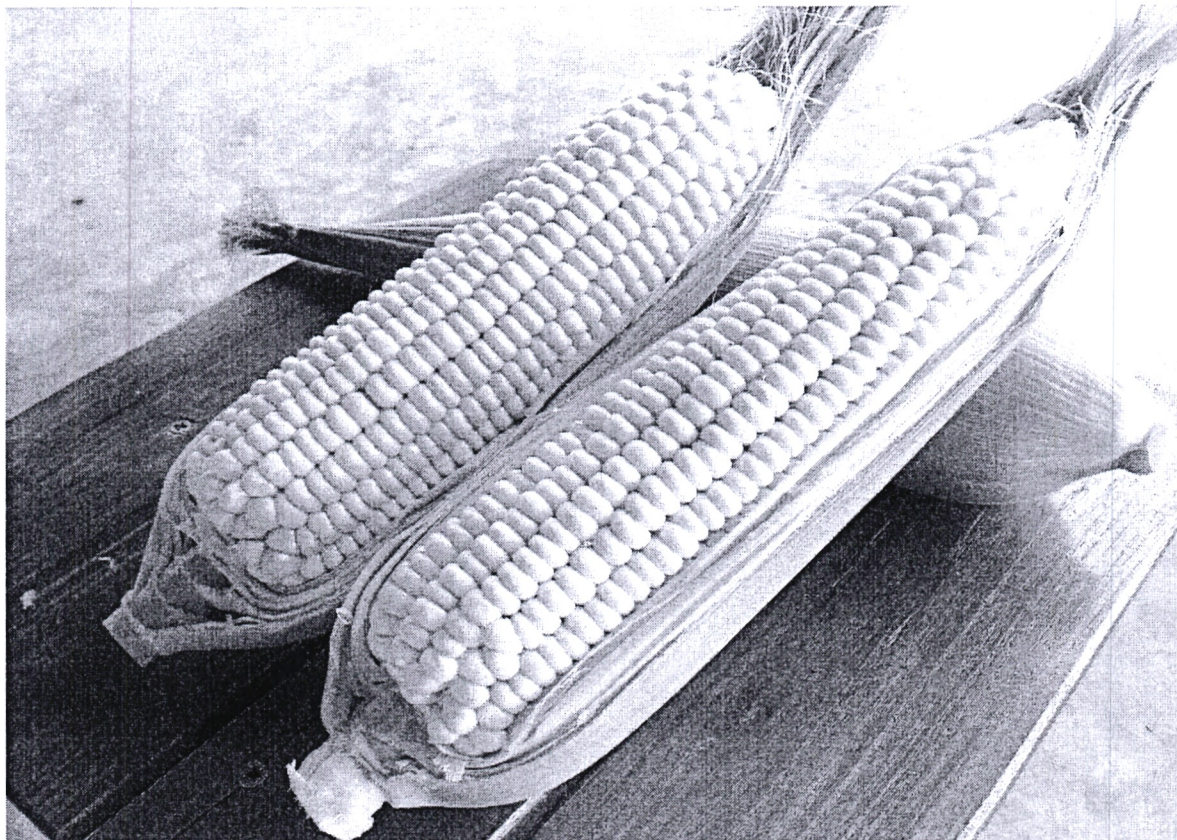
Our seed business

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



- Cabbage Seeds:** Gloria F1, Pruktor F1, Queen F1, Serena F1, Copen Hagen Market.
- Onion Seeds:** Bombay Red, Red Creole, Red Passion F1, Red Nice F1, Sivan F1, Texas Grano.
- Tomato Seeds:** NyotaF1, Rio Grande, Prostar F1, Monica F1, Cal J, Fortune Maker F1.
- Beans Seeds:** Rose coco, Mwitmania, Mwezi Moja, Miezi Mbili, Warimu Dwarf ,Kenya Tamu, 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), Kunde Mboga.
8. **Cucurbits:** Squash Ambassador F1, Cucumber Ashley, Watermelon Julie F1, Watermelon Sweet rose, Watermelon Princes Butternut, Pumpkin, Jupiter f1, Galia F1





Maize H513




The Board of Directors



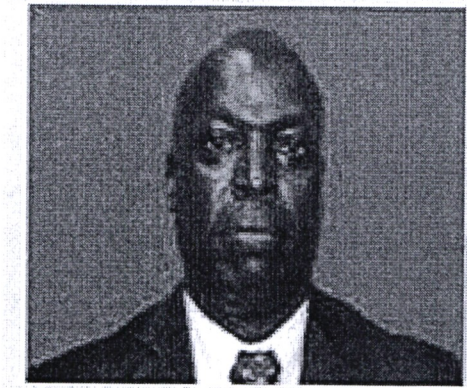
Ref	Directors	Details
1.	 <p data-bbox="312 958 855 1025">Ms. Edna Atisa, Alternate Director to the PS, The National Treasury</p>	<p data-bbox="879 394 1513 465">Alternative Director to the Principal Secretary National Treasury</p> <p data-bbox="879 465 1513 902">Ms. Edna Atisa was born on September 23, 1977, she is alternate member of the board representing the Cabinet Secretary for the National Treasury. Ms. Atisa holds a Master's Degree in Economics, Bachelor of Arts in Economics and Postgraduate Diploma in Education from the University of Nairobi. She is an Economist with vast experience in the public sector specializing in economic policy formulation and implementation and is a member of the Economics Society of Kenya. She is currently a Deputy Director at the National Treasury.</p>
2.	 <p data-bbox="312 1693 839 1832">Mr. Elijah Julius Obebo, Alternate Director to the Principal Secretary, the Ministry of Agriculture, Livestock & Fisheries</p>	<p data-bbox="879 1037 1513 1137">Alternate Director to the Principle Secretary, the Ministry of Agriculture, Livestock & Fisheries</p> <p data-bbox="879 1178 1513 1865">Mr. Elijah Obebo was born on May 7, 1963, he is alternate member of the board representing the Cabinet secretary for the Ministry of Agriculture, Livestock & Fisheries. Mr. Obebo holds a Master Degree in Business Administration (MBA) from Jomo Kenyatta University of Agriculture and Technology, Bachelor of Commerce (Accounting & Auditing) from Nagpur University, India and Post graduate diploma in Supplies Management from Government Training Institute. Mr. Obebo has over 32 years in management of public procurement across several government Ministries. He has a solid grasp of the public procurement laws and procedures, inter - ministry operations and the general functions of national government. Currently he serves as the Director of Supply Chain Management, Ministry of Agriculture, Livestock, Fisheries and Co-operatives.</p>

<p>3.</p>	 <p>Mr. Mohammed M. Bulle Chairman</p>	<p>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.</p>
<p>4.</p>	 <p>CEO/MD Mr. Fred Oloibe</p>	<p>Mr. Fred Oloibe was born on the 18th September 1974 and is the Managing Director. 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</p>
<p>5.</p>	 <p>Entity Secretary MS. Wilkister Simiyu</p>	<p>Ms. Wilkister Simiyu was born on 16th June, 1981 and is the Company Secretary and Head of Legal Services. She has 10 years' work experience both as a practicing advocate and an in-house counsel having worked with Kitiwa & Co., Nyaundi, Tuiyot & Co. and Moi University. She holds LLB degree from Moi University and postgraduate diploma in Law (KSL). She is a CS (K) holder and currently pursuing a Master of Laws. She joined the company in October 2016.</p>

II. Management Team

Ref	Management	Details
1	 <p data-bbox="304 1055 676 1122">General Manager Mr Francis Chege Mwaura</p>	<p data-bbox="853 465 1517 533">Mr Francis Mwaura was born on June 03, 1970 and is the General Manager of</p> <p data-bbox="853 555 1485 629">Simlaw Seeds Company Limited, a subsidiary of Kenya Seed Company since</p> <p data-bbox="853 651 1513 725">June 2014. Previously he was the General Manager of Kibo Seed Company</p> <p data-bbox="853 748 1513 822">Limited. He holds Bachelor of commerce degree in Marketing from University of Nairobi and</p> <p data-bbox="853 844 1394 918">MSc. in Global Marketing from Liverpool University and a Diploma in</p> <p data-bbox="853 940 1513 1081">Marketing and is a member of MSK and C.I.M. He has been in the company for 16 years and has over 20 years' experience in management and marketing.</p>
2	 <p data-bbox="304 1592 608 1659">Finance Manager Mr. Hezekiah Keitany</p>	<p data-bbox="853 1301 1517 1547">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., foreign subsidiary of Kenya Seed in Tanzania as head of Finance.</p>

3	 <p>Chief H.R Officer Mr. Philip Arusei</p>	<p>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.</p>
4	 <p>Technical services Manager Mr. Michael Ngugi</p>	<p>He was born on 27th 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.</p>
5	 <p>Ag. Sales & Marketing Manager Mr. Thomas Kariuki</p>	<p>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.</p>

6	 <p>ICT Manager Mr. Isaac Macharia</p>	<p>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.</p>
7	<p>Senior Procurement Officer Mr. Edward Namasaka</p> 	<p>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</p>
6.	 <p>CEO/MD Mr. Fred Oloibe</p>	<p>Mr. Fred Oloibe was born on the 18th September 1974 and is the Managing Director. 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</p>



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

Entity Secretary
MS. Wilkister Simiyu

7.

III. 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 30th June, 2022.

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 country managed to contain the health and economic impacts of multiple COVID-19 waves in 2021, helped by targeted containment measures and progress on vaccination, but are now facing a potentially large economic shock from the war in Ukraine. Kenya's economy has staged a remarkable recovery from the worst economic effects of the pandemic. Real GDP increased by 7.5 percent in 2021, higher than the estimated growth in Sub-Saharan Africa of 4 percent. This growth was driven by the recovery of the services sector and expansion in industrial output. By contrast, the agriculture sector's output contracted by 0.2 percent in 2021, affected by drought conditions in the arid and semi-arid lands (ASAL). Kenya's economic performance remained strong in the early months of 2022 but external challenges have mounted. Kenya's exposure to the war in Ukraine through direct trade linkages is moderate, with Russia and Ukraine accounting for only 2.1 percent of total goods trade between 2015 and 2020 market. However, the economy is vulnerable to the commodity price shocks resulting from the war, particularly through fuel, fertilizer, wheat and other food imports. Global financial conditions have also tightened sharply, increasing external financing costs. Looking ahead, economic growth is expected to moderate in 2022 with real GDP projected to grow by 5.5 percent in 2022 and 5.2 percent on average in 2023–24. Offsetting the continued recovery from the pandemic is the impact of the war in Ukraine, which has clouded the outlook for the global economic recovery. Domestically, a key risk to the outlook is a further worsening of the current drought, which is having a devastating effect on food security and livelihoods in affected parts of the country and is necessitating increased social spending on food assistance. For example, using the Integrated Food Security Phase Classification (IPC), it is estimated that 3.1 million Kenyans (out of 13.6 million) living in ASAL counties are food insecure. The baseline projections assume that the country will receive below average rains that will negatively affect agricultural performance and also account for the downside effects of the ongoing war in Ukraine through increased global commodity prices.

The agricultural sector accounts for 65 per cent of the export earnings, and provides the livelihood (employment, income and food security needs) for more than 80 per cent of the Kenyan population and contributes to improving nutrition through production of safe, diverse and nutrient dense foods. The sector is also the main driver of the non-agricultural economy including manufacturing, providing inputs and markets for non-agricultural operations such as building/construction, transportation, tourism, education and other social services.

The dynamics of poverty within Kenya are changing and directly influence the country's agricultural sector. Currently 46 per cent of the population live on less than 1 USD a day, 36.5 per cent are food insecure. The country's population has increased significantly (growing from 11 million in 1970 to 54 million in 2022). As a result of this rapid increase, land parcels in the areas of high agricultural potential are decreasing in size, affecting food production.

Farmers, who are used to rain-fed farming systems, are being pushed into dryer, more marginal areas where they become increasingly vulnerable to drought and the unpredictability of weather patterns resulting from

climate change. The population increase, coupled with the expansion of agriculture into arid lands, has affected the dynamics of pastoralism, where increased competition for natural resources has sparked escalated conflict in some areas. Furthermore, there has been a marked increase in the number of people dropping out of the nomadic livelihood, often moving into settled communities, which are heavily reliant on food aid.

Given the importance of agriculture in rural areas of Kenya where poverty is prevalent, the sector's importance in poverty alleviation cannot be overstated. Strengthening and improving the performance of the agricultural sector and enabling the engagement of the poorest and most vulnerable in this process is therefore a prerequisite and a necessary condition for achieving recovery and growth in Kenya after recent years of drought and slow development.

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. The Company recorded an increase of 46% in profit after tax from Kes.32 million in 2021 to Kes.47 million for the year ended 30 June 2022. The company's Turnover increased from Kes.1.669Billion in 2021 to a company record of Kes.1.942 Billion. The company asset base stood at Kes.1.564Billion (2022) from Kes.1.568Billion. The shareholders fund recorded a growth from Kes.521million to Kes.568Million 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

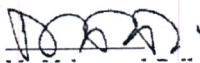
The future outlook of Simlaw Seeds Company is bright. The Board is developing more strategies to grow the market and enhance financial management in order to increase profits and reduce wastage.

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

V. Report of the General Manager



I am delighted to present to you the performance of Simlaw Seeds Company for the year ended 30th June 2022.

Financial Performance

In the FY2021/22, the turnover increased by 14% from Kes.1.669billion to Kes.1.942Billion.

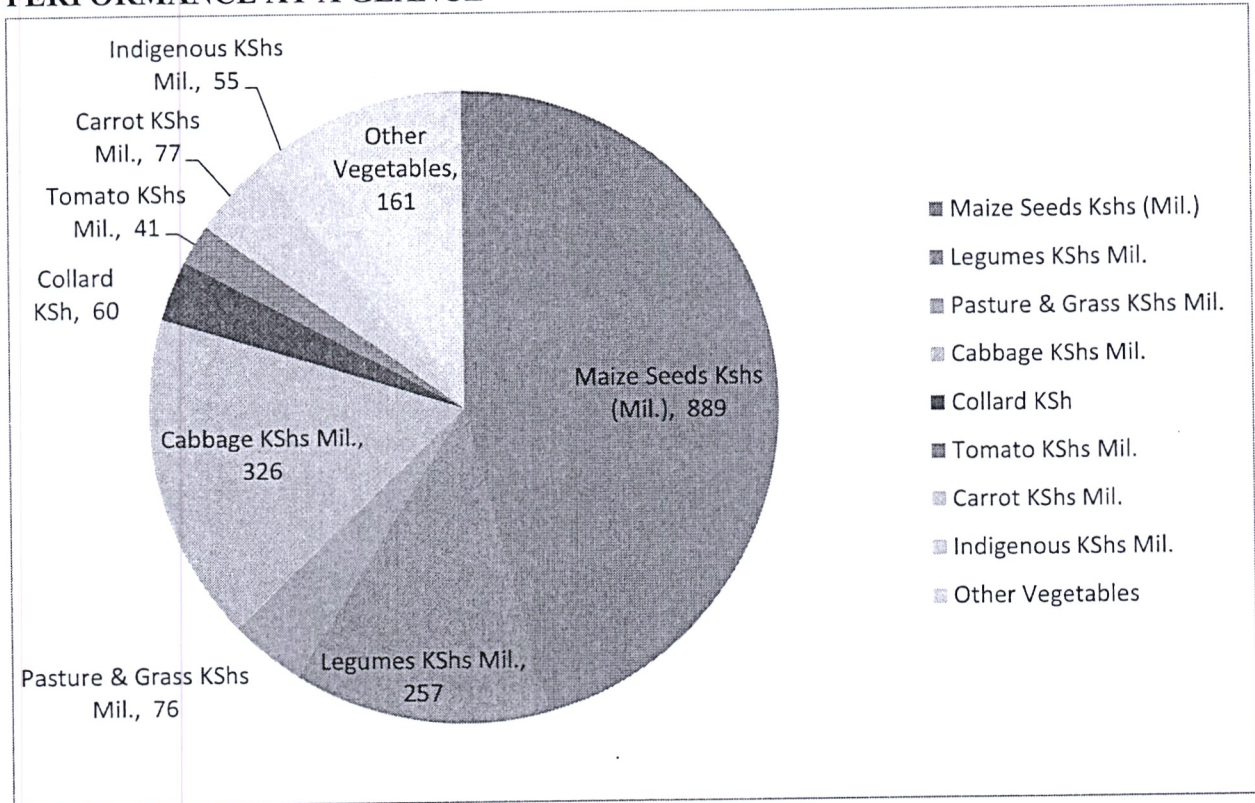
Profit after Tax for the period increased from Kes.32.2 million to Kes.47.4Million.

The closing Cash balance reduced from Kes.118.8Million at the start of the year to Kes.83.6Million at end of the financial year as result of increased settlement of matured financial obligation at balance sheet date. The Non-current assets increased from 255Million to 267Million due to acquisition of new company vehicles to assist in marketing and production expansion. Trade receivables increased due to sales growth in the fourth quarter of the financial year and maintenance of optimal stock levels.

FIVE-YEAR PERFORMANCE TREND

	2022	2021	2020	2019	2018
	Kes'000	Kes'000	Kes'000	Kes'000	Kes'000
Turnover	1,941,862	1,669,748	1,586,493	1,502,871	1,389,565
Profit before tax	76,275	42,200	71,562	56,955	44,686
Tax charge	(28,800)	(10,000)	(18,696)	(19,462)	(14,451)
Profit for the year transferred to retained earnings	47,475	32,200	52,866	37,494	29,960
Dividends	-	-	-	-	-
Share Capital and shareholders' Funds	568,348	521,226	489,026	436,267	356,609
Ordinary Share capital	200	200	200	200	200.00
Share holders' funds	568,348	521,226	488,826	436,067	356,809
Earnings and Dividend per Share					
Earnings per share	9,495	6,440	10,573	7,499	6,047
Dividend per share(Kshs)			-	-	-

PERFORMANCE AT A GLANCE



Turnover in Kenya
Shillings (Billions)

1.942

Profit before Tax in Kenya
Shillings (Millions):

76.2

Balance Sheet Size in Kenya
Shillings (Millions):

1,564

Shareholders' Funds Shillings
(Millions):

568.7

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 overcome climate challenges.

Customer focus

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

Simlaw Seeds Company limited
Annual Report and Financial Statements
For the year ended 30 June, 2022

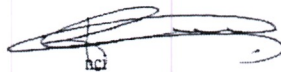
At Simlaw Seeds, we take great pride in providing the very best in customer service. We have remained focused on achieving unrivalled customer satisfaction levels through effective communication, increasing direct customer contact through our branches across the country and related subsidiaries, delivering 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.



Francis Mwaura
General Manager

VI STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

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 six strategic pillars and eight 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 2021/2022 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 gazetted. Released and commercialized a bean variety and Kale variety Adequate seed supply from contracted growers

Simlaw Seeds Company limited
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For the year ended 30 June, 2022

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 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.
		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

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				for more favourable trading terms with suppliers. The gross profit margin increased from Kshs 355Million in 2020/21 to Kshs 418 million in 2021/22.
		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 1.942Billion from Kes 1,669Billion
		Audited Financial Statements	Reduce overheads by 1% annually. Maintained adequate inventory levels	The overall expenditure stood at Kes 342million against a budget of Kes 366Million 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 1.942Billion against a target of Kes 2.115Billion translating to 92% 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 collaborating 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 2022/23.

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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.

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 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 30th June 2022

The Board Composition is highlighted on Page v 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 three

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meetings in the financial year ending 30th June 2022. During their meetings, the Board reviews the Companies performance against the planned strategies and approves issues of strategic nature.

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:
 - 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 2021/22:

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 2021/22.

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 2021/22:

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 behaviour 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.

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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
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 near 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:

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 16% from Kshs1.669Billion to Kshs 1.942 Billion as highlighted in the table below.

Product	2022	2021
	Kes '000	Kes '000
Maize	888,977	770,376
Legumes	256,655	169,254
Pasture	75,959	51,775
Cabbage	325,692	258,030
Tomato	40,734	44,649
Collard	60,031	52,346
Onion	13,527	28,180
Carrot	77,385	55,654
Spinach	37,840	35,617
Indigenous	55,426	75,638
Other vegetables	109,636	128,229
Total	1,941,862	1,669,748

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 remodelling 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

	2022	2021
	Kes'000	Kes'000
Profit Before Tax	76,275	42,200

The Profits before tax increased by 78% from Kes42.2Million record last year to Kes 75.9 Million in the year.

A3: Cash and Cash Equivalents

The company cash and bank balance stood at a net of Kes83.6 Million compared to KShs118Million at the beginning of the year. The company at the close of the year had cleared its long term loan of Kes 10Million. This loan was for the utilized to acquire the premises and construct an additional floor.

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;

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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

	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 for our products and reduced sales volumes especially in those markets that are price sensitive	Continuous investment in research and development to produce seed products that outcompetes the competition and strengthen the distribution network.

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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 determine appropriate levels of production To avoid over stocking.

Section E: Material arrears in statutory/financial obligations

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

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

There is no reported case of financial impropriety and governance issues reported to any government agency. Management has adequately responded to the External and Internal audit queries raised.

IX. Environmental and Sustainability Reporting

i) Sustainability strategy and profile

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

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 superior and reliable 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 related party in Tanzania has recruited contracted seed growers to produce more seed to meet the growing market demand. The Board and Management have also approached largest seed grower with irrigation facilities to increase acreage on seed production.

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

Regulated environment

The aim of any government is to provide goods and services to the Public at affordable prices and therefore 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.

ii) Environmental performance

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.

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:

Gender	2022	2021
Male	54	54
Female	38	39
Total	92	93

Youth Internships/Industrial Attachments/Apprenticeships

Recently the government of Kenya set a goal to prepare the youth for economic development. The Company will endeavour to empower the youths by engaging 34 youths, which is 36% of the total in post of 92 members of staff. It's with this in mind that the company has committed to developing talent for the students to prepare them for the job market. The company offered industrial attachment opportunities (three months) to various students from various colleges and universities in Kenya to acquire skills and experience in the various departments within the company.

The company also has offered internship opportunities to various students who have graduated from various colleges and universities.

Program	2022	2021
Internship Beneficiaries	3	0
Industrial Attachments	35	28
Total	38	28

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 centre for knowledge dissemination.

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 database 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 honoured 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 Company 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, billboards, 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 information to farmers and the public.

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 Engagements

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

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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 Kwetu children's Orphanage located in Madaraka Nairobi 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, half year has been tough, and they have been forced to reduce the number. The Company provided the home with assorted foodstuff, toys and clothing.



Simlaw Staff presenting foodstuff and other supplies at kwetu 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.

X. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the company affairs.

i) Principal activities

The principal activities of the entity are importing, production and distribution of seeds.

ii) Results

The results of the entity for the year ended June 30, 2022, are set out on page 1 to 41 Below is summary of the profit or loss made during the year.

	2022	2021
	Kes'000	Kes'000
Profit before tax	76,275	42,200
Taxation charge	(28,800)	(10,000)
Profit for the year	47,475	32,200

iii) Dividends

The directors do not recommend the payment of dividend in respect of the year ended 30th June 2022 (30 June 2021: nil)

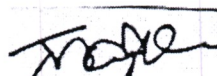
iv) Directors

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

v) Auditors

The Auditor-General is responsible for the statutory audit of the company financial statements in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30, 2022.

By Order of the Board



.....
Company Secretary.
Date 30/09/2022

I. Statement of Directors' Responsibilities

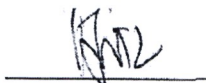
Section 81 of the Public Finance Management Act, 2012 and the Kenya Company's Act 2015, require the Directors to prepare financial statements in respect of that company, which give a true and fair view of the state of affairs of the company at the end of the financial year/period and the operating results 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, 2022. 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, 2022, 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

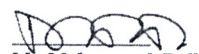
The financial statements and the accompanying notes from page 1 to 46 were approved by the Boards of Directors on 30 / 09 / 2022 and were signed on its behalf by:



Francis Mwaura
General Manager



Mr. Fred Oloibe
Managing Director



Mr. Mohammed M. Bulle
Chairman

REPUBLIC OF KENYA



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

Enhancing Accountability

REPORT OF THE AUDITOR-GENERAL ON SIMLAW SEEDS COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Simlaw Seeds Company Limited set out on pages 1 to 52, which comprise of the statement of financial position as at 30 June, 2022 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, 2022, 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

Failure to Revalue Assets in Use

The statement of financial position and as disclosed in Note 15 to the financial statements reflects property, plant and equipment netbook value of Kshs.225,491,000. Review of the asset register revealed that assets with historical cost of Kshs.89,731,294, which have been fully depreciated, were still in use and as such the Company continued to derive benefits and incurring costs on fuel and maintenance among others. This is contrary to International Accounting Standards (IAS) 16 on property, plant and equipment which requires that 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 fair statement of the property, plant and equipment balance of Kshs.225,491,000 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 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, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion 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. Long Outstanding Trade and Other Receivables

The statement of financial position and as disclosed in Notes 19 (a) and 20 to the financial statements reflects amounts of Kshs.244,173,000 and Kshs.97,872,000 in respect of trade and other receivables and dues from group companies and related parties, respectively. However, review of the aging analysis revealed that various balances totalling to Kshs.300,631,623 have been outstanding for more than ninety (90) days with some dating back to 2013. Although Management has made a provision of bad debts amounting to Kshs.65,379,445, no explanation has been provided for the basis on which the provisions are based or measures put in place to ensure the debts are collected and the uncollectable debts written off from the books.

In the circumstances, the existence of an effective credit policy to execute recoverability of outstanding receivables could not be confirmed.

2. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 28 to the financial statements reflects a balance of Kshs.161,326,000 in respect of trade and other payables. As previously reported, review of the aging analysis revealed that commitments amounting to Kshs.30,764,862 have been outstanding for over ninety (90) days with some dating back to 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 of internal controls over management of suppliers could not be confirmed.

3. Lack of Internal Audit Function

Review of the organizational structure revealed that the Company does not have an internal audit function but relies on the Internal Audit Unit based at its parent company offices to conduct internal audit review. However, during the year under review, no internal audit activity was conducted by the Unit.

In the circumstances, the existence of an effective internal audit function to provide assurance on effectiveness of internal controls and risk management could not be established.

4. Lack of a Functional Board

As previously reported, during the year under review, the Company did not have a fully constituted Board of Directors. Failure to have a functional Board impacted adversely on the overall governance and oversight role over the Company's operations.

In the circumstances, and effectiveness of the governance structure of the Company could not be confirmed.

5. Failure to Dispose Obsolete Inventory

The statement of financial position reflects inventory balance of Kshs.864,373,000 as disclosed in Note 18 to the financial statements. The balance is net of obsolete seeds and packaging materials valued at Kshs.50,562,000 held by the Company. Although Management has provided for impairment of obsolete stock, no explanation has been provided for failure to dispose the obsolete inventories.

In the circumstances, the effectiveness of internal controls over management of inventory could not be confirmed.

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 controls 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 controls 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related

disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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

08 May, 2023

Simlaw Seed Kenya Limited
Annual Report and Financial Statements
For the year ended 30 June, 2022

III. Statement of Profit or Loss and Other Comprehensive Income for the year ended 30th June 2022.

Description	Note	2021-2022 Kshs''000''	2020-2021 Kshs''000''
Revenues			
Revenue	6	1,941,862	1,669,748
Cost of sales	7	(1,536,995)	(1,318,682)
Gross profit	-	<u>404,867</u>	<u>351,066</u>
Other income			
Other income	8	13,476	4,343
Total revenues		<u>418,343</u>	<u>355,409</u>
Operating expenses			
Administration costs	9	(276,709)	(249,919)
Selling and distribution costs	10	(52,516)	(48,614)
Research and Development Costs	11	(12,004)	(12,456)
Finance costs	12	(839)	(2,220)
Total operating expenses		<u>(342,068)</u>	<u>(313,209)</u>
Profit/(loss) before taxation		76,275	42,200
Income tax expense/(credit)	13	<u>(28,800)</u>	<u>(10,000)</u>
Profit/(loss) after taxation		<u>47,475</u>	<u>32,200</u>
Earnings per share	14	9,495	6,440

Simlaw Seeds limited
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For the year ended 30 June, 2022

IV. Statement of Financial Position as at 30 June 2022

Description	Note	2021-2022 Kshs"000"	2020-2021 Kshs"000"
Non-Current Assets			
Property, Plant And Equipment	15(a)	225,491	212,390
Intangible Assets	16	115	780
Deferred Assets	13(a)	41,648	42,770
Total Non-Current Assets		<u>267,254</u>	<u>255,940</u>
Current Assets			
Consumable biological assets	17	95	-
Inventories	18	864,373	868,585
Trade and other receivables	19(a)	244,173	212,786
Due from group companies & Other Related Parties	20	97,872	106,631
Corporation Tax Recoverable	21	7,116	5,572
Cash and Bank	22	83,620	118,882
Total Current Assets		<u>1,297,249</u>	<u>1,312,456</u>
TOTAL ASSETS		<u>1,564,503</u>	<u>1,568,396</u>
Equity and Liabilities			
Capital and reserves			
Share capital	23	200	200
Revaluation Reserve	24	65,869	65,869
Loan from Parent Company	25	144,298	144,298
Retained earnings	26	358,334	310,859
Capital And Reserves		<u>568,701</u>	<u>521,226</u>
Non-Current Liabilities			
Borrowings	27	-	10,035
Total Non-Current Liabilities		-	10,035
Current Liabilities			
Trade and other Payables	28	161,326	172,957
Provision for Employee Entitlement	29	13,865	13,830
Due to Parent Company	30(g)	820,611	850,348
Total Current Liabilities		<u>995,802</u>	<u>1,037,135</u>
TOTAL EQUITY AND LIABILITIES		<u>1,564,503</u>	<u>1,568,396</u>

The financial statements were approved by the Board on 30-09- 2022 and signed on its behalf by:



Name: Francis Mwaura
General Manager



Name: Hezekiah Keitany
Finance Manager
ICPAK M/NO:22083



Name: Mohamed Bulle
Chairman of the Board

Simlaw Seed Kenya Limited
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For the year ended 30 June, 2022

V. Statement of Changes in Equity for the year ended 30 June 2022

	Ordinary share capital	Revaluation reserve	Retained earnings	Loan Capital	Total
As at July 1, 2020	200	65,869	278,659	144,298	489,026
Profit for the year	-	-	32,200	-	32,200
As of June 30, 2021	200	65,869	310,859	144,298	521,226
As at July 1, 2021	200	65,869	310,859	144,298	521,226
Profit for the year	-	-	47,475	-	47,475
At June 30, 2022	200	65,869	358,334,	144,298	568,701

VI. Statement of Cash Flows for the year ended 30 June 2022

Description	Note	2021-2022 Kshs''000''	2020-2021 Kshs''000''
Cash flows from operating activities			
Cash generated from/(used in) operations	31	40,872	69,078
Interest paid	31	(839)	(2,220)
Taxation paid	21	(29,222)	(38,742)
Net cash generated from/(used in) operating activities		<u>10,811</u>	<u>28,116</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(24,763)	(4,986)
Proceeds from disposal of property, plant and equipment		1,774	-
Net cash generated from/(used in) investing activities		<u>(22,989)</u>	<u>(4,986)</u>
Cash flows from financing activities			
Repayment of borrowings	27	(10,035)	(23,883)
Net cash generated from/(used in) financing activities		<u>(10,035)</u>	<u>(23,883)</u>
Increase/(decrease) in cash and cash equivalents		<u>(22,213)</u>	<u>(753)</u>
Cash and cash equivalents at beginning of year		<u>118,882</u>	<u>128,359</u>
Effects of foreign exchanges rate fluctuations		(13,048)	(8,724)
Cash and cash equivalents at end of the year		<u>83,620</u>	<u>118,882</u>

VII) Statement of Comparison of Budget Actual Amounts for the period Ended 30 June 2022.

	Original & Final Budget 2021-2022	Actual performance 2021-2022	Performance Difference	% Change
REVENUE	Kes'000	Kes'000	Kes'000	
Maize	1,006,184	888,977	117,207	12%
Wheat Seed	7,308	7,082	226	3%
Pasture	89,035	68,877	20,158	23%
Vegetable Seed	809,930	720,271	89,659	11%
Other Seed	202,807	256,655	(53,848)	-27%
Sales	2,115,264	1,941,862	173,402	8%
cost of sales	(1,536,995)	(1,531,752)	(1,975)	0%
Other operating Income	7,177	13,476	(6,299)	-88%
Gross Profit	583,471	418,342	165,128	28%
Administrative expenses	(184,357)	(177,781)	(6,576)	4%
Selling and Distribution Expenses	(60,796)	(52,516)	(8,280)	14%
Other Operating Expenses	(101,636)	(98,928)	(2708)	3%
Research and Development Costs	(19,559)	(12,004)	(7,555)	39%
	(366,348)	(341,227)	(25,120)	7%
Operating Profit/(Loss)	217,123	77,115	140,008	64%
Finance Costs	(1,934)	(839)	(1,095)	57%
Profit/(Loss) Before Tax	215,189	76,275	138,914	65%

1. gross profit

The gross profit decreased by 28% from budget due to lower sales volume of Kshs 1.942Billion against a budget of Kshs 2.115Billion 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 14% from the budget due promotional activity that were not conducted.

3. Administrative and Other operational expense

The cost Centre decreased resulting in favorable variance of 3% due the level of activity in se 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.

VII. Notes to the Financial Statements

1. 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 on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in *Note 2(a) below*. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years present.

Notes to the Financial Statements (Continued)

3. Application of New and Revised International Financial Reporting Standards (IFRS)

i. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for De-recognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Simlaw Seeds limited
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Title	Description	Effective Date
2020 as part of the Annual Improvements to IFRS Standards 2018-2020)		

(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.)

Notes to the Financial Statements (Continued)

Application of New and Revised International Financial Reporting Standards (IFRS)

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	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	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted
	tax assets, with the latter also being subject to a 'probable profits' test.	
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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

iii. Early adoption of standards

The company did not early – adopt any new or amended standards in year 2021-2022.

Notes to the Financial Statements (Continued)

4. Summary of Significant Accounting Policies

The principle accounting policies adopted in the preparation of these financial statements are set out below:

a) Revenue recognition

Revenue is measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control of a product or service to a customer.

- i) Revenue from the sale of goods and services** is recognized in the year in which the *entity* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Grants from National Government** are recognized in the year in which the *entity* actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognized as it accrues.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies

b) In-kind contributions

In-kind contributions are donations that are made to the *entity* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *entity* includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use, as guided by National Treasury policy on assets depreciation are:

• 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%

A full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f) Amortization and impairment of intangible assets

Amortization is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

i) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

j) Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

l) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies

m) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off after all efforts at recovery have been exhausted.

n) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period 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, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Current income tax assets and liabilities for the current period 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, at the reporting date in the area where the Entity operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

o) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when 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 tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized 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 in respect of deductible temporary differences associated with investments in controlled entities, 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 profit will be available against which the temporary differences can be utilized.

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

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies

deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

r) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the

period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

s) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

t) Retirement benefit obligations

(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.

u) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue at the employees. At provision is made for the estimated liability for annual leave at the reporting date.

v) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

w) Budget information

The original budget for FY 2021-2022 was approved by the National Assembly on . Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

x) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

y) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

z) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

Notes to the Financial Statements (Continues)

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

i) 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.

ii) 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.



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Notes to the Financial Statements (Continues)

6. Revenue

Description	2021-2022	2020-2021
	Kshs	Kshs
Income from Certified Maize Seeds	888,977	770,376
Income from Vegetable Seeds	720,271	665,176
Income from Wheat Seeds	7,082	1,869
Income from Pasture Seeds	68,877	63,842
Income from Other Seeds	256,655	168,485
Total	1,941,862	1,669,748

7. Cost of Sales

Description	2021-2022	2020-2021
	Kshs	Kshs
Opening Stock	868,585	640,340
Add: Purchases	1,474,555	1,504,761
: Overheads	58,228	42,166
Less : Closing stock	(864,373)	(868,585)
Cost of Sales	1,536,995	1,318,682

8. Other Income

Description	2021-2022	2020-2021
	Kshs	Kshs
Transport Charges	730	342
Miscellaneous income	10,567	1,311
Penalties on Returned Cheques	405	280
Bad Debts Recovered	0	2,410
Gain/Loss on Disposal of Fixed Assets	1,774	-
Total	13,476	4,343

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Notes to the Financial Statements (Continued)

9. Administration Costs

Description	2021-2022	2020-2021
	Kshs000	Kshs000
Salaries	89,586	91,803
Staff Training and Welfare	40,216	28,710
Gratuity	9,819	8,081
Pension	6,883	7,489
Wages	15,803	14,941
Rent and Rates	7,663	10,449
Leave Pay Provision	1,530	2,969
Power, Light and water	3,182	2,609
Repairs & Maintenance	2,551	2,868
Social Security (NSSF)	549	532
exchange loss	13,104	8,786
Sundry/ other Expenses	51,985	19,974
Donations and subscriptions	6,216	3,574
Security	4,473	4,354
Auditors Remuneration	1,500	1,740
Legal and Professional	3,436	1,489
Depreciation on other Equipment	4,568	6,440
Postage and telecommunication	699	2,769
Insurance	3,833	1,734
Bank Charges	1,382	1,580
Printing, stationery and Publications	3,400	3,136
Directors Emoluments	613	-
Provision for doubtful debts	0	287
Debt collection Expense	240	1,095
Provision for obsolete stock	3,478	22,510
Total	276,709	249,919

Notes to the Financial Statements (Continued)

10. Selling and Distribution Costs

	2021-2022	2020-2021
Description	Kshs	Kshs
Public Relations and advertising	9,597	9,718
Freight and Transport	20,659	13,545
Travelling	19,339	22,341
Depreciation on distribution Vehicles	2,921	3,010
Total	52,516	48,614

11. Research and development costs

	2021-2022	2020-2021
Description	Kshs	Kshs
Motor Vehicle Running	3,774	3,248
Field Inspection	0	3,348
Labour Wages	3,086	2,592
Travelling	3,094	2,050
Farm Inputs	2,032	982
Depreciation of Research Vehicles	18	236
Total	12,004	12,456

12. Finance Costs

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest on Bank Loan	839	2,220
Total	839	2,220

Notes to the Financial Statements (Continued)

13. Taxation

(a) Deferred tax Asset movement

	2021-2022		2020-2021
Description	Kshs000	Movement	Kshs000
Property, plant and equipment	(1,812)	(1,947)	(3,759)
Leave provision	(1,852)	(66)	(1,918)
Gratuity provision	(2,307)	23	(2,284)
General bad debts provision	(20,415)	0	(20,415)
obsolete stock provision	(15,169)	1,044	(14,125)
Unrealized exchange losses	(92)	(177)	(269)
Tax losses utilized			-
Biological asset	-		
Total	(41,648)	(1,123)	(42,770)

(b) Tax Recoverable

	2021-2022	2020-2021
Description	Kshs	Kshs
At the beginning of the year	5,572	(6,436)
Charge for the year	(27,678)	(26,732)
Tax paid during the year	29,222	38,742
Previous Year overprovision		(2)
At the end of the year	<u>7,116</u>	<u>5,572</u>

(c) Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit

	2021-2022	2020-2021
Description	Kshs	Kshs
Statement of comprehensive income	75,922	42,201
Current taxation based on adjusted profit at 30%	27,678	26,732
Deferred Tax Credit/(Charge)	(1,122)	(16,732)
Total	<u>28,800</u>	<u>10,000</u>

Notes to the Financial Statements (Continued)

14. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax of Kshs.47.475M (2022: Kshs.9,495M) by the average number of ordinary shares in issue during the year of 5,000 (2021: 6,440). There were not dilutive or potentially dilutive ordinary share as at the reporting date.



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Notes to the Financial Statements (Continued)
 15. Property, Plant and Equipment

	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including motor cycles	Office equipment, furniture & fittings	Computers & related equipment	Total
	shs000	shs000	shs000	Kshs000	Kshs000	Kshs000	Kshs000
Cost or valuation							
At July 1, 2021	120,000	71,480	59,754	47,225	25,677	19,918	344,054
Additions	-	-	-	21,206	1,139	2,192	24,537
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	(2,320)	-	-	(2,320)
At June 30, 2022	120,000	71,480	59,754	66,111	26,816	22,110	366,271
Depreciation							
At July 1, 2021	-	(3,441)	(45,083)	(41,767)	(24,399)	(16,973)	(131,663)
Charge for the year	-	(1,787)	(3,016)	(4,098)	(625)	(1,911)	(11,437)
Impairment loss	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	2,320	-	-	2,320
At June 30, 2022	-	(5,228)	(48,099)	(43,545)	(25,024)	(18,884)	(140,780)
Net book value at June 30, 2022	120,000	66,252	11,655	22,566	1,792	3,226	225,491

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Notes To The Financial Statements (Continued)
Property, Plant and Equipment (Continued)

	Freehold land shs000	Buildings & civil works shs000	Plant and machinery shs000	Motor vehicles, including, motor cycles Kshs000	Office equipment, furniture & fittings Kshs000	Compute rs & related equipmen t Kshs000	Total Kshs000
Cost or valuation							
At July 1, 2020	120,000	71,480	56,734	47,225	43,629	-	339,068
Additions	-	-	3,020	-	1,966	-	4,986
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
At June 30, 2021	120,000	71,480	59,754	47,225	45,595	-	344,054
Depreciation							
At July 1, 2020	-	(1,625)	(42,029)	(36,378)	(38,452)	-	(118,484)
Charge for the year	-	(1,816)	(3,054)	(5,389)	(2,920)	-	(13,180)
Impairment loss	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-
At June 30, 2021	-	(3,441)	(45,083)	(41,767)	(41,372)	-	(131,663)
Net book value at June 30, 2021	120,000	68,039	14,672	5,458	4,224	-	212,391

Notes To The Financial Statements (Continued)

15(b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

Description	Cost Kshs000	Accumulated Depreciation Kshs000	NBV Kshs000
Land	120,000	-	120,000
Buildings	71,480	5,228	66,252
Plant And Machinery	59,754	48,099	11,655
Motor Vehicles, Including Motorcycles	66,111	43,545	22,566
Computers And Related Equipment	22,111	18,884	3,226
Computer Software	9,782	9,666	115
Office Equipment, Furniture, And Fittings	26,816	25,024	1,792
	376,054	150,446	225,606

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost Valuation Kshs000	Normal Annual Depreciation charge Kshs000
Plant And Machinery	35,429	35,429
Motor Vehicles, Including Motor Cycles	41,359	41,359
Computers And Related Equipment	24,480	24,480
Office Equipment, Furniture And Fittings	23,248	23,248
Total	124,516	124,516

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Notes To The Financial Statements (Continued)

16. Intangible Assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Cost		
At July 1	9,555	9,555
Additions	226	-
Disposals	-	-
At June 30	9,781	9,555
Amortisation		
At July 1	8,775	7,339
Charge For The Year	891	1,436
Disposals	-	-
Impairment Loss	-	-
At June 30	9,666	8,775
Net Book Value		
At June 30	115	780

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Notes To The Financial Statements (Continued)

17. Consumable biological assets	2022	2021
	KShs'000	KShs'000
Fair value at the beginning of the year	0	642
Increase in fair value due to harvesting	95	(642)
Additions at cost		
Fair value loss arising from physical changes	<u>95</u>	<u>0</u>
Fair value at end of the year	<u>95</u>	<u>0</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

18. Inventories

Description	2021-2022	2020-2021
	Kshs	Kshs
Seeds and Finished materials	914,935	915,669
Goods in transit	-	-
Work In Progress	-	-
Less: Impairment of Stocks/obsolete Stocks	(50,562)	(47,084)
Total	864,373	868,595

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Notes to the Financial Statements (Continued)

18b) Reconciliation of Impairment Allowance for Inventories

Description	2021-2022	2020-2021
	Kshs000	Kshs000
At the beginning of the year	47,084	24,575
Additional provisions during the year	3,478	22,509
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	50,562	47,084

19(a). Trade and Other Receivables

Description	2021-2022	2020-2021
	Kshs000	Kshs000
Trade Receivables (Note 27 (a))	214,529	195,000
Deposits and prepayments	38	-
Growers Receivables	33,029	19,926
Vat recoverable	-	-
Staff receivables	10,312	11,595
Other receivables	43,562	43,562
Gross Trade and Other Receivables	301,470	270,083
Provision for Bad And Doubtful Receivable	(57,297)	(57,297)
Net Trade and Other Receivables	244,173	212,786

[Provide short appropriate explanations as necessary]

19 (b) Trade Receivables

Description	2021-2022	2020-2021
	Kshs	Kshs
Gross Trade Receivables	214,529	195,000
Provision for Doubtful Receivables	(8,048)	(8,048)
Net Trade Receivables	206,481	186,952
At June 30, the ageing analysis of gross Trade Receivables was as follows:		
Less than 30 Days	44,828	63,839
Between 30 and 60 Days	47,017	26,420
Between 61 and 90 Days	22,925	23,010
Over 90 Days	99,759	81,731
Total	214,529	195,000

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Notes to the Financial Statements (Continued)

19 (c) Reconciliation of Impairment Allowance for Trade Receivables

Description	2021-2022	2020-2021
	Kshs	Kshs
At the beginning of the year	56,721	58,844
Additional provisions during the year	576	287
Recovered during the year	-	(2,410)
Written off during the year	-	-
At the end of the year	57,297	56,721

20. Dues from Group Companies and Related Parties

Description	2021-2022	2020-2021
	Kshs000	Kshs000
a) Due from Group Companies		
Kibo Seeds Company limited	58,511	57,282
Simlaw Seeds Company Uganda	7,826	8,331
Mt. Elgon Seeds Company Ltd	25,285	25,285
Less: Provision Mt. Elgon Seeds company	(25,285)	25,285
Total	66,337	65,613
b) Due from related parties		
Kenya Farmers Association	12,602	13,956
Ministry of Agriculture	2,777	(1,085)
County Governments	25,316	37,306
Less: Provision of Doubtful debts	(9,160)	(9,160)
Total	31,535	41,017
Grand Total	97,872	106,683

Notes To The Financial Statements (Continued)

21. Tax Recoverable

Description	2021-2022	2020-2021
	Kshs	Kshs
At beginning of the year	5,572	6,436
Income tax charge for the year (Note 16)	(27,678)	(26,732)
Under/(Over) Provision in prior year (Note 16)	-	2
Income tax paid during the year	29,222	38,742
At end of the year	7,116	5,572

22. Bank and Cash Balances

Description	2021-2022	2020-2021
	Kshs000	Kshs000
Cash at bank	82,811	118,083
Cash in hand	809	799
Total	83,620	118,882

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Notes To The Financial Statements (Continued)

22(b) Detailed analysis of the cash and cash equivalents

Description		2021-2022	2020-2021
Financial institution	Account number	Kshs000	Kshs000
a) Current Account			
Other Commercial banks			
KCB – University Way		22,475	58,124
KCB- Loitoktok		10,260	5,930
KCB- Karatina		3,119	3,845
KCB- Meru		4,748	2,691
KCB-Euro		9,036	2,104
Absa Kshs		14,325	36,739
Absa Usd		18,848	8,650
Sub- Total		82,811	118,083
b) On - Call Deposits			
Other Commercial banks		-	-
Sub- Total		-	-
c) Fixed Deposits Account			
Other Commercial banks		-	-
Sub- Total		-	-
d) Staff Car Loan/ Mortgage			
Other Commercial banks		-	-
Sub- Total		-	-
e) Others (Specify)			
Cash in transit		-	-
Cash in hand		809	799
Mobile money account		-	-
Sub- Total		809	799
Grand Total		83,620	118,882

23. Ordinary Share Capital

Description	2021-2022	2020-2021
	Kshs	Kshs
Authorized:		
5,000 Ordinary Shares of Kshs40 par value each	200	200

24 (a) Revaluation Reserve

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

(b). Fair Value Adjustment Reserve

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognized in profit or loss.

25. Retained Earnings

The retained earnings represent amounts available for distribution to the *entity's* shareholders. Undistributed retained earnings are utilised to finance the *entity's* business activities.

26. Capital Reserves / Loan from parent Company

Description	2021-2022	2020-2021
	Kshs000	Kshs000
Capital Reserves	144,298	144,298

Notes to the Financial Statements (Continued)

27. Borrowings

Description	2021-2022	2020-2021
	Kshs	Kshs
a) Domestic borrowings		
Balance at beginning of the year	10,035	33,918
Domestic borrowings during the year	0	0
Repayments during the year	(10,035)	(23,883)
Balance at end of the year	0	10,035

Description	2021-2022	2020-2021
	Kshs	Kshs
Short term borrowings (Current Portion)	-	-
Long term borrowings	0	10,035
Total	0	10,035

28 Trade and Other Payables

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade and Other payables	161,326	172,957
Total	161,326	172,957

29. Employee Benefits Obligations Provisions

Description	Long service leave Pay	Gratuity provisions	Other Provisions	Total
	Kshs	Kshs	Kshs	Kshs
Balance at the beginning of the year	6,394	7,436	-	13,830
Additional provisions	1,530	9,819	-	11,349
Less: Paid During the year	(1,749)	(9,565)	-	(11,314)
Balance at the end of the year	6,175	7,690	-	13,865

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The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs. 200 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by Kenya seed Pension Fund. Employees contribute 10% while employers contribute 15% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

30. Related Party Disclosures

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.

Transactions with related parties

Description	2021-2022	2020-2021
	Kshs000	Kshs000
c) Sales to related parties		
Kenya Seed Company limited	241,459	233,446
Kibo Seeds Company limited	9,650	5,020
Simlaw Seeds Company Uganda	2,690	2,079
Total	253,799	240,545
d) Purchases from related parties		
Purchases from Kenya seed Company	826,522	786,053
Total	826,522	786,053

Outstanding balances arising from sale and purchase of goods/services or advances to/from related companies are as below;

Description	2021-2022	2020-2021
	Kshs000	Kshs000
e) Due from Group Companies		
Kibo Seeds Company limited	58,511	57,282
Simlaw Seeds Company Uganda	7,826	8,331
Mt. Elgon Seeds Company ltd	25,285	25,285
Less: Provision Mt. Elgon Seeds company	(25,285)	25,285
Total	66,337	65,613
f) Due from related parties		
Kenya Farmers Association	12,602	13,956
Ministry of Agriculture	2,777	(1,085)
County Governments	25,317	37,306
Less: Provision of Doubtful debts	(9,160)	(9,160)

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Description	2021-2022	2020-2021
	Kshs000	Kshs000
Total	31,535	41,017
g) Due to Parent Company		
Current account sales	122,858	57,583
Current Account Purchases	(943,469)	(907,931)
Total	820,611	850,348

31 Reconciliation Of Operating Profit/(Loss) To Cash Generated From/(Used In) Operations

Description	2021-2022	2020-2021
	Kshs	Kshs
(a) Reconciliation Of Operating Profit/(Loss) To Cash Generated From/(Used In) Operations		
Profit or Loss before tax	76,275	42,200
Depreciation	12,328	14,615
Amortisation	-	-
(Gain)/Loss on disposal of Property, Plant And Equipment	(1,774)	-
Interest Expense	839	2,220
Exchange Gain (Loss)	13,048	8,724
Operating Profit/(Loss) before Working Capital changes	100,716	67,759
(Increase)/Decrease in Inventories	4,212	(228,245)
(Increase)/Decrease in Trade and Other Receivables	(31,387)	5,227
Increase/(Decrease) in Trade and Other Payables	(11,631)	47,093
Increase/(Decrease) in Retirement Benefit Obligations	35	(648)
Increase/(Decrease) in Consumable Biological Asset	(95)	642
Increase/(Decrease) in Amounts Due from Parent Co.	(29,737)	180,881
Increase/(Decrease) in Amounts Due from Group Companies and Related Parties	8,759	(3,631)
Cash Generated from/(used In) operations	40,872	69,078
(b) Analysis of Changes in Loans		
Balance at beginning of the year	10,035	33,918
Receipts during the year	-	-

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Description	2021-2022	2020-2021
	Kshs	Kshs
Repayments during the year	(10,035)	(23,883)
Repayments of previous year's accrued interest	-	-
Foreign Exchange (Gains)/Losses	-	-
Accrued interest	-	-
Balance at end of the year	0	10,035
(c) Analysis of Cash and Cash equivalents		
Short Term Deposits	-	-
Cash At Bank	82,811	118,083

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.

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:

	2022	2021
	Kshs '000	Kshs '000
Net trade receivables	214,529	186,952
Other receivables	29,644	25,834
	<u>244,173</u>	<u>212,786</u>

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).

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	2022	2021
	Kshs '000	Kshs '000
Past due but not impaired:		
- by up to 30 days	44,828	63,839
- by 31 to 60 days	47,017	26,420
- by 61 to 90 days	22,925	23,010
- over 90 days	99,759	81,731
	<u>214,529</u>	<u>200,656</u>

Financial risk management objectives and policies

Movement in provisions for doubtful debts:

	2022	2021
	Kshs '000	Kshs '000
As at 1 July	<u>56,721</u>	58,844
Recoveries during the year		(2,410)
Provisions for the year		287
As at 30 June	<u>56,721</u>	<u>56,721</u>

a) Cash and cash equivalents

The cash and cash equivalents of Kshs,'000' 83,620 (2021:Kshs'000' 118,882) 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.

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
2022	-10.00%	(7,692)	(35,798)
	10.00%	7,692	35,798
2021	-10.00%	(4,442)	(31,086)
	10.00%	4,442	31,086

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.

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.

32. CONTINGENT LIABILITIES

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

33. 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 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.

	2022	2021
	Kshs '000	Kshs '000
Total liabilities	995,803	1,047,170
Less: Cash and other short-term deposits (note 19)	(83,620)	(118,882)
Net debt,	912,183	928,288
Total Capital (Equity)	568,701	521,226

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Capital and net debt	1,480,884	1,449,514
Gearing ratio	40%	64%

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.

34. 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.

35. 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%.

36. CURRENCY

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

37. 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.

38. EVENTS AFTER THE REPORTING DATE

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

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VIII. Appendices

Appendix 1: Implementation Status of Auditor-General prior year 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/OBSERVATION FROM AUDITOR	MANAGEMENT COMMENTS	RESPONSIBLE PERSON	TIME FRAME	STATUS
1	Lack of Revaluation of Non-current asset. The assets with a cost of Ksh 90,088,542 as at 30 June 2021 were fully depreciated but assets were still in use. This is contrary to IAS 15 which require asset revaluation be carried out regularly. Note 15 of the financial statements reflected Plant and machinery balance of ksh 212,390,000. Thus, the accuracy of plant and machinery of Kshs 212,390,000 could not be confirmed Budgetary Control and performance The statement of comparison of budget and actual on comparable basis of kes 1,931,175,000 and 1,674,091,000 respectively resulting to underfunding of Kes 257,084,000 or 13% of the budget. The company spend an amount of 1,631,891,000 against approved budget of of	<ul style="list-style-type: none"> 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	June 2023	Unresolved
2	Long outstanding trade and other payables	<ul style="list-style-type: none"> Management shall adhere to PFM regulation 2015 to 			On going

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3	<p>As disclosed in note 27 to the financial statements of the financial position reflects trade and other payable balance of kes 172,957,000 .An aging analysis performed revealed invoices amounting to Kes 13,137,893 have been long outstanding dating 2012.The company is exposed to risk of loss of funds through interest and penalties arising from litigation instituted by creditors. Hence the ude of public resources could not be confirmed</p>	<p>ensure service delivery to the public is satisfactorily done in line with the budget and company strategic plan.</p> <ul style="list-style-type: none"> • Management to give priority payment of creditors 		
4	<p>Lack of a Functional Board During the year under review, the Company's Board had not been fully constituted contrary to Section 75 of the Company's Articles of Association. Failure to have a functional Board may have impacted on the overall governance and oversight of the Company including approval for the budget of the Company.</p>	<ul style="list-style-type: none"> • 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 Financial Group statements. The Composition of Simlaw Seeds Company shareholding is wholly Kenya Seed Company and Directorship is also a part of the Kenya Seed Company. Hence, when AGMs are held at group level it translates to an 		Unresolved

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		<p>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> <ul style="list-style-type: none"> • Management has initiated the updating of the risk register 		
5	<p>Lack of Risk Management Framework During the year ended 30 June 2021, Management did not conduct a formal risk assessment to identify and document potential risks and mitigation measures. Further, the risk register maintained by Management had been prepared in July</p>			Resolved

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6	<p>2018 and had not been reviewed and updated.</p> <p>Failure to recover Long Outstanding Trade and Other Receivables The Statement of Financial Position and Note 19 to the financial statements reflects Net Trade and Other receivables balance of Kshs.212,786,000 as at 30 June, 2021. The balance constitute an amount of kes 87,551,772 ,kes 12,216,234 and Kes11,569,037 relating to trade receivable, growers and staff receivable respectively that has been outstandin for more than 90days.</p>	<ul style="list-style-type: none"> Whereas the company policy specifies a shorter credit period than 90 days, during the year most of the distributors picked the seed for selling in the month of March-May peak sales season. However, due to delayed rainfall & Covid issues, they had not sold the goods in their stores, hence could not settle the outstanding debits. However Management will adopt best practices approach by adherence of collection period of 30days as per the credit policy to enable the company meet its obligations as and when falls due. The management has since engaged a debt collector to pursue recovery of debits 	Ongoing
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<p>7</p>	<p>Failure to recover Long outstanding Dues from Group Companies and Related Parties</p> <p>Further, Note 20 (b) to the financial statements reflects net dues from related parties of Kshs.41,017,000. Included in the balance is amounts due from Kenya Farmers Association (KFA) and various County Governments of Kshs.13,956,000 and Kshs.37,306,000 respectively. Review of aging analysis revealed that amounts totaling Kshs. 11,285,206 and Kshs. 10,902,098 due from Kenya Farmers Association (KFA) and various County Governments respectively have been outstanding for more than one year. Although the 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.</p> <p>Further to Note 20(a) an amount of of Kshs.25,285,000 advanced to Mt Elgon Seed which has not been recovered for over five years. Although the Management has made a full provision for the receivable, it has not put in place clear</p>	<p>beyond the stipulated credit period</p> <ul style="list-style-type: none"> 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 <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</p>	<p>Unresolved</p>
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	<p>measures to ensure recovery of the same as information available indicate that the subsidiary is dormant and is in the process of being wound up.</p>	<p>the debts and to provide a repayment plan.</p>		
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Mr. Francis Mwaaura
General Manager



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Mr. Mohamed Bulle
Chairman of the Board



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