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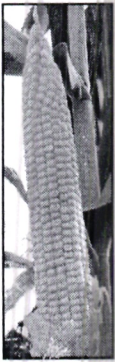
ON

THE FINANCIAL STATEMENTS OF
SIMLAW SEEDS COMPANY (U)
LIMITED

FOR THE YEAR ENDED
30 JUNE 2018

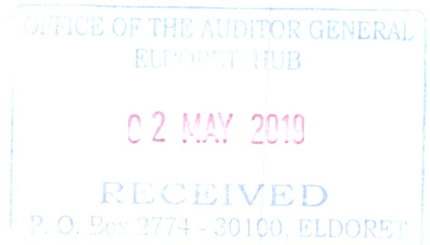


SIMLAW SEEDS COMPANY (U) LTD



Annual Report and Financial Statements For the Financial Year Ending June 30, 2018

P.O BOX 21303 KAMPALA
Tel: 0417130151
Email: Simlaw@simlawseeds.com
www.simlawseeds.com



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

VISION

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

MISSION

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

CORE VALUES

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

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

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

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

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

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

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Simlaw Seeds Company (U) Ltd

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CORPORATE INFORMATION

Directors

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

Non-Executive

Mr. William Kundu	Chairman
Mr. Lawrence Njiru	Member
Mr. Johnson Waithaka	Member
Mr. Richard Aiyabei	Member
Mr. Azariah Soi	Managing Director

Company Secretary

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

Registered office and

Principal place of Business: Plot No 78-84 6th Street Industrial Area
P.O. Box 21303,
Kampala, Uganda.

Principal Bankers:

KCB Bank Uganda Limited
Commercial Plaza, Plot 7, Kampala Road,
P.O. Box 7399 Kampala Uganda

Centenary Rural Development Bank
Mapeera Branch, Plot 44-46 Kampala Road
P.O. Box 1892, Kampala Uganda

Independent and Principal Auditors

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

Branches

Nakivubo
P.O. Box 21303,
PLOT 18-24 Nakivubo Rd
GB Plaza Container Village
kampala, Uganda.

Mbale Branch
Plot 4 Central Rd
Former Foods & beverage Building
Mbale, Uganda.

Kapchorwa Branch
Next to Centenary Bank
Kapchorwa, Uganda.

Masindi Branch
Masindi Port Rd Next to Masindi Stadium
Masindi, Uganda

Simlaw Seeds Company (U) Ltd

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What we do:

Our Seed business

We procure, pack and distribute seeds. Our seed products range includes seeds for highland, mid-altitudes and lowlands regions. We engage with our customers through our Branches, approved Agents, Stockiest and Retailers strategically located throughout Country.

Our Seed Brands

1. Hybrid Seed Maize

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

2. Sunflower Seed

These varieties perform well at altitude between 12 and 2400 m above sea level. They are: Hungarian White, Kenya Fedha, H8998

3. Pasture Seed

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

4. Indigenous Vegetables

The indigenous vegetables are: Amaranthus (Terere), Spider Plant (Saga), Night Shade (Managu), Jews Mallow (Murere/Mrenda), Crotolaria (Miro/Mito), Kunde Mboga.

5. Horticulture and other Crops

These are: Gloria F1, Pruktor F1, Spinach Fordhook Giant, Collard Simlaw Select, ,Libra F1, New Fortune Maker F1, Ribgrande, Cal J VF, Nyota F1, Red Creole, Bombay Red, Texas Grano, , California Wonder, Carrot Nantes, Squash Ambassador F1, Peas, Cucumber Ashley, Coriander Dania, Watermelon Sugar Baby, Watermelon Crimson Sweet, watermelon Zawadi F1, Watermelon Princes, Watermelon Juliana.

WHERE WE OPERATE

Where to find our Branches in Uganda

Mbale Branch	Bugisu Region	
Kapchorwa Branch	Sebei Region	
Masindi Branch	Upper western Region	
Nakivubo Branch	Central Region	

Simlaw Seeds Company (U) Ltd

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BOARD OF DIRECTORS



William Kundu Ndombi

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



Lawrence Njiru Mark

Mr. Lawrence Mark Njiru was born in 1972. He holds a Masters Degree in Business administration, Bachelor's Degree in Economics and is a Certified Public Accountant. Mr. Njiru has vast experience in audit acquired while serving in KPMG where he served as a senior auditor for over 5 years. He also has vast knowledge in Finance, sales and marketing acquired while serving in the media sector.



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

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



Mr. Richard Aiyabei

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



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



Ms. Wilkister Simiyu

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

Simlaw Seeds Company (U) Ltd

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MANAGEMENT TEAM

The Company has a diverse and dedicated management team that assists the Managing Director in his role of achieving the company's strategic objectives. The Leadership team of Simlaw Seeds Company (U) Ltd and their roles which reports directly to the Managing Director as at 30th June 2018 is as set out below:



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



Mrs. Sylvia Nanteza Kyeyune was born in 1976 and is the General Manager of Simlaw Seeds Company Uganda Ltd, in Uganda, a subsidiary of Kenya Seed Company. She is responsible for coordinating all the activities of the Subsidiary to ensure its smooth operation. Mrs. Kyeyune holds a Master of Science degree in Crop Science and a Bachelor of Science degree in Agriculture from Makerere University, Kampala, Uganda. She has over 17 years leadership and managerial experience in the seed sector and is immediate former Chairperson, Uganda Seed Trade Association. She joined the company in August 2003.



Mr. Francis Ngaruiya was born in 1977 and is the Financial Controller of Simlaw Seeds Company Uganda Ltd, in Uganda, a subsidiary of Kenya Seed Company. He holds a Bachelor of Commerce Accounting degree from Kenyatta University and currently pursuing Master of Science degree in accounting and finance at Makerere University business school (MUBS), Kampala, Uganda. He has over 15 years of managerial experience having worked with Kenya Seed Company Ltd (Kenya) and Simlaw Seeds company Ltd Uganda.

Simlaw Seeds Company (U) Ltd

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CHAIRMAN'S STATEMENT



Dear Shareholders,

I am privileged to present to you the annual report of financial statements of Simlaw Seeds Company Uganda for the year ended 30th June 2018.

The company managed to post a fair performance results despite a lot of challenges among them inadequate rainfall, stock outs of popular varieties and delayed supply, uncertainties occasioned by emergence of diseases and pests, frost and a devastating Fall Army Worm (FAW) invasion.

Business Environment Overview

The global economy slumped 3% in 2018 compared to a growth of 1.2% in 2017 occasioned by constrained global trade and subdued investment. Closer home, The East Africa Community GDP is estimated to have grown by 7% compared to 5.8% in 2017. The growth was fuelled by public infrastructure investment, buoyant private consumption and low oil prices.

Uganda's economy experienced a relatively conducive environment for growth during the first three Quarters of 2018. However, the last quarter's growth was undermined by a severe drought and non-exportation to East Africa States.

The agricultural sector, which continues to be the mainstay of Uganda's economy contributing 30% of the GDP, experienced mixed results with maize. Sunflower and vegetables sub sectors recording fair prices in the international market. The seed subsector faced ordinary challenges with decrease in prices of commercial maize de-motivating many farmers to reduce their acreage of commercial maize crop therefore affecting the demand for certified seed negatively.

Seed Supply

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

Future Outlook

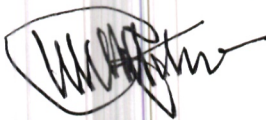
The future outlook of Simlaw Seeds Company Uganda is bright. The Board is developing more strategies to grow the market and enhance financial management in order to increase profits and reduce stock outs.

The Board is also putting in place strategies to expand business in the regional markets like South Sudan, Burundi and Democratic Republic of Congo. In addition to expanding the regional market, the Company is also looking at expanding its product portfolio to include vegetable seeds, pasture and sunflower seeds.

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

Appreciation

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



Mr. William Kundu
Chairman

Simlaw Seeds Company (U) Ltd

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REPORT OF THE GENERAL MANAGER

I am glad to present to you the performance of Simlaw Seeds Company Uganda Ltd for the financial year 2017/2018.

Financial Performance

The company achieved a sales turnover of US\$ 9.7 billion (KShs 262M) in the financial year 2017/2018 compared to US\$ 9.8 billion (KShs 265million) achieved in the previous financial year 2016/17 representing a decline of 4%. The net profit for this year decreased from US\$ 414 million (KShs 11 million) in 2016/2017 to US\$ 107 million (KShs 2.9 m) in 2017/2018. Cash and cash equivalence reduced from US\$1, 939 Million (KShs 52M) last year to US\$ 840 Million (KShs 22.7M) in the year 2017/2018.

Non-current asset increased from US\$ 131 million (KShs 3.5m) to US\$ 943 Million (KShs 25.5M) as at 30th June 2018. This was as a result of assets additions to the fixed assets which included purchase of land in Namanve Industrial park and office equipment. Trade receivables and inventory increased due to sales growth and increase in buffer stock to guard against stock outs.

Future Outlook

Given the growing demand for food as a result of the increasing population, demand for seed will continue to increase. Management is optimistic that the sales revenue and hence overall performance of the company will continue to increase as well. The following strategies will be implemented to ensure that this is realized:

- i. Timely ordering of the most popular seed maize varieties especially for the medium altitude e.g. H520 and pastures to ensure availability of demanded stocks at all times.
- ii. Aggressive marketing campaigns to increase vegetable seed sales across the country and the region.
- iii. Diversification of the company's product range to include new preferred crops and to cater for changing customer demands and preferences.
- iv. Explore other potential markets in the region especially in Northern Uganda, South Sudan and Democratic Republic of Congo.
- v. Construction of the company's own warehousing facility to ensure proper storage of the stocks.

Appreciation

I wish to thank the Board of Directors of Simlaw Seeds for their tireless support, commitment and guidance in ensuring that the company turns round to profitability. I also thank the management and staff for their commitment and hard work as they strive to make the company the leading supplier of top quality seed in the Great Lakes region. And to all the other stakeholders especially the customers thank you for your loyalty and trust in the company products. The company pledges to continue providing the best performing varieties for increased productivity and incomes.



Sylvia Kyeyune
General Manager

Simlaw Seeds Company (U) Ltd

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STATEMENT CORPORATE GOVERNANCE

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

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

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

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

Board of Directors

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

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

The current Board of Simlaw Seeds Company is composed of one executive director and four 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.

Board Meetings

The Board meets at least once quarterly or more often in accordance with exigencies of the business. The Board work plan and calendar of meetings is prepared in advance. Adequate notice is given for each board meeting, the agenda and papers are circulated in good time. The Board held 2 meetings in the financial year ending 30th June 2018. During their meetings the Board reviews the Companies performance against the planned strategies and also approves issues of strategic nature.

Simlaw Seeds Company (U) Ltd

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CORPORATE GOVERNANCE STATEMENT (continued)

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

Member	Meetings Held	Meetings Attended	% attendance
Mr. Sylvia Kyeyune	3	3	100%
Mr. Azariah Soi	3	3	100%
Mr. William Kundu	3	3	100%
Dr. Johnson Waithaka	3	3	100%
Mr. Lawrence Njiru	3	3	100%
Mr. Richard Aiyabei	3	3	100%

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

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

The Simlaw Seeds Company (U) Ltd has formulated and applies sound internal corporate governance guidelines, which address the responsibilities of management, the Board and its composition, selection procedures for new directors and relationships with stakeholders. The structure of the board and the planning of the board's work are key elements to effective governance. The company's board of directors has established board committees as one way of managing its work thereby strengthening the board's governance role.

Board Evaluation

The Board undertakes an annual self-assessment to improve its members' individual and collective Performance for continuous growth and sustainability of the Company. The evaluation covers the Board as a whole, its committees, and individual members, the Chairman, the Managing Director and the Company Secretary. During the year, the Board carried out a self-evaluation exercise assisted by the State Corporations Advisory Committee. An action plan was developed from the evaluation focusing on areas that require improvement.

Directors' Remuneration

During every Board meeting, Directors are entitled to a sitting allowance, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable within government set limits for state corporations.

Below is a summary of entitlement per Board Member:

Type of payment	Chairman	Member
Sitting allowance (per sitting)	Ushs 555,000	Ushs 555,000

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.

Simlaw Seeds Company (U) Ltd

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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 Group business.

Going Concern

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

Company Shareholding

Kenya Seed acquired 99% of shares in Simlaw Seeds Company Uganda through direct allotments which accumulated in acquiring majority shareholding in 2002. At the same time Mr. Azariah Soi acquired 1% respectively ordinary shares of nominal of Ushs.25, 000.

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

No.	List of Shareholders	No. of Shares	% Shareholding
1	Kenya Seed Company Limited	4,999	99
2	Azariah Soi	1	1
Total		5,000	100

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 three non-executive directors and a Managing Director.

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Mr. William Kundu
Chairman

Simlaw Seeds Company (U) Ltd

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MANAGEMENT DISCUSSION AND ANALYSIS

Background

Simlaw Seeds Company (U) Ltd was incorporated in Uganda on July 8th, 2010 as a wholly owned subsidiary of Kenya Seed Company based in Kitale, Kenya. The company has its headquarters at Kampala and a distribution network comprising of branches and retail outlets. Currently, there are branches at Mbale, Kapchorwa and Masindi. There are also agents and stockiest who act as outlets for seed maize and horticultural seeds both in and outside Uganda. Simlaw Seeds was originally set-up as a sales satellite of Kenya Seed Company with the sole objective of distributing seed maize. However, in the Ugandan market, the company's products have diversified over time to include farm inputs (herbicides, fungicides and insecticides) and horticultural seeds. The company has grown significantly since its inception in 2010. It has positioned itself as one of the most preferred seed supplier of quality certified seed in Uganda being the vegetable seed leader at 80% and doing 18% of the seed maize.

Section A: The entity's operational and financial performance

A1: Revenues

Company Revenues decreased by 2% from Ushs 9.8 Billion to Ushs 9.7 Billion as highlighted in the table below

Product	2018	2017
	Ushs '000	Ushs '000
Certified Maize Seeds	1,747,506	1,760,661
Vegetable Seeds	7,800,795	7,859,521
Pasture Seeds	79,290	79,887
Agro Chemicals	109,555	110,381
Total	9,737,147	9,810,450

The sales increased in Sunflower, and pasture seeds. The drop in seed maize sales was as a result of stock out of popular varieties like H614, H628 and H513 that were not available in the market as per the demand during their peak season in the country. Revenue from seed maize dropped by 7% while those of Vegetable seed dropped by 0.4%, with pasture and Sunflower revenues growing by 3.2% and 304% respectively. Seed maize contributed 44% of the company revenue while Vegetable contributed 52% of the Company revenue as highlighted in the following table:

Product	2017/2018	Product Contribution%
	Ushs 000	
Vegetables	7,800,795	80%
Maize and other field crops	1,747,506	18%
Pasture	79,290	1%
Chemicals/ Chemicals/ tools	109,555	1%
Total	9,737,147	100%

Management is exploring diversification strategies to reduce overreliance on imported seed maize from parent company, by doing local production and maximizing on sale of hybrid vegetables that gives high margins unlike Open pollinated varieties (OPVs).

A2: Profit before Tax

The Profits before Tax are highlighted in the following Table:

2018	2017
Ushs'000	Ushs'000
107,326	413,522

A3: Cash and Cash Equivalents

The Company closed the year with a net position of Ushs 839 million.

Simlaw Seeds Company (U) Ltd

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Section B: Entity's compliance with statutory requirements

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

- (a) National Social Security Fund (NSSF)
- (b) Pay As You Earn (PAYE)
- (c) Local Service Tax (LST)

The Company ensured that it obtains the certificates of compliance from URA, NSSF, and KCCA

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

The company has not implemented any key projects during the year ended 30th June 2018.

Section D: Major risks facing the entity

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

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

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Section E: Material arrears in statutory/financial obligations

The company did not have any material arrears in both statutory and financial obligations.

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

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

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REPORT OF THE DIRECTORS

The Directors submit their report together with audited financial statements for the year ended June 30, 2018 which show the state of the company affairs.

Principal Activities

The principal activity of the company and its Branches is to carry on the business of seed merchants. The Company also distributes vegetable seeds, sunflower, pasture and maize.

Results

The results of the company for the year ended June 30, 2018. Below is summary of the profit or loss made during the year.

	2018	2017
Description	Ushs '000	Ushs '000
Profit before tax	107,326	413,522
Taxation charge	-	-
Profit for the year	107,326	413,522

BY ORDER OF THE BOARD


Ms. Wilkister Simiyu
Company Secretary

Date.....

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Ugandan Companies Act require the Directors to prepare financial statements for each financial year, 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, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

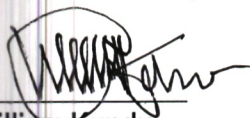
The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS). The Directors are of the opinion 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, 2018, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

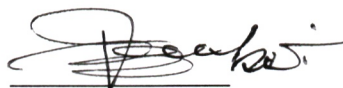
The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approval of the financial statements

The financial statements and the accompanying notes were approved by the Board of Directors on 30th June 2018 and were signed on its behalf by:



Mr. William Kundu
Chairman



Mr. Azariah Soi
Group Managing Director



Sylvia Kyeyune
General Manager

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2018

REPORT OF THE AUDITOR GENERAL

ON THE FINANCIAL STATEMENTS OF SIMLAW SEEDS COMPANY (U) LTD

FOR THE YEAR ENDED 30 JUNE 2018

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON SIMLAW SEEDS COMPANY (U) LTD FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Simlaw Seeds Company (U) Ltd set out on pages 1 to 34, which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Simlaw Seeds Company (U) Ltd as at 30 June, 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (Accrual Basis) and comply with the Public Finance Management Act and the Kenya companies Act, 2015.

Basis for Qualified Opinion

1.0 Accuracy, Completeness and presentation of the financial statements

1.1 Presentation of Financial Statements

The financial statements presented for audit revealed the following:

- (i) The statement of profit or loss and other comprehensive income reflects profit for the year of Ushs.107,325,910 which has been arrived at after deducting finance costs of Ushs.43,160,944 contrary to the requirements of International Public Sector Accounting Standards

In the circumstance, the financial statements are not in line with the International Public Sector Accounting Standards.

Report of the Auditor-General on the Financial Statements of Simlaw Seeds Company (U) Limited for the year ended 30 June 2018

1.2 Unsupported Adjustments to financial statements

The adjustments detailed below, have been made to the financial statements originally submitted for audit for the year ended 30 June 2018;

Item description	Balance as per original submitted financial statements	Balance as per amended financial statements
	Ushs.	Ushs.
Trade and other receivables	1,533,028,374	1,687,969,633
Trade and other payables	2,382,297,572	2,520,291,058
Long Term Liabilities	3,375,214,080	3,422,355,745
Administrative expenses	1,164,693,957	1,554,692,666

However, approved journal vouchers were not provided in support of these adjustments.

In view of the foregoing, the completeness, validity and accuracy of the financial statements for the year ended 30 June 2018 could not be ascertained.

2.0 Unsupported Procurements

Note 6 to the financial statements reflects purchases figure of Ushs.8,941,613,578 during the year under review. However, the signed contracts between the Company and suppliers were not made available for audit scrutiny.

Consequently, the validity, fair competition and accuracy of the purchases figure of Ushs.8,941,613,578 could not be confirmed.

3.0 Un supported Amounts due to Related Parties

The statement of financial position as at 30 June 2018 reflects amounts due to related parties balance of Ushs.3,422,355,745 as disclosed in note 19(a) to the financial statements. However, management did not provide for audit review supporting documents for this balance.

In consequence, the accuracy, validity and completeness of the amounts due to related parties balance of Ushs.3,422,355,745 as at 30 June 2018 could not be confirmed.

4.0 Land Valuation

The statement of financial position as at 30 June 2018 reflects property, plant and equipment of Ushs.939,433,474 which includes a parcel of land valued at Ushs.815,231,700 procured during the year under review, as detailed below;

Date	Transaction	Detail	Amount (Ushs.)
15/8/2017	Land purchase	Land	792,550,000

Date	Transaction	Detail	Amount (Ushs.)
23/8/2017	Legal fees	Land	8,260,000
16/4/2018	Fencing work at Namanve	Fence	11,201,000
30/5/2018	Fencing work at Jinja	Fence	3,220,700
	Total		815,231,700.00

However, the pre purchase valuation report has not been made available for audit review. Although management has explained that the land was procured on willing buyer willing seller basis, it is not possible to confirm that value for money was obtained in the procurement of land.

As a result, the value of land included in property ,plant and equipment balance of Ushs.939,433,474 could not be ascertained as being fairly stated.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Simlaw Seeds Company (U) Ltd in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matter(s) described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Rents and Rates

The statement of profit and other comprehensive income for the year ended 30 June 2018 reflects other operating figure of Ushs.405,648,560 which includes rent and rates figure of Ushs.326,767,136 as disclosed under note 19 to the financial statements. Available

information revealed that included in the rent and rates figure of Ushs.326,767,135.53 is Ushs.8,745,000 in respect of lease for the company branch office located at Kapchorua whose lease agreement was not provided for audit review. Consequently, the propriety of the expenditure of Ushs.8,744,999.97 for the year ended 30 June 2018 could be confirmed.

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

REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

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

Basis for Conclusion

1.0 Internal Control Environment

The company does not have a formally approved ICT Policy. In addition, a review of available records indicated that internal audit function is performed by auditors and audit committee of Kenya Seed Company Limited. No reason was provided for not establishing an internal audit function as required by section 162 of the Public Finance Management Regulations, 2016.

2.0 Lack of approved staff establishment

The statement of profit or loss and other comprehensive income reflects administrative expenses of Ushs.1,554,692,666 which includes Wages and salaries of Ushs.580,036,069 which has not been supported by an approved staff establishment.

3.0 Lack of strategic plan

The company does not have a strategic plan, company policies like Human Resources Management Policy, Procurement Policy, financial management policy and other policies.

4.0 Payment Vouchers and Stock control cards

Although the company maintains stock control cards and uses payment vouchers, the same are not serially numbered.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenya companies act, 2015, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. in my opinion, adequate accounting records have been kept by the Simlaw Seeds Company (U) Ltd, so far as appears from the examination of those records; and,
- iii. The Simlaw Seeds Company (U) Ltd financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (Accrual Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the Simlaw Seeds Company (U) Ltd ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Simlaw Seeds Company (U) Ltd or to cease operations, or have no realistic alternative but to do so.

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

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

Those charged with governance are responsible for overseeing the Simlaw Seeds Company (U) Ltd financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to

governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 Simlaw Seeds Company (U) Ltd policies and procedures may deteriorate.

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

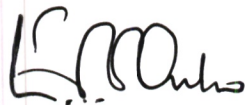
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those

risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Simlaw Seeds Company (U) Ltd ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Simlaw Seeds Company (U) Ltd to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Simlaw Seeds Company (U) Ltd to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

Nairobi

21 May 2019

Simlaw Seeds Company (U) Ltd**Annual Report and Financial Statements for the year ended June 30, 2018****ANNUAL FINANCIAL STATEMENTS****STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	2018 Ushs	2017 Ushs
Revenue	5	9,737,146,530	9,810,449,984
Cost of sales	6	<u>(7,279,996,644)</u>	<u>(7,511,880,304)</u>
Gross Profit		2,457,149,886	2,298,569,680
Other income	7	7,125,755	8,588,400
EXPENSES			
Selling and distribution expenses	8	(353,447,561)	(246,028,847)
Administration expenses	9	(1,554,692,666)	(1,229,570,839)
Operating expenses	10	(405,648,560)	(418,036,188)
Finance Income		-	-
Finance cost	11	<u>(43,160,944)</u>	<u>-</u>
Profit before taxation		107,325,910	413,522,206
Income Tax expense		-	-
Profit for the year		<u>107,325,910</u>	<u>413,522,206</u>
Profit attributable to:			
Owners of the parent company		-	-
Earnings per share attributable to: Basic (Ushs per share)			
Other comprehensive income:			
Profit for the year		107,325,910	413,522,206
Exchange differences on translating foreign operations		-	-
Income tax effect		-	-
Fair value gain on Bearer Plants		-	-
Revaluation Surplus		-	-
Total comprehensive income		<u>154,467,575</u>	<u>413,522,206</u>
Attributable to			
Owners of the parent company		<u>107,325,910</u>	<u>413,522,206</u>

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2018

STATEMENT OF FINANCIAL POSITION

	Notes	2018 Ushs	2017 Ushs
ASSETS			
Non-current assets			
Property, plant and equipment	12	939,433,474	130,726,868
Intangible assets	13	6,360,000	
		945,793,474	130,726,868
Current assets			
Inventories	14	4,344,990,065	2,624,916,044
Trade and other receivables	15	1,687,969,633	964,366,600
Tax recoverable	16	340,688,987	263,328,073
Cash and cash equivalents	17	839,306,509	1,938,973,231
		7,212,955,194	5,791,583,948
Total assets		8,158,748,668	5,922,310,816
EQUITY AND LIABILITIES			
Equity			
Issued capital	18	125,000,000	125,000,000
Unallocated share capital	18	1,474,492,300	1,474,492,300
Retained earnings		(2,387,649,831)	(2,494,975,741)
		(788,157,531)	(895,483,441)
Non-current liabilities			
Amounts due to related parties	19(a)	3,422,355,745	2,814,356,933
Current liabilities			
Amounts due to related parties	19(b)	3,004,259,396	2,005,774,951
Trade and other payables	20	2,520,291,058	1,997,662,373
		5,524,550,454	4,003,437,373
Total Equity & Liabilities		8,158,748,668	5,922,310,816

The financial statements were approved by the Board on and signed on its behalf by:

.....
Sylvia Kyeyune
General Manager

.....
Francis Ngaruiya
Financial Controller

.....
Mr. William Kundu
Chairman of the Board

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2018

STATEMENT OF CHANGES IN EQUITY

	Share capital Ushs	Unallotted Shares Ushs	Retained earnings Ushs	Total Ushs
Year ended 30 June 2017				
As at 1 July 2016	125,000,000	1,474,492,300	(2,908,497,947)	(1,309,005,647)
Total comprehensive income for the year	-	-	413,522,206	413,522,206
As at 30 June 2017	<u>125,000,000</u>	<u>1,474,492,300</u>	<u>(2,494,975,741)</u>	<u>(895,483,441)</u>
Year ended 30 June 2018				
As at 1 July 2017	125,000,000	1,474,492,300	(2,494,975,741)	(895,483,441)
Total comprehensive income for the year	-	-	107,325,910	107,325,910
As at 30 June 2018	<u>125,000,000</u>	<u>1,474,492,300</u>	<u>(2,387,649,831)</u>	<u>(788,157,531)</u>

Simlaw Seeds Company (U) Ltd**Annual Report and Financial Statements for the year ended June 30, 2018****STATEMENT OF CASH FLOWS**

	Notes	2018 Ushs	2017 Ushs
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before taxation		107,325,910	413,522,206
Adjustment for: -			
Depreciation and amortization	9	19,991,094	19,399,981
Interest on loan	11	43,160,944	
		<u>170,477,948</u>	<u>432,922,187</u>
Changes in working capital: -			
Inventories		(1,720,074,021)	(722,472,974)
Trade and other receivables		(723,603,033)	(15,393,114)
Trade and other payables		522,628,685	1,127,135,334
Amounts due from/to related parties		1,606,483,257	935,638,335
Cash flows used in operations		<u>(144,087,164)</u>	<u>1,757,829,768</u>
Finance costs		-	-
Finance income		-	-
Tax paid		(77,360,914)	(168,940,792)
Net cash flows used in operating activities		<u>(221,448,078)</u>	<u>1,588,888,976</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	12	(825,517,700)	-
Purchase of intangible assets	13	(9,540,000)	-
Net cash flows from investing activities		<u>(835,057,700)</u>	<u>-</u>
CASH FLOW FROM FINANCING ACTIVITIES:			
Interest on Loan	11	(43,160,944)	-
Loan movement		-	-
Net cash flows from financing activities		<u>-</u>	<u>-</u>
Cash and cash equivalents:			
Movement during the year		(1,099,666,722)	1,588,888,976
Effect of foreign exchange changes		-	-
As at 1 July 2017		1,938,973,231	350,084,255
As at 30 June 2018		<u>839,306,509</u>	<u>1,938,973,231</u>

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2018

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS				
Budget Line	Original & Final Budget	Actual on Comparable basis	Performance Difference	% change
	2017-2018	2017-2018	2017-2018	
Revenue:				
Maize Seeds	2,171,000,000	1,747,505,827	(423,494,173)	(20)
Vegetable Seeds	5,000,000,000	7,800,794,954	2,800,794,954	56
Miscellaneous	-	-	-	-
Sunflower	-	-	-	-
Chemicals	671,000,000	109,555,460	(561,444,540)	(84)
Pastures	164,000,000	79,290,288	(84,709,712)	(52)
Total Revenue	8,0006,000,000	9,737,146,530	1,731,146,530	
Cost of Sales	5,310,000,000)	7,279,996,644	1,969,996,644	
Gross Profit	2,696,000,000	2,457,149,886	238,850,114	
Other income	-	7,125,755	7,125,755	100
Total Income	2,696,000,000	2,464,275,641	238,850,114	
Employment expense	525,004,000	580,036,069	(55,032,069)	(10)
Operating expense	495,000,000	405,648,560	89,351,440	18
Administration expense	697,600,000	974,656,597	188,212,402	(40)
Selling & Distribution expense	406,399,000	353,447,563	52,951,437	13
Research & Development expense	-	-	-	0.0
Finance Charges	-	43,160,944	(43,160,944)	(100)
Total Expenses	2,124,603,000	2,356,949,733	194,872,591	9
Surplus for the Period	571,396,000	107,325,910		

Budget Notes for the variances of more than 10%:

1. Maize seed:

Maize seed: The variance of 20% was due to stock out of popular varieties i.e. H614, H628 and H513. Since all maize varieties are imported from Parent Company at Kitale.

2. Increase in vegetable sales by 56% is attributed to availability of various varieties in stock.

3. Pasture 52% I due to stock out of rides from Parent Company at Kitale.

4. The variance of 84% of chemicals was due to favorable weather condition during the year to our vegetable growers. They did not require a lot of chemical application to control pests and diseases which mostly are caused by adverse weather either too much rains or sunshine.

5. Administration

These are expenses incurred for the daily running of the company operations, the Variances of 40% was due to increase in foreign exchange losses and Insurance expenses.

6. Finance costs

This consists of interest on loan charged by parent company which was not anticipated at the time of budget preparations.

7. Other incomes are incomes that were not anticipated

NOTES TO THE FINANCIAL STATEMENTS**1. GENERAL INFORMATION**

Simlaw Seeds was originally set up as a sales satellite of Kenya Seed Company with the sole objective of distributing seed maize. The company has diversified over time to include farm inputs and horticultural seeds. Following expiry of the 2013–2018 Strategic Plan, the company has now developed a five-year Strategic Plan for the fiscal period 2018/19 – 2022/23, which draws from the company's experience in implementing its previous Strategic Plans and it also takes into account the developments in the agricultural sector.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**Presentation of financial statements**

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

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

3. a) APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2018**

Amendment/Interpretation to a standard	Effective date	Impact
IFRS 9: Financial Instruments (Issued 24 July 2014)	Effective for annual periods beginning on or after 1 January 2018	Finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing <u>IAS 39</u> <i>Financial Instruments: Recognition and Measurement</i> . The standard contains requirements in the following areas: <ul style="list-style-type: none">• Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2018

Amendment/Interpretation to a standard	Effective date	Impact
		<p>through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.</p> <ul style="list-style-type: none"> • Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised • Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures • Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39
<p>IFRS 15: Revenue from Contracts with Customers (Issued 28 May 2014)</p>	<p>Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018</p>	<p>IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.</p> <p>The five steps in the model are as follows:</p> <ul style="list-style-type: none"> • Identify the contract with the customer • Identify the performance obligations in the contract • Determine the transaction price • Allocate the transaction price to the performance obligations in the contracts • Recognise revenue when (or as) the entity satisfies a performance obligation. <p>Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.</p>
<p>IFRIC 22: Foreign Currency Transactions and Advance Consideration (Issued 8 December 2016)</p>	<p>Applicable to annual reporting periods beginning on or after 1 January 2018</p>	<p>The interpretation addresses foreign currency transactions or parts of transactions where:</p> <ul style="list-style-type: none"> • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of

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Amendment/Interpretation to a standard	Effective date	Impact
		<p>the related asset, expense or income; and</p> <ul style="list-style-type: none"> the prepayment asset or deferred income liability is non-monetary. <p>The Interpretations Committee came to the following conclusion:</p> <ul style="list-style-type: none"> The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.
<p><i>Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)</i></p> <p><i>(Issued 19 January 2016)</i></p>	<p>Effective for annual periods beginning on or after 1 January 2017</p>	<p>Amends <u>IAS 12</u> <i>Income Taxes</i> to clarify the following aspects:</p> <ul style="list-style-type: none"> Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. The carrying amount of an asset does not limit the estimation of probable future taxable profits. Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.
<p><i>Disclosure Initiative (Amendments to IAS 7)</i></p> <p><i>(Issued 29 January 2016)</i></p>	<p>Effective for annual periods beginning on or after 1 January 2017</p>	<p>Amends <u>IAS 7</u> <i>Statement of Cash Flows</i> to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.</p>
<p><i>Clarifications to IFRS 15 'Revenue from Contracts with Customers'</i></p>	<p>Effective for annual periods beginning on or after 1 January</p>	<p>Amends <u>IFRS 15</u> <i>Revenue from Contracts with Customers</i> to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed</p>

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Amendment/Interpretation to a standard	Effective date	Impact
<i>(Issued 12 April 2016)</i>	2018	contracts.
<i>Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)</i> <i>(Issued 20 June 2016)</i>	Effective for annual periods beginning on or after 1 January 2018	Amends <u>IFRS 2</u> <i>Share-based Payment</i> to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. <i>(State the impact of the standard if relevant to the entity)</i>
<i>Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)</i> <i>(Issued 12 September 2016)</i>	Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date	Amends <u>IFRS 4</u> <i>Insurance Contracts</i> provide two options for entities that issue insurance contracts within the scope of IFRS 4: <ul style="list-style-type: none"> • an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; • an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach. <p>The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied. <i>(State the impact of the standard if relevant to the entity)</i></p>
<i>Transfers of Investment Property (Amendments to IAS 40)</i> <i>(Issued 8 December 2016)</i>	Effective for annual periods beginning on or after 1 January 2018	The amendments to <u>IAS 40</u> <i>Investment Property</i> : <ul style="list-style-type: none"> • Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. • The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.
<i>Annual Improvements to IFRS Standards 2014–2016 Cycle</i>	The amendments to	Makes amendments to the following standards:

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Amendment/Interpretation to a standard	Effective date	Impact
(Issued 8 December 2016)	IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017	<ul style="list-style-type: none"> • IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose • IFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> • IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

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

Amendment/Interpretation to a standard	Effective date	Impact (State the impact of the standard if relevant to the entity)
IFRS 16: Leases (Issued 13 January 2016)	Applicable to annual reporting periods beginning on or after 1 January 2019	IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
IFRS 17 Insurance Contracts (Issued 18 May 2017)	Applicable to annual reporting periods beginning on or after 1 January 2021	IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 <i>Insurance Contracts</i> as of 1 January 2021.

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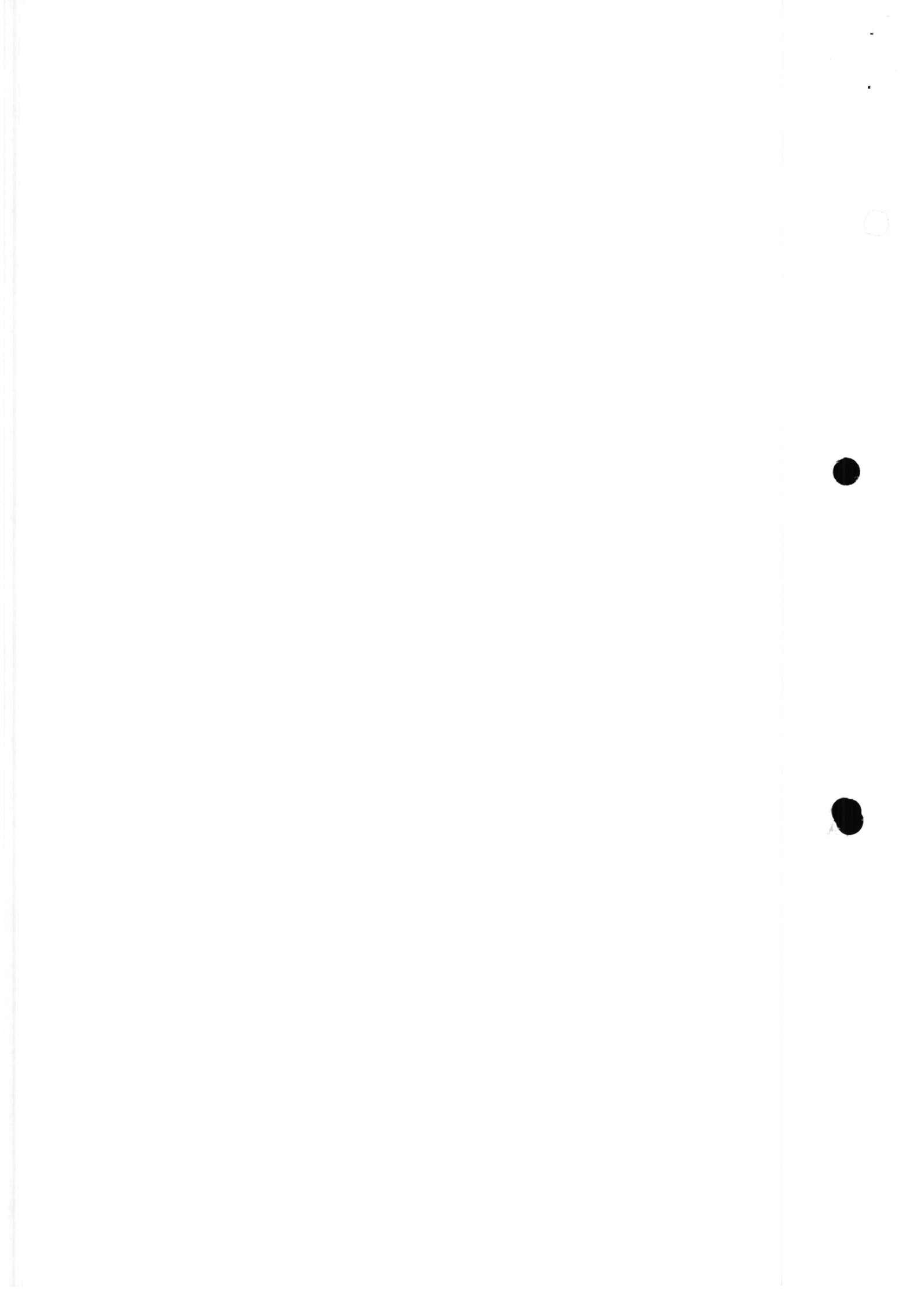
Annual Report and Financial Statements for the year ended June 30, 2018

<p><i>IFRIC 23: Uncertainty over Income Tax Treatments</i> (Issued 7 June 2017)</p>	<p>Applicable to annual reporting periods beginning on or after 1 January 2019</p>	<p>The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:</p> <ul style="list-style-type: none"> • Whether tax treatments should be considered collectively • Assumptions for taxation authorities' examinations • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • The effect of changes in facts and circumstances
<p><i>Prepayment Features with Negative Compensation</i> (Amendments to IFRS 9) (Issued 12 October 2017)</p>	<p>Annual periods beginning on or after 1 January 2019</p>	<p>Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.</p>
<p><i>Long-term Interests in Associates and Joint Ventures</i> (Amendments to IAS 28) (Issued 12 October 2017)</p>	<p>Annual periods beginning on or after 1 January 2019</p>	<p>Clarifies that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.</p>
<p><i>Annual Improvements to IFRS Standards 2015–2017 Cycle</i> (Issued 12 December 2017)</p>	<p>Annual periods beginning on or after 1 January 2019</p>	<p>Makes amendments to the following standards:</p> <ul style="list-style-type: none"> • IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. • IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits. • IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows <i>generally</i> when calculating the capitalization rate on general borrowings.
<p><i>Plan Amendment, Curtailment or Settlement</i> (Amendments to IAS 19)</p>	<p>Annual periods beginning on or after 1 January</p>	<p>The amendments in <i>Plan Amendment, Curtailment or Settlement</i> (Amendments to IAS 19) are:</p> <ul style="list-style-type: none"> • If a plan amendment, curtailment or settlement occurs, it is

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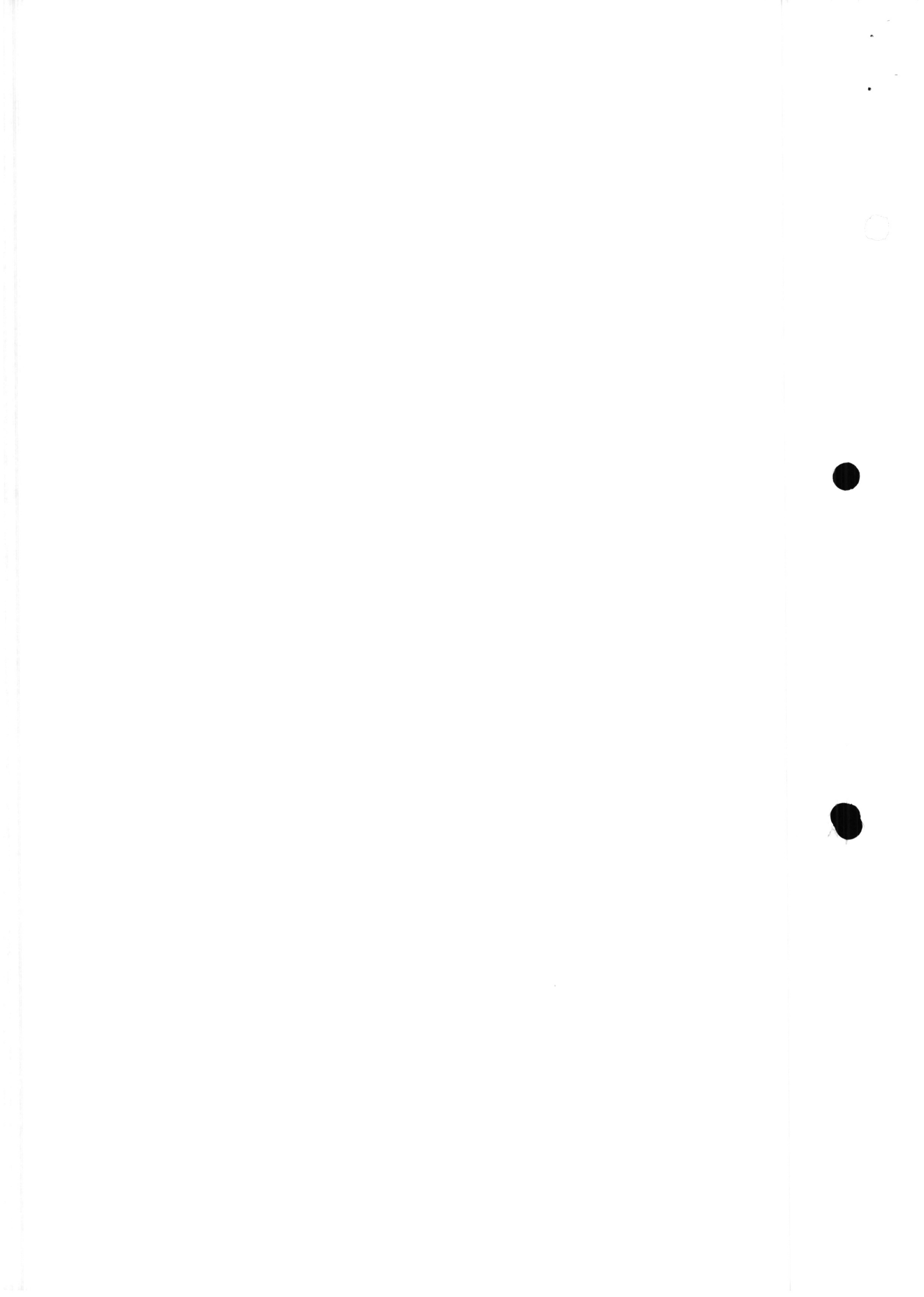
Amendment/Interpretation to a standard	Effective date	Impact (State the impact of the standard if relevant to the entity)
<i>IFRS 16: Leases</i> (Issued 13 January 2016)	Applicable to annual reporting periods beginning on or after 1 January 2019	IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
<i>IFRS 17 Insurance Contracts</i> (Issued 18 May 2017)	Applicable to annual reporting periods beginning on or after 1 January 2021	IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 <i>Insurance Contracts</i> as of 1 January 2021.
<i>IFRIC 23: Uncertainty over Income Tax Treatments</i> (Issued 7 June 2017)	Applicable to annual reporting periods beginning on or after 1 January 2019	The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: <ul style="list-style-type: none"> • Whether tax treatments should be considered collectively • Assumptions for taxation authorities' examinations • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • The effect of changes in facts and circumstances
<i>Prepayment Features with Negative Compensation (Amendments to IFRS 9)</i> (Issued 12 October 2017)	Annual periods beginning on or after 1 January 2019	Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.
<i>Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)</i> (Issued 12 October 2017)	Annual periods beginning on or after 1 January 2019	Clarifies that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
(Issued 7 February 2018)	2019	now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. <ul style="list-style-type: none"> • In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.



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Amendment/Interpretation to a standard	Effective date	Impact (State the impact of the standard if relevant to the entity)
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Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) (Issued 12 October 2017)	Annual periods beginning on or after 1 January 2019	Clarifies that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018)	Annual periods beginning on or after 1 January 2020	Together with the revised <i>Conceptual Framework</i> published in March 2018, the IASB also issued <i>Amendments to References to the Conceptual Framework in IFRS Standards</i> . The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised <i>Conceptual Framework</i> . Some pronouncements



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Amendment/Interpretation to a standard	Effective date	Impact (State the impact of the standard if relevant to the entity)
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<i>Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)</i> (Issued 12 October 2017)	Annual periods beginning on or after 1 January 2019	Clarifies that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
		are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised <i>Conceptual Framework</i> .

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

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

iii) Early adoption of standards

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Revenue recognition

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

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

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

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

b. Property, plant and equipment

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

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

ii) Machinery

The valuation analysis took into account the following factors:

- Cost of the machines;
- Existing use;
- Depreciation;
- Appreciation of the same in value (inflation);
- Functionability; and

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- Cost of assembly of the various machines to make it a plant.
- iii) Other assets – based on their fair market values

Professional valuations are carried out in accordance with the company's policy of revaluing property, plant and equipment every three to five years. The last valuation was as at 30 June 2016.

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

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

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

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

c. Depreciation

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

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

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

d. Leases

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

All other leases are classified as operating leases.

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

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

e. Intangible assets

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

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

Research and development costs

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

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

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

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

f. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises expenditure directly incurred in purchasing, field inspection and monitoring costs and processing the inventory, together with appropriate allocation of processing overheads. Cost is calculated using the weighted average method

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Net realizable value represents the estimated selling price less all estimated costs of completion and the estimated costs necessary to make the sale.

g. Impairment of non-financial assets

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

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

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

Trade and other receivables

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

Cash and cash equivalents

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

Offsetting

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

Accounts payable

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

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h. Foreign currency transactions

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

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

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

i. Provisions

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

j. Employee benefits

(i) Accrued leave pay

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

(ii) Gratuity

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

k. Contingent liabilities

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

l. Taxes

Current Tax

Current tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation. The current income tax charge is calculated on the basis of the tax rates

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

Taxation

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

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5. REVENUE

The following is an analysis of the revenue for the year from continuing operations (excluding interest income)

Product	2018 Ushs	2017 Ushs
Certified Maize Seeds	1,747,506,000	1,760,661,000
Vegetable Seeds	7,800,795,000	7,859,521,000
Pasture Seeds	79,290,000	79,887,000
Agro Chemicals	109,555,530	110,380,984
Total	9,737,146,530	9,810,450,984

The company earns revenue from sale and distribution of seeds.

6. COST OF SALES

	2018 Ushs	2017 Ushs
Opening stock - 1 July	2,624,916,044	1,902,443,070
Purchases	8,941,613,579	8,187,586,478
Production overheads	58,457,086	46,766,800
Closing stock - 30 June	(4,344,990,065)	(2,624,916,044)
	7,279,996,644	7,511,880,304

7. OTHER OPERATING INCOME

	2018 Ushs	2017 Ushs
Transport Recoveries	7,125,755	8,588,400
	7,125,755	8,588,400

8. SELLING AND DISTRIBUTION EXPENSES

	2018 Ushs	2017 Ushs
Seed Testing	1,230,200	2,128,013
Packing costs	16,131,100	4,653,700
Freight-local	75,226,250	50,025,300
Local Traveling	117,691,800	121,074,300
Fumigation	1,568,949	2,426,932
Discount Allowed	-	9,948,000
Advertising and promotions	97,031,900	30,390,925
License and subscription	11,639,100	19,935,677
Demonstrations	23,930,262	5,446,000
	344,449,561	246,028,847

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9. ADMINISTRATIVE EXPENSES

	2018	2017
	Ushs	Ushs
Wages & salary	580,036,069	531,249,107
Overseas travel	68,666,335	44,398,961
Motor vehicle fuel and repair	65,850,826	49,690,193
Telephone and postage	13,885,243	14,374,954
Legal and professional fees	17,725,400	30,024,200
Audit fees	5,320,700	19,486,000
Loss on Exchange	389,844,194	73,304,987
Internal Audit	30,069,700	16,648,830
Internet charges	21,081,523	13,966,900
Provision for low germinating seeds	-	54,648,477
Low germ Seed destroyed	-	653,200
Office equipment service costs	12,231,500	18,742,000
Water and electricity	16,888,550	26,007,168
Directors' expenses	218,159,204	158,541,685
Security	50,565,000	55,727,000
Miscellaneous	9,008,100	6,160,500
Bank charges	11,689,996	12,917,102
Software expenses	16,096,500	7,276,500
Printing and stationery	26,391,500	11,801,309
Bad debts expense	-	79,568,399
Use of MESC assets	1,182,326	4,383,367
	<u>1,554,692,666</u>	<u>1,229,570,839</u>

10. OPERATING EXPENSES

	2018	2017
	Ushs	Ushs
Rent and Rates	326,767,136	335,499,707
Depreciation	16,811,094	19,399,981
Amortization	3,180,000	-
Repairs and maintenance	3,935,000	9,699,005
Repairs tools and Equipment	2,419,983	4,201,814
Insurance	52,535,347	49,235,681
	<u>405,648,560</u>	<u>418,036,188</u>

11. Finance Cost

	2018	2017
	Ushs	Ushs
Interest Expense	<u>43,160,944</u>	-

Interest Expense relates to interest charged by parent company for loan advanced to Simlaw Seeds Uganda

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12. PROPERTY PLANT AND EQUIPMENT

a) Year ended 30 June 2018

	Land	Office Furniture and Equipment	Motor Vehicles	Computer Equipment	Plant and Machinery	Leasehold improvements	Work-in- progress	
	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs
Cost								
Costs at 1 July 2017	80,000,000	56,389,102	14,328,238	91,707,172	113,755,746	189,060,082	-	545,237,331
Additions	800,810,000	-	-	10,286,000	-	-	14,421,700	825,517,700
Revaluation	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-
Costs at 30 June 2018	880,810,000	56,389,102	14,328,238	101,990,172	113,755,746	189,060,082	14,421,700	1,370,755,031
Accumulated depreciation								
Costs at 1 July 2017	-	52,876,769	14,328,238	90,125,929	68,575,216	188,604,313	-	414,510,463
Charge for the year	-	1,622,000	-	3,357,750	11,375,575	455,769	-	16,811,094
Eliminated on disposal	-	-	-	-	-	-	-	-
Costs at 30 June 2018	-	54,498,769	277,737	93,483,679	79,950,791	189,060,082	-	431,321,557
Net carrying amounts								
Costs at 30 June 2018	880,810,000	1,890,333	-	8,506,493	33,804,955	-	14,421,700	939,433,474

Plant, property and equipment with a cost of Ushs 390,164,637 (Ushs 351,495,056 in 2017) were fully depreciated at 30 June 2018

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12. PROPERTY PLANT AND EQUIPMENT (Continued)

b) Year ended 30 June 2017

	Land & building Ushs	Office Furniture and Equipment Ushs	Motor Vehicles Ushs	Computer Equipment Ushs	Plant and Machinery Ushs	Leasehold improvements Ushs	Total Ushs
Cost							
As at 1 July 2016	80,000,000	56,389,096	14,328,238	91,704,172	113,755,746	189,060,079	545,237,331
Additions	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Capitalization	-	-	-	-	-	-	-
Asset Impairment to rev.	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-
As at 30 June 2017	<u>80,000,000</u>	<u>56,389,096</u>	<u>14,328,238</u>	<u>91,704,172</u>	<u>113,755,746</u>	<u>189,060,079</u>	<u>545,237,331</u>
Accumulated depreciation							
As at 1 July 2016	-	50702926	14,328,238	88,560,766	57,499,643	184,318,909	395,110,482
Charge for the year	-	2,173,836	-	1,565,167	11,375,575	4,285,403	19,399,981
Charge due to revaluation							
Eliminated on disposal							
Adjustment to costing							
Adjustment							
As at 30 June 2017	<u>-</u>	<u>52,876,762</u>	<u>14,328,238</u>	<u>90,125,933</u>	<u>68,575,218</u>	<u>188,604,312</u>	<u>414,510,463</u>
Net carrying amounts							
As at 30 June 2017	<u>80,000,000</u>	<u>3,512,334</u>	<u>-</u>	<u>3,143,406</u>	<u>45,180,528</u>	<u>455,467</u>	<u>130,726,868</u>

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13. INTANGIBLE ASSETS

	2018 Ushs	2017 Ushs
Cost		
As at 1 July	58,849,939	58,849,939
Additions	9,540,000	-
As at 30 June	<u>68,389,939</u>	<u>58,849,939</u>
Amortization		
As at 1 July	58,849,939	58,849,939
Charge for the year	3,180,000	-
As at 30 June	<u>62,023,939</u>	<u>58,849,939</u>
Net carrying amount		
As at 30 June	<u>6,360,000</u>	<u>-</u>

Intangible assets consist of assets that were fully amortised amounting to Ushs 58,849,939 (2017 was Ushs 58,849,939)

14. INVENTORIES

	2018 Ushs	2017 Ushs
Maize	839,869,776	383,482,224
Vegetables	3,519,174,763	2,149,551,711
Packaging	26,784,018	101,642,111
Chemicals	13,809,985	38,832,918
Fertilizers	-	6,055,557
Provision for obsolete stocks	(54,648,477)	(54,648,477)
	<u>4,344,990,065</u>	<u>2,624,916,044</u>

The amount of provision recognized as an expense as at 30 June 2018 is Ushs Nil (2017:358 Million).

15. TRADE AND OTHER RECEIVABLES

	2018 Ushs	2017 Ushs
Trade receivables	1,164,004,376	727,506,359
Prepayments	222,199,529	41,699,085
VAT receivables	471,160,442	364,555,870
Provision for bad debts	(169,394,714)	(169,394,714)
	<u>1,687,969,633</u>	<u>964,366,600</u>

Trade receivables are non-interest bearing and are generally settled on 15- 30 days term. As at 30 June 2017, trade receivables at nominal value of Ushs 1,533 million (2017: 964 million) were impaired and fully provided.

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16. TAX RECOVERABLE

	2018	2017
	Ushs	Ushs
As at 1 July	263,328,072	94,387,281
Payment during the year	77,360,914	168,940,792
Charge during the year	-	-
At 30 June	<u>340,688,986</u>	<u>263,328,073</u>

17. CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flow, cash and cash equivalent consist of:

	2018	2017
	Ushs	Ushs
Cash at bank	839,306,509	1,938,973,231
	<u>839,306,509</u>	<u>1,938,973,231</u>

18. SHARE CAPITAL

	2018	2017
	Ushs	Ushs
Authorized, issued and fully paid 5,000 ordinary shares of Ushs 25,000 each	<u>125,000,000</u>	<u>125,000,000</u>
Unalloted share capital	<u>1,474,492,300</u>	<u>1,474,492,300</u>

19. RELATED PARTY BALANCES

The ultimate holding company is Kenya Seed Company Limited, Incorporated and domiciled in Kenya. The outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. The following transactions were carried out with related parties.

Long term Liabilities

a) Amounts due to related parties

Kenya seed company Limited	818,581,268	693,895,463
Mt Elgon Seeds company limited –	1,709,973,147	1,708,790,821
Simlaw seeds company limited – Nairobi	443,640,386	402,497,449
Kibo Seed		9,173,200
Kenya seed Loan	450,160,944	-
	<u>3,422,355,745</u>	<u>2,814,356,933</u>
Current Liabilities		

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	2018	2017
b) Amounts due to related parties		
Kenya seed company Limited	3,004,259,396	2,005,774,951
	<u>3,004,259,396</u>	<u>2,005,774,951</u>

Transaction with directors relates to travel and sitting allowance for the board meetings held during the year.

20. TRADE AND OTHER PAYABLES

	2018	2017
	Ushs	Ushs
Trade payable	2,514,806,447	1,978,738,940
Other payables -Accruals	<u>5,484,611</u>	<u>18,923,433</u>
	<u>2,520,291,058</u>	<u>1,997,662,373</u>

Trade payables are non-interest bearing and are normally settled on 30-60 day's term. Other payables are non-interest bearing and have an average of 45 days and consist of staff welfare contributions.

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21.

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.

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 2018 is made up as follows:

	2018	2017
	Ushs '000	Ushs '000
Net trade receivables	987,484	558,112
Net staff receivables		
	<u>987,484</u>	<u>558,112</u>

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

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Movement in provisions for doubtful debts:

	2018	2017
	Ushs '000	Ushs '000
As at 1 July	169,394	169,394
Recoveries during the year	-	-
Provisions for the year	-	-
As at 30 June	169,394	169,394

Cash and cash equivalents

The Company held cash and cash equivalents of Ushs'000 839,461 (2017: Ushs'000 - 1,938,973). The cash and cash equivalents were held with reputable banks and financial institutions

(b) Market risk

Market risk is the risk that the fair value or future value of instruments will fluctuate due to changes in market valuables such as interest rates and foreign exchange rates. The objective of market risk management policy is to protect and enhance the statement of financial position and income statement by managing and controlling market risk expenses within acceptable parameters and to optimize the funding of business operations and facilitate capital expansions.

Interest rate risk

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

	Change in Interest rate	Effect on profit Before Tax Ushs '000	Effect on Equity Ushs '000
2018	-10.00%	4,316	3,021
	10.00%	(4,316)	(3,021)
2017	-10.00%	-	-
	10.00%	-	-

Exchange risks

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

USD	Change in currency rate	Effect on profit Before Tax Ushs '000	Effect on Equity Ushs '000
2018	-10.00%	34,270	23,990
	10.00%	(34,270)	(23,990)
2017	-10.00%	7,330	5,131
	10.00%	(7,330)	(5,131)

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(c) *Liquidity risk*

Liquidity risk is the risk that the Group and Company will not be able to meet its financial obligations as they fall due. The Group'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 Group's reputation. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(d) *Operational risk*

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

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

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

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

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

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

22 CAPITAL MANAGEMENT

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

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

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

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

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

	2018	2017
	Ushs '000	Ushs '000
Trade and other payables	2,502,291	1,997,662
Less: Cash and other short term deposits	<u>(839,307)</u>	<u>(1,938,973)</u>
Net debt	1,662,984	58,689
Total Capital (Equity)	<u>1,599,492</u>	<u>1,599,492</u>
Capital and net debt	<u>4,974,706</u>	<u>4,413,849</u>
Gearing ratio	<u>132%</u>	<u>136%</u>

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

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23. FAIR VALUES

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

24. INCORPORATION AND ULTIMATE HOLDING ENTITY

The Company is domiciled and incorporated in The Republic of Uganda under the Companies Act of Uganda. The company is a limited liability by virtue of majority shareholding by Kenya Seed Company 98%

25. CURRENCY

These financial statements are presented in Uganda Shillings (Ushs '000).

26. 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.

27. FIVE YEAR PERFORMANCE TREND

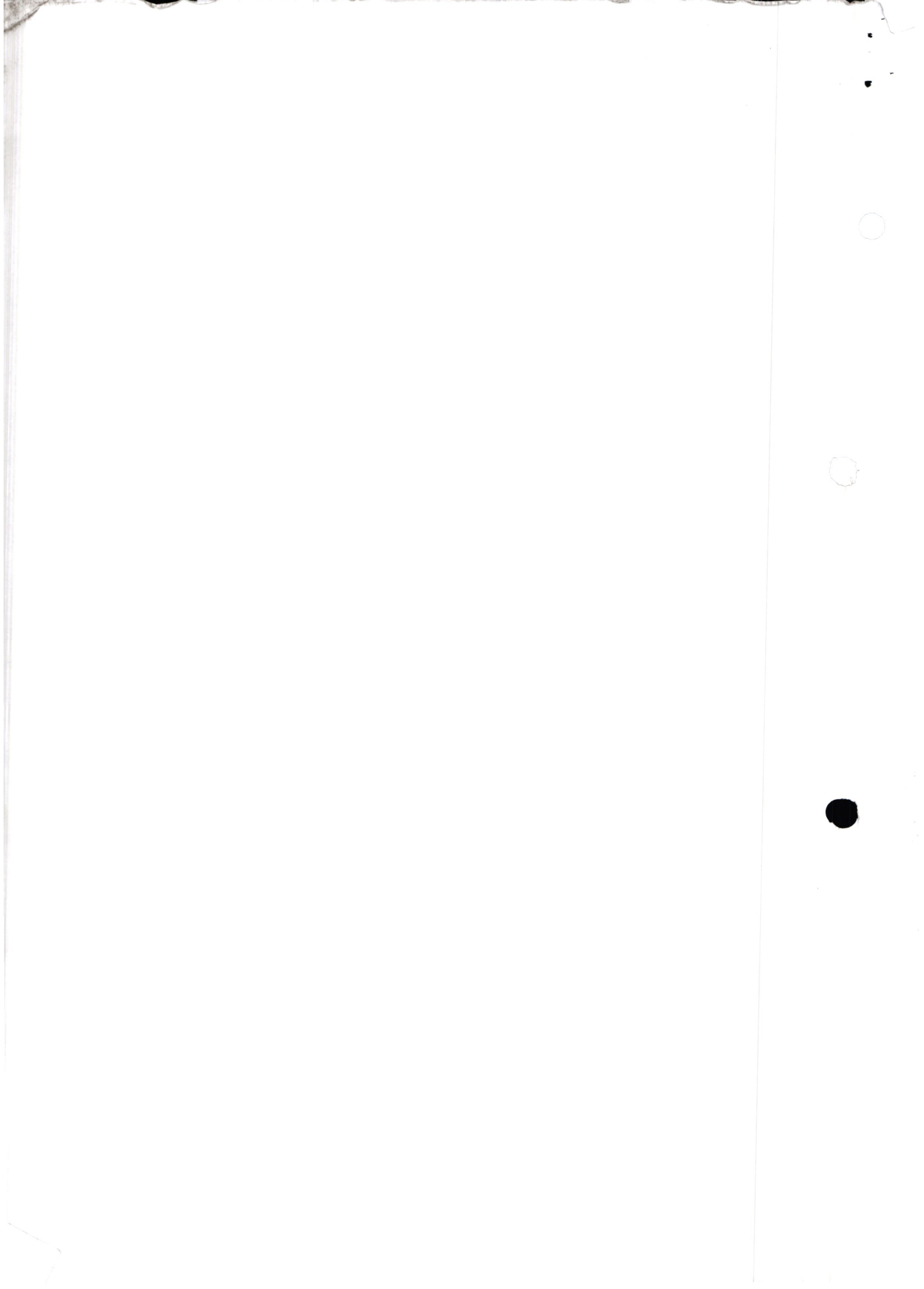
	2018	2017	2016	2015	2014
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Turnover	9,737,147	9,810,450	6,900,125	4,473,393	4,285,886
Profit before tax	107,326	413,522	191,322	(375,902)	(49,158)
Tax charge	-	-	-	-	-
Profit for the year transferred to retained earnings	107,326	413,522	191,322	(375,902)	(49,158)
Share Capital and shareholders' Funds					
Ordinary Share capital	5,000	5,000	5,000	5,000	5,000
Share holders' funds	(788,158)	(895,483)	(1,309,006)	(1500,328)	1,342,881
Earnings and Dividend per Share					
Earnings per share	21.5	82.7	38.26	(75.18)	(9.83)

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PROGRESS ON FOLLOW UP OF AUDIT RECOMMENDATIONS


REPORTED	MATTER	MANAGEMENT COMMENTS	RESPONSIBLE PERSON	TIME FRAME	STATUS
Management letter 2017	Non reconciliation of VAT Claimable account to the VAT returns	This is currently handled by tax consultant	Finance Controller	Dec 2018	Resolved
Management letter 2017	Overdue servicing of the fire extinguishers and lack of staff preparedness	Servicing is being done as scheduled	General Manager	Mar2019	Resolved
Management letter 2017	Lack of cheque payment vouchers	This is still work in progress	Finance Controller	Immediately	Unresolved
Management letter 2017	Lack of bank reconciliations & bank statements	This is done on regular basis	Finance Controller	July 2018	Resolved
Management letter 2017	Payment of suppliers through the petty cash	Supplier were advised to open bank accounts	Finance Controller	Dec 2018	Resolved
Management Letter 2017	Under/ over provisions for bad debts		Finance Controller	Dec 2018	Resolved
Management Letter 2017	Non provision for bad debts for some debtors with long outstanding balances		Finance Controller		Resolved
Management Letter 2017	Recoverability of the debtors with long outstanding balances	This is still work in progress	Finance Controller		Unresolved
Management Letter 2017	Noncompliance with the stock purchase procedure		FC /GM		Resolved
Management Letter 2017	Inadequate environmental control in the server room		FC		Resolved
Management Letter 2017	Under/over declaration of monthly sales in the VAT returns.	Amendments to returns was done	FC		Resolved
Management Letter 2017	Non declaration of December 2016 sales in the VAT return	Returns were amended accordingly by Tax consultant	FC		resolved



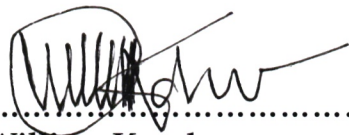
Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2018

Management Letter 2017	Non up date of the share registers	It is still work in progress	GM		Unresolved
Management Letter 2017	Late filing and payment of statutory deductions		FC		Resolved
Management Letter 2017	Unpaid Local Service Tax (LST) for some staff in the month of October 2016		FC		Resolved



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Sylvia Kyeyune
General Manager
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Mr. William Kundu
Chairman of the Board
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