

REPUBLIC OF KENYA



Enhancing Accountability



REPORT

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 08 APR 2025 DAY: Wednesday	
TABLED BY:	<i>Hon. Sylvanus Esoro, MP Majority Party Whip</i>
CLERK-AT-THE-TABLE:	<i>A. Shibeko</i>

OF

THE AUDITOR-GENERAL

ON

**SIMLAW SEEDS COMPANY LIMITED
(SUBSIDIARY OF KENYA SEED COMPANY)**

**FOR THE YEAR ENDED
30 JUNE, 2024**

Simlaw Seeds

®

Superior & Reliable



Simlaw Seeds Company Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30TH JUNE, 2024

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



*Simlaw Seeds Company Limited Annual Report and Financial Statements
For the year ended 30th June, 2024*

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I. Key Entity Information

a) Background information

Simlaw Seeds Company Limited is a limited liability company, incorporated in Kenya, under the Kenyan Companies Act (Chapter 486, Laws of Kenya), is domiciled in Kenya, and has Branches in Karatina, Meru and Loitokitok. For Kenyan Companies Act 2015 reporting purposes, the balance sheet is represented in these financial statements by the Statement of Financial Position and the profit and loss account by the Statement of Profit or Loss and other comprehensive income.

b) Principal Activities

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

VISION

A global force in the agro - industry

MISSION

To avail superior certified seeds and other farm inputs to optimize productivity.

CORE VALUES

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

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

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

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

Quality Services: We recognize that our customers are the reason we exist. We therefore endeavour to provide high quality services that meet customer needs and honour commitments that we have made to them.

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

c) Directors

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

- | | | | |
|----|----------------------------|--|--|
| 1. | Hon. Bernard Wambwa | - Chairman | Appointed on 13 th July 2023 |
| 2. | Mr. Sammy Chepsiror | - Chief Executive/MD | Appointed on 25 th March 2024 |
| 3. | Ms Edna Atisa | - Alt. Director to the PS
The National Treasury | Appointed on 5 th May 2021 |
| 4. | Mr. James Wanjohi | - Alt. Director to PS, M.O.A | Appointed on 7 th Feb 2023 |
| 5. | Mr. Simon Cherogony | - Director | Appointed on 13 th July 2023 |
| 6. | Dr. Wilson Tonui | - Director/MD ADC | Appointed on 19 th Dec 2024 |

d) Corporate Secretary

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

e) Registered Office

Simlaw House
Kijabe Street – Off Globe Cinema Roundabout.
P.O. Box 40042-00100
Nairobi, KENYA

f) Corporate Headquarters

P.O. Box 553-30200
Mbegu Plaza
Kijana Wamalwa Street
Kitale, KENYA

g) Corporate Contacts

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

h) Corporate Bankers

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

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

Other Bankers

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

i) Independent Auditors

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

j) Principal Legal Advisers

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

Company Shareholding

Kenya Seed Company acquired Simpson and Whitelaw in 1979 and operated as a branch until 2001 when Simlaw Seeds was incorporated under The Companies Act (Chapter 486, Laws of Kenya) on 5th November 2002. The issued and fully paid share capital is 5000 share worth Kes .200, 000. The shareholders of the company as at 30th June 2024 were as follows:

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

Our seed business

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



Our Seed Brands

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





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The Board of Directors



Ref	Directors	Details
1.	 Hon. Bernard Wambwa. Chairman	<p>Hon. Bernard Wambwa, Chairman Director Bernard Wambwa was born on 20th February 1977 and he is a member of the Board of Kenya Seed Company Ltd. He holds a Diploma in Project Planning and Management and ongoing with Bachelor of Project Planning and Management at University of Nairobi. He was appointed to the Board of Kenya seed Company as Director on 13th July 2023.</p>
2.	 Ms. Edna Atisa, Alternate Director to the PS, The National Treasury	<p>Alternative Director to the Principal Secretary National Treasury Ms. Edna Atisa was born on September 23, 1977, she is alternate member of the board representing the Cabinet Secretary for the National Treasury. Ms. Atisa holds a Master's Degree in Economics, Bachelor of Arts in Economics and Postgraduate Diploma in Education from the University of Nairobi. She is an Economist with vast experience in the public sector specializing in economic policy formulation and implementation and is a member of the Economics Society of Kenya. She is currently a Deputy Director at the National Treasury.</p>
3.		<p>Mr. Symon Kipchumba Cherogony Mr. Symon Cherogony was born in 1954. He holds a Bachelor of Science Degree in Engineering from Texas A & M University, USA and a diploma in Agricultural Engineering from Egerton University. Mr. Cherogony joined Kenya Farmers Association (KFA) in 1988 as a Sales</p>

		<p>Manager thereafter was promoted to the position of General Manager-Machinery, a position he served until 1999. In 1999 He rose through the ranks in various positions in the organization. In 1994, Mr. Cherogony was promoted to the position of the overall General Manager of the KFA business, a position he occupied until 2007 when he was promoted to the position of the Managing Director of KFA which he has held to date. Mr. Cherogony has represented KFA in the Board of Kenya Seed Company from 2009 to date. Mr. Cherogony is a seasoned professional who has attended various professional development programs both locally in Kenya and internationally.</p>
4	 <p>Dr. Wilson Tonui Director</p>	<p>Dr. Wilson Tonui –Managing Director ADC</p> <p>Dr. William Tonui is a Professional in the Agricultural sector with a proven track record and a wealth of experience spanning over 28 years working in various capacities in different ADC farms spread across the country. Successful leader and a manager with an in-depth knowledge in livestock and crop production. He has previously served as Regional Manager in charge of ADC Kitale, Technical Manager Strategy Planning, Technical Manager Operations and Livestock. Wilson holds master’s degree in Business administration (Strategic Management Option) from St. Paul’s university, Bachelor’s degree in Veterinary Medicine from University of Nairobi. He has also undertaken other professional course that include International Certificate in Dairy Cattle Production from Israel, Strategic Leadership and Management skills, Corporate governance, Finance for non-finance managers, Human Resource for non-human resource managers, Performance management and ISO internal quality auditing skills.</p>

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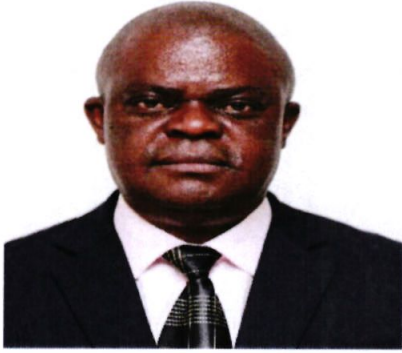
<p align="center">5</p>	 <p align="center">CEO/MD Mr. Sammy Kiplagat Chepsiror</p>	<p>Mr. Chepsiror Kiplagat Sammy was born on 12th December, 1966 he is the Managing Director/CEO. Mr. Chepsiror has over 25 years' experience in strategic Marketing, Sales, Operations, Banking and Customer Service management. He holds MBA in Strategic Management, Master of Management and Leadership, Bachelor of Commerce (Marketing), Diploma in Management & Development. He is a member of Marketing Society of Kenya (MSK) and Public Relations Society of Kenya (PRSK). He joined the Company in 2006 as Sales and Marketing Manager in Simlaw Seeds Company. He previously worked in the banking sector. He is a National Council member of Agricultural Society of Kenya.</p>
<p align="center">6</p>	 <p align="center">Entity Secretary CS. Wilkister Simiyu</p>	<p>Ms. Wilkister Simiyu was born on 16th June, 1981 and is the Company Secretary and Head of Legal Services. She has 10 years' work experience both as a practicing advocate and an in-house counsel having worked with Kitiwa & Co., Nyaundi, Tuiyot & Co. and Moi University. She holds LLB degree from Moi University and postgraduate diploma in Law (KSL). She is a CS (K) holder and currently pursuing a Master of Laws. She joined the company in October 2016.</p>

II. Management Team

Ref	Management	Details
1	 <p>General Manager Mr David Kiplagat Tum</p>	<p>General Manager</p> <p>Mr. David Kiplagat Tum was born in 1978 and is the General Manager of Simlaw Seeds Company Kenya Ltd, a subsidiary of Kenya Seed Company. Mr Tum holds a BSc in Business Administration from USIU and Master of Business Administration from Staffordshire University in UK. Mr Kiplagat worked as an Accountant at Simlaw Seeds between 2000 and 2003. He was a Director of Soet Group from 2003 to 2007 and the Managing Director of Commercial Grain Services Ltd from 2008 to 2015. Mr. Kiplagat was appointed to the board of Kenya seed on 2015 Mr Kiplagat resigned from the Board in September 2016 when he was appointed as the General Manager of Simlaw Seeds Company Limited.</p>
2	 <p>Finance Manager Mr. John Serem</p>	<p>Mr. John Kiplagat Serem was born in 1967 and is the Finance Manager of Simlaw Seeds Company Kenya Ltd, a subsidiary of Kenya Seed Company. John holds a Bachelor of Commerce in Accounting from University of Nairobi, Post graduate Diploma in Business Administration and Master in Management Studies Business Administration from Uganda Management Institute. Mr. Serem has served in the Kenya Seed Group for over 31 years. He served as Accountant at Elgon Downs Farm 1993-2004, Financial Controller Simlaw Seed Uganda 2005-2013, Chief Accountant Kenya Seed Company 2014 to 2023.</p> <p>John has vast experience in Financial management having undertaken various training of Financial Reporting (IFRS) and training by the Institute of Certified Public Accountants of Kenya (ICPAK) and Deloitte Consultancy Firm among others. He is full member of The Kenya Institute of Management (M-63003).</p>

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3	 <p>Chief H.R Officer Mr. Philip Arusei</p>	<p>Mr. Philip Arusei was born in 1980 and he is Chief Human Resource Officer . He is a holder of Bachelor of Business Management (HR Option) from Moi University. He is an experienced Human Resources & Administration Officer with a demonstrated history of working in the Agriculture and manufacturing industries. Skilled in staff competency development, Performance Management, Industrial relations and disciplinary processes and Human Resources Management Information Systems (HRMIS). He has an aptitude and professionalism in administration.</p>
4	 <p>Ms. Rosslynne Nyangi Marketing Manager</p>	<p>Ms. Rosslynne Nyangi was born in 1981. She is the Sales and Marketing Manager. Rosslynne boasts 15 years' experience in the marketing field. This she has built over several industries including private sector and government as well as working with communities in Kenya, Tanzania, Uganda, Mozambique, Zimbabwe, Zambia and South Africa. Ms. Nyangi has a BSc. Biochemistry from Kenyatta University, an MBA. Strategic Management and Marketing from Daystar University and is currently pursuing her PhD. Business Administration in Marketing from Daystar University. Ms. Nyangi has an MCIM accreditation from Chartered Institute of Marketing, CIM(UK) and is a member of the Marketing Society of Kenya</p>
5	 <p>Ag Technical Service Manager Mr. Thomas Kariuki</p>	<p>Mr Thomas Kariuki was born in 1979. He holds a Bachelor of Science (Horticulture) from Jomo Kenyatta University of Agriculture and Technology and Master of Science (Crop protection) from the University of Nairobi. He had done several related short courses locally and internationally. He possesses wealth of experience spanning over 10 years in seed production, plant breeding and in sales and marketing of agro inputs.</p>

6	 <p>ICT Manager Mr. Isaac Macharia</p>	<p>Isaac Macharia was born in 1982 and he is ICT Manager. He is BSC IT Holder from JKUAT and currently undertaking MSC Project Management. A multi-skilled IT professional with over 10 years of experience as a software specialist, Extensive practical knowledge of complex systems builds, hardware and software's and Skilled at operating in a wide range of ICT platforms.</p>
	 <p>Senior Procurement Officer Mr. Edward Namasaka</p>	<p>Mr. Edward Namasaka was born in 1968 and he is the Senior Procurement Officer. He holds a Bachelor of Commerce degree from the University of Nairobi and a post graduate diploma in purchasing and supply management from Chartered Institute of Purchasing and Supplies Management. He has over 20 years' experience having worked at the manufacturing sector, non - governmental organization and Ministry of Agriculture. He is a member of Kenya Institute of Supplies Management</p>

III. Chairman's Statement



Dear Shareholders,

On behalf of Simlaw Seeds Company Board of Directors, I am Pleased to present to you the Annual Financial Report and Financial Statements of Simlaw seeds Company Limited for the Fiscal year Ended 30th June 2024

Business Environment Overview

Simlaw Seeds company started the financial year 2023/2024 with unfavorable weather patterns with dry spell experienced in the eastern part of the country. Kenya's Bottom-up-Economic transformation Agenda (BETA) plan focuses on manufacturing, affordable housing, universal health coverage, and food and nutrition security. It envisages enhancing structural transformation, addressing deep-seated social and economic challenges. By implementing the BETA strategy, Kenya hopes to reduce poverty rapidly and create the much-needed decent jobs for the youth.

In 2023, Kenya's economy grew by 5.8 percent with the agricultural sector regaining momentum due to the favorable weather conditions. The improved growth performance was attributed to a string rebound in the agricultural sector which faces various challenges such as persistent and severe drought, pests and diseases like Maize Lethal Necrosis Disease (MLND), SMUT, African Army Worm/Fall Army Worm (AAM/FAW), post-harvest losses, low produce prices, low yields per acre and moderate growth in the service sector

Agriculture sector in Kenya dominates Kenya's economy, as it continues to play a critical role accounting for 20 percent of Gross Domestic Product (GDP) and employing over 40 percent of the total population and more than 70 percent of the rural populace. According to Central Bank of Kenya (CBK), the agriculture sector survey of January 2023 revealed that high frequency quality data is available to inform food supply situation in the country, the prevailing prices and the challenges that may affect production in the sector.

The seed subsector faced challenges in land subdivision which has reduced acre- age suitable for seed production. The implementation of the Comesa protocol on commodities has seen the flooding of cheap commercial maize into the country from member countries which has led to low commercial maize prices. This is likely to lower the demand of seed maize in the coming year as farmers may opt for alter- native agricultural activities.

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

Farmers, who are used to rain-fed farming systems, are being pushed into dryer, more marginal areas where they become increasingly vulnerable to drought and the unpredictability of weather patterns resulting from climate change. The population increase, coupled with the expansion of agriculture into arid lands, has affected the dynamics of pastoralism, where increased competition for natural resources has sparked escalated conflict in some areas. Furthermore, there has been a

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marked increase in the number of people dropping out of the nomadic livelihood, often moving into settled communities which are heavily reliant on food aid.

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

Financial Review

In the year under review the Company recorded a profit after tax from Kes.34 million for the year ended 30 June 2024 compared to last financial year of 19Million. The company's Turnover increased from Kes.1.767 Billion in 2023 to Kes.1.873 Billion in the year 2024. The company asset base stood at Kes.1.803Billion (2023) from Kes.1.622Billion(2022). The shareholders fund recorded a growth from Kes.667million to Kes.701 Million at the close of the year.

Seed Supply

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

Dividend

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

Future Outlook

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

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

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

Appreciation

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



Hon. Bernard Wambwa

Chairman

IV. Report of the General Manager



It is my great pleasure to present to you the performance of Simlaw Seeds Company for the year ended 30th June 2024.

Financial Performance

In the FY2023/24, the turnover increased by 6% from Kes.1.767billion to Kes.1.873Billion.

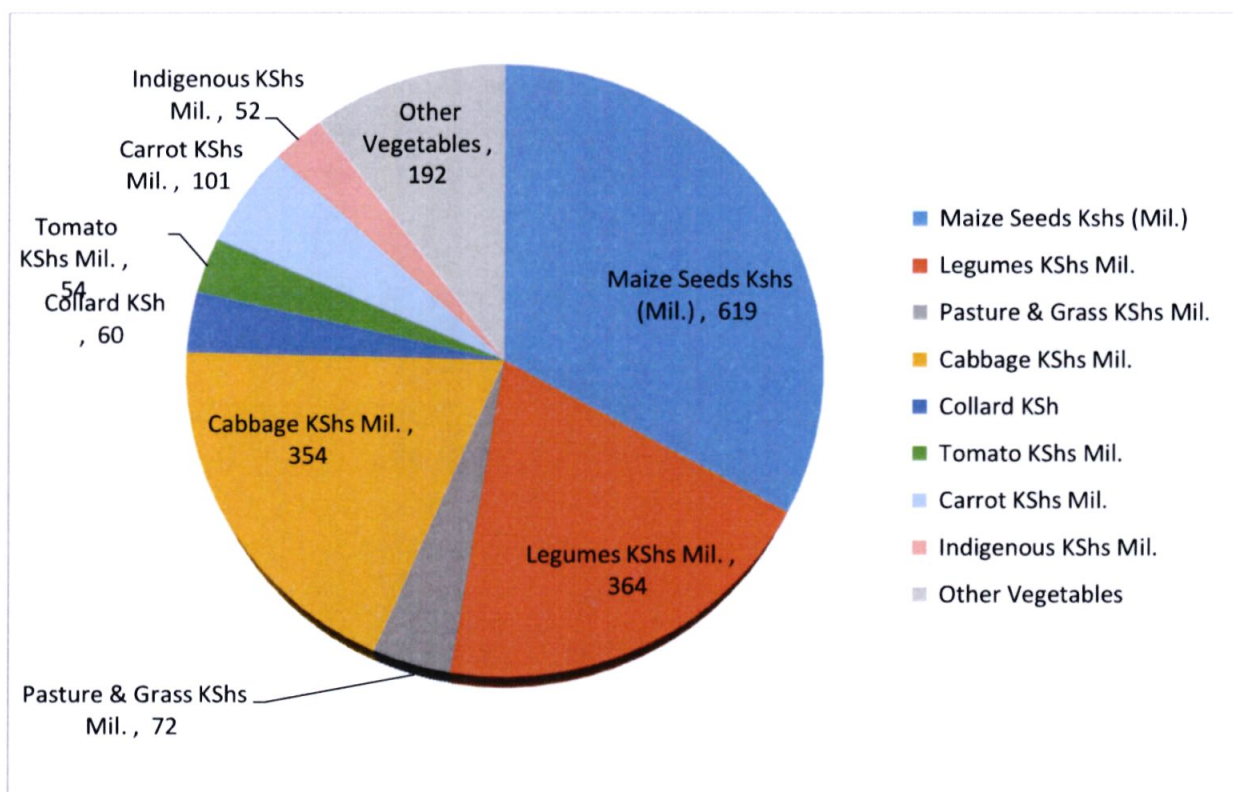
Profit after Tax for the period increased from Kes.19 million to Kes. 34 million.

The closing Cash balance increased from Kes.153.5Million at the start of the year to Kes.199 Million at end of the financial year as result of increased recoveries on the trade receivables as well as increased sales revenue at the balance sheet date. The Non-current assets increased from 349Million to 356 Million due to acquisition of new company vehicles to assist in marketing and production expansion. Trade receivables increased from 165.7 million to 197.6 Million due to increased sales revenue towards the last quarter in the year under review.

FIVE-YEAR PERFORMANCE TREND

	2024	2023	2022	2021	2020
	Kes'000	Kes'000	Kes'000	Kes'000	Kes'000
Turnover	1,873,791	1,767,579	1,941,862	1,669,748	1,586,493
Profit before tax	58,278	52,491	76,275	42,200	71,562
Tax charge	(24,505)	(29,403)	(28,800)	(10,000)	(18,696)
Profit for the year transferred to retained earnings	33,773	19,801	47,475	32,200	52,866
Dividends	-	-	-	-	-
Share Capital and shareholders' Funds	701,151	667,578	568,571	521,226	489,026
Ordinary Share capital	200	200	200	200	200
Share holders' funds	701,351	698,786	568,348	521,226	488,826
Earnings and Dividend per Share					
Earnings per share	6,755	4,6176	9,495	6,440	10,573
Dividend per share(Kshs)					-

PERFORMANCE AT A GLANCE



Turnover in Kenya Shillings (Billions)

1.873

Profit After Tax in Kenya Shillings (Millions):

33.77

Balance Sheet Size in Kenya Shillings (Millions):

1,797.72

Shareholders' Funds Shillings (Millions):

701.35

Research and Development

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

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

Operations

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

Future Outlook

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

The company's future growth will be driven by:

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

Customer focus

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

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

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Acknowledgement

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

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

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



David Kiplagat Tum
General Manager

V. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2023/2024

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

The company has six strategic pillars and eight objectives within its Strategic Plan for the FY 2023/2024- 2027/2028. These strategic pillars are as follows:

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

The company develops its annual work plans based on the above Six pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The company achieved its performance targets set for the FY 2023/2024 period for its strategic pillars, as indicated in the table below:

Strategic Pillar	Objective	Key Performance Indicators (KPI)	Activities	Achievements
Quality Seed availability	To ensure compliance with Seed Act Cap 326 as well as customer and stakeholder expectations on seed quality. Develop, release and commercialize varieties	Reduced number of customers complains of seed quality Entry to NPT and DUS Commercialized variety Develop infrastructure (cold storage/irrigation facility and greenhouses)	-Continuously implement and review effectiveness of quality assurance programs to enhance seed quality -Build capacity to attain ISTA accreditation and be an authorized institution in execution of OECD seed schemes. -Seek for authorization by KEPHIS to carry out delegated seed certification	The company has ensured there is effectiveness of quality assurance programs to enhance seed quality hence registering minimal customer complaints. KEPHIS Authorization. Training has been done for 3 members of staff from Quality Assurance as Seed inspectors and analysts and who have been gazetted. Released and commercialized a bean variety and Kale variety Adequate seed supply from contracted growers

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Governance and Risk management	Improve the risk management frame work	Risk management policy.	Develop and implement a risk management policy.	The company has developed and is implementing the risk management policy, as well as departmental risk champions who have developed respective risk registers.
		Company assets status report	Secure company assets	To ensure the safety of property, the Company has insured all property and has installed CCTV cameras in all buildings.
Human Resources Management	Attract, retain and develop a competent and committed staff	Reviewed organization structure	Review and implement an organizational structure.	The company has a reviewed organization structure and implementation is ongoing.
		Succession management system	Develop and implement a Succession management system	Succession Management system and policy is in place.
		Employee satisfaction index report	Enhance employee satisfaction index by 5% annually	The company commenced with the employee satisfaction survey, which will be concluded in 2021/22.
		Performance Management system	Enhance the Performance Management system	Top management were trained on Performance management and the company is in the process of reviewing its performance management tools.
		Reward/ sanction report	Enhance the reward/ sanction and remuneration system	The company has a HR policy, which guides on the reward/ sanction and remuneration system. The company also rewards its members of staff with a bonus pay based on the organizational performance.
		Training Needs Assessment Report	Ensure Staff Training and Development	The company has developed and is implementing the Training Needs Analysis (TNA).
		Work environment report	Develop and maintain a work environment that stimulates team spirit, passion, engagement and achievement	The company has continued to maintain a work environment that stimulates team spirit, passion, engagement and achievement through departmental team building forums.
Financial Stability	Improve Profit Before	Audited Financial Statements	Increase gross profit margins by 1% annually	The Company has put in place strict internal control measure to prevent against losses. It has also negotiated

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	Tax by 20% annually			for more favourable trading terms with suppliers. The gross profit margin increased from Kshs 405Million in 2021/22 to Kshs 448 million in 2022/23.
		Sales reports	Attain the Targeted Sales Volume of all Products	The company has always strived to attain the Targeted Sales Volume of all Products. It attained a sales revenue Kes 1.767Billion
		Audited Financial Statements	Reduce overheads by 1% annually. Maintained adequate inventory levels	The overall expenditure stood at Kes 406million against a budget of Kes 394Million The company established the annual demand reorder level lead time and cost of storage for each products
Marketing Growth	Increase sales volume	Sales volume report and Promotion report.	Carry out aggressive marketing research in all regional markets	The Company achieved a sales turnover of Kes 1.767Billion against a target of Kes 2.35Billion translating to 80% achievement. To attain the sales volumes in the subsequent years, the marketing team has done market segmentation and assigned targets to its outlets to step up visibility and sales. It has also intensified planned product promotion activities. There is synchronized Production, Processing and marketing demand to ensure product availability.
		Export report	Timely Supply of the required quantities of seed to all subsidiaries	The Company has continued to support its related companies in Uganda, Rwanda and Tanzania through timely Supply of the required quantities of seed.
		Sales Volume report	Product diversification i.e., Sale of complementary products	The company is in the process of collaborating with suppliers of complementary products e.g., fertilizers and herbicides.
		Feedback and Market audit report.	Market 4 established seed varieties per eco zone	The company is in the process of conducting a market survey in 2023/24.

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

VI. Corporate Governance Statement

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

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

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

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

Board of Directors

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

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

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

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

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

The composition of board, date of appointment and position held as on 30th June 2024

The Board Composition is highlighted on Page iv of this Annual Report and Financial Statements.

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 four Board

meetings in the financial year ending 30th June 2023. During their meetings, the Board reviews the Companies performance against the planned strategies and approves issues of strategic nature.

Governance Principals

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

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

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

Board Committees

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

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

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

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

1. Audit Committee

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

Role of Audit Committee:

- 1) Overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible information is disclosed.
- 2) Reviewing the financial statements and draft audit report, including quarterly information.
- 3) Reviewing with management the annual financial statements before submission to the Board focusing primarily on:
 - Any changes in accounting policies and practices;
 - Major accounting entries based on exercise of judgment by management;
 - Qualifications in draft audit report;
 - Significant adjustments arising out of audit;
 - The going concern assumption;
 - Compliance with accounting standards;

Composition and other details of Audit Committee

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

Due to exogenous factors, the audit Committee were unable to have meetings during the financial year 2022/23:

2. Production Research and Marketing Committee

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

Due to exogenous factors the Production Research and Marketing Committee had no meetings during the financial year 2021/22.

3. Finance, Staff and General Purpose Committee

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

Due to exogenous factors the Finance, Staff and General Purpose Committee had no meetings during the financial year 2022/23:

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

Directors' Remuneration

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

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Directors' fees are paid annually upon approval by shareholders during the Annual General Meeting in accordance with Government's guidelines for all state corporations.

Below is a summary of entitlement per Board Member:

Type of payment	Chairman	Member
Honoraria	Kshs 80,000	N/A
Sitting allowance (per sitting)	Kshs 20,000	Kshs 20,000
Telephone – airtime for mobile phone per month	Kshs5,000	N/A
Transport allowance/mileage	AA rates	AA rates
Lunch allowance	Kshs 2,000	Kshs 2,000
Director's fees per annum on prorata basis	Kshs 450,000	Kshs 450,000
Accommodation Allowance when travelling for meeting venues in Kenya	Kshs 18,200	Kshs 18,200
Accommodation Allowance when travelling for Board meeting in Uganda	US\$615	US\$615
Accommodation Allowance when travelling for Board meetings in Tanzania	US\$603	US\$603

Code of Conduct

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

Internal Control

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

Conflicts of Interest

All directors and management are under duty to avoid conflicts of interest.

The directors are required to disclose their business interests that would conflict with the company business.

Going Concern

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

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Independence

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

Activities and Achievements

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



Hon. Bernard Wambwa
Chairman, Board of Directors

Date: 30th September 2024

VII.. Management Discussion and Analysis

Section A: The entity's operational and financial performance

Background

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

A1: Revenues

Revenues increased by 6% from Kshs1.767Billion to Kshs 1.873 Billion as highlighted in the table below.

Product	2024	2023
	Kes '000	Kes '000
Maize	618,860	619,989
Legumes	304,414	236,226
Pasture	134,192	95,702
Cabbage	354,289	407,491
Tomato	54,171	32,729
Collard	60,239	64,007
Onion	40,239	28,180
Carrot	100,896	69,943
Spinach	45,771	42,700
Indigenous	52,141	61,290
Other vegetables	108,579	109,322
Total	1,873,791	1,767,579

Field crops sales

The total revenue from field crops in the year 2023/24 amounted to Kes. 1,057 million against Kes. 986 million in the prior year sales, this represented 7% increase in sales. This was attributed to the concerted efforts put to the sales of legumes.

Maize sales stood at Kes. 619 million against actual sales amount of Kes.620 Million in the year 2022/2023. The decline was as a result of stock outs of some popular varieties for these ecological zones.

It's worth noting that the Field Crop sales contributed 54% of the total revenue of Kes 1.783 billion posted during the year under review.

Vegetables sales

The revenue from vegetable seed sales amounted to Kes.816 million against Kes.781 Million reported in the same period in 2023. This representing a 4% increase from last years' sales. The increase in vegetable sales is attributed to aggressive marketing and deployment of sales assistants to the various regions. Cabbage seed sales dropped from last years' sales of Kes 407 million to Kes

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354 Million representing a 13% drop. Collard's sales recorded an decrease of 6% compared to the last year sales of Kes 64 million due to stiff competition in the market. The sales of Tomato seed increased by 66 % due to partnership with the plant raisers and Availability of superior varieties that are tolerant to diseases in the major growing areas. The performance of vegetable seed portfolio compared to last year represented a growth of 4% from Kes 781 million in the prior year to Kes 816 million. The contribution of Vegetables seed sales to the company turnover was 46% in the year under review.

A2: Profit before Tax

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

	2024	2023
	Kes'000	Kes'000
Profit Before Tax	58,278	52,491

The Profits before tax increased by 11% from Kes52 Million record last year to Kes 58Million in the year.

A3: Cash and Cash Equivalents

The company cash and bank balance stood at a net of Kes199Million compared to Kes 153.5Million at the beginning of the year. The company at the close of the year had no outstanding long-term loan.

Section B: Entity's compliance with statutory requirements

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

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

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

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

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

The company in the year completed the construction of an additional floor to increase the space and to have most of its operation in one premise and completed the construction of Loitokitok Store. At the operational level, the company pursuing various projects under Vision 2030 flagship projects.

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

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

(b) Seed Quality Improvement

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

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

Section D: Major risks facing the entity

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

	Risk Category	Description	Risk Treatment measures (Mitigations)
1	Political	The risk of losses occurring as a result of political events either destruction of our properties or boycott of our products	(i) Ensuring adherence to the strategic plan of the Company. (ii) Ensuring good co-existence with the stakeholders (iii) Using risk management instruments and remaining neutral in the political scene (iv) Fairness and Diversity in our employment policies
2	Credit Risk	The risk that counterparties will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Where customers default on their payment commitment to us, the financial condition, results of	-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

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		operations and cash flows could be materially and adversely affected.	
3	Business interruption/continuity	Business interruptions stemming from network failure, incapacitation of staff, the unavailability of raw materials, information technologies, skilled labor, facilities or other resources, that may threaten the Company's capacity to continue operations over a period of time.	(i) Continuous improvement and maintenance of the network infrastructure. (ii) Full implementation of the Business Continuity Policy.
4	Competition	Competitors may price their products below our prices and this will have an effect on the demand our products and reduced sales volumes especially in those markets that are price sensitive	Continuous investment in research and development to produce seed products Those outcompetes the competition and strengthen the distribution network.
5	Covid 19 Pandemic	This affects movement of people, production, distribution and import of seed as lockdown are imposed.	The adoption and administration of the vaccine to stop the spread.
6	Adverse Weather & Climate change	This may affect the availability, quality and price of agricultural commodities as well as demand of our products	Breeding early maturing seed varieties especially for those markets with shorter wet seasons
7	Inventory Holding Risk	The Company's inventory risk relates to seed stocks where the stocks are prone to damage/degradation during the stockholding period resulting in Write/ offs stocks resulting in reduced profits	Thorough review of the sales projections to determine appropriate levels of production To avoid over stocking.

Section E: Material arrears in statutory/financial obligations

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

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

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

VIII. Environmental and Sustainability Reporting

i) Sustainability strategy and profile

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

Financial sustainability

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

Capacity improvement

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

With the challenge of scarcity of land, the company through its related party in Tanzania , has recruited contracted seed growers to produce more seed to meet the growing market demand. The Board and Management have also approached largest seed grower with irrigation facilities to increase acreage on seed production.

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

Regulated environment

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

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

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

ii) Environmental performance

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

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

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

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

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

iii) Employee welfare

Talent management

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

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

Gender	2024	2023
Male	54	54
Female	35	39
PWD	1	1
Total	90	94

Youth Internships/Industrial Attachments/Apprenticeships

Recently the government of Kenya set a goal to prepare the youth for economic development. The Company will endeavor to empower the youths by engaging 34 youths, which is 36% of the total in post of 90 members of staff. It's with this in mind that the company has committed to developing talent for the students to prepare them for the job market. The company offered industrial attachment opportunities (three months) to various students from various colleges and universities in Kenya to acquire skills and experience in the various departments within the company.

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

Program	2024	2023
Internship Beneficiaries	0	3
Industrial Attachments	34	34
Total	34	37

Performance appraisal and rewards frameworks

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

Knowledge sharing platforms

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

Occupational safety and health (OSHA)

During the year the company carried out the following:

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

- Workplace accidents reported on time to the insurance

iv) Market place practices-

a) Responsible Competition practice.

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

b) Responsible supply chain and supplier relations

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

c) Responsible marketing and advertisement

- Modern marketing calls for more than developing a good product, pricing it attractively and making it accessible to the targeted consumers. Simlaw Seed Company communicates with both its existing and potential customers as well as other stakeholders in the industry.
- The Simlaw Seed Company remains committed to upholding responsible marketing business practices and values across its operations. Over the past Financial Year 2022/2023, the Company continued to follow ethical marketing practices through the use standard procedures and channels to advertise its seed products.
- The Company utilizes several modes for marketing and advertising. This include the use of radio, billboards, product field demonstrations, Agricultural Society of Kenya shows as well as local and international exhibitions. Through these media, the Company promotes its products ethically and with fair practice within the industry, enabling the sharing of information to farmers and the public.

d) Product stewardship

- Simlaw Seed Company has a quality assurance system to ensure that seed is of good quality when purchased by smallholder farmers in index countries. The Company works closely with Kenya Plant Health Inspectorate Service (KEPHIS) the official seed quality regulator in the Country. This goes a long way to ensure that consumer rights and interests in getting quality seed are attained.
- The Company has an elaborate seed distribution channel that ensures that Seed gets to our customers promptly and in the right state. The channel starts from the Marketing stores to the Company's branches, then to the appointed and licensed Agents and Stockists and finally to the farmers throughout the Country.

Corporate Social Responsibility / Community Engagements

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

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

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

During the year under review, the company visited Dream children's Home located in Ngong Kajiado County. The home host a number of children aged from few days old to eighteen years. The children's Home is currently hosting 55 children under 18 years with majority of them in

primary school. Children are mainly referred to the home by the social services and they come from different backgrounds most of them are victims of Gender Based Violence (G.B.V). The home takes care of their schooling until they reach the age where they are fully independent. The home heavily relies on well-wishers for their day-to-day living and although in the past they had many children under their care, the last one, half year has been tough, and they have been forced to reduce the number. The Company provided the home with assorted foodstuff, toys and clothing.



Simlaw Staff presenting foodstuff and other supplies at Dream children's Home-Ngong

CONCLUSION

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

IX. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024, which show the state of the company affairs.

i) Principal activities

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

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ii) Results

The results of the entity for the year ended June 30, 2024, are set out on page 5 to 36 Below is summary of the profit or loss made during the year.

	2024	2023	2022
	Kes'000	Kes'000	Kes'000
Profit before tax	58,278	52,491	76,275
Taxation charge	24,505	32,690	(28,800)
Profit for the year	33,773	19,801	47,475

iii) Dividends

The directors do not recommend the payment of dividend in respect of the year ended 30th June 2024 (30 June 2023: nil)

iv) Directors

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

v) Auditors.

The Auditor-General is responsible for the statutory audit of the company financial statements in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30, 2024.

By Order of the Board



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Company Secretary.
Date 30/09/2024

X. Statement of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012 and the Kenya Company's Act 2015, require the Directors to prepare financial statements in respect of that company, which give a true and fair view of the state of affairs of the company at the end of the financial year/period and the operating results of the Company for that year/period. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company. The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances. The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act and the Kenya Company's Act 2015. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2024, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control. Nothing has come to the attention of the Directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement. The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approval of the financial statements

The financial statements and the accompanying notes from page 1 to 54 were approved by the Boards of Directors on 30 / 09 / 2024 and were signed on its behalf by:



David Kiplagat
General Manager



Mr. Sammy Chepsiror
Managing Director



Hon. Bernard Wambwa
Chairman

REPUBLIC OF KENYA

Phone: +254-(20) 3214000
Email: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

Enhancing Accountability

REPORT OF THE AUDITOR-GENERAL ON SIMLAW SEEDS COMPANY LIMITED (SUBSIDIARY OF KENYA SEED COMPANY) FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Simlaw Seeds Company Limited (Subsidiary of Kenya Seed) set out on pages 1 to 48, which comprise of the statement of

financial position as at 30 June, 2024 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 Limited (Subsidiary of Kenya Seed) as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the State Corporation Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long Held Capital Reserve Pending Conversion to Shares

The statement of financial position reflects capital reserves balance of Kshs.144,298,000 as disclosed in Note 26 to the financial statements. The balance relates to an amount injected by the parent Company as start-up capital when the Simlaw seeds was being incorporated into a company. However, Management has not explained when the balance will be converted to shares.

In the circumstances, the accuracy and completeness of loan capital reserves and shares could not be confirmed.

2. Variances in Comparative Prior Year Balances

The statement of financial position for the year ended 30 June 2024 presented for audit had variances in the comparative opening balances as shown below:-

Component	Note	Balances as per the financial statements 2023-2024 (Kshs)	Balances as per the audited financial statements 2022-2023 (Kshs)	Variance (Kshs)
Plant and Machinery	15a	20,753,000	23,237,000	2,484,000
Motor vehicles including Motor cycles	15a	49,202,000	50,028,000	826,000

Component	Note	Balances as per the financial statements 2023-2024 (Kshs)	Balances as per the audited financial statements 2022-2023 (Kshs)	Variance (Kshs)
Office Equipment, furniture & Fittings	15a	16,282,000	15,456,000	826,000
Due from Group of Companies				
Kibo Seeds Company Limited	20	58,652,000	55,607,000	3,045,000
Due to Parent Company				
Current Account Sales	30e	148,120,000	122,835,000	25,285,000

In the circumstances, the accuracy of the statement of financial position balances could not be confirmed.

3. Long-Outstanding Due to Parent Company

The statement of financial position reflects current liabilities amount of Kshs.1,101,705,000 which includes due to parent company amount of Kshs.936,515,000 as disclosed in Note 30g to the financial statements. Review of the supporting account ledgers provided revealed that the amount has been outstanding since financial year 2012 – 2013. The balance relates to purchases from the parent company - Kenya Seed Company Ltd. The liability has been classified as current liabilities although it has been outstanding for more than one (1) year. In addition, the Management has not explained why the Company has continued to carry forward the liability owed to the parent company for more than twelve (12) years without any payment plan.

In the circumstances, the accuracy and completeness of current liabilities could not be confirmed.

4. Long Outstanding Receivables from Group and Related Parties

The statement of financial position reflects dues from group companies and related parties amount of Kshs.172,906,000 as disclosed in Note 20 to the financial statements. Included in this amount is Kshs.149,933,946 due from group companies which has been outstanding for over 90 days as detailed below:

Name	Over 90 days (Kshs)
Kenya Seed Co. Ltd	60,020,322
Kibo Seed Company (T) Ltd	55,844,673
Mt. Elgon Seed Co. Ltd	25,285,274
Kenya Seed Company Rwanda	8,783,677
Total	149,933,946

Management has not explained measures in place and efforts made to collect the money from the group of companies.

Further, Note 20 to the financial statements reflects an amount of Kshs.25,285,000 due from Mt. Elgon Seeds Limited which has been outstanding for a number of years. Available information indicates that the subsidiary is dormant. A provision for bad debt of a similar amount has been made effectively excluding the amount from the financial statements under dues from group companies and other related parties.

In the circumstances, the validity and recoverability of the amounts due from group companies of Kshs.149,933,946.03 could not be confirmed.

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

Key Audit Matters

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

Other Information

The Directors are responsible for the other information set out on page iii to xxxviii which comprise of Key Entity Information, Management Team, Chairman's Statement, Report of the General Manager, Statement of Performance Against Predetermined Objectives Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with the Law on Ethnic Diversity and Regional Balance

Review of human resources records revealed that the Company had a workforce of ninety (90) staff out of which thirty-one (31) or 34% were from one dominant community. This was contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008 which stipulates that no public establishment shall have more than one-third of its staff from the same ethnic community.

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

2. Non-Compliance with the One - Third of Basic Salaries Rule

Analysis of the payroll for the financial year 2023-2024 revealed that several employees earned net pay less than a third (1/3) of their basic salaries. This was contrary to Section 19(3) of the Employment Act, 2007, which prohibits officers from over committing their salaries.

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

3. Non-Accessibility of the Building by Persons Living with Disabilities

The Company occupies a three-storey building along Kijabe Street in Nairobi. Physical inspection of the building conducted on 26 September, 2024 revealed that the building does not provide for easy and free access by persons living with disabilities. The company has not provided access friendly ramp or lifts for people living with disabilities to access the other floors of the building. This is contrary to Section 21 of the Persons with Disabilities Act, 2003 that states that persons with disabilities are entitled to a barrier-free

and disability-friendly environment to enable them to have access to buildings, roads and other social amenities, and assistive devices and other equipment to promote their mobility.

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

4. Non-compliance with 30% Procurement Reservation to the Special Interest Groups

Review of the procurement plan provided for audit revealed that the Company did not set aside 30% of the annual procurements to special interest groups like women, youth, and people living with disabilities. This is contrary to Regulation 149 of the Public Procurement and Asset Disposal Regulations, 2020 which states that an accounting officer of a procuring entity shall, when processing procurement under Section 157(5) of the Act, allocate at least thirty percent (30%) of its annual procurement budget to procure goods, works and services from enterprises owned by youth, women and persons with disability.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of a Data Protection Policy

Review of documents provided for audit revealed that the Company did not have an approved data protection policy contrary to Regulation 23(1) of the Data Protection (General) Regulations, 2021, which requires a data controller or a data processor to develop, publish, and regularly update a policy reflecting their personal data handling practices.

In the circumstances, the safety and integrity of data handled by the Company could not be confirmed.

2. Lack of Risk Management Policy

Review of the documents and policies provided for audit revealed that the Company had no approved risk management policy that gives guidelines on how to prevent risks and mitigate the effect of any risk that may affect its operations. This is contrary to Regulation 165(1) (a) and (b) of the Public Finance Management (National Government) Regulations, 2015.

In the circumstances, the effectiveness of the risk management and mitigation measures could not be confirmed.

3. Lack of Information Communication Technology Policy

Review of the Information Communication Technology internal controls revealed that the Company did not have an approved ICT Policy, IT security policy, policy on physical access to IT environment, an IT continuity strategy, and disaster recovery plan to guide ICT operations.

In the circumstances, the Company risks loss of information through data hacking and/or manipulation.

4. Non-Compliance with and Ineffectiveness of Climate Change Regulations

Review of the Company's draft strategic plan 2024-2028 revealed that the Company aimed to educate farmers on the need for frequent soil testing and the best agronomical practices. The Company planned to adopt and promote irrigation systems, climate-smart agricultural practices, investment in climate-resilient seed varieties, and promotion of sustainable farming practices. However, the following anomalies were noted:

- a) The Company did not budget for environmental activities during the year under review.
- b) The Company had no policies, reports supporting programs, or work plans to address environmental activities in compliance with the existing environmental laws and regulations.
- c) Evidence of public awareness and public consultations on climate change activities were not provided for audit review.

In the circumstances, the Company is not in compliance with environmental laws including the Climate Change Act, 2016, Kenya's national adaptation plan 2015-2030 aimed at enhancing climate resilience towards attaining Vision 2030 and beyond.

5. Effectiveness in Implementation of Audit Recommendations

During the year under review, Management did not provide evidence to confirm that the reports of the Auditor-General and any other oversight bodies for the financial year 2021-2022, were tabled, discussed and adopted by the Audit Committee and Board of Directors.

In the circumstances, failure to implement the recommendations by the relevant oversight bodies in a timely manner may negatively affect the operations of the Company and delay service delivery.

6. Lack of a Board Work Plan and Failure to Hold Required Board Meetings

Review of the board minutes provided for audit revealed that the board conducted only two (2) meetings as opposed to the minimum of four (4) during the financial year under review. The meetings were conducted on 14 February, 2024 and 23 February, 2024. In addition, the board did not have a board work plan to guide its operations.

In the circumstances, the board may not have operated effectively and efficiently and the organization's goals may not be achieved in a timely manner.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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


Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 December, 2024

Simlaw Seed Kenya Limited Annual Report and Financial Statements
For the year ended 30 June, 2024

XII. Statement of Profit or Loss and Other Comprehensive Income for the year ended 30th June, 2024.

Description	Note	2023-2024 Kshs''000''	2022-2023 Kshs''000''
Revenues			
Revenue	6	1,873,790	1,767,579
Cost of sales	7	(1,442,045)	(1,319,385)
Gross profit		<u>431,745</u>	<u>448,194</u>
Other income			
Other income	8	20,983	11,171
Total revenues		<u>452,728</u>	<u>459,365</u>
Operating expenses			
Administration costs	9	(302,595)	(313,038)
Selling and distribution costs	10	(74,660)	(77,348)
Research and Development Costs	11	(17,195)	(16,488)
Finance costs	12	-	-
Total operating expenses		<u>(394,450)</u>	<u>(406,874)</u>
Profit/(loss) before taxation		58,278	52,491
Income tax expense/(credit)	13c	<u>(24,505)</u>	<u>(32,690)</u>
Profit/(loss) after taxation		<u>33,773</u>	<u>19,801</u>
Earnings per share – basic and diluted	14	6.75	4.62
Other comprehensive income			
Profit/ (loss) after taxation		33,773	19,801
Surplus on revaluation of PPE			79,076
Total comprehensive income for the year		33,773	98,877

*Simlaw Seeds limited Annual Report and Financial Statements
For the year ended 30 June, 2024*

XIII. Statement of Financial Position as at 30 June, 2024

Description	Note	2023-2024 Kshs"000"	2022-2023 Kshs"000"
Non-Current Assets			
Property, Plant and Equipment	15(a)	317,348	310,991
Intangible Assets	16	461	645
Deferred Tax Assets	13a	38,360	38,360
Total Non-Current Assets		<u>356,169</u>	<u>349,996</u>
Current Assets			
Consumable biological assets	17	169	169
Inventories	18	859,961	822,713
Trade and other receivables	19(a)	197,669	165,710
Due from group companies & Other Related Parties	20	172,906	122,728
Corporation Tax Recoverable	21	17,018	8,158
Cash and Bank	22	199,164	153,519
Total Current Assets		<u>1,446,887</u>	<u>1,272,997</u>
TOTAL ASSETS		<u>1,803,056</u>	<u>1,622,993</u>
Equity and Liabilities			
Capital and reserves			
Share capital	23	200	200
Revaluation Reserve	24	144,945	144,945
Capital Reserves	26	144,298	144,298
Retained earnings	25	411,908	378,135
Capital And Reserves		<u>701,351</u>	<u>667,578</u>
Non-Current Liabilities			
Borrowings	27		-
Total Non-Current Liabilities			-
Current Liabilities			
Trade and other Payables	28	147,079	30,137
Provision for Employee Entitlement	29	18,111	16,662
Due to Parent Company	30g	936,515	908,616
Total Current Liabilities		<u>1,101,705</u>	<u>955,415</u>
TOTAL EQUITY AND LIABILITIES		<u>1,803,056</u>	<u>1,622,993</u>

The financial statements were approved by the Board on 30-09- 2024 and signed on its behalf by:



.....
Name: David Kiplagat
General Manager



.....
Name: John Serem
Finance Manager
ICPAK M/NO:63003



.....
Name: Bernard Wambwa
Chairman of the Board

XIV. Statement of Changes in Equity for the year ended 30 June 2024

	Ordinary share capital Kshs. "000"	Revaluation reserve Kshs. "000"	Retained earnings Kshs. "000"	Capital Reserve Kshs. "000"	Total Kshs. "000"
As at July 1, 2022	200	144,945	358,334	144,298	647,777
Profit for the year	-	-	19,801	-	19,801
As of June 30, 2022	200	144,945	378,135	144,298	667,578
As at July 1, 2023	200	144,945	378,135	144,298	667,578
Other Comprehensive income					
Profit for the year	-	-	33,773	-	33,773
At June 30, 2024	200	144,945	411,908	144,298	701,351

XV.Statement of Cash Flows for the year ended 30 June 2024

Description	Note	2023-2024	2022-2023
		Kshs''000''	Kshs''000''
Cash flows from operating activities			
Cash generated from/(used in) operations	31	120,106	140,894
Interest paid	31	-	-
Taxation paid	21	(33,365)	(35,097)
Net cash generated from/(used in) operating activities		86,741	105,797
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(30,939)	(19,627)
W.I.P Payment on Leasehold Property		(15,518)	-
Proceeds from disposal of property, plant and equipment		5,745	-
Net cash generated from/(used in) investing activities		(40,712)	(19,627)
Cash flows from financing activities			
Repayment of borrowings	27	-	-
Net cash generated from/(used in) financing activities			-
Increase/(decrease) in cash and cash equivalents		46,029	86,170
Cash and cash equivalents at beginning of year		153,519	83,620
Effects of foreign exchanges rate fluctuations		(384)	(16,271)
Cash and cash equivalents at end of the year		199,164	153,519

Simlaw Seed Kenya Limited Annual Report and Financial Statements
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XII. Statement Of Comparison of Budget & Actual Amounts For the Year Ended 30th June 2024						
Description	Original Budget 2023-2024	Adjustments	Final Budget 2023-2024	Actual 2023-2024	Difference	%
REVENUE	Kes'000	Kes'000	Kes'000	Kes'000	Kes'000	change
	a	b	a+b	c	c-(a+b)	$\frac{c-(a+b)}{(a+b)}$
Maize	703,864	-	703,864	618,860	-85,004	-12%
Legumes	298,576	-	298,576	304,414	5,838	2%
Pasture	80,649	-	80,649	134,192	53,543	66%
Vegetable Seed	664,536	-	664,536	707,746	43,210	7%
Other Seed	100,297	-	100,297	108,579	8,282	8%
Sales	1,847,922	-	1,847,922	1,873,791	25,869	1%
cost of sales	1,360,583	-	1,360,583	1,442,045	81,462	6%
Other operating Income	12,065	-	12,065	20,982	8,918	74%
Gross Profit	499,404	-	499,404	452,728	-46,675	-9%
Administrative expenses	209,741	-	209,741	211,486	1,745	1%
Selling and Distribution Expenses	83,487	-	83,487	74,660	-8,827	-11%
Other Operating Expenses	95,200	-	95,200	91,109	-1,806	-2%
Research and Development Costs	19,990	-	19,990	17,195	-2,795	-14%
	408,418	-	408,418	394,450	-11,683	-3%
Operating Profit/(Loss)	90,986	-	90,986	58,278	-34,992	-38%
Profit/(Loss) Before Tax	90,986	-	90,986	58,278	-34,992	-38%

1. Gross profit

The gross profit decreased by 8% from budget due to high cost of seed importation and the weakening of Kenyan shilling to hard currencies resulting to high Cost of Goods Sold during the year and lower product mix profit margin

2. Selling and distribution

The selling and distribution expenses recorded a favorable variance of 12% from the budget due cost austerity measures employed.

3. Administrative and Other operational expense

The Administrative Cost and Operating cost fall within the budgeted amount this was occasioned by strict adherence to budget as well as austerity measures employed.

4. Research and development

Due to high level of activities in research and development on new varieties to beat up the stiff competition and the demand for superior seed varieties in the market resulted an unfavorable variance of 14% to budgeted amount.

XVI. Notes to the Financial Statements

1. General Information

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

2. Statement of Compliance and Basis of Preparation

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

Simlaw Seeds limited Annual Report and Financial Statements
For the year ended 30 June, 2024

Notes to the Financial Statements (Continued)

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

i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2024.

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

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

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Notes to the Financial Statements (Continued)

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

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.*

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

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

iii. *Early adoption of standards*

The Entity did not early – adopt any new or amended standards in the financial year 2023/2024

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Notes to the Financial Statements (Continued)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

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

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

d) Depreciation and impairment of property, plant and equipment

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

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

• Industrial and residential buildings	2.5%
• Farm works	5%
• Plant and machinery	10%
• Tractors, trailers and forklifts	10%
• Furniture and equipment	20%
• Motor vehicles	25%
• Computers	33.33%

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

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

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

e) Intangible assets

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

f) Amortization and impairment of intangible assets

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

g) Investment property

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

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

k) Unquoted investments

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

l) Inventories

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

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

m) Trade and other receivables

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

n) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

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

o) Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

p) Borrowing costs

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

q) Cash and cash equivalents

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

r) Borrowings

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

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

s) Trade and other payables

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

t) Retirement benefit obligations

Defined benefits scheme

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

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

(ii) Defined contribution scheme

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

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

(iii) Accrued leave pay

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

(iv) Gratuity

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

u) Provision for staff leave pay

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

v) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates

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prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

w) Budget information

The original budget for FY 2023-2024 was approved by the National Assembly on . Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

x) Service concession arrangements

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

y) Comparative figures

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

z) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024.

Notes to the Financial Statements (Continues)

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

i) Provisions for debtors

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

ii) Provisions for obsolete stocks

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

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Notes to the Financial Statements (Continues)

6. Revenue

Description	2023-2024	2022-2023
	Kshs '000	Kshs '000
Income from Certified Maize Seeds	618,860	619,989
Income from Vegetable Seeds	707,746	706,340
Income from Legume Seeds	304,414	236,226
Income from Pasture Seeds	134,192	95,702
Income from Other Seeds	108,579	109,322
Total	1,873,791	1,767,579

7. Cost of Sales

Description	2023-2024	2022-2023
	Kshs '000	Kshs '000
Opening Stock	822,713	864,373
Add: Purchases	1,399,783	1,224,744
: Overheads	79,510	52,637
Less : Closing stock	(859,961)	822,713
Cost of Sales	1,442,045	1,319,385

Notes to the Financial Statements (Continued)

8. Other Income

Description	2023-2024	2022-2023
	Kshs '000	Kshs '000
Transport Charges	240	855
Miscellaneous income	9,458	9,349
Penalties on Returned Cheques	127	278
Bad Debts Recovered	9,203	689
Gain/Loss on Disposal of P.P.E	1,955	-
Total	20,983	11,171

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Notes to the Financial Statements (Continued)

9. Administration Costs

Description	2023-2024 Kshs000	2022-2023 Kshs000
Salaries	107,459	91,780
Staff Training and Welfare	44,039	45,843
Gratuity Provision	8,724	7,771
Pension	6,840	6,192
Wages	21,181	20,780
Rent and Rates	4,433	5,357
Leave Pay Provision	5,376	3,827
Power, Light and water	4,910	5,903
Repairs & Maintenance	3,269	3,953
Social Security (NSSF)	3,849	1,603
exchange loss	463	16,313
Sundry/ other Expenses	45,846	41,122
Donations and subscriptions	9,768	8,040
Security	4,847	4,728
Auditors Remuneration		1,258
Legal and Professional	1,703	2,573
Depreciation on other Equipment	12,569	5,032
Postage and telecommunication	813	609
Insurance	4,731	5,244
Bank Charges	2,413	2,410
Printing, stationery and Publications	4,770	4,026
Directors Emoluments	2,751	886
Provision for doubtful debts	249	15,708
Debt collection Expense	187	67
Provision for obsolete stock		12,012
Housing Levy	1,405	0.00
Total	302,595	313,038

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Notes to the Financial Statements (Continued)

10. Selling and Distribution Costs

	2023-2024	2022-2023
Description	Kshs 000	Kshs 000
Public Relations and advertising	18,817	19,662
Freight and Transport	25,860	22,384
Travelling	22,593	29,853
Depreciation on distribution Vehicles	7,390	5,449
Total	74,660	77,348

11. Research and development costs

	2023-2024	2022-2023
Description	Kshs 000	Kshs 000
Motor Vehicle Running	1,151	2,110
Field Inspection	0	0
Labour Wages	3,722	3,761
Travelling	5,900	4,975
Farm Inputs	4,000	4,861
Depreciation of Research Vehicles	2,422	781
Total	17,195	16,488

12. Finance Costs

	2023-2024	2022-2023
Description	Kshs 000	Kshs 000
Interest on Bank Loan	0	0
Total	0	0

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Notes to the Financial Statements (Continued)

13. Taxation

(a) Deferred tax Asset movement

	2023-2024		2022-2023
Description	Kshs000	Movement	Kshs000
Property, plant and equipment	(10,886)		(10,886)
Leave provision	2,699		2,699
Gratuity provision	2,299		2,299
General bad debts provision	24,921		24,921
obsolete stock provision	18,772		18,772
Unrealized exchange losses	555		555
Tax losses utilized			
Biological asset			
Total	38,360		38,360

(b) Tax Recoverable

	2023-2024	2022-2023
Description	Kshs 000	Kshs 000
At the beginning of the year	8,158	7,116
Charge for the year	(24,505)	(29,403)
Tax paid during the year	33,365	35,097
Previous Year over/(Under) provision		(4,653)
At the end of the year	17,018	8,158

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

	2023-2024	2022-2023
Description	Kshs 000	Kshs 000
Statement of comprehensive Taxable income	58,278	52,491
Current taxation based on adjusted profit at 30%	24,505	29,403
Deferred Tax Credit/(Charge)		3,287
Total	24,505	32,690

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Notes to the Financial Statements (Continued)

14. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax of Kshs.33,773M (2024: (6.7546) by the average number of ordinary shares in issue during the year of 5,000 (2023: 9,495). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

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Note 15(a) Property Plant & Equipment								
Description	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Lease Hold Property	Total
Rate		2.5%	10%	25%	33.33%	20%	Useful Life	
	Kes'000'	Kes'000'	Kes'000'	Kes'000'	Kes'000'	Kes'000'	Kes'000'	Kes'000'
Cost As At 1 July 2023	131,500	92,201	71,032	101,832	27,134	42,654	2,760	469,114
Cost As at 30th June 2023	131,500	92,201	71,032	101,832	27,134	42,656	2,760	469,114
Additions	-	-	29	28,436	1,716	258	-	30,439
Disposals on PPE	-	-	-	(3,790)	-	-	-	(3,790)
Lease hold Properties W.I.P Kyangombe	-	-	-	-	-	-	15,517	15,518
Lease Hold Property Thika Farm								
Cost as at 30th June 2024	131,500	92,201	71,061	126,478	28,850	42,914	18,277	511,281
Depreciation And Impairment								
Accumulated Depreciation At 1st July 2023	-	(7,344)	(50,279)	(52,630)	(21,171)	(26,372)	(276)	(158,073)
Depreciation	-	(2,468)	(5,344)	(18,311)	(4,263)	(5,162)	(312)	(35,860)
Accumulated Depreciation as at 30th June 2024	-	(9,812)	(55,623)	(70,941)	(25,434)	(31,535)	(588)	(193,933)
Depreciation	-	-	-	-	-	-	-	-
Cost As at 30th June 2024	131,500	92,201	71,061	126,478	28,850	42,914	18,277	511,281
NBVAs at 30th June 2023	131,500	84,857	20,753	49,202	5,913	16,282	2,484	310,991
NBVAs at 30th June 2024	131,500	82,389	15,438	55,537	3,416	11,379	17,689	317,348

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Notes To The Financial Statements (Continued)

15(b) Property, Plant and Equipment at Cost

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

Description	Cost	Accumulated Depreciation	NBV
	Kshs000	Kshs000	Kshs000
Land	131,500	-	131,500
Buildings	92,201	9,812	82,389
Plant And Machinery	71,061	55,898	15,162
Leasehold Property	18,277	311	17,965
Motor Vehicles, Including Motorcycles	126,478	70,943	55,535
Computers And Related Equipment	28,850	25,433	3,417
Computer Software	10,793	10,332	461
Office Equipment, Furniture, And Fittings	42,914	31,534	11,380
	522,074	204,265	317,809

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Notes To The Financial Statements (Continued)

16. Intangible Assets

Description	2023-2024	2022-2023
	Kshs 000	Kshs 000
Cost		
At July 1	10,293	9,781
Additions	500	2,154
Disposals	-	-
Revaluation	-	(1,591)
At June 30	10,793	10,344
Amortisation		
At July 1	(9,699)	(9,666)
Charge For The Year	(633)	(34)
Disposals	-	-
Impairment Loss	-	-
At June 30	(10,332)	(9,700)
Net Book Value		
At June 30	461	644

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Notes To The Financial Statements (Continued)

17. Consumable biological assets	2024	2023
	KShs'000	KShs'000
Fair value at the beginning of the year	0.00	0
Increase in fair value due to harvesting Additions at cost	169	169
Fair value loss arising from physical changes	<u>169</u>	<u>169</u>
Fair value at end of the year	<u>169</u>	<u>169</u>

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

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

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

18. Inventories

Description	2023-2024	2022-2023
	Kshs 000	Kshs 000
Seeds and Finished materials	871,972	885,286
Goods in transit	-	-
Work In Progress	-	-
Less: Impairment of Stocks/obsolete Stocks	(12,012)	(62,573)
Total	859,961	822,713

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Notes to the Financial Statements (Continued)

18b) Reconciliation of Impairment Allowance for Inventories

Description	2023-2024	2022-2023
	Kshs000	Kshs000
At the beginning of the year	62,574	50,562
Additional provisions during the year	0	12,012
Disposal during the year	(50,562)	
Recovered during the year	0	0
Written off during the year	0	0
At the end of the year	12,012	62,574

19(a). Trade and Other Receivables

Description	2023-2024	2022-2023
	Kshs000	Kshs000
Trade Receivables (Note 19 b)	169,858	152,736
Deposits and prepayments	470	1,346
Growers Receivables	45,276	28,686
Vat recoverable	-	-
Staff receivables	11,687	13,402
Other receivables	43,562	43,562
Gross Trade and Other Receivables	270,853	239,732
Provision for Bad And Doubtful Receivable	(73,184)	(74,022)
Net Trade and Other Receivables	197,669	165,710

19 (b) Trade Receivables

Description	2023-2024	2022-2023
	Kshs 000	Kshs 000
Gross Trade Receivables	169,858	152,736
Provision for Doubtful Receivables	22,993	(23,757)
Net Trade Receivables	146,865	128,980
At June 30, the ageing analysis of gross Trade Receivables was as follows:		
Less than 30 Days	61,577	40,981
Between 30 and 60 Days	23,739	13,103
Between 61 and 90 Days	13,185	7,645
Over 90 Days	71,357	91,007
Total	169,858	152,736

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Notes to the Financial Statements (Continued)

19 (c) Reconciliation of Impairment Allowance for Trade Receivables

Description	2023-2024	2022-2023
	Kshs 000	Kshs 000
At the beginning of the year	74,022	57,297
Additional provisions during the year	249	16,036
Recovered during the year	(1,087)	(689)
Written off during the year	-	-
At the end of the year	73,184	74,022

20. Dues from Group Companies and Related Parties

Description	2023-2024	2022-2023
	Kshs000	Kshs000
a) Due from Group Companies		
Kenya Seed Company Limited	83,439	0.00
Kibo Seeds Company limited	57,825	58,652
Simlaw Seeds Company Uganda	0.00	4,650
Kenya Seed Rwanda	24,760	0.00
Mt.Elgon Seeds Company	25,285	25,285
Less: Provision Mt. Elgon Seeds company	(25,285)	(25,285)
Total	166,024	63,302
b) Due from related parties		
Kenya Farmers Association	3,694	11,352
Ministry of Agriculture	981	811
County Governments	3,253	59,467
Less: Provision of Doubtful debts	(1,046)	(9,160)
Total	6,882	62,470
Grand Total	172,906	97,442

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Notes To The Financial Statements (Continued)

21. Tax Recoverable

Description	2023-2024	2022-2023
	Kshs 000	Kshs 000
At beginning of the year	8,158	7,116
Income tax charge for the year (Note 13b)	(24,505)	(29,403)
Under/(Over) Provision in prior year		
Income tax paid during the year	33,365	30,445
At end of the year	17,018	8,158

22. Bank and Cash Balances

Description	2023-2024	2022-2023
	Kshs000	Kshs000
Cash at bank	197,904	152,469
Cash in hand	1,260	1,050
Total	199,164	153,519

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Notes To The Financial Statements (Continued)

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

Description		2023-2024	2022-2023
Financial institution	Account number	Kshs000	Kshs000
a) Current Account			
Other Commercial banks			
KCB – University Way		69,302	86,225
KCB- Loitoktok		19,360	5,607
KCB- Karatina		17,900	10,164
KCB- Meru		31,998	6,305
KCB-Euro		3,570	10,675
Absa Kshs		24,714	16,988
Absa Usd		31,060	16,505
Sub- Total		197,904	152,469
b) On - Call Deposits			
Other Commercial banks		-	-
Sub- Total		-	-
c) Fixed Deposits Account			
Other Commercial banks		-	-
Sub- Total		-	-
d) Staff Car Loan/ Mortgage			
Other Commercial banks		-	-
Sub- Total		-	-
e) Others (Specify)			
Cash in transit		-	-
Cash in hand		1,260	1,050
Mobile money account			
Sub- Total		1,260	1,050
Grand Total		199,164	153,519

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23. Ordinary Share Capital

Description	2023-2024	2022-2023
	Kshs000	Kshs000
Authorized:		
5,000 Ordinary Shares of Kshs40 par value each	200	200

24 Revaluation Reserve

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

24(b). Fair Value Adjustment Reserve

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

25. Retained Earnings

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

26. Capital Reserves

Description	2023-2024	2022-2023
	Kshs000	Kshs000
Capital Reservers	144,298	144,298

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Notes to the Financial Statements (Continued)

27. Borrowings

Description	2023-2024	2022-2023
	Kshs 000	Kshs 000
a) Domestic borrowings		
Balance at beginning of the year	0	0
Domestic borrowings during the year	0	0
Repayments during the year	0	0
Balance at end of the year	0	0

Description	2023-2024	2022-2023
	Kshs 000	Kshs 000
Short term borrowings (Current Portion)	-	-
Long term borrowings	0	0
Total	0	0

28 Trade and Other Payables

Description	2023-2024	2022-2023
	Kshs 000	Kshs 000
Trade and Other payables	147,079	30,136
Total	147,079	30,136

29. Provision for Employee Entitlement

Description	Long service leave Pay	Gratuity provisions	Other Provisions	Total
	Kshs 000	Kshs 000	Kshs 000	Kshs 000
Balance at the beginning of the year	8,998	7,664	-	16,662
Additional provisions	5,376	8,712	-	14,088
Less: Paid During the year	(1,338)	(11,301)	-	(12,639)
Balance at the end of the year	13,036	5,075	-	18,111

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs.

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1080 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by Kenya seed Pension Fund. Employees contribute 10% while employers contribute 15% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

30.Related Party Disclosures

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

Transactions with related parties

Description	2023-2024	2022-2023
	Kshs000	Kshs000
c) Sales to related parties		
Kenya Seed Company limited	310,527	280,858
Kibo Seeds Company limited	2,835	2,032
Simlaw Seeds Company Uganda	2	3,794
Total	310,364	286,684
d) Purchases from related parties		
Purchases from Kenya seed Company	527,117	507,646
Total	527,117	507,646

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

Description	2023-2024	2022-2023
	Kshs000	Kshs000
e) Due from Group Companies		
Kenya Seed Company Limited	83,439	0.00
Kibo Seeds Company limited	57,825	55,607
Simlaw Seeds Company Uganda	0	4,650
Kenya Seed Rwanda	24,760	0.00
Mt. Elgon Seeds Company	25,285	25,285
Less: Provision Mt. Elgon Seeds company	(25,285)	(25,285)
Total	166,024	34,972
f) Due from related parties		
Kenya Farmers Association	3,694	11,352
Ministry of Agriculture	981	811
County Governments	(2,083)	59,469
Less: Provision of Doubtful debts	(1,046)	(9,160)

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Description	2023-2024	2022-2023
	Kshs000	Kshs000
Total	167,560	62,471
g) Due to Parent Company		
Current account sales	-	(148,120)
Current Account Purchases	936,515	1,031,451
Total	936,515	820,611

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

Description	2023-2024	2022-2023
	Kshs 000	Kshs 000
(a) Reconciliation Of Operating Profit/(Loss) To Cash Generated From/(Used In) Operations		
Profit or Loss before tax	58,278	52,491
Depreciation	36,494	17,326
Amortisation	-	-
(Gain)/Loss on disposal of Property, Plant And Equipment	(1,955)	-
Interest Expense	-	-
Exchange Gain (Loss)	384	16,271
Operating Profit/(Loss) before Working Capital changes	93,201	86,088
(Increase)/Decrease in Inventories	(37,248)	41,660
(Increase)/Decrease in Trade and Other Receivables	(31,959)	78,463
Increase/(Decrease) in Trade and Other Payables	116,943	(131,192)
Increase/(Decrease) in Retirement Benefit Obligations	1,449	2,797
Increase/(Decrease) in Consumable Biological Asset	0	(74)
Increase/(Decrease) in Amounts Due from Parent Co.	27,899	62,720
Increase/(Decrease) in Amounts Due from Group Companies and Related Parties	(50,179)	430
Cash Generated from/(used In) operations	120,106	140,894
(b) Analysis of Changes in Loans		
Balance at beginning of the year	0	0
Receipts during the year	0	0
Repayments during the year	0	0

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Description	2023-2024	2022-2023
	Kshs 000	Kshs 000
Repayments of previous year's accrued interest	0	0
Foreign Exchange (Gains)/Losses	0	0
Accrued interest	-	-
Balance at end of the year	-	-
(c) Analysis of Cash and Cash equivalents		
Short Term Deposits	-	-
Cash At Bank	199,164	153,519

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.

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NOTES OF FINANCIAL STATEMENTS (CONTINUED)

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

(a) Credit risk

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

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

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

The amount that best represents the company's maximum exposure to credit risk as at 30 June 2024 is made up as follows:

	2024	2023
	Kshs '000	Kshs '000
Net trade receivables		214,529
Other receivables	197,669	29,644
	<u>197.669</u>	<u>244.173</u>

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

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

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

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	2024	2023
	Kshs '000	Kshs '000
Past due but not impaired:		
- by up to 30 days	61,577	44,828
- by 31 to 60 days	23,739	47,017
- by 61 to 90 days	13,185	22,925
- over 90 days	71,357	99,759
	169,858	<u>214,529</u>

Financial risk management objectives and policies

Movement in provisions for doubtful debts:

	2024	2023
	Kshs '000	Kshs '000
At the beginning of the year	74,022	57,297
Additional provisions during the year	-	16,036
Recovered during the year	(2,686)	(689)
Written off during the year	-	-
At the end of the year 30 th June	71,336	74,022

a) Cash and cash equivalents

The cash and cash equivalents of Kshs,199,164 ('000) 2024 held with reputable banks and financial institutions

(b) Market risk

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

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

Liquidity risk

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

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

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

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

32. CONTINGENT LIABILITIES

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

33. CAPITAL MANAGEMENT

The company defines capital as the total equity of the Company. The company's long-term objective for managing capital is to deliver sustainable returns to maximize long-term shareholder value. The company maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the capital base is monitored using, among other measures, the parameters determined by the directors. The policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

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

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

- Revenue received from seed sales (which is a function of price and sales volume);
- Seed purchase cost;

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- Cost of operating the business;
- Cost of expanding the business to ensure that capacity growth is in line with seed sales demand;
- Taxation

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

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

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

34. FAIR VALUES

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

35. INCORPORATION AND ULTIMATE HOLDING ENTITY

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

36. CURRENCY

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

37. COMPARATIVE INFORMATION

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

38. EVENTS AFTER THE REPORTING DATE

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

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XVII. Implementation Status of Auditor-General prior year recommendations

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

REFERENCE NO, ON THE EXTERNAL AUDIT REPORT	ISSUE/OBSERAVATION FROM AUDITOR	MANAGEMENT COMMENTS	RESPO NSIBLE PERSO N	TIME FRAME	STATUS
1	Lack of Revaluation of Non-current asset. The assets with a cost of Ksh 90,088,542 as at 30 June 2021 were fully depreciated but assets were still in use. This is contrary to IAS 15 which require asset revaluation be carried out regularly . Note 15 of the financial statements reflected Plant and machinery balance of ksh 212,390,000. Thus, the accuracy of plant and machinery of Kshs 212,390,000 could not be confirmed	<ul style="list-style-type: none"> Management shall revalue its asset to reflect the fair values in the books as the asset are in use despite having nil net value at the balance sheet date 	Finance Manager	June 2023	Resolved
2	Budgetary Control and performance The statement of comparison of budget and actual on comparable basis of kes 1,931,175,000 and 1,674,091,000 respectively resulting to underfunding of Kes 257,084,000 or 13% of the budget. The company spend an amount of 1,631,891,000 against approved budget of of	<ul style="list-style-type: none"> Management shall adhere to PFM regulation 2012 to ensure service delivery to the public is satisfactorily done in line with the budget and company strategic plan. 			On going

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3	<p>Long outstanding trade and other payables As disclosed in note 27 to the financial statements of the financial position reflects trade and other payable balance of kes 172,957,000 .An aging analysis performed revealed invoices amounting to Kes 13,137,893 have been long outstanding dating 2012.The company is exposed to risk of loss of funds through interest and penalties arising from litigation instituted by creditors. Hence the use of public resources could not be confirmed</p>	<ul style="list-style-type: none"> • Management to give priority payment of creditors 		Ongoing
4	<p>Lack of a Functional Board During the year under review, the Company's Board had not been fully constituted contrary to Section 75 of the Company's Articles of Association. Failure to have a functional Board may have impacted on the overall governance and oversight of the Company including approval for the budget of the Company.</p>	<ul style="list-style-type: none"> • Simlaw Seeds is a subsidiary of Kenya Seeds Company whose financial accounts are consolidated together with its other Subsidiaries – Kibo Seed and Simlaw Seeds Uganda, to form the Group Financial statements. The Composition of Simlaw Seeds Company shareholding is wholly Kenya Seed Company and Directorship is also a part of the Kenya Seed Company. Hence, when 		Completed

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5	<p>Lack of Risk Management Framework During the year ended 30 June 2021, Management did not conduct a formal risk assessment to identify and document</p>	<p>AGMs are held at group level it translates to an AGM of Simlaw Seeds and it covers all the ordinary business of the Company, including but not limited to: Approval of Financials, Approval of Auditors report, Approval of Dividends, Appointment of Auditors, Election of Directors and any special business.</p> <p>Notably, the delay to convene an AGM is for the past 3 years and this is due to delayed clearance by Ministry of Agriculture, Livestock, Fisheries and Co-operatives however the management- at Group level is pursuing the same so as to comply with the Memorandum and Articles of Association</p> <ul style="list-style-type: none"> • Management has initiated the updating of the risk register 			Ongoing
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6	<p>potential risks and mitigation measures. Further, the risk register maintained by Management had been prepared in July, 2018 and had not been reviewed and updated.</p> <p>Failure to recover Long Outstanding Trade and Other Receivables</p> <p>The Statement of Financial Position and Note 19 to the financial statements reflects Net Trade and Other receivables balance of Kshs.212,786,000 as at 30 June, 2021. The balance constitute an amount of kes 87,551,772 ,kes 12,216,234 and Kes11,569,037 relating to trade receivable, growers and staff receivable respectively that has been outstandin for more than 90days.</p>	<ul style="list-style-type: none"> Whereas the company policy specifies a shorter credit period than 90 days, during the year most of the distributors picked the seed for selling in the month of March-May peak sales season. However, due to delayed rainfall & Covid issues, they had not sold the goods in their stores, hence could not settle the outstanding debts. However Management 			Ongoing
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7	<p style="text-align: center;">Failure to recover Long outstanding Dues from Group Companies and Related Parties</p> <p>Further, Note 20 (b) to the financial statements reflects net dues from related parties of Kshs.41,017,000. Included in the balance is amounts due from Kenya Farmers Association (KFA) and various County Governments of Kshs.13,956,000 and Kshs.37,306,000 respectively. Review of aging analysis revealed that amounts totaling Kshs. 11,285,206 and Kshs. 10,902,098 due from Kenya Farmers Association (KFA) and various County Governments respectively have been outstanding for more than one year. Although the Management has made a specific provision for doubtful debts of Kshs.9, 160,000, the provision maybe inadequate as the recovery rate for the debts is very low.</p> <p>Further to Note 20(a) an amount of Kshs.25,285,000 advanced to Mt Elgon Seed which has not been recovered for over five years. Although the Management has made a full provision for the receivable, it has not put in place clear measures to ensure recovery of the same as information available indicate that the</p>	<p>will adopt best practices approach by adherence of collection period of 30days as per the credit policy to enable the company meet its obligations as and when falls due. The management has since engaged a debt collector to pursue recovery of debts beyond the stipulated credit period</p> <ul style="list-style-type: none"> The amount due from Mt. Elgon Seed Co ltd of Kshs. 25,285,274.35 is as a result of dormancy of the company. The Main board is cognizant of the amount and has resolved to wind up Mt. Elgon Seed company and all related parties transaction in the books to be handled at winding up process stage <p>-On overdue amount from the subsidiaries management have entered into agreement with the subsidiaries that any additional</p>			Ongoing
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	subsidiary is dormant and is in the process of being wound up.	purchases is paid in advance to avoid further accumulation of the debts and to provide a repayment plan.			
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Mr. David Kiplagat Tum
General Manager



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Hon. Bernard Wambwa
Chairman of the Board



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