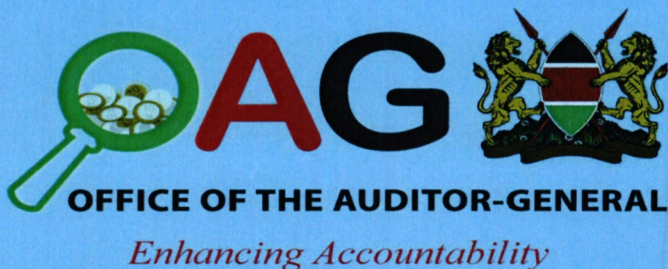


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THE AUDITOR-GENERAL

ON

**SIMLAW SEEDS (UGANDA) COMPANY
LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2019**

10/1/20

SIMLAW SEEDS COMPANY (U) LTD



**Annual Report and Financial Statements
For the Financial Year Ending June 30, 2019**

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

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



VISION

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

MISSION

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

CORE VALUES

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

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

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

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

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

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



Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

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Simlaw Seeds Company (U) Ltd

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CORPORATE INFORMATION

Directors

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

Non-Executive

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

Company Secretary:

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

Registered office and Principal Place of Business:

Plot No 78-84 6th Street Industrial Area
P.O. Box 21303,
Kampala, Uganda.

Principal Bankers:

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

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

Independent and Principal Auditors:

Auditor General
Office of the Auditor -General
P.O. Box 30084 – 00100 GPO
Nairobi, Kenya

Branches

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

Mbale Branch
Plot 4 Central Rd

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

Former Foods & beverage Building
Mbale, Uganda.

Kapchorwa Branch
Next to Centenary Bank
Kapchorwa, Uganda.

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

WHAT WE DO:

Our Seed business

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

Our Seed Brands

1. Hybrid Seed Maize

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

2. Sunflower Seed

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

3. Pasture Seed

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

4. Indigenous Vegetables

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

5. Horticulture and other Crops

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

WHERE WE OPERATE

Where to find our Branches in Uganda:

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

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

BOARD OF DIRECTORS



William Kundu Ndombi

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



Lawrence Njiru Mark

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



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

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



Mr. Richard Aiyabei

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

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019



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



Ms. Wilkister Simiyu

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

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

MANAGEMENT TEAM

The Company has a diverse and dedicated management team that assists the Managing Director in his role of achieving the company's strategic objectives. The Leadership team of Simlaw Seeds Company (U) Ltd and their roles which reports directly to the Managing Director as at 30th June 2019 is as set out below:



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



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



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

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am privileged to present to you the annual report of financial statements of Simlaw Seeds Company Uganda for the year ended 30th June 2019.

The company experienced various challenges during the year among them inadequate rainfall, stock outs of popular varieties and delayed supply, uncertainties occasioned by emergence of diseases and pests, frost and a devastating Fall Army Worm (FAW) invasion.

Business Environment Overview

The global economy slowed to 2.6% in 2019 compared to a growth of 3.1% in 2018 occasioned by constrained global trade and subdued investment. According to a report by the Economic Commission for Africa, East Africa last year recorded the fastest economic growth in the continent at 6.3% compared to other regions in Africa. The growth was fuelled by public infrastructure investment, agriculture development and increased consumption of goods and services.

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

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

Financial Review

We report that the company recorded a loss of US\$ 68 million as compared to profit of US\$ 107 million in 2018. This was majorly due to increase in cost of sales due to increase in cost of producer prices.

Future Outlook

The future outlook of Simlaw Seeds Company Uganda is bright. The Board is developing more strategies to grow the market and enhance financial management in order to increase profits and reduce stock outs. The Board is also putting in place strategies to expand business in the regional markets like Burundi and Democratic Republic of Congo. In addition to expanding the regional market, the Company is also looking at expanding its product portfolio to include vegetable seeds, pasture and sunflower seeds. The Board of Directors will continually review the various business strategies in place to ensure sustained business profitability and growth.

Appreciation

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


Mr. William Kundu
Chairman

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

REPORT OF THE GENERAL MANAGER

I am glad to present to you the performance of Simlaw Seeds Company Uganda Ltd for the financial year 2018/2019.

Financial Performance

The company achieved a sales turnover of US\$10.1 billion (KShs.281M) in the financial year 2018/2019 compared to US\$9.7 billion (KShs.270million) achieved in the previous financial year 2017/18, representing an increase of 4%. The net profit for this year reduced from US\$107 million (KShs.2.9 million) in 2017/2018 to a loss of US\$68 million (KShs 1.9 m) in 2018/2019. Cash and cash equivalence increased from US\$840 Million (KShs.23M) last year to US\$2.6 billion (KShs.22.7M) in the year 2018/2019.

Non-current asset increased from US\$945 million (KShs 26 m) to US\$ 1.07 billion (KShs 29M) as at 30th June 2019. This was as a result of assets additions to the fixed assets. Trade receivables and inventory reduced due to sales.

Future Outlook

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

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

Appreciation

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



.....
Sylvia Kyeyune
General Manager

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

STATEMENT CORPORATE GOVERNANCE

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

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

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

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

Board of Directors

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

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

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

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

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

Board Meetings

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

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

CORPORATE GOVERNANCE STATEMENT (continued)

The attendance at the Board meetings during the financial year 2018/19 is as follows:

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

Governance Principals

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

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

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

Board Evaluation

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

Directors' Remuneration

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

Below is a summary of entitlement per Board Member:

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

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

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 Group business.

Going Concern

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

Company Shareholding

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

The largest shareholders of the company as at 30th June 2019 are as follows:

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

Independence

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

Activities and Achievements

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


Mr. William Kundu
Chairman

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Background

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

Section A: The entity's operational and financial performance

A1: Revenues

Company Revenues Increased by 4% from Ushs 9.7 Billion to Ushs 10.1 Billion as highlighted in the table below

Product	2019	2018
Certified Maize Seeds	1,872,122,000	1,747,506,000
Vegetable Seeds	8,057,794,000	7,800,795,000
Pasture Seeds	81,902,000	79,290,000
Agro Chemicals	116,128,154	109,555,530
Total	10,127,946,154	9,737,146,530

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

Product	2018/2019	Product Contribution%
Vegetables	8,057,794,000	80%
Maize and other field crops	1,872,122,000	18%
Pasture	81,902,000	1%
Chemicals/ Chemicals/ tools	116,128,154	1%
Total	10,127,946,154	100%

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

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

A2: Profit before Tax

The Profits (Loss) before Tax are highlighted in the following Table:

2019	2018
UShs	UShs
(68,461,315)	107,325,910

A3: Cash and Cash Equivalents

The Company closed the year with a net position of Ushs 2.64 billion.

Section B: Entity's compliance with statutory requirements

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

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

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

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

The company has not implemented any key projects during the year ended 30th June 2019.

Section D: Major risks facing the Company

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

	Risk Category	Description	Risk Treatment measures (Mitigations)
1	Political	The risk of losses occurring as a result of political events either destruction of our properties or boycott of our products	(i) Ensuring adherence to the strategic plan of the Company. (ii) Ensuring good co-existence with the stakeholders (iii) Using risk management instruments and remaining neutral in the political scene (iv) Fairness and Diversity in our employment policies
2	Credit Risk	The risks that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Where customers default on their payment commitment to us, the financial condition, results of operations and cash flows could be materially and adversely affected.	-Rigorous vetting of customers before extending credit. -Regular review of receivables to ensure adherence to payment terms -Enter into factoring arrangements on Government debt especially with those in financial crisis
3	Business interruption/continuity	Business interruptions stemming from network failure, incapacitation of staff, the unavailability of raw materials, information technologies, skilled labor, facilities or other resources, that may threaten the	(i) Continuous improvement and maintenance of the network infrastructure. (ii) Full implementation of the Business Continuity Policy.

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

	Risk Category	Description	Risk Treatment measures (Mitigations)
		Company's capacity to continue operations over a period of time.	
4	Competition	Competitors may price their products below our prices and this will have an effect on the demand our products and reduced sales volumes especially in those markets that are price sensitive	Continuous investment in research and development to produce seed products those out compete the competition and strengthen the distribution network.
5	Adverse Weather & Climate change	This may affect the availability, quality and price of agricultural commodities as well as demand of our products	Breeding early maturing seed varieties especially for those markets with shorter wet seasons
6	Inventory Holding Risk	The Company's inventory risk relates to seed stocks where the stocks are prone to damage/degradation during the stockholding period resulting in Write/ offs stocks resulting in reduced profits	Thorough review of the sales projections to determine appropriate levels of production to avoid over stocking.

Section E: Material arrears in statutory/financial obligations

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

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

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

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

REPORT OF THE DIRECTORS

The Directors submit their report together with audited financial statements for the year ended June 30, 2019 which show the state of the company affairs.

Principal Activities

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

Results

The results of the company for the year ended June 30, 2019. Below is summary of the profit or loss made during the year.

	2019	2018
Description	Ushs	Ushs
Profit(Loss) before tax	(68,461,315)	107,325,910
Taxation charge	-	-
Profit (Loss) for the year	(68,461,315)	107,325,910

BY ORDER OF THE BOARD


Ms. Wilkister Simiyu
Company Secretary

Date.....

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Ugandan Companies Act require the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company at the end of the financial year/period and the operating results of the company for that year/period. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS). The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2019, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

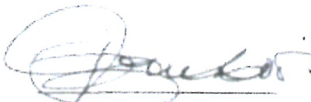
Nothing has come to the attention of the Directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.


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

Approval of the financial statements

The financial statements and the accompanying notes were approved by the Board of Directors on 30th June 2019 and were signed on its behalf by:


Mr. William Kundu
Chairman


Mr. Azariah Soi
Group Managing Director


Sylvia Kyeyune
General Manager

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

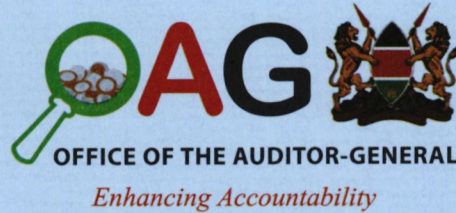
REPORT OF THE AUDITOR GENERAL

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

FOR THE YEAR ENDED 30 JUNE 2019

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON SIMLAW SEEDS (UGANDA) COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Simlaw Seeds Company (Uganda) Limited, set out on pages 1 to 31, which comprise the statement of financial position as at 30 June, 2019, 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 (Uganda) Limited as at 30 June, 2019 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (accrual basis) and comply with Kenya's State Corporations Act and Public Finance Management Act, 2012 and Uganda Companies Act, 2012.

Basis for Qualified Opinion

The financial statements reflect several balances whose completeness and accuracy, or occurrence, has not been confirmed, as explained below:

1. Trade and Other Receivables

The trade and other receivables reflect a balance of Ushs.1,099,987,499 as at 30 June, 2019 whereas the debtors schedule provided for audit reflects debtors totalling Ushs.1,830,503,927 resulting to a variance of Ushs.730,516,428 which was not explained or reconciled. In addition, the Ushs.1,830,503,927 balance includes Ushs.61,640,500 owed by 15 (fifteen) staff members. The debts had been outstanding for between four and six months as at 30 June, 2019, which suggested that the debt collection system applied by Management was not efficient.

Further, no documentary evidence was provided to confirm the validity of Management's assertion that payments for debts totalling Ushs.1,198,284,500 owed by National Agricultural Advisory Services (NAADS) had been received and repayments by staff through payroll deductions had begun.

In view of these issues, the accuracy, completeness and recoverability of the trade and other receivables balance totalling Ushs.1,099,987,499 as at 30 June, 2019 could not be confirmed.

2. Expenses on Air Travel

Included in the selling and distribution expenses balance totalling Ushs.345,872,053 reflected in the statement of profit and loss and other comprehensive income are local travelling expenses totalling Ushs.172,062,150, as disclosed in Note 9 to the financial statements.

The balance in turn includes expenses totalling Ushs.47,557,826 incurred on air travel services reportedly provided by a local firm to the Kenyan Directors of the Company. However, procurement records for the services were not presented for audit. The unaudited records included quotations, the evaluation report and contract agreement between the parent company and the air travel service provider. Further, the respective payment vouchers were not supported with copies of stamped passports, air tickets and boarding passes.

In the circumstance, the occurrence, measurement and validity of the expenditure and the aggregate local travelling balance totalling Ushs.172,062,150 included in selling and distribution balance of Ushs.345,872,053 reflected in the statement of profit and loss and other comprehensive income for the year ended 30 June, 2019 could not be confirmed.

3. Un-Supported Directors Expenditure

The administration expenses balance totalling Ushs.1,420,121,800 reflected in the statement of profit and loss and other comprehensive income includes Directors' expenses totalling Ushs.310,478,861 as further disclosed in Note 10(a) to the financial statements. The latter balance in turn includes allowances totalling Ushs.211,125,620 paid to the Directors through nine (9) payment vouchers assigned to a staff member of the Company. However, the payments were not authorized or approved as required. Further, the allowances totalling Ushs.211,125,620 included two payments totalling Ushs.66,822,300 that were not supported with the minutes of the respective Board meetings indicating authority for the payments.

In the circumstances, the accuracy, propriety and completeness of directors' expenses totalling Ushs.310,478,861 for the year ended 30 June, 2019, could not be confirmed.

4. Property, Plant and Equipment

Included in the property, plant and equipment balance totalling Ushs.1,068,833,572 reflected in the statement of financial position as at 30 June, 2019 is a payment totalling

Ushs.42,000,000 made to a local company, contracted to build an exhibition house at Jinja. However, procurement documents such as the tender notice, tenders submitted by bidders, the tender evaluation report and contract agreement between the Company and the contractor were not provided for audit verification. Although Management explained that the contractor was identified through request for quotation method of procurement and that three quotations were received and the lowest one selected, the quotations, and the records on their evaluation, were not provided for audit verification.

Consequently, the accuracy and completeness of the property, plant and equipment balance totalling Ushs.1,068,833,572 as at 30 June, 2019 could not be confirmed.

5. Amounts Due to Related Parties

The statement of financial position reflects amounts due to related parties totalling Ushs.7,445,752,701 as at 30 June, 2019 comprised of Ushs.3,456,729,501 under non-current liabilities and Ushs.3,989,023,200 under current liabilities. However, these liabilities were not supported with agreements between the Company and the other related parties. Management explained that the current related party balances were trade balances held in the normal trading transactions while the noncurrent ones were under consideration by the Board for conversion into equity. However, the explanation was not supported with any documentary evidence.

Consequently, the accuracy and completeness of amounts due to related parties totalling Ushs.7,445,752,701 as at 30 June, 2019 could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. 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 which is comprised of the report of Directors as required by the Companies Act, 2015, and the statement of the Directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.

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

In connection with the audit of the 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 the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is 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 USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Unauthorised Expenditure

The financial statements include expenses totalling Ushs.297,329,421 not included in the budget for the year under review, contrary to the provisions of Section 12 of the State Corporations Act (Revised 2013). The expenses are reflected in the Appendix to this report.

Management therefore breached the law and the propriety of the expenses totalling Ushs.297,329,421 could not be confirmed.

2. Trade and Other Payables

The trade and other payables balance totalling Ushs.1,844,176,169 as at 30 June, 2019 included trade payables totalling Ushs.1,839,909,458 as disclosed in Note 21 to the financial statements. The accounts payables analysis report provided for audit review indicated that the trade payables balance totalling Ushs.1,839,909,458 included payables totalling Ushs.1,501,665,263 that had been outstanding for over 180 days (six months) as at 30 June, 2019, contrary to the Company's policy that trade payables should be paid within 60 days of their occurrence. Consequently, failure by Management to adhere to its own policy may attract late payment penalties and interest from the respective creditors.

3. Unsupported and Irregular Purchases

Examination of procurement records indicated that purchases totalling Ushs.6,854,931,688 were not supported with a procurement plan and procurement

documents such as quotations, evaluation reports and contract agreements. Management explained that the respective vendors were identified from a pre-qualified list of suppliers used by the parent company because the Company lacked sufficient staff to constitute a tender committee. However, a copy of suppliers list was not presented for audit review.

In the absence of sufficient and relevant documentation, the regularity of the purchases totalling Ushs.6,854,931,688 for the year ended 30 June, 2019 could not be confirmed.

4. Legal and Regulatory Requirements Under the Companies Act, Uganda

During the year under review, Management did not comply with its Articles of Association and the Uganda Companies Act, 2012 in respect to the following:

4.1 Failure to Appoint Managing Director and Company Secretary

Contrary to its Articles of Association, the Company did not have a Managing Director and a Company Secretary, which require the Directors of the Company to appoint one among themselves to hold the office of the Managing Director.

4.2 Failure to Hold Annual General Meeting

The Company did not hold any general meeting, contrary to Section 138(1) of the Companies Act, which requires a public company to hold a general meeting in each year in addition to any other meetings in that year. The Act provides that not more than fifteen months shall elapse between the date of one annual general meeting of a Company to the next.

4.3 Failure to File Returns with the Registrar of Companies

The Company did not file returns containing the register of members and debenture holders, shares and debentures indebtedness, past and present members, directors and secretary and accounts as required by Section 132(1) of the Act.

4.4 Failure to Maintain a Register of Members and Directors

The Company did not maintain a register of Members and Directors at its head office as required by Section 215(1) of the Act.

Therefore, Management may have breached the law in these instances.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Failure to Appoint a New Board of Directors

Kenya Gazette Notice No.1264 dated 31 March, 2017 indicated that all the six Directors of the Company were appointed on 7 February, 2017 for a period of three years and therefore their term in office expired on 7 February, 2020. However, as at the time of this audit in February 2020, there was no evidence of new Directors having been appointed or whether the terms of the retiring Directors had been renewed.

Failure to appoint new Directors may adversely affect the Company's governance and management and constrain its operations, profitability and growth.

2. Lack of Risk Management Policy

Examination of the Company's risk management practices indicated that Management had not established a risk management policy. As a result, objective means to identify, measure and mitigate financial and other risks faced by the Company were lacking. Management indicated that the policy was being prepared. However, no record was provided to confirm the progress, if any, made in that respect.

In addition, the Company did not have a disaster recovery plan to guide recovery of its information technology and other operations should these be disrupted by occurrence of unfavourable events. Therefore, the risk of these operations being disrupted was high.

3. Lack of Approved Staff Establishment and Policies

During the year under review, the Company operated without an authorized staff establishment. In addition, there were no policies to manage important human resource activities including staffing, posting, training, skill retention and succession. It was therefore, not possible to establish the criteria used by the Company to fill positions in various job cadres. Management indicated that a human resource policy had been developed and was awaiting Board approval. However, there was no confirmation on the date set for implementation of the policy.

Consequently, the Company's human resource management system was inadequate.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective

processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Ugandan Companies Act, 2012, 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 financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, the Directors are 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 the Directors are aware of the intention to liquidate the Company, or to cease operations.

The Directors are 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, the Directors are responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

27 October, 2021

Simlaw Seeds Company (U) Ltd*Annual Report and Financial Statements for the year ended June 30, 2019***ANNUAL FINANCIAL STATEMENTS****STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2,019 Ushs	2,018 Ushs
REVENUES			
Sales	5	10,127,946,154	9,737,146,530
Cost of sales	6	(8,101,517,202)	(7,279,996,644)
Gross Profit		2,026,428,952	2,457,149,886
Other income	7	-	7,125,755
Other gains and losses	8	150,687,909	(389,844,194)
TOTAL REVENUES		2,177,116,860	2,074,431,447
EXPENSES			
Selling and distribution expenses	9	345,872,053	353,447,561
Administration expenses	10	1,420,121,800	1,164,848,471
Operating expenses	11	437,589,888	405,648,560
Finance cost	12	41,994,432	43,160,944
TOTAL EXPENSES		2,245,578,173	1,967,105,536
Profit before taxation		(68,461,313)	107,325,912
Income tax expense		-	-
Profit for the year		(68,461,313)	107,325,910

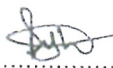
Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019


STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	2019 Ushs	2018 Ushs
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,068,833,572	939,433,474
Intangible assets	14	2,233,335	6,360,000
		<u>1,071,066,908</u>	<u>945,793,474</u>
Current assets			
Inventories	15	3,152,971,051	4,344,990,065
Trade and other receivables	16	1,099,987,499	1,687,969,633
Tax recoverable	17	471,680,881	340,688,987
Cash and cash equivalents	18	2,637,603,688	839,306,509
		<u>7,362,243,119</u>	<u>7,212,955,194</u>
Total assets		<u>8,433,310,027</u>	<u>8,158,748,668</u>
EQUITY AND LIABILITIES			
Equity			
Ordinary share capital	19	1,599,492,300	1,599,492,300
Retained earnings		(2,456,111,144)	(2,387,649,831)
		<u>(856,618,844)</u>	<u>(788,157,531)</u>
Non-current liabilities			
Amounts due to related parties	20(a)	3,456,729,501	3,422,355,745
Current liabilities			
Amounts due to related parties	20(b)	3,989,023,200	3,004,259,396
Trade and other payables	21	1,844,176,169	2,520,291,058
		<u>5,833,199,369</u>	<u>5,524,550,454</u>
Total Equity & Liabilities		<u>8,433,310,027</u>	<u>8,158,748,668</u>

The financial statements were approved by the Board on 31.03.2020 and signed on its behalf by:


.....
Sylvia Kyeyune
General Manager


.....
Francis Ngaruiya
Financial Controller


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

Simlaw Seeds Company (U) Ltd*Annual Report and Financial Statements for the year ended June 30, 2019***STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019**

	Share capital Ushs	Unallotted Shares Ushs	Retained earnings Ushs	Total Ushs
Year ended 30 June 2018				
As at 1 July 2017	125,000,000	1,474,492,300	(2,494,975,741)	(895,483,441)
Total comprehensive income for the year	-	-	107,325,910	107,325,910
As at 30 June 2018	125,000,000	1,474,492,300	(2,387,649,831)	(788,157,531)
Year ended 30 June 2019				
As at 1 July 2018	125,000,000	1,474,492,300	(2,387,649,831)	(788,157,531)
Total comprehensive income for the year	-	-	(68,461,313)	(68,461,313)
As at 30 June 2019	125,000,000	1,474,492,300	(2,456,111,144)	(856,618,844)

Simlaw Seeds Company (U) Ltd*Annual Report and Financial Statements for the year ended June 30, 2019***STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2,019 Ushs	2,018 Ushs
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before taxation		(68,461,313)	107,325,910
Adjustment for: -			
Foreign exchange gain/loss	8	(150,687,909)	389,844,194
Depreciation and amortization	10	46,168,866	19,991,094
Interest on loan paid	12	41,994,432	43,160,944
		<u>(130,985,924)</u>	<u>560,322,142</u>
Changes in working capital: -			
Decrease/increase in Inventories		1,192,019,014	(1,720,074,021)
Decrease/increase in trade and other receivables		587,982,134	(723,603,033)
Decrease/increase in trade and other payables		(676,114,889)	522,628,685
Increase in amounts due to related parties-current		984,763,804	998,484,445
Cash generated from/(used in) operations		1,957,664,140	(362,241,782)
Interest on loan paid	12	(41,994,432)	(43,160,944)
tax paid		(130,991,894)	(77,360,914)
Net cash generated from/(used in) operating activities		<u>1,784,677,814</u>	<u>(482,763,640)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	13	(165,402,300)	(825,517,700)
Purchase of intangible assets	14	(6,040,000)	(9,540,000)
Net cash generated from/(used in) investing activities		<u>(171,442,300)</u>	<u>(835,057,700)</u>
CASH FLOW FROM FINANCING ACTIVITIES:			
Proceeds from borrowings (due to related parties-long term)		34,373,756	607,998,812
Net cash generated from/(used in) financing activities		<u>34,373,756</u>	<u>607,998,812</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,647,609,270	(709,822,528)
Effects of foreign exchanges rate fluctuations	8	150,687,909	(389,844,194)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		839,306,509	1,938,973,231
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u>2,637,603,688</u>	<u>839,306,509</u>

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019

	Original & Final budget	Actual on comparable basis	Performance difference	Performance difference %
	2018-2019	2018-2019	2018-2019	
	Ushs	Ushs	Ushs	
Revenue				
Maize seeds	4,185,000,000	1,872,122,000	(2,312,878,000)	-55%
Vegetable seeds	7,634,000,000	8,057,794,000	423,794,000	6%
Cereals	671,000,000	-	(671,000,000)	-100%
Chemicals	296,000,000	116,128,154	(179,871,846)	-61%
Pastures	214,000,000	81,902,000	(132,098,000)	-62%
Other income	-	150,687,909	150,687,909	∞
Total income	13,000,000,000	10,278,634,063	(2,721,365,937)	-21%
Expenses				
Cost of sales	9,535,000,000	8,101,517,202	(1,433,482,798)	-15%
Staff costs	664,000,000	711,566,128	47,566,128	7%
Administration expense	702,370,083	708,555,672	6,185,589	1%
Operating expense	586,000,000	437,589,888	(148,410,112)	-25%
Selling and distribution expense	420,000,200	345,872,053	(74,128,147)	-18%
Finance costs	-	41,994,432	41,994,432	∞
Total expenses	11,907,370,283	10,347,095,376	(1,560,274,907)	-13%
Surplus(deficit) for the period	1,092,629,717	(68,461,313)	(1,161,091,030)	-106%

Budget Notes for the variances of more than 10%:

- Maize seed:** The variance of -55% was due to stock out of popular varieties i.e. H614, H628 and H513, since all maize varieties are imported from Parent Company at Kitale.
- Cereals:** The variance of -100% was due to stock out of cereals in the country.
- Chemicals:** The Variance of -61% was due to favorable weather condition during the year to our vegetable growers. They did not require a lot of chemical application to control pests and diseases which mostly are caused by adverse weather, either too much rains or sunshine.
- Pastures:** The variance of -62% was due to stock out of rodes from Parent Company at Kitale.
- Other income:** Failure to budget for other income was due to strengthening of local currencies against the hard currencies arising to foreign exchange gains which was no anticipated.
- Cost of Sales:** The variance of -15% was due to less volume of seeds sold.
- Operating expenses:** The variance of -25% was as a result of saving in rent and rates which was not increased as per escalating clauses in the contracts as earlier anticipated.
- Selling and distribution expenses:** The variance of -18% was as a result of less volumes of seeds sold and distributed during the year.

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

For Uganda Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

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 Company'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 22.

The financial statements have been prepared and presented in Uganda Shillings, which is the functional and reporting currency of the Company.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (include any other applicable legislation), and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

IFRS 16: Leases

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

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee.

IFRIC 23: Uncertainty Over income tax treatments

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

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

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

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

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

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

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

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

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

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

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

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

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

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

IFRS 17 Insurance Contracts (Issued 18 May 2017)

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018- Applicable for annual periods beginning 1 January 2020)

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

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year ended 30th June 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Revenue recognition

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

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

- Revenue from sale of goods is recognized when the group has transferred to the buyers the significant risks and rewards incidental to the ownership of the goods; and
 - Interest income is recognized on time basis, using the effective interest method. Effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected useful life of the financial asset to that asset's net carrying amount.
- ii) Other income is recognized on an accrual basis. It mainly relates interest on growers' advances, sale of chemicals, fertilizers, rental income and gain on disposal on assets.

b. Property, plant and equipment

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

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

The valuation analysis took into account the following factors:

- Cost of the machines;
 - Existing use;
 - Depreciation;
 - Appreciation of the same in value (inflation);
 - Functionability; and
 - Cost of assembly of the various machines to make it a plant.
- iii) Other assets – based on their fair market values

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

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

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

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

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

c. Depreciation

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

- | | |
|--|-----|
| • Industrial and residential buildings | 5% |
| • Farm works | 5% |
| • Plant and machinery | 10% |
| • Tractors, trailers and forklifts | 10% |

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- Furniture and equipment 20%
- Motor vehicles 25%
- Computers 33.33%
- Freehold land is not depreciated.

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

d. Leases

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

All other leases are classified as operating leases.

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

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

e. Intangible assets

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

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

Research and development costs

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

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

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

f. Inventories

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

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

g. Impairment of non-financial assets

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

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

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

Trade and other receivables

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

Cash and cash equivalents

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

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Offsetting

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

Accounts payable

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

h. Foreign currency transactions

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

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

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

i. Provisions

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

j. Employee benefits

(i) Accrued leave pay

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

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(ii) Gratuity

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

k. Contingent liabilities

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

l. Taxes

Current Tax

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

Taxation

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

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. REVENUE

Product	2019	2018
	Ushs	Ushs
Certified Maize Seeds	1,872,122,000	1,747,506,000
Vegetable Seeds	8,057,794,000	7,800,795,000
Pasture Seeds	81,902,000	79,290,000
Agro Chemicals	116,128,154	109,555,530
Total	10,127,946,154	9,737,146,530

The company earns revenue from sale and distribution of seeds.

6. COST OF SALES

	2019	2018
	Ushs	Ushs
Opening stock - 1 July	4,344,990,065	2,624,916,044
Purchases	6,854,931,688	8,941,613,579
Production overheads	54,566,500	58,457,086
Closing stock - 30 June	(3,152,971,051)	(4,344,990,065)
Total	8,101,517,202	7,279,996,644

7. OTHER INCOME

	2019	2018
	Ushs	Ushs
Transport Recoveries	-	7,125,755
Total	-	7,125,755

8. OTHER GAINS AND LOSSES

	2019	2018
	Ushs	Ushs
Foreign exchange gain/(loss)	150,687,909	(389,844,194)
Total	150,687,909	(389,844,194)

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. SELLING AND DISTRIBUTION EXPENSES

	2019	2018
	Ushs	Ushs
Advertising and promotions	58,043,321	97,031,900
Demonstrations	-	23,930,262
Freight - local	67,286,400	75,226,250
Fumigation	1,764,932	1,568,949
License and subscriptions	24,001,200	11,639,100
Local traveling	172,062,150	117,691,800
Packing costs	17,286,350	16,131,100
Sales commission	-	8,998,000
Seed testing	5,427,700	1,230,200
Total	345,872,053	353,447,561

10a ADMINISTRATIVE EXPENSES

	2019	2018
	Ushs	Ushs
Staff costs (note 10b)	711,566,128	580,036,069
Overseas travel	39,197,304	68,666,335
Motor vehicle fuel and repair	66,889,183	65,850,826
Telephone and postage	15,244,161	13,885,243
Legal and professional fees	15,500,000	17,725,400
Audit fees	25,000,000	5,320,700
Internal Audit	36,348,000	30,069,700
Internet charges	22,533,849	21,081,523
Office equipment service costs	15,348,875	12,231,500
Water and electricity	28,598,879	16,888,550
Directors' expenses	310,478,861	218,159,204
Security	54,110,000	50,565,000
Miscellaneous	8,204,100	9,008,100
Bank charges	11,990,636	11,689,995
Software expenses	24,479,424	16,096,500
Printing and stationery	34,632,400	26,391,500
Use of MESC assets	-	1,182,326
Total	1,420,121,800	1,164,848,471

Simlaw Seeds Company (U) Ltd*Annual Report and Financial Statements for the year ended June 30, 2019***NOTES TO THE FINANCIAL STATEMENTS (Continued)****10b STAFF COSTS**

	2,019	2,018
	Ushs	Ushs
Salaries and allowances of permanent employees	318,375,350	300,327,900
Pay as you earn (PAYE)	105,612,698	99,751,113
Staff medical expenses	27,611,900	24,998,400
Contribution o NSSF	67,261,349	64,104,006
Other pension contributions	9,452,231	6,835,050
Staff training	75,831,900	7,685,400
Staff welfare	107,420,700	71,272,700
Gratuity		4,571,500
Transfer allowance		490,000
Total	711,566,128	580,036,069
The average number of employees at the end of the year was:		
Permanent employees – Management	1	1
Permanent employees – Unionisable	0	0
Temporary and contracted employees	25	25
Total	26	26

11. OPERATING EXPENSES

	2019	2018
	Ushs	Ushs
Rent and Rates	324,225,833	326,767,136
Depreciation	36,002,200	16,811,094
Amortization	10,166,666	3,180,000
Repairs and maintenance	3,865,102	3,935,000
Repairs tools and Equipment	3,065,000	2,419,983
Insurance	60,265,087	52,535,347
Total	437,589,888	405,648,560

12. FINANCE COST

	2019	2018
	Ushs	Ushs
Interest Expense	41,994,432	43,160,944
Total	41,994,432	43,160,944

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

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. PROPERTY PLANT AND EQUIPMENT

a) Year ended 30 June 2019

	Land	Office Furniture and Equipment	Motor Vehicles	Computer Equipment	Plant and Machinery	Leasehold improvements	Work-in-progress	
	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs
Cost								
As at 1 July 2018	880,810,000	56,389,102	14,328,238	101,990,172	113,755,746	189,060,082	14,421,700	1,370,755,031
Additions	-	5,945,000	84,050,000	11,973,000	-	10,500,000	52,934,300	165,402,300
As at 30 June 2019	880,810,000	62,334,102	98,378,238	113,755,746	113,755,746	199,560,082	67,356,000	1,536,157,340
Accumulated depreciation								
As at 1 July 2018	-	54,498,769	14,328,238	93,483,679	79,950,791	189,060,082	-	431,321,557
Charge for the year	-	1,947,833	14,175,000	6,403,792	11,375,575	2,100,000	-	36,002,200
As at 30 June 2019	-	56,446,602	28,503,238	99,887,471	91,326,366	191,160,082	-	467,323,758
Net carrying amounts								
As at 30 June 2019	880,810,000	5,887,500	69,875,000	14,075,701	22,429,381	8,400,000	67,356,000	1,068,833,572

Plant, property and equipment with a cost of Ushs 413,701,726 (Ushs 390,164,637 in 2018) were fully depreciated at 30 June 2019

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. PROPERTY PLANT AND EQUIPMENT (Continued)

b) Year ended 30 June 2018

	Land	Office Furniture and Equipment	Motor Vehicles	Computer Equipment	Plant and Machinery	Leasehold improvements	Work-in- progress	
	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs
Cost								
As at 1 July 2017	80,000,000	56,389,102	14,328,238	91,707,172	113,755,746	189,060,082	-	545,237,331
Additions	800,810,000	-	-	10,286,000	-	-	14,421,700	825,517,700
As at 30 June 2018	880,810,000	56,389,102	14,328,238	101,990,172	113,755,746	189,060,082	14,421,474	1,370,755,031
Accumulated depreciation								
As at 1 July 2017	-	52,876,769	14,328,238	90,125,929	68,575,216	188,604,313	-	414,510,463
Charge for the year	-	1,622,000	-	3,357,750	11,375,575	455,769	-	16,811,094
As at 30 June 2018	-	54,498,769	277,737	93,483,679	79,950,791	189,060,082	-	431,321,557
Net carrying amounts								
As at 30 June 2019	880,810,000	1,890,333	-	8,506,493	33,804,955	-	14,421,700	939,433,474

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. INTANGIBLE ASSETS

	2019	2018
	Ushs	Ushs
Cost		
As at 1 July	68,389,939	58,849,939
Additions	6,034,001	9,540,000
As at 30 June	74,423,940	68,389,939
Amortization		
As at 1 July	62,023,939	58,849,939
Charge for the year	10,178,663	3,180,000
As at 30 June	72,190,605	62,023,939
Net carrying amount		
As at 30 June	2,233,335	6,360,000

Intangible assets consist of assets that were fully amortised amounting to Ushs 72,202,602 (2018 was Ushs 62,023,939)

15. INVENTORIES

	2019	2018
	Ushs	Ushs
Maize	510,505,058	839,869,776
Vegetables	2,385,821,364	3,519,174,763
Packaging	202,253,788	26,784,018
Chemicals	11,836,364	13,809,985
Fertilizers	97,203,000	-
Provision for obsolete stocks	(54,648,477)	(54,648,477)
Total	3,152,971,051	4,344,990,065

The provision of obsolete stocks of UShs 54,648,477 relates to inventory at cost of UShs 54,648,477 (UShs 54,648,477 in 2018) which have a net realizable value of nil (nil in 2018). The company is waiting for approval for destruction of the inventory from relevant authorities in Uganda.

Simlaw Seeds Company (U) Ltd*Annual Report and Financial Statements for the year ended June 30, 2019***NOTES TO THE FINANCIAL STATEMENTS (Continued)****16. TRADE AND OTHER RECEIVABLES**

	2019	2018
	Ushs	Ushs
Trade receivables	591,715,441	1,164,004,376
Prepayments	94,040,637	222,199,529
VAT receivables	583,626,134	471,160,442
Provision for bad debts	(169,394,714)	(169,394,714)
Total	1,099,987,499	1,687,969,633

Provisions for bad debts of UShs 169,394,714 relates to specific provisions of UShs 169,394,714 (in 2018 was UShs 169,394,714). Directors strongly believe that no general provisions were necessary due to substantial decrease in trade and other receivable balance by 35% compare to 2018.

17. TAX RECOVERABLE

	2019	2018
	Ushs	Ushs
As at 1 July	340,688,986	263,328,073
Payment during the year	130,991,895	77,360,914
At 30 June	471,680,881	340,688,987

18. CASH AND CASH EQUIVALENTS

Financial institution	Account number	2019	2018
		Ushs	Ushs
Kenya Commercial Bank, Ushs	2202575138	1,159,351,142	724,696,423
Kenya Commercial Bank, USD	2202638024	110,527,379	11,230,020
Kenya Commercial Bank, Kshs	2200834721	-	502,294
Centenary Bank	3100044408	1,367,725,167	102,877,772
Total		2,637,603,688	839,306,509

19. ORDINARY SHARE CAPITAL

	2019	2018
	Ushs	Ushs
Authorized, issued and fully paid 5,000 ordinary shares of Ushs 25,000 each	125,000,000	125,000,000
Unallotted share capital	1,474,492,300	1,474,492,300
Total	1,599,492,300	1,599,492,300

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

20. RELATED PARTY BALANCES

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

	2019	2018
	Ushs	Ushs
a) Amounts due to related parties – Long term liabilities		
Kenya seed company Limited	806,239,370	818,581,268
Mt Elgon Seeds company limited	1,730,752,437	1,709,973,147
Simlaw seeds company limited – Nairobi	416,428,012	443,640,386
Kenya seed Loan	503,309,682	450,160,944
Total	3,456,729,501	3,422,355,745
b) Amounts due to related parties – Current liabilities	2019	2018
Kenya seed company Limited	3,989,023,200	3,004,259,396
Total	3,989,023,200	3,004,259,396

21. TRADE AND OTHER PAYABLES

	2019	2018
	Ushs	Ushs
Trade payable	1,839,909,458	2,514,806,447
Other payables -Accruals	4,266,711	5,484,611
Total	1,844,176,169	2,520,291,058

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

22. 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

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

(a) Credit risk

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

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

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

The amount that best represents the company's maximum exposure to credit risk as at 30 June 2019 is made up as follows:

	2019	2018
	Ushs	Ushs
Net trade receivables	422,320,727	994,609,662
	422,320,727	994,609,662

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

Movement in provisions for doubtful debts:

	2019	2018
	Ushs	Ushs
As at 1 July	169,394,000	169,394,000
Recoveries during the year	-	-
Provisions for the year	-	-
As at 30 June	169,394,000	169,394,000

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Cash and cash equivalents

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

(b) Market risk

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

Interest rate risk

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

	Change in Interest rat	Effect on profit Before Tax	Effect on Equity
		Ushs'000	Ushs'000
2019	-10.00%	4,316	3021
	10.00%	(4,316)	(3021)
2018	-10.00%	-	-
	10.00%	-	-

Exchange risks

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

	Change in USD rate	Effect on profit Before Tax	Effect on Equity
		Ushs'000	Ushs'000
2019	-10.00%	34,270,000	3021
	10.00%	(34,270,000)	(3021)
2018	-10.00%	7,330,000	5,131,000
	10.00%	(7,330,000)	(5,131,000)

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

(c) Liquidity risk

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

(d) Operational risk

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

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

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

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

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

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

Simlaw Seeds Company (U) Ltd

Annual Report and Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. CAPITAL MANAGEMENT

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

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

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

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

24. FAIR VALUES

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

25. INCORPORATION AND ULTIMATE HOLDING ENTITY

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

26. CURRENCY

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

27. 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.

Simlaw Seeds Company (U) Ltd

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

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
REPORT ON FINANCIAL STATEMENTS					
Basis for Qualified Opinion					
1.0	Accuracy, Completeness and presentation of the financial statements				
1.1	<p>Presentation of Financial Statements</p> <p>The financial statements presented for audit revealed the following:</p> <p>(i) The statement of profit or loss and other comprehensive income reflects profit for the year of Ushs.107,325,910 which has been arrived at after deducting finance costs of Ushs.43,160,944 contrary to the requirements of International Public Sector Accounting Standards</p> <p>In the circumstance, the financial statements are not in line with the International Public Sector Accounting Standards.</p>	The presentation of financial statement was presented in line with IFRS	Finance Controller	Resolved	N/A
1.2	<p>Unsupported Adjustments to financial statements</p> <p>The adjustments detailed below, have been made to the financial statements originally submitted for audit for the year ended 30 June 2018;</p>	These were journal entries to value receivables, payables and related party balances at year end. The journal vouchers are available	Finance Controller	Resolved	N/A

Simlaw Seeds Company (U) Ltd

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

Reference No. on the external audit Report	Issue / Observations from Auditor			Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)																		
	<table border="1"> <thead> <tr> <th>Item description</th> <th>Balance as per original submitted financial statements</th> <th>Balance as per amended financial statements</th> </tr> <tr> <td></td> <td>Ushs.</td> <td>Ushs.</td> </tr> </thead> <tbody> <tr> <td>Trade and other receivables</td> <td>1,533,028,374</td> <td>1,687,969,633</td> </tr> <tr> <td>Trade and other payables</td> <td>2,382,297,572</td> <td>2,520,291,058</td> </tr> <tr> <td>Long Term Liabilities</td> <td>3,375,214,080</td> <td>3,422,355,745</td> </tr> <tr> <td>Administrative expenses</td> <td>1,164,693,957</td> <td>1,554,692,666</td> </tr> </tbody> </table>	Item description	Balance as per original submitted financial statements	Balance as per amended financial statements		Ushs.	Ushs.	Trade and other receivables	1,533,028,374	1,687,969,633	Trade and other payables	2,382,297,572	2,520,291,058	Long Term Liabilities	3,375,214,080	3,422,355,745	Administrative expenses	1,164,693,957	1,554,692,666						
Item description	Balance as per original submitted financial statements	Balance as per amended financial statements																							
	Ushs.	Ushs.																							
Trade and other receivables	1,533,028,374	1,687,969,633																							
Trade and other payables	2,382,297,572	2,520,291,058																							
Long Term Liabilities	3,375,214,080	3,422,355,745																							
Administrative expenses	1,164,693,957	1,554,692,666																							
	<p>However, approved journal vouchers were not provided in support of these adjustments.</p> <p>In view of the foregoing, the completeness, validity and accuracy of the financial statements for the year ended 30 June 2018 could not be ascertained.</p>																								
2.0	<p>Unsupported Procurements Note 6 to the financial statements reflects purchases figure of Ushs.8,941,613,578 during the year under review. However, the signed contracts between the Company and suppliers were not made available for audit scrutiny.</p>				General Manager	Not resolved	June 2020																		

Simlaw Seeds Company (U) Ltd

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Consequently, the validity, fair competition and accuracy of the purchases figure of Ushs.8,941,613,578 could not be confirmed.				
3.0	<p>Un supported Amounts due to Related Parties</p> <p>The statement of financial position as at 30 June 2018 reflects amounts due to related parties balance of Ushs.3,422,355,745 as disclosed in note 19(a) to the financial statements. However, management did not provide for audit review supporting documents for this balance.</p> <p>In consequence, the accuracy, validity and completeness of the amounts due to related parties balance of Ushs.3,422,355,745 as at 30 June 2018 could not be confirmed.</p>	Parent company and Simlaw Kenya confirmed their balances	Finance Controller	Not resolved	June 20120
4.0	<p>Land Valuation</p> <p>The statement of financial position as at 30 June 2018 reflects property, plant and equipment of Ushs.939,433,474 which includes a parcel of land valued at Ushs.815,231,700 procured during the year under review. However, the pre purchase valuation report has not been made available for audit review. Although management has explained that the land was procured on willing buyer willing seller basis, it is not possible to confirm that value for money was obtained in the procurement of land.</p>	Valuation was done	General Manager	Resolved	N/A

Simlaw Seeds Company (U) Ltd

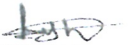
Annual Report and Financial Statements for the year ended June 30, 2018


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	As a result, the value of land included in property ,plant and equipment balance of Ushs.939,433,474 could not be ascertained as being fairly stated.				
REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES					
Basis for Conclusion					
1.0	<p>Rents and Rates</p> <p>The statement of profit or loss and other comprehensive income for the year ended 30 June 2018 reflects other operating figure of Ushs.405,648,560 which includes rent and rates figure of Ushs.326,767,136 as disclosed under note 19 to the financial statements. Available information revealed that included in the rent and rates figure of Ushs.326,767,135.53 is Ushs.8,745,000 in respect of lease for the company branch office located at Kapchorua whose lease agreement was not provided for audit review. Consequently, the propriety of the expenditure of Ushs.8,744,999.97 for the year ended 30 June 2018 could be confirmed.</p>	Agreement for all rental premises were availed.	Finance Controller	Resolved	N/A
REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS					
Basis for Conclusion					
1.0	<p>Internal Control Environment</p> <p>The company does not have a formally approved ICT Policy. In addition, a review of available records indicated that internal audit function is performed by auditors and audit</p>	It is still under Work in progress	Finance Controller	Not resolved	December 2020

Simlaw Seeds Company (U) Ltd

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	committee of Kenya Seed Company Limited. No reason was provided for not establishing an internal audit function as required by section 162 of the Public Finance Management Regulations, 2016.				
2.0	Lack of approved staff establishment The statement of profit or loss and other comprehensive income reflects administrative expenses of Ushs.1,554,692,666 which includes Wages and salaries of Ushs.580,036,069 which has not been supported by an approved staff establishment.	This is still work in progress	General Manager	Not resolved	December 2020
3.0	Lack of strategic plan The company does not have a strategic plan, company policies like Human Resources Management Policy, Procurement Policy, financial management policy and other policies.	Strategic plan was approved	General Manager	Resolved	N/A
4.0	Payment Vouchers and Stock control cards Although the company maintains stock control cards and uses payment vouchers, the same are not serially numbered.	corrected	Financial Controller	Resolved	N/A

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 Sylvia Kyeyune
 General Manager

.....

 Mr. William Kundu
 Chairman of the Board

Simlaw Seeds Company (U) Ltd

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

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

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

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

Status of Projects completion

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

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

Simlaw Seeds Company (U) Ltd

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

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:			
Break down of Transfers from the State Department of Crop Development			
FY 2017/2018			
a. Recurrent Grants			
	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
	N/A	N/A	N/A
	Total	N/A	N/A
b. Development Grants			
	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
	N/A	N/A	N/A
	Total	N/A	N/A
c. Direct Payments			
	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
	N/A	N/A	N/A
	Total	N/A	N/A
d. Donor Receipts			
	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
	N/A	N/A	N/A
	Total	N/A	N/A

The above amounts have been communicated to and reconciled with the parent Ministry.

Financial Controller

Kenya Seed Company Ltd

Sign.....

Head of Accounting Unit

Ministry of Agriculture, Livestock, Fisheries & Irrigation

Sign.....

Simlaw Seeds Company (U) Ltd

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

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - Kshs	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Planning and Devolution	N/A	Recurrent	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ministry of Planning and Devolution	N/A	Development	N/A	N/A	N/A	N/A	N/A	N/A	N/A
USAID	N/A	Donor Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ministry of Planning and Devolution	N/A	Direct Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total			N/A	N/A	N/A	N/A	N/A	N/A	N/A

