

*Tape
By Hon Aden
Leader of Majority
on Tue 20/9/15
[Signature]*



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REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
SIMLAW SEEDS COMPANY LIMITED

FOR THE YEAR ENDED
30 JUNE 2015



SIMLAW SEEDS COMPANY LIMITED

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

30 JUNE 2015



**SIMLAW SEEDS COMPANY LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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SIMLAW SEEDS COMPANY LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 30 JUNE 2015

PRINCIPAL PLACE OF BUSINESS

Kijabe Street
P O Box 40042 - 00100
NAIROBI

REGISTERED OFFICE

Kijabe Street
P O Box 40042 - 00100
NAIROBI

BANKERS

Barclays Bank of Kenya Limited
Moi Avenue Nairobi
P O Box 30116 - 00100
NAIROBI

Kenya Commercial Bank Limited
Lortokitok Branch
P O Box 182
LOITOKITOK

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

SECRETARY

Rose Cauri
P O Box 553-30200
KITALE

AUDITORS

Auditor General
P O Box 30084 - 00100
NAIROBI

**SIMLAW SEEDS COMPANY LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2015**

The directors submit their report and the audited financial statements for the year ended 30 June 2015, which show the state of the company's affairs

1. PRINCIPAL ACTIVITIES

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

2. COMPANY RESULTS

The results for the year are set out on page 7.

3. DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year ended 30 June 2015.

4. RESERVES

The reserves of the company are set out on page 8.

5. DIRECTORS

The directors who served during the year and to the date of this report were. -

Lawrence Njiru (Chairman) - Appointed on 04.02.2014

David Kiplagat - Appointed on 04.02.2014

Managing Director- Kenya Seed Company Limited

Managing Director- Agricultural Development Corporation

Principal Secretary -Ministry of Finance

6. AUDITORS

The Auditor General is responsible for the statutory audit of the company's books of account in accordance with Sections 14 of the Public Audit Act, 2003, which empowers the Auditor General to audit the accounts submitted by a state corporation, express an opinion and certify the result of examination and audits.

By Order of the Board

ROSE CAURI
Secretary



Date


SIMLAW SEEDS COMPANY LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of financial affairs of the company as at the end of the financial year and of the operating results for that year. It also requires the directors to ensure the company keeps proper accounting records, which disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate system of internal 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.


.....
Director


.....
Director

.....
Date

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF SIMLAW SEEDS COMPANY LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Simlaw Seeds Company Limited, which comprise the company's statement of financial position as at 30 June 2015, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 32.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Simlaw Seeds Company Limited as at 30 June 2015 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

REPORT ON OTHER LEGAL REQUIREMENTS

As required by the Kenyan Companies Act, we report to you, based on our audit, that:

- i) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit;
- ii) in our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and,
- iii) the company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is.....

The Auditor-General
Nairobi, Kenya

.....2015



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON SIMLAW SEEDS COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Simlaw Seeds Company Limited set out on pages 6 to 32, which comprise the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 14 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Auditing Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1.0 Trade and Other Receivables

The trade and receivables balance of Kshs.161,078,000 include VAT recoverable balance of Kshs.25,490,000. Information available indicates that amounts totalling Kshs.22,205,699.68 relate to the period April 2007 to December 2012 while Kshs.3,284,239.60 relate to the month of June 2015. No explanation or reason has however been provided as to why the claims amounting to Kshs.22,205,699.68 relating to December 2012 and earlier years have not been recovered.

Consequently, the recoverability of VAT amounting to Kshs.25,490,000 as at 30 June 2015 could not be confirmed.

2.0 Procurement of Goods and Services

2.1 Purchase of Seeds

Included in the cost of sales figure of Kshs.559,874,000 is seed importation cost of Kshs.194,631,055 paid to nine (9) firms for importation of seeds. However, information available indicate that the firms were picked without going through competitive bidding process as required by the Public Procurement and Disposal Act, 2005 and related regulations of 2006 and 2013. In addition, purchase orders issued to the firms for the purchases were not availed for audit verification.

Further, although the seeds were supplied, received and recorded in stores ledgers, there was no evidence that the same was subjected to the inspection and acceptance committee to confirm the quantity and quality of the seeds supplied as required by the Public Procurement and Disposal Act, 2005.

2.2 Import Clearing Agency Services

During the year under review, information available indicated that a cargo handling firm was paid an amount of Kshs.17,996,451 in respect of import clearing services. However, there was no evidence that the services were procured through competitive bidding process as required by the Public Procurement and Disposal Act, 2005 and the related Regulations of 2006 and 2013.

Consequently, the propriety of importation cost and import clearing agency services expenditure amounting to Kshs.212,627,506 could not be confirmed for the year ended 30 June 2015.

3.0 Irregular Staff Advances

The statement of financial position disclose under Note 4 to the financial statements short and long term staff receivables balance of Kshs.7,402,000 and Kshs.2,837,000 respectively totalling Kshs.10,239,000 out of which an amount of Kshs.2,671,089.44 was held by twenty five (25) former members of staff whose services were terminated while

another balance of Kshs.5,241,183.92 held by existing employees was not supported by the necessary documentary evidence.

Consequently the accuracy and propriety of the staff advances totalling Kshs.7,912,273.36 for the year ended 30 June 2015 could not be confirmed.

4.0 Failure to Surrender Imprests

Included in staff receivables balance of Kshs.12,566,000 in Note 4 to the financial statements is outstanding temporary imprest amounting to Kshs.1,106,132 as at 30 June 2015, all of which were overdue as at 30 June 2015. Further, the imprest balance of Kshs.1,106,132 included overdue imprests amounting to Kshs.663,762 relating to 2012/2013 financial year and which should have been accounted for on or before 30 June 2013.

No reason was provided for non-recovery of these long outstanding imprests and failure to recover the imprest is contrary to Section 5.6 of the Government Financial Regulations and Procedures which states that a holder of temporary imprest should account for or surrender the imprest within 48 hours after returning to duty station.

5.0 Submission of Financial Statements

The management submitted the financial statements for the year ended 30 June 2015 to the Auditor-General on 15 January 2016 which was over 3½ months late instead of the statutory deadline of 30 September 2015.

No reason was provided for the late submission of the financial statements, or approval from National Assembly granting extension on late submission of the financial statements. In the circumstances, the management is in breach of the law.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Simlaw Seeds Company Limited as at 30 June, 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, Cap 486 of the Laws of Kenya.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Companies Act, 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, proper books of account have been kept by the Company, so far as appears from my examination of those books; and,

- (iii) The Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.



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

Nairobi

24 May 2016

SIMLAW SEEDS COMPANY LIMITED
 STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2015

ASSETS	Notes	2015 KShs'000	2014 KShs'000
NON-CURRENT ASSETS			
Land & Buildings	3	108,014	
Property, plant and equipment	3	28,252	36,357
Staff receivables	4	2,836	716
Deferred tax asset	5	<u>11,330</u>	<u>13,575</u>
		<u>150,432</u>	<u>50,648</u>
CURRENT ASSETS			
Inventories	6	595,300	613,387
Consumable biological assets	7	150	235
Trade and other receivables	8	161,078	92,348
Corporation tax recoverable	9(a)	36,277	45,703
Amount due from group companies	10(iii)	58,210	56,819
Amount due from related parties	10(iii)	33,983	1,116
Bank and cash balances	20	<u>46,808</u>	<u>155,808</u>
		<u>931,806</u>	<u>965,416</u>
TOTAL ASSETS		<u>1,082,238</u>	<u>1,016,064</u>
EQUITY & LIABILITIES			
EQUITY			
Share capital	11	200	200
Retained earnings		194,145	165,371
Revaluation reserve		23,798	23,798
Loan capital from parent company	10(vi)	<u>144,298</u>	<u>144,298</u>
		<u>362,441</u>	<u>333,667</u>
CURRENT LIABILITIES			
Trade and other payables	12	191,344	147,946
Amount due to parent company	10(iii)(c)	523,443	525,177
Provision for employee entitlements	13	<u>5,010</u>	<u>9,274</u>
		<u>719,797</u>	<u>682,397</u>
TOTAL EQUITY AND LIABILITIES		<u>1,082,238</u>	<u>1,016,064</u>

The financial statements were approved by the Board of Directors on2015 and signed on its behalf by: -

.....)
)
) Directors
)
)
)

SIMLAW SEEDS COMPANY LIMITED
 STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 KShs'000	2014 KShs'000
SALES		777,598	718,688
COST OF SALES	14	<u>(559,874)</u>	<u>(502,447)</u>
GROSS PROFIT		217,724	216,241
OTHER OPERATING INCOME	15	<u>16,265</u>	10,754
FAIR VALUE GAIN/(LOSS) ON BIOLOGICAL ASSETS	7	(67)	<u>139</u>
		<u>233,922</u>	<u>227,134</u>
EXPENSES			
Administrative expenses	16	123,562	120,008
Selling and distribution costs	17	28,969	40,917
Operating expenses	18(a)	38,810	42,452
Research and development expenses	18(b)	<u>2,137</u>	<u>6,344</u>
		<u>193,478</u>	<u>209,721</u>
PROFIT BEFORE TAX	19	40,444	17,413
Tax credit/(expense)	9(b)	<u>(11,671)</u>	<u>4,234</u>
PROFIT/(LOSS) FOR THE YEAR		28,773	21,647
OTHER COMPREHENSIVE INCOME NET OF TAX			
Other comprehensive income to be reclassified to profit and loss in subsequent periods		-	-
Other comprehensive income not to be reclassified to profit and loss in subsequent periods		<u>-</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR		-	-
TAX		<u>-</u>	<u>-</u>
NET OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>28,773</u>	<u>21,647</u>
EARNINGS/(LOSS) PER SHARE (KShs)		<u>5,755</u>	<u>4,329</u>

SIMLAW SEEDS COMPANY LIMITED
 STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30 JUNE 2015

	Share capital KShs'000	Retained earnings KShs'000	Loan capital KShs'000	Revaluation reserve KShs'000	Total Equity KShs'000
As at 1 July 2013	<u>200</u>	<u>143,724</u>	<u>144,298</u>	<u>23,798</u>	<u>312,020</u>
Profit for the year	-	21,647	-	-	21,647
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	<u>21,647</u>	-	-	<u>21,647</u>
At 30 June 2014	<u>200</u>	<u>165,372</u>	<u>144,298</u>	<u>23,798</u>	<u>333,667</u>
As at 1 July 2014	<u>200</u>	<u>165,371</u>	<u>144,298</u>	<u>23,798</u>	<u>333,667</u>
Profit for the year	-	28,774	-	-	28,774
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	<u>28,774</u>	-	-	<u>28,774</u>
At 30 June 2015	<u>200</u>	<u>194,145</u>	<u>144,298</u>	<u>23,798</u>	<u>362,441</u>

SIMLAW SEEDS COMPANY LIMITED
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 30 JUNE 2015

	2015 KShs'000	2014 KShs'000
OPERATING ACTIVITIES		
Profit/(loss) before taxation and finance cost	40,444	17,413
Adjustments for: -		
Depreciation	13,554	12,973
Exchange (gain)/loss	<u>(1,063)</u>	<u>919</u>
Operating profit before working capital changes	52,935	31,305
Non-current receivables	(2,120)	319
Trade and other receivables	(68,729)	(36,513)
Inventories	18,087	(44,292)
Biological assets	85	(210)
Amount due from group companies	(1,390)	32
Amount due from related parties	(32,868)	17,304
Amount due to parent company	(1,734)	73,181
Provision for employee entitlements	(4,264)	(67)
Trade and other payables	<u>43,398</u>	<u>90,696</u>
Cash generated/(utilised) from operations	3,400	131,755
Tax paid		<u>-</u>
Net cash from operating activities	<u>3,400</u>	<u>131,755</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	<u>(113,463)</u>	<u>(5,127)</u>
Net cash utilized in investing activities	<u>(113,463)</u>	<u>(5,127)</u>
Net increase/(decrease) in cash and cash equivalents	(110,063)	126,628
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	155,808	30,099
Effect of changes in exchange rates	<u>1,063</u>	<u>(919)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (note 20)	<u>46,808</u>	<u>155,808</u>

1. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2015:

- IAS 19 Employee Benefits (Revised)
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
- IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32
- IFRS 1 Government Loans – Amendments to IFRS 1
- IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
- IAS 36 Impairment of Assets - Disclosure requirements for the recoverable amount of impaired assets
- Annual Improvements May 2014

The adoption of the standards or interpretations is described below:

IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. There are changes to post employee benefits in that pension surpluses and deficits are to be recognised in full (no more deferral mechanisms) and all actuarial gains and losses recognised in other comprehensive income as they occur with no recycling to profit or loss. Past service costs as a result of plan amendments are to be recognised immediately. Short and long-term benefits will now be distinguished based on the expected timing of settlement, rather than employee entitlement. Although the company will not be impacted by amendments relating to defined benefit plans, the impact on the definitions of short-term and long-term employee benefits is still being assessed. The amendment is effective for annual periods beginning on or after 1 January 2015. The amendments have no impact on the company.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard is effective for annual periods beginning on or after 1 January 2015 and has no impact on the company as the company does not have any investments in associates and interests in joint arrangements.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments have no impact on the company’s financial position or performance and the standard is effective for annual periods beginning on or after 1 January 2015.

IFRS 1 Government Loans – Amendments to IFRS 1

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2015. The amendment has no impact on the company.

1. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments have no impact the company's financial position or performance and is effective for annual periods beginning on or after 1 January 2015.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Ventures*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard is effective for annual periods beginning on or after 1 January 2015, and has no impact on the company as it is not party to any joint arrangements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The IFRS has no impact on the company's operations.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance. This standard is effective for annual periods beginning on or after 1 January 2015. The new interpretation did not have an impact on the Company.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2015. The new interpretation did not have an impact on the Company.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation — Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The IFRS did not have any impact on the company's operations.

IAS 36 Impairment of Assets - Disclosure requirements for the recoverable amount of impaired assets

The IASB has issued amendments to IAS 36 - *Impairment of Assets*, to clarify the disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarify the IASB's original intention: that the scope of these disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. The amendment will become effective for annual periods beginning on or after 1 January 2015 and did not have material impact on the company's disclosure.

1. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

Annual Improvements May 2014

These improvements did not have an impact on the company, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2015.

Standards and amendments issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the company's financial statements are listed below. This listing is of standards and interpretations issued, which the company reasonably expects to be applicable at a future date. The company intends to adopt those standards when they become effective. The company expects that adoption of these standards, amendments and interpretations in most cases not to have any significant impact on the company's financial position or performance in the period of initial application but additional disclosures will be required. In cases where it will have an impact the company is still assessing the possible impact.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2015, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The company is currently assessing the impact of adopting IFRS 9. However, since the impact of adoption depends on the assets held by the company at the date of adoption, it is not practical to quantify the effect.

1. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

IFRS 9 Financial Instruments (2015)

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas: Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2015 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.; Impairment. The 2015 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised; Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures; Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. Effective for annual period beginning on or after 1 January 2018. The IFRS may have an impact on the company's disclosures.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to: apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11 and disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). Applicable to annual periods beginning on or after 1 January 2016. This IFRS will have no impact on the company's financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to: clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated, add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. Applicable to annual periods beginning on or after 1 January 2016 and the company will assess the impact on the operations.

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)

Amends IAS 16 Property, Plant and Equipment and IAS 41 Agriculture to: include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16; introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales; clarify that produce growing on bearer plants remains within the scope of IAS 41. Applicable to annual periods beginning on or after 1 January 2016.

1. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

Equity Method in Separate Financial Statements (Amendments to IAS 27)

Amends IAS 27 Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements. Applicable to annual periods beginning on or after 1 January 2016. This IFRS will have no impact on the company's financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2017. This IFRS will have no impact on the company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The company's financial statements have been prepared on historical cost basis of accounting. The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Kenyan Companies Act. The financial statements are presented in Kenyan Shillings (KShs), and all values are rounded to the nearest thousand (KShs' 000) except when otherwise stated.

(b) Revenue recognition

Revenue is recognised in the statement of comprehensive income when the significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods. Revenue is measured at fair value net of taxes and discount.

Interest income is recognised in the statement of comprehensive income for all interest bearing instruments on an accrual basis taking into account the effective yield on the asset.

(c) Research and development costs

Expenditure on research and related development is capitalised and amortised on a straight line basis over its useful life when:

- It is probable that the future economic benefits that are attributable to the asset will flow to the company; and
- The cost of the asset can be measured reliably.

Expenditure on research and development is charged to the income statement when the expenditure relates to maintaining and running the day to day operations.

(d) Taxation

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 recognised directly in equity is recognised in equity and not in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Deferred tax

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

f) Dividends

Proposed dividends are shown as a separate component of equity until declared.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Property, plant, equipment and depreciation

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

- i) Buildings – open market value
- ii) Other assets – depreciated replacement cost

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 2008.

Increases in the carrying amounts of property, plant and equipment resulting from revaluations are credited to the revaluation surplus, except to the extent that it reverses a revaluation reserve decrease for the same 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. Decrease 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 reserve 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 is determined as the difference between the net sales proceeds and the carrying amount of the asset at the time of sale and is recognised in the income statement in the year in which the sale occurred.

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

Machinery	10%
Computers	33 ¹ / ₃ %
Motor vehicles	25%
Furniture and equipment	20%

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.

h) Leases

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

All other leases are classified as operating leases.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Leases (continued)

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 income statement on the straight line basis over the term of the relevant lease.

i) Intangible assets

Intangible assets represent computer software and are stated at cost less the accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated to write off the cost of computer software on the 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 the any changes in the market, economic and industry trends.

Gains or losses arising from derecognizing an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

j) 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.

Work-in-progress, which comprises raw seed and seed in bulk form not yet processed, is stated at the lower of cost and net realisable value. Cost comprises expenditure directly incurred in the purchase of the seeds.

k) Biological assets

Living plants with probable future economic benefits, which are owned and controlled by the company are accounted for as biological assets. Biological assets and agricultural produce are measured at their fair value less estimated point-of-sale costs.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Biological assets (continued)

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

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

Consumable biological assets

Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets.

Bearer biological assets

Other biological assets are classified as bearer biological assets.

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

l) Impairment of assets

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

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 a revaluation increase.

Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell 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.

m) Financial instruments

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. The company classifies its financial assets into the following categories: Financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale assets. Management determines the appropriate classification of its investments at initial recognition and re-evaluates its portfolio every reporting date to ensure that all financial instruments are appropriately classified.

Purchase and sale of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place (regular way purchases) are recognised on the trade date, which is the date that the company commits to purchase or sell the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Financial instruments (continued)

A financial asset is derecognised when the company loses control over the contractual rights that comprise that asset and has transferred its right to cash flows from the asset or has assumed an obligation to pay the received cash flows without material delay to a third party under a 'pass through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another by the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts are recognised in the statement of comprehensive income.

Financial assets at fair value through profit or loss

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include receivables arising from day to day sale of goods and services. They are measured at amortised cost less impairment losses using the effective interest rate method.

Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale occurs other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and classified as available for sale.

Available-for-sale financial assets

Financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans and receivables, or (c) financial assets held to maturity.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the company has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of "financial assets at fair value through profit or loss" are included in the statement of comprehensive income in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Financial instruments (continued)

Trade and other receivables

Trade and other receivables consist of all receivables, which are of short duration with no stated interest rate and are measured at amortised cost using the effective interest rate. An allowance is made for any unrecoverable amounts.

Borrowings

Interest bearing loans are recorded at the proceeds received. Finance charges are recognised on the accrual basis and are added to the carrying amount of the related instrument to the extent that they are not settled in the period they arise.

Trade payables

Trade and other payables, consist of all payables, which are of short duration with no stated interest rate and are measured at amortised cost using the effective interest rate.

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 and which were within three months to maturity when acquired, less advances from banks repayable within three months from date of disbursement or confirmation of the advance. Cash and cash equivalents are measured at amortised cost.

o) Foreign currency transactions

Assets and liabilities expressed in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling at the balance sheet date. Transactions during the year which are expressed in foreign currencies are translated into Kenya Shillings at the rates ruling on the dates of the transactions. Gains and losses on exchange are dealt with in the income statement.

p) Employee benefits

Accrued leave pay

Employee entitlements to annual leave are recognised 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.

q) Contingent liabilities

Contingent liabilities arise if there is a possible 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.

SIMLAW SEEDS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Critical judgements and use of accounting estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires directors to exercise their judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on directors' best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates. In particular, critical judgement has been applied by the directors in:

- Valuation of biological assets;
- Estimation of useful life of property, plant and equipment and intangible assets;
- Determination of revalued amounts of property, plant and equipment;
- Determination of actuarial deficit between the assets and liabilities of employee benefits scheme;
- Determination on whether the company's assets have been impaired.

SIMLAW SEEDS COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED 30 JUNE 2015

3. PROPERTY AND EQUIPMENT

(a) Year ended 30 June 2015	Land & Buildings	Machinery	Motor vehicles	Furniture and computer equipment	Total
		KShs'000	KShs'000	KShs'000	KShs'000
COST OR VALUATION					
At 1 July 2014		<u>45,167</u>	<u>33,936</u>	<u>31,741</u>	<u>110,844</u>
Additions	<u>108,014</u>	<u>690</u>		<u>5,899</u>	<u>6,589</u>
Reversal				<u>(1,140)</u>	<u>(1,140)</u>
At 30 June 2015	<u>108,014</u>	<u>45,857</u>	<u>33,936</u>	<u>36,500</u>	<u>116,293</u>
COMPRISING					
Cost	108,014	33,441	30,469	12,699	76,609
Valuation		<u>12,416</u>	<u>3,467</u>	<u>23,801</u>	<u>39,684</u>
At 30 June 2015					
DEPRECIATION					
At 1 July 2014	-	18,619	30,643	25,225	74,487
Charge for the year	-	<u>4,482</u>	<u>3,293</u>	<u>5,779</u>	<u>13,554</u>
At 30 June 2015	-	<u>23,101</u>	33,936	<u>31,004</u>	<u>88,041</u>
NET BOOK VALUE					
At 30 June 2015	108,014	22,756	-	5,496	28,252

Machinery and equipments were revalued in 2008 by Metrocosmo Limited, registered valuers and were valued on the basis of depreciated replacement cost for existing use. The resulting surplus was transferred to the revaluation reserve.

(b) Year ended 30 June 2015	Machinery	Motor vehicles	Furniture and computer equipment	Total
	KShs'000	KShs'000	KShs'000	KShs'000
COST OR VALUATION				
At 1 July 2013	41,737	33,936	30,044	105,717
Additions	<u>3,430</u>	-	<u>1,697</u>	<u>5,127</u>
At 30 June 2014	<u>45,167</u>	<u>33,936</u>	<u>31,741</u>	<u>110,844</u>
COMPRISING				
Cost	32,751	30,469	23,823	87,043
Valuation	<u>12,416</u>	<u>3,467</u>	<u>7,918</u>	<u>23,801</u>
At 30 June 2014				
DEPRECIATION				
At 1 July 2013	14,255	26,805	20,454	61,514
Charge for the year	<u>4,364</u>	<u>3,838</u>	<u>4,771</u>	<u>12,973</u>
At 30 June 2014	<u>18,619</u>	<u>30,643</u>	<u>25,225</u>	<u>74,487</u>
NET BOOK VALUE				
At 30 June 2014	<u>26,548</u>	<u>3,293</u>	<u>6,516</u>	<u>36,357</u>

3. PROPERTY AND EQUIPMENT (continued)

(c) PROPERTY, PLANT AND EQUIPMENT (continued)

If the revalued machinery and equipment were measured using the cost model, the carrying amounts would be as follows:

	Land & Buildings Kshs'000'	Machinery Kshs' 000	Motor Vehicles Kshs'000	Furniture & Fitting Kshs'000
Cost	108,014	45,857	33,936	36,500
Accumulated depreciation		<u>(23,101)</u>	<u>(33,936)</u>	<u>(31,004)</u>
Net book value	<u>108,014</u>	<u>22,756</u>	=	<u>5,496</u>
4. STAFF RECEIVABLES			2015 KShs'000	2014 KShs'000
Staff advances			12,566	5,181
Provision for doubtful debts			<u>(2,327)</u>	<u>(2,327)</u>
Less: receivable within one year (note 8)			10,239 <u>(7,402)</u>	2,854 <u>(2,138)</u>
			<u>2,837</u>	<u>716</u>
5. DEFERRED TAX ASSET / (LIABILITY)				

Movement in deferred tax during the year were as follows:

	As at 1 July 2014	Statement of comprehensive income	As at 30 June 2015
Deferred tax liabilities			
Fair value adjustment on biological assets	-	-	-
General bad debts provision	-	-	-
Gratuity provision	-	-	-
Leave provision	89	(89)	
Unrealized exchange losses	275	(275)	
Revaluation surplus	<u>3,146</u>	<u>(3,146)</u>	
	<u>3,510</u>	<u>(3,510)</u>	
Deferred tax assets			
Property, plant and equipment			
Leave provision	(6,212)	5,749	(463)
Gratuity provision	-	(1,028)	(1,028)
General bad debts provision	(109)	(366)	(475)
Unrealized exchange losses	(11)	(9,353)	(9,364)
Tax losses utilized	-	-	-
Fair value adjustment on biological assets	(10,506)	10,506	-
	<u>(247)</u>	<u>247</u>	=
Net deferred tax asset	<u>(17,085)</u>	<u>5,755</u>	<u>(11,330)</u>
	<u>(13,575)</u>	<u>2,245</u>	<u>(11,330)</u>

SIMLAW SEEDS COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED 30 JUNE 2015

6. INVENTORIES

	2015 KShs'000	2014 KShs'000
Seeds and materials-finished	351,941	391,979
Work-in-progress	294,347	266,534
Obsolete inventories	<u>(50,988)</u>	<u>(45,126)</u>
	<u>595,300</u>	<u>613,387</u>

7. CONSUMABLE BIOLOGICAL ASSETS

The consumable biological assets comprise vegetables.

Fair value at the beginning of the year	235	25
Decrease in fair value due to harvesting	(235)	(25)
Additions at cost	<u>217</u>	<u>96</u>
	217	96
Fair value loss arising from physical changes	<u>(67)</u>	<u>139</u>
Fair value at end of the year	<u>150</u>	<u>235</u>

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

- i) The market conditions will remain constant;
- ii) The prevailing climatic conditions will not change;
- iii) The pre-tax incremental borrowing rate will remain at 14%; and,
- iv) The prices of the farm inputs required to sustain the estimated yields will not change in the entire period considered to be the life cycle of the crops.

8. TRADE AND OTHER RECEIVABLES

	2015 KShs'000	2014 KShs'000
Trade receivables	92,396	73,278
Provision for bad and doubtful debts	<u>(6,353)</u>	<u>(5,278)</u>
	86,043	68,000
Growers receivables	7,500	5,076
Provision for bad and doubtful debts	(4,998)	(4,998)
Staff receivables (note 4)	7,402	2,138
VAT recoverable	25,490	-
Pre-payments	-	1,086
Other receivables	40,682	22,086
Provision for bad and doubtful debts	<u>(1,041)</u>	<u>(1,040)</u>
	<u>161,078</u>	<u>92,348</u>

For trade receivables in respect of contracted seed growers, credit amount is limited to the delivery of seeds expected from the growers. The credit is in form of the cost of farm inputs and supplies taken by the grower to facilitate farm operations during seed growing seasons.

Other receivables relate to prepayments and deposits made for example electricity and water deposits.

9. TAXATION

	2015 KShs'000	2014 KShs'000
(a) Tax recoverable		
At the beginning of the year	45,703	45,703
Charge for the Year	<u>(9,426)</u>	-
Previous year reconciliation	-	-
Paid during the year	-	-
	<u>36,277</u>	<u>45,703</u>
At the end of the year	<u>36,277</u>	<u>45,703</u>
(b) Income tax expense		
Statement of comprehensive income		
Current taxation based on adjusted profit at 30%	9,425	-
Prior year under provision	<u>327</u>	-
Deferred tax credit /(charge) (note 5)	<u>1,918</u>	<u>4,234</u>
	<u>11,671</u>	<u>4,234</u>
(c) Reconciliation of expected tax based on accounting profit profit to the tax credit		
Accounting profit/(loss) before tax	<u>34,802</u>	<u>17,413</u>
Tax at the applicable rate of 30%	10,441	5,224
Tax effect of expenses not deductible for tax purposes	903	(990)
Prior Year under provision	327	-
	<u>11,671</u>	<u>4,234</u>

10. RELATED PARTY TRANSACTIONS

Simlaw Seeds Company is a subsidiary of Kenya Seed Company Limited which holds 98% of its shares. The remaining 2% of the shares are widely held by private individuals.

The company transacts with other companies related to it by virtue of common shareholding. These transactions are carried out at mutually agreed terms and are in the normal course of business.

During the year, the following transactions were entered into with related parties:

	2015 KShs'000	2014 KShs'000
(i) Sales to related parties:		
Kenya Seed Company Limited	152,734	106,075
Kibo Seed Company Limited	5,440	1,309
Simlaw Seeds Company Uganda	5,411	1,926
Mt Elgon Seeds Company Limited	-	-
	<u>163,585</u>	<u>109,310</u>
(ii) Purchases from related parties:		
Kenya Seed Company Limited	<u>102,742</u>	<u>107,174</u>

SIMLAW SEEDS COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED 30 JUNE 2015

10. RELATED PARTY TRANSACTIONS (continued)

- (iii) Outstanding balances arising from sale and purchase of goods/services or advances to/from related companies

	2015 KShs'000	2014 KShs'000
(a) Due from group companies		
Kibo Seeds Company Limited	45,206	43,770
Simlaw Seeds Company Uganda Ltd	13,004	13,049
Mt. Elgon Seeds Company Limited	<u>25,285</u>	<u>25,285</u>
	83,495	82,104
Less provisions – Mt Elgon seeds company Ltd	<u>(25,285)</u>	<u>(25,285)</u>
	<u>58,210</u>	<u>56,819</u>
(b) Due from related parties		
Kenya Farmers Association	17,107	16,507
Ministry of Agriculture	984	999
County Governments	<u>32,283</u>	-
Provision for doubtful debt	<u>(16,390)</u>	<u>(16,390)</u>
	<u>33,984</u>	<u>1,116</u>
(c) Due to parent company		
Current Account Sales	113,971	109,752
Current Account Purchases	<u>(637,414)</u>	<u>(634,929)</u>
Kenya Seed Company Limited	<u>523,443</u>	<u>525,177</u>

- (iv) Directors' remuneration

A listing of the members of the Board of Directors is shown on page 2 of the Annual Report. In financial year under review, the total remuneration to the directors amounted to KShs 561,220 (2014– KShs 1,676,783).

- (v) Key management compensation

The total remuneration to senior management amounted to KShs 19,080,400 (2014 - KShs 16,647,570).

- (vi) Loan capital from parent company

The loan capital from the parent company represents the net value of assets and liabilities transferred from the parent company, Kenya Seed Company Limited, on 1 July 2003, on sale of the Simlaw branch to Simlaw Seeds Company Limited.

The parent company has resolved that the loan should be treated as loan capital as it will be used to increase the share capital of the company.

11. SHARE CAPITAL

	2015 KShs'000	2014 KShs'000
Authorised, issued and fully paid: 5,000 ordinary shares of KShs 40 each	<u>200</u>	<u>200</u>

12. TRADE AND OTHER PAYABLES

	2015 KShs'000	2014 KShs'000
Trade payables	107,741	132,274
Other payables and accruals	<u>83,603</u>	<u>15,672</u>
	<u>191,344</u>	<u>147,946</u>

Trade payable are payable within one month of the date of the transactions, no interest is charged on the balances.

Other payables are accruals at the end of the year for amounts whose invoices have not been received by the end of the year.

13. PROVISION FOR EMPLOYEE ENTITLEMENTS

	2015 KShs'000	2014 KShs'000
(a) Leave pay provision		
At the beginning of the year	3,383	3,087
Provision for leave pay	<u>957</u>	<u>295</u>
Paid Leave	<u>(912)</u>	<u>-</u>
At the end of the year	<u>3,427</u>	<u>3,382</u>
(b) Gratuity provision		
At the beginning of the year	5,898	6,245
Gratuity paid	<u>(5,806)</u>	<u>(4,105)</u>
Provision for gratuity	<u>1,497</u>	<u>3,752</u>
At the end of the year	<u>1,497</u>	<u>5,892</u>
	<u>5,010</u>	<u>9,274</u>

14. COST OF SALES

	2015 KShs'000	2014 KShs'000
Purchases	513,171	505,668
Transport charges	58	695
Seed production and testing	<u>40,930</u>	<u>40,194</u>
	<u>554,159</u>	<u>546,557</u>
Production overheads:		
Depreciation of production equipment	4,593	5,180
Repairs and maintenance	1,805	1,177
Fuels and oils	129	<u>2,675</u>
	<u>6,527</u>	<u>9,032</u>
Movement in inventories	<u>(812)</u>	<u>(53,142)</u>
	<u>559,874</u>	<u>502,447</u>

SIMLAW SEEDS COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED 30 JUNE 2015

15. OTHER OPERATING INCOME

	2015 KShs'000	2014 KShs'000
Miscellaneous income	16,204	8,665
Bad debts recovered	<u>61</u>	<u>2,089</u>
	<u>16,265</u>	<u>10,754</u>

16. ADMINISTRATIVE EXPENSES

	2015 KShs'000	2014 KShs'000
Salaries	75,399	76,553
Rent and rates	7,562	11,165
Wages	6,609	5,340
Repairs and maintenance	2,305	1,505
Pension	6,890	5,498
Staff training, welfare and medical	20,146	13,374
Gratuity	1,497	3,752
Power, light and water	1,970	2,109
Social security costs (NSSF)	227	317
Leave pay provisions	<u>957</u>	<u>395</u>
	<u>123,562</u>	<u>120,008</u>

17. SELLING AND DISTRIBUTION COSTS

Public relations and advertising	10,689	11,764
Freight and transport	9,008	15,409
Travelling	7,119	11,775
Entertainment	42	58
Depreciation on distribution vehicles	<u>2,111</u>	<u>1,911</u>
	<u>28,969</u>	<u>40,917</u>

18. (a) OPERATING EXPENSES

Postage and telecommunications	2,391	3,601
Provision for obsolete stock	5,863	7,738
Legal and professional fees	349	4,465
Security	4,532	4,947
Provision for doubtful debts	1,136	43
Insurance	1,368	1,235
Printing, stationery and publications	3,998	2,211
Bank charges	1,883	1,571
Depreciation on other office equipment	6,850	5,882
Auditors' remuneration	1,550	1,212
Other expenses	6,989	4,836
Donations and subscriptions	1,337	3,034
Exchange loss	-	-
Directors' emoluments	561	<u>1,677</u>
	<u>38,810</u>	<u>42,452</u>

Research and Development Costs

	<u>2,137</u>	<u>6,344</u>
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19.(a) PROFIT BEFORE TAXATION

The profit before taxation is arrived at after charging:

	2015 KShs'000	2014 KShs'000
Auditors' remuneration	1,550	1,212
Exchange loss	6,973	-
Depreciation	13,555	12,973
Operating lease rentals	7,562	11,165
Directors' remuneration	<u>561</u>	<u>1,677</u>

And after crediting:

Miscellaneous income	<u>16,265</u>	8,665
Bad debts recovered	<u>61</u>	<u>2,089</u>

20. CASH AND CASH EQUIVALENTS

This comprises cash in hand with local banks. Some of the bank accounts relating to the company are registered in the name of Kenya Seed Company Limited, the parent company

	2015 KShs'000	2014 KShs'000
Bank balances and cash	<u>46,808</u>	<u>155,808</u>

21. OPERATING LEASE COMMITMENTS

Lease payments committed under non-cancellable operating leases due:

	2015 KShs'000	2014 KShs'000
Not later than 1 year	13,615	10,615
Later than 1 year but not later than 5 years	<u>69,308</u>	<u>24,794</u>
	<u>82,293</u>	<u>35,409</u>

22. CAPITAL COMMITMENTS

Authorised but not contracted for	<u>224,780</u>	<u>197,125</u>
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23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The company's activities expose it to a variety of financial risks, including market risk, credit risk, liquidity risk, operational risks and interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework.

SIMLAW SEEDS COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED 30 JUNE 2015

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

23.1 MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates.

The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing on the return on the risk.

(i) Foreign currency exchange risk

The company records transactions in foreign currencies at the rates in effect at the date of the transaction. It retranslates monetary assets and liabilities denominated in foreign currencies at the rates of exchange in effect at the reporting date. All the gains or losses arising from the changes in the currency exchange rates are accounted for in the income statement.

At 30 June 2015, if the Shilling had weakened/(strengthened) by 8% against the US dollar with all other variables held constant, post tax profit for the year would have been KShs. 8,441,616 (2014 (13%): KShs. 7,314,049) higher/(lower), mainly as a result of US dollar denominated bank balances.

At 30 June 2015, if the Shilling had weakened/(strengthened) by 15% against the Euro with all other variables held constant, post tax profit for the year would have been KShs. 245,806 (2014 (10%): KShs. 1,071,122) lower/(higher), mainly as a result of US dollar denominated trade payables.

(ii) Interest rate risk

The company utilises non-interest bearing balances from related parties used to fund ongoing activities, thus has no major exposure to interest rate risk.

23.2 CREDIT RISK

The company is exposed to credit risk in its trade debtors and a provision for impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all the amounts due according to the original terms of the trade debts. The management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The credit risk is managed through management's constant monitoring of the status of the credit worthiness of the company's customers.

The utilisation of credit limits is regularly monitored. The company's trade and other receivables at year-end were as follows:

	2015 KShs'000	2014 KShs'000
Trade receivables	86,042	68,000
Other receivables	<u>75,036</u>	<u>24,348</u>
	<u>161,078</u>	<u>92,348</u>

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

23.2 CREDIT RISK (continued)

No collateral is held for any of the above assets and no receivables have had their terms renegotiated.

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

	2015 KShs'000	2014 KShs'000
Trade receivables		
Past due but not impaired:		
- by up to 30 days	29,933	31,473
- by 31 to 60 days	32,502	28,532
- Over 60 days	<u>23,607</u>	<u>13,270</u>
	<u>86,042</u>	<u>73,275</u>
Total past due but not impaired	<u>—</u>	<u>—</u>
Movement in provision for doubtful debts		
At the beginning of the year	5,278	7,324
Recoveries during the year	(61)	(2,046)
Provision for the year	<u>1,136</u>	<u>—</u>
Balance as at 30 June	<u>6,353</u>	<u>5,278</u>

23.3 LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations from its financial liabilities when due at a reasonable cost.

Prudent liquidity risk management includes maintaining sufficient cash for operations. Management monitors rolling forecasts of the company's liquidity reserve on the basis of expected cash flow.

24. CAPITAL MANAGEMENT

The primary objectives of the company's capital management are to ensure that the company complies with capital requirements and maintains healthy capital ratios in order to support its business and to maximize shareholders' value.

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

SIMLAW SEEDS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2015

25. CONTINGENT LIABILITIES
There are no contingent liabilities for which provisions have not been made in these financial statements.
26. INCORPORATION AND DOMICILE OF THE COMPANY
The Company is domiciled and incorporated in The Republic of Kenya under the Companies Act, Cap 486, Laws of Kenya. The company is a wholly owned subsidiary of Kenya Seed Company Limited. Kenya Seed Company Limited on the other hand is a subsidiary of Agricultural Development Corporation, which is wholly owned by the Government of the Republic of Kenya under the Agricultural Development Corporation Act and the State Corporations Act.
27. CURRENCY
These financial statements are presented in thousands of Kenya Shillings (KShs'000).
28. EVENTS AFTER THE REPORTING DATE
No material events or circumstances have arisen between the accounting date and the date of this report.