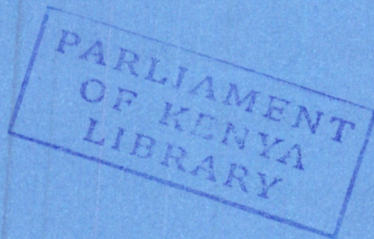


REPUBLIC OF KENYA



Enhancing Accountability



REPORT

DATE: 01 AUG 2023

DAY:

TUE

TABLED
BY:

CLERK AT
THE TABLE:

Hon Naomi Wago, MP
Deputy majority whip
Inzofu Mwale

THE AUDITOR-GENERAL

ON

SIMLAW SEEDS UGANDA LIMITED

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

SIMLAW SEEDS COMPANY LIMITED

Annual Report and Financial Statements For the Financial Year Ending June 30, 2022



NAMANVE INDUSTRIAL PARK
P.O BOX 21303 KAMPALA. TEL: +256 417 130 151
Email: simlaw@simlawseeds.ug
www.simlawseeds.ug

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

VISION

Preferred supplier of top quality seed in Uganda and beyond

MISSION

To avail quality certified seed, through research and technology, to our customers timely and affordably to increase productivity

CORE VALUES

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

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

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.

Customer focus: We believe that the needs of the customer comes first therefore we foster a culture dedicated to enhancing customer satisfaction and building strong customer relationships.

Indigenous Vegetable Nakati



Indigenous Vegetable Buuga

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Simlaw Seeds Company Uganda Limited
Annual Report for the year ended June 30, 2022

KEY SIMLAW SEEDS UGANDA LIMITED INFORMATION

GENERAL INFORMATION

Simlaw Seeds Company Uganda Limited is a limited liability company, incorporated in Uganda, under the Uganda Companies Act and is domiciled in Uganda. The Company is primarily involved in availing sufficient quality certified seed competitively through research and development to the satisfaction of the stakeholders. The registered office is as shown below. According to the Uganda Companies Act reporting purposes, the balance sheet is represented in these financial statements by the Statement of Financial Position and the profit and loss account by the Statement of Profit or Loss and other comprehensive income.

Directors

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

Non-Executive

Dr. MS Edna Atisa Alternate Director to the PS, The National Treasury

Mr. Mohamed Bulle Managing Director of ADC

Mr. Elijah Obebo-Alternate Director, Ministry of Agriculture, Livestock,
Fisheries & Cooperatives

Executive

Mr. Fred Oloibe Managing Director KSC

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

Simlaw Seeds Company Uganda Limited
Annual Report for the year ended June 30, 2022

Principal Bankers

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

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

**Independent and
Principal Auditors**

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

Principal Lawyers:

Tropical Law Advocates
1 Pilkington Road,
Workers House,
6th Floor, Southern Wing,
P.O.Box 6524
Kampala, Uganda
+256,772,989,737
www.tropicaladvocates.com

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 Ugx.25, 000.

The shareholders of the company as at 30th June 2021 were as follows:

No.	List of Shareholders	No. of Shares	% Shareholding
1	Kenya Seed Company	4,999	99.9998%
2	Azariah Soi	1	0.0002
Total		5,000	100.00

Our seed business

The main responsibility of Simlaw Seeds Uganda is producing, procuring, marketing and distributing top quality assorted horticultural seeds, Kenya Hybrid Maize, pesticides and fertilizer seeds for commercial and domestic use. The company has a wide range of seeds that have penetrated the market well.

Simlaw Seeds Company Uganda Limited

Annual Report for the year ended June 30, 2022

Our Seed Brands

1. Hybrid Seed Maize

The varieties are: H628, H625, H614, H513, H520, and DH04.

2. Pasture Seed

The pasture varieties include: Boma Rodhes, Katambora Rodhes, Elmba Rodhes, Nandi Seteria, Bracharia Mullato II, Nutri Feed, Coloured Guinea, Desmodium, Lucerne, Sudan Grass, Columbus Grass, Oats,

3. Indigenous Vegetables

The indigenous vegetables are: Nakati, Green Ntula, White Ntula, Amaranthus White Elma, Red Amaranth, Spider Plant (Akeo), Night Shade (Managu), Jew's Mallow (Murere/Mrenda), Croton (Miro/Mito), Cowpeas.

5. Horticulture and other Crops

These are: Gloria F1, Escazu F1, Spinach Fordhook Giant, Collard Simlaw Select, Nouvelle F1, New Fortune Maker F1, Riogrande, Cal J VF, 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 Julie F1

Where we operate:

Kampala: Namanve and Plot 18-24 Nakivubo Road

Mbale: Plot 4, Central Road Opposite former Foods and Beverages Building

Kapchorwa: Plot 33D, Kapchorwa Mbale Road

Masindi: Masindi Port Road (Next to Masindi stadium)

Mbarara: Mbarara District Farmers Association

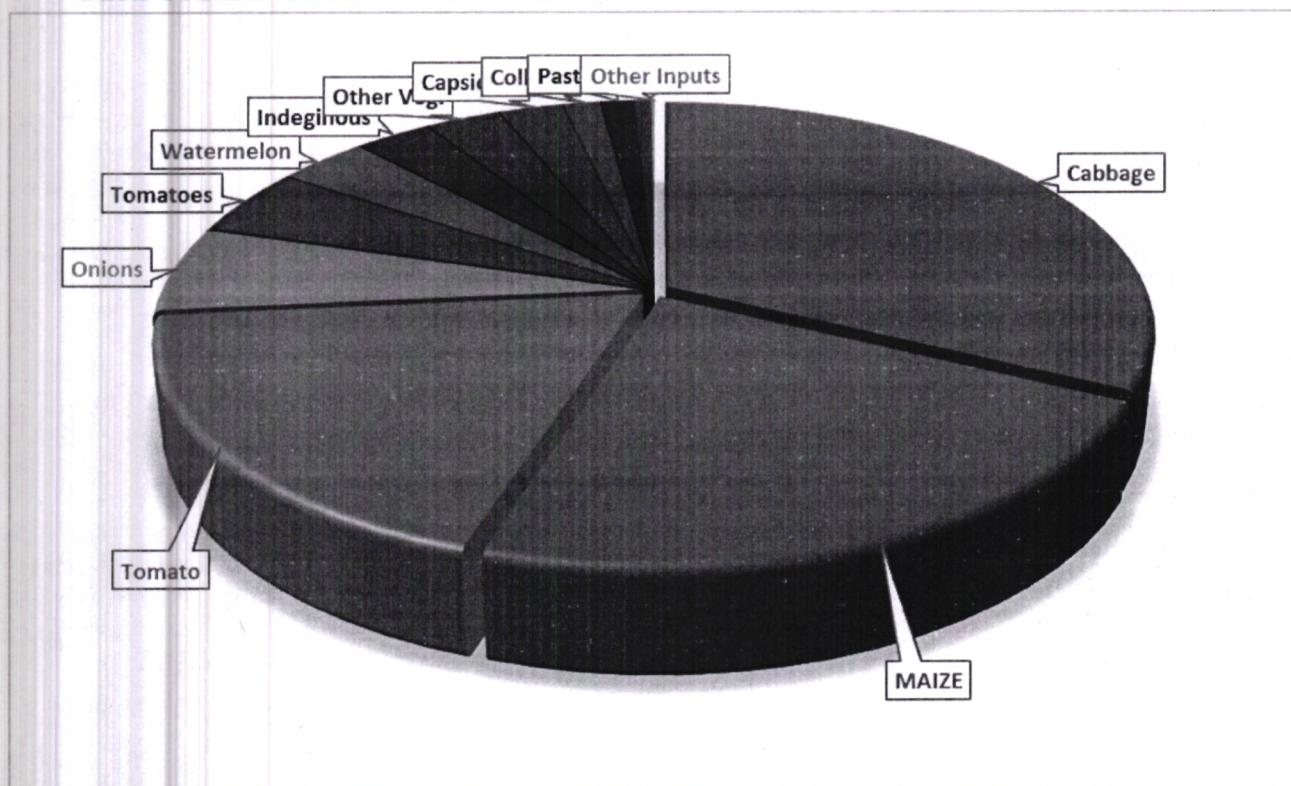
Simlaw Seeds Company Uganda Limited
Annual Report for the year ended June 30, 2022

FIVE YEAR PERFORMANCE TREND

	2022	2021	2020	2019	2018
	Ugx'000'	Ugx'000'	Ugx'000'	Ugx'000'	Ugx'000'
Turnover	11,356,843	11,103,269	12,577,830	10,127,946	9,737,146
Profit before tax	459,196	307,093	625,287	(68,461)	107,326
Tax charge	20,805	87,561	84,288	-	-
Profit for the year transferred to retained earnings	437,392	219,532	541,000	(68,461)	107,326
Dividends			-	-	-
Share Capital and shareholders' Funds	895,554	458,162	238,630	(856,618)	(788,157)
Ordinary Share capital	1,599,492	1,599,492	1,599,492	1,599,492	1,599,492
Share holders' funds	(703,938)	(1,141,330)	(1,360,823)	(2,456,111)	(2,387,649)
Earnings and Dividend per Share					
Earnings per share	87,478	43,906	125,058	(13,692)	21,465
Dividend per share(Ugx)			-	-	-

Simlaw Seeds Company Uganda Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

PERFORMANCE AT A GLANCE



**Turnover in in Uganda
Shillings (Billions)**

11.4

**Profit before Tax in
Uganda Shillings
(Millions):**

458

**Balance Sheet Size in
Uganda Shillings (Billions):**

14.6

**Shareholders' Funds
Uganda Shillings (Millions):**

895

BOARD OF DIRECTORS

Mr. Fred Oloibe



Mr. Fred Oloibe was born on the 18th September 1974 and is the Acting Managing Director from April 2020 and Head of Strategy and Business Development at Kenya Seed Company. He holds masters of Business Administration (MBA) from Jomo Kenyatta University of Agriculture and technology and a Bachelor of Science degree (Mathematics) from the University of Nairobi. He joined Kenya Seed on 1st October 2012 as a Planning and Strategy Manager. He previously worked in the cement industry with experience in Strategy, Performance Management, Corporate Planning and he is a full member of the Kenya Institute of Management (KIM). He is a Fellow on seed policy from the University of California.

MS Edna Atisa, Alternate Member, The National Treasury



Ms. Edna Atisa was appointed to the Board of Kenya Seed on 05.05.2021 as an alternate member representing the Cabinet Secretary for the National Treasury. Ms. Atisa holds a Master's Degree in Economics, Bachelor of Arts in Economics and Postgraduate Diploma in Education all from the University of Nairobi. She is an Economist with vast experience in the public sector specializing in economic policy formulation and implementation and is a member of the Economics Society of Kenya. She is currently a Deputy Director at the National Treasury.

Mr. Elijah Obebo-Alternate Director, Ministry of Agriculture, Livestock, Fisheries & Cooperatives



Mr. Elijah Obebo was admitted to the Board of Kenya Seed Company on 26.08.2021 to 30th June 2022.

Mr. Mohamed M. Bulle



Mr. Mohamed Bulle was born in 1958. He is the Managing Director of ADC. Prior to being appointed MD he was the Director of Operations at ADC. He has over 30 years' experience. He holds a Master of Environmental Science from Antioch University, USA and Bachelor of science in Agricultural Education and Extension and a Diploma in Agriculture from Egerton university. He is a member of the Environmental Institute of Kenya-EIK and has accreditation with NEMA as an environmental impact assessment and audit (EIA and Audit) Lead Expert. He is also a member of the board of directors of Young Muslim Association (YMA) and North-Eastern Muslim Welfare Society.

Simlaw Seeds Company Uganda Ltd

Annual Report and Financial Statements for the year ended June 30, 2022

CS. Wilkister Simiyu

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



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. Fred Oloibe



Mr. Fred Oloibe was born on the 18th September 1974 and is the Acting Managing Director from April 2020 and Head of Strategy and Business Development at Kenya Seed Company. He holds masters of Business Administration (MBA) from Jomo Kenyatta University of Agriculture and technology and a Bachelor of Science degree (Mathematics) from the University of Nairobi. He joined Kenya Seed on 1st October 2012 as a Planning and Strategy Manager. He previously worked in the cement industry with experience in Strategy, Performance Management, Corporate Planning and he is a full member of the Kenya Institute of Management (KIM). He is a Fellow on seed policy from the University of California.

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. Cornelius Chemitei was born in 1978 and was appointed the Financial Controller of Simlaw Seeds Company Uganda Ltd from 10th March 2020, in Uganda, a subsidiary of Kenya Seed Company. He is a Certified Public Accountant of Kenya and Oracle Certified Professional. He has over 22 years of managerial experience having worked with Kenya Seed Company Ltd in Kitale and Simlaw Seeds Company Ltd Nairobi in both the ICT and Finance Departments.



Simlaw Seeds Company Uganda Ltd

Annual Report and Financial Statements for the year ended June 30, 2022

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 2022.

The company experienced various challenges during the year among them effects of climate change which affected rain patterns during the second season starting March-May, post Covid-19 effects such as changes in farmers priorities and inflation, Ukraine war affecting Oil and the prices of farm Inputs

Business Environment Overview

Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Global growth is forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic.

This views were echoed by The African Development Bank's East Africa Regional Economic Outlook 2022 This has resulted in weakening national currencies, floods and drought, contraction in agricultural production; depressed business activity, and falling revenue collection, among others. However, the continued reopening of economies globally could mitigate these adverse effects in 2023 with a projected growth rate of 4.7%, repositioning East Africa as the top-performer in growth among the regions of the continent.

Uganda's economy experienced a relatively tough environment for business with lockdowns put in place in the first quarter and second quarters. The agricultural sector, 80% percent of Uganda's land is arable but only 35% is being cultivated. In FY 2021/22, agriculture accounted for about 24.1% of GDP, and 33% of export earnings, experienced mixed results with maize. Sunflower and vegetables sub sectors recording fair prices in the international market. The seed subsector faced ordinary challenges with slow adoption of certified seed slowing down demand. This was however mitigated by the fact that with the low investment in farming and low rainfall caused a rare drought which is expected to spur intensive food production in the following year.

Financial Review

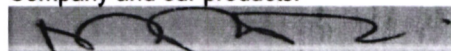
We report that the company recorded a profit of Ugx 458 million as compared to Ugx 307 million in 2020. This was majorly due to an increase of 2% (Ugx 253 M) in sales against an increase in operating expenses by 11% (Ugx 265 Million) which was offset by an increase in other income (Grants and Foreign Exchange Gains).

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 through local production. The Board is also putting in place strategies to expand business in the regional markets like Democratic Republic of Congo and South Sudan. In addition to expanding the regional market, the Company is also looking at expanding its product portfolio to include to trials for introduction of new products like Leeks and Lablab pasture 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. Mohamed M. Bulle
Chairman

Simlaw Seeds Company Uganda Ltd

Annual Report and Financial Statements for the year ended June 30, 2022

REPORT OF THE GENERAL MANAGER

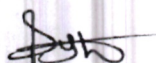
The Financial year 2021/2022 was characterized by very unprecedented times especially after the outbreak of the Covid-19 pandemic which totally disrupted the way of life across the whole world bringing many economies down as a result of the lock down in most countries. Despite the challenges, the pandemic also presented opportunities for the agricultural sector to feed the world and sustain economies. Simlaw Seeds took advantage of this opportunity to place herself strategically by ensuring continuous supply of quality seed to facilitate increased food security and contribute to the incomes of households. We had to come up with innovative ways to implement our planned field activities to suit the changing dynamics brought about by the pandemic while ensuring that seed was delivered as close to the farmers as much as possible. We helped improve access to quality seed through last mile deliveries.

The company achieved a sales turnover of Ug. Sh. 11.4 billion (KSh 358 million) in the year 2021/2022 compared to Ug. Sh. 11.1 billion (KSh 348 million) achieved in the year 2020/2021 representing a gain of 2%. This resulted into a profit of Ug. Sh. 458 million (KShs 15 million) compared to a profit of Ug. Sh. 307 million (KSh 9.6 million) recorded last year.

As we look back on 2021/2022, we are proud of our contribution towards achievement of the Vision 2040 through availing top quality seed to the farmers timely and affordably to increase productivity and hence increased household food security and incomes.

As Uganda and the rest of the world are still grappling with how to deal with the COVID-19 pandemic, Simlaw Seeds will focus on delivering improved performance to our customers through product developments, digital solutions and enhance distribution channels in order to ensure supply of adequate quantities of quality seed to the farming communities.

On behalf of all Simlaw Seeds staff, I take this opportunity to thank our customers, suppliers and all the other stakeholders for their contributions to Simlaw Seeds performance. I am greatly indebted to the Board of Directors for their support without which we would not have come this far.



Sylvia Kyeyune
General Manager

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

Board of Directors

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

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

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

Simlaw Seeds Company Uganda Limited
Financial Statements for the year ended 30 June, 2022

ensuring the management adheres to high standards of ethics, transparency and disclosure.

The composition of board, date of appointment and position held as on 30th June 2021
The Board Composition is highlighted on Page ii of this booklet.

Board Meetings

The Board meets at least once quarterly or more often in accordance with exigencies of the business. The Board work plan and calendar of meetings is prepared in advance. Adequate notice is given for each board meeting, the agenda and papers are circulated in good time. The Board held 2 meetings in the financial year ending 30th June 2022 during their meetings the Board reviews the Companies performance against the planned strategies and also approves issues of strategic nature.

The attendance at the Board meetings during the financial year 2020/21 is as follows:

Member	Meetings Held	Meetings Attended	% attendance
Mr. Fred Oloibe	2	2	100
MS Edna Atisa	2	2	100
Mr. Elijah Obebo	2	2	100
Mr. Mohamed M. Bulle	2	2	100
	2	2	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 are acting in the interests of the shareholders and other key stakeholders.

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

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

Simlaw Seeds Company Uganda Limited
Financial Statements for the year ended 30 June, 2022

1. Board of Simlaw Seeds Uganda Limited

This Board oversees the strategies of Simlaw Seeds Uganda Limited.

The attendance of the Simlaw Seeds Uganda Limited Board meetings during the financial year 2021/2022 is as under:

Member	Number of Meetings	Attendance	% of attendance
Mr. Fred Oloibe			
MS Edna Atisa	-	-	-
Mr. Elijah Obebo	-	-	-
Mr. Mohamed M. Bulle	-	-	-

Directors' Remuneration

During every Board meeting, Directors are entitled to a sitting allowance, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable within government set limits for state corporations. The Chairman receives a monthly honorarium. Directors' fees are paid annually upon approval by shareholders during the Annual General Meeting in accordance with Government's guidelines for all SSU is considered a private company.

Below is a summary of entitlement per Board Member:

Type of payment	Chairman	Member
Sitting allowance (per sitting)	Ugx 454,500	Ugx 545,500

Code of Conduct

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

Internal Control

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

Conflicts of Interest

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

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

Simlaw Seeds Company Uganda Limited
Financial Statements for the year ended 30 June, 2022

Going Concern

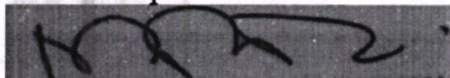
The directors confirm that the Company has adequate resources to continue in business for the foreseeable future and therefore to continue to use the going concern basis when preparing the financial statements.

Independence

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

Activities and Achievements

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



.....
Mohamed M. Bulle
Chairman, Board of Directors

Date: 13.10.2022

Simlaw Seeds Company Uganda Limited
Financial Statements for the year ended 30 June, 2022

BUSINESS SUSTAINABILITY

In year ended June 2022, the inflationary after effects of the COVID-19 pandemic and the protracted war involving the two major food and farm inputs suppliers continued to drive the cost of food higher. This created a significant interest from the government, farmers and other actors in the industry in Uganda to invest in food security. The expected windfall from these activities was however negated by the lack of maize seed varieties due to supply challenges. The company has accelerated its efforts towards development of capacity and investment in plant and machinery aimed at locally producing seeds to complement imports and to limit the effects of international supply chain interruptions.

Our sustainability journey is guided by our five year Strategic Plan 2018-2023, which is currently under review. Despite the significant challenges of 2022, we made good progress toward achieving our commitments. Through collaboration with other stake holders we have launched an aggressive farmer education initiatives for pasture development, harvesting and storage in Western Uganda "The Milk Belt" and also training groups of farmers in Central and Eastern Uganda with the objective of increasing knowledge and access to certified seeds.

With these efforts including our uninterrupted market presence the Simlaw Seeds Uganda brand is visibly associated with quality seeds and is not only sustainable but expected to grow exponentially through its sound "Top Quality" footing.

ENVIRONMENTAL SUSTAINABILITY

Simlaw Seeds Uganda is affected directly by the challenges climate of change both in availing seeds and finding market for its products due to diminished farmer capacity. Through its input Simlaw Seeds can play a bigger role in mitigating effects of climate change. Agriculture presents a significant climate change mitigation potential derived from greenhouse gas removals, as well as reduction of GHG emissions through adequate management of business activities.

We have product and service innovations on the market – and in the pipeline – that improve the water productivity of plants, increase yield and feed efficiency, reduce food loss and waste, and help sequester and mitigate loss of carbon in the soil. We also provide agricultural advice to farmers and undertake projects addressing specific needs on the ground.

Simlaw Seeds Company Uganda Limited
Financial Statements for the year ended 30 June, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Section A: The entity's operational and financial performance

Background

Simlaw Seeds Company Uganda Limited vision is to be a preferred supplier of top quality seed in Uganda and beyond.

A1: Revenues

Revenues increased by 2% from Ugx 11.1 billion to Ugx 11.3 Billion as highlighted in the table below

Product Category	Jun-22	Jun-21
	Ugx'000	Ugx'000
Maize	2,192,109	2,551,885
Pasture	159,578	143,065
Cabbage	4,146,471	3,602,835
Tomato	3,089,444	2,071,930
Collard	151,113	162,715
Onion	543,837	679,777
Carrot	49,771	75,720
Spinach	25,292	10,401
Indigenous	106,218	715,320
Other Vegetables	825,257	1,071,501
Chemicals & Fertilizer	67,753	18,120
Total Sales	11,356,842	11,103,269

The company recorded sales decrease in Seed Maize 14%, Vegetable Seed 7%, and Chemicals & Fertilizer 98%, while there was an increase of 272% in Pasture. The reduction in sales was as result of late onset of rains in April 2022, lockdowns in quarters 1 and 2.

Seed maize contributed 19% of annual sales revenue while other seeds and agricultural Inputs contributed 81% of the Company Revenues. Vegetable revenues contributed 79% of the company revenue.

Management is exploring local production strategies to stabilize the supply of Hybrid Seed maize and also tap into the local varieties market which we are currently missing out from the customer inquiries received.

Simlaw Seeds Company Uganda Limited
Financial Statements for the year ended 30 June, 2022

A2: Profit before Tax

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

	2022	2021
	Ugx'000	Ugx'000
Profit Before Tax	458,196	307,093

The Profits increased by 33% from Ugx 307 million profit recorded last year to Ugx 458 Million in the year.

A3: Cash and Cash Equivalents

The company cash and bank balance stood at a net of Ugx 1.7 Billion compared to Ugx 3.2 Billion at the beginning of the year. The decrease is attributed to settlement of trade dues and related party debts.

The company at the close of the year had no long term loan

Section B: Company'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) Gender Mainstreaming among others

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

The company also remitted funds owed by staff and deducted from the staff's payslips as per staff's instruction in accordance with company policy.

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

The company in the year completed the construction of own headquarters at Namanve industrial Park to cut down on lease rentals by \$ 120,000 per annum. The company continues to maintain presence at Industrial Areas 5th & 6th Street to ensure continued service to customers.

At the operational level, the company pursuing various projects under the Government of Uganda's National Development Agenda to improve the livelihood of its citizens through initiatives such as National Agricultural Advisory Services (NAADS) and Agricultural Cluster Development Project(ACDP).

Simlaw Seeds Company Uganda Limited
Financial Statements for the year ended 30 June, 2022

Seed Quality Improvement

The company will improve Cabbage GloriaF1 and collaborate with National Agriculture Research Institute to select high quality parental line for Indigenous Vegetables. The two varieties targeted for improvement will be as follows;

No.	Variety	Defect(s)	Activity
1	Gloria F1	Black rot	Conduct more intensive trial for an improved black rot tolerant variety.
2	Indigenous Vegetables	Parental Material	To get more superior lines of basic seed

Major risks facing the entity

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

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

Simlaw Seeds Company Uganda Limited
Financial Statements for the year ended 30 June, 2022

	interruption/ Continuity	information technologies, skilled labor, facilities or other resources, that may threaten the Company's capacity to continue operations over a period of time.	(ii) Full implementation of the Business Continuity Policy.
4	Competition	Competitors may price their products below our prices and this will have an effect on the demand our products and reduced sales volumes especially in those markets that are price sensitive	Continuous investment in research and development to produce seed products that outcompetes 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 importation and production to avoid over stocking.

Section E: Material arrears in statutory/financial obligations

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

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

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

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

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

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

Uganda has a fairly well-distributed rainfall and moderate climate that is capable of producing a wide range of crops. However, majority of the farmers growing crops mainly selling in trading centres and markets earn less or no profit.

Most farmers exercise traditional agronomic practices which lead to low yield over the same period of time. Farmers with advanced technologies produce higher yields by adoption of mechanized tillage, certified seeds, application of chemicals and fertilizer.

During the year under review, the company conducted various trainings at community level to raise awareness on modern agronomical processes to help farmers to harvest more per acre and therefor making profit. This will in turn improve their livelihood and increase food security in Uganda and beyond.

Simlaw Seeds Company Uganda Limited
Financial Statements for the year ended 30 June, 2022



Members of the Nakulyako Farmers' Co-operative after successfully undergoing training on best agricultural practices for optimum farm yield conducted by Simlaw Seeds Uganda Staff at Kamuli District



Simlaw Seeds Uganda Staff training farmers at Kagoma Sub-county Jinja in Eastern Uganda

Simlaw Seeds Company Uganda Limited
Financial Statements for the year ended 30 June, 2022

REPORT OF THE DIRECTORS

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

Principal Activities

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

Results

The results of the company for the year ended June 30, 2022 are set out on page 1 to 37. Below is summary of the profit or loss made during the year.

	2022	2021
	Ugx'000	Ugx'000
Profit before tax	458,196	307,093
Taxation charge	(20,805)	(87,561)
Profit for the year	437,392	219,532

Dividends

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

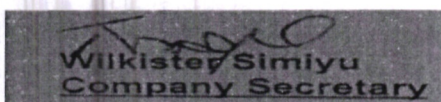
Directors

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

Auditors

The Auditor General is responsible for the statutory audit of the company's financial statements in accordance to Section 14 and 39 (i) of the Kenyan Public Audit Act, 2015 and article 229 of Kenya Constitution.

BY ORDER OF THE BOARD


Wilkister Simiyu
Company Secretary

Kitale, Kenya.

Date 13.10.2022

Simlaw Seeds Company Uganda Limited
Financial Statements for the year ended 30 June, 2022

STATEMENT OF DIRECTORS' OF SIMLAW SEEDS COMPANY UGANDA LIMITED (SSCUL) RESPONSIBILITIES

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

The Directors of SSCUL are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors of SSCUL accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the Uganda Company's Act. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2022, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

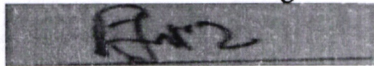
The Directors of SSCUL acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approval of the financial statements

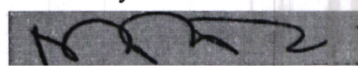
The financial statements and the accompanying notes from page 1 to 35 were approved by the Board of Directors on 13th of October 2022 and Signed on its behalf by:



Sylvia N. Kyeyune
General Manager



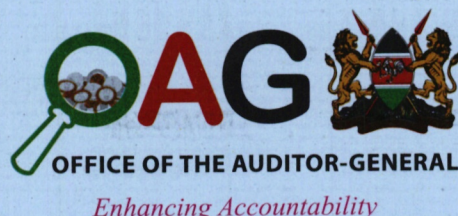
Fred Oloibe
Director



Mohamed M. Bulle
Chairman

REPUBLIC OF KENYA

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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Simlaw Seeds Company Uganda Limited set out on pages 1 to 45, which comprise of the statement of financial position as at 30 June, 2022 and the statement of profit or loss and other comprehensive

Report of the Auditor-General on Simlaw Seeds Company Uganda Limited for the year ended 30 June, 2022

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, the financial position of the Simlaw Seeds Company Uganda Limited as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards(IFRS) and comply with the Uganda Company's Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracy in Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Ugx.4,729,918,000 as disclosed in Note 21 to the financial statements. However, review of customer accounts revealed that two (2) customers with account balances of Ugx.400,216,000 and Ugx.1,849,146,000 had their respective ledger balances reflected as Ugx.844,366,000 and Ugx.509,434,000 respectively, resulting in unreconciled variances of Ugx.444,150,000 and Ugx.1,339,712,000 respectively. Further, the aging analysis revealed payables amounting to Ugx 3,866,633,000 had been outstanding for over 180 days. No explanation has been given for the delay in settling the payments.

In the circumstances, the accuracy of trade and other payables balance could not be confirmed and the Company is exposed to risks of litigations by the creditors due to failure to settle amounts owed to suppliers and other payables.

2. Failure to Recover Long Outstanding Receivables

The statement of financial position reflects trade and other receivables balance of Ugx.3,483,149,000 as disclosed in Note 18 of the financial statements. The balance includes trade receivables balance of Ugx.3,036,840,000 which include receivables from staff, growers and other receivables amounting to Ugx.212,746,000, Ugx.71,030,000 and Ugx.2,751,723,000 out of which Ugx.169,621,000, Ugx.59,030,000 and Ugx. 852,955,000 respectively had been outstanding for more than one year. Similarly, receivables from staff include a balance of Ugx.30,764,000 due from officers who had left the Company, making recovery of the outstanding amounts doubtful.

Further, the staff receivables include amount of Ugx.40,000,000 advanced as car loan to a staff. However, the Company lacks a policy to guide staff car loans and no interest has been levied on the loan.

In the circumstances, the existence and recoverability of trade and receivables balance could not be confirmed.

3. Unsupported Unrealized Foreign Exchange Balance

The statement of cash flows reflects unrealized forex adjustments balance of Ugx.82,800,000. However, the balance has not been explained by way of Note nor supported by any documentary evidence. No explanation was given to explain how the balance has been computed.

In the circumstances, the regularity of the unrealized forex balance could not be confirmed.

4. Valuation of Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment value of Ugx.1,637,713,000 as disclosed in Note 14 to the financial statements. Review of the asset register maintained by the Company revealed that assets with historical cost of Ugx.484,796,000 have been fully depreciated to nil book values. However, the assets are still in use and the Company continues to derive benefits and incurring operational costs on fuel and maintenance. This is contrary to the matching principle in the Generally Accepted Accounting Principles (GAAPs) and International Accounting Standards 16 on property, plant and equipment which requires that revaluations of assets should be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

In the circumstances, the valuation of property, plant and equipment balance reflected in the financial statements could not be confirmed.

5. Additions to Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment net book value of Ugx.1,637,713,000 which, as disclosed in Note 14 to the financial statements, includes additions of Ugx.249,627,000. Examination of records and balances revealed that the additions to property, plant and equipment include buildings balance of Ugx.192,076,000. Review of records maintained by the Company revealed that Management awarded three (3) contracts towards development of the Company property at Namamve. However, procurement records in relation to the contracts were not provided for audit. Further, although the projects had been completed as at 30 June, 2022, amounts paid differed from the respective contract sums as detailed below;

Contract Details	Contract Sum (Ugx.)	Amount Paid as at 30 June, 2022 (Ugx.)	Variation (Ugx.)	Variation (%)
Construction of Perimeter Fence Phase II	67,697,258	82,952,450	15,255,192	22.5
Construction of Guard/Caretaker House	44,695,340	57,916,260	13,220,920	29.5
Construction of Washrooms	26,888,390	36,097,695	9,209,305	34

The evidence of variation of contract sums and subsequent approval by the Accounting Officer were not provided for audit. Further, the additions to property, plant and equipment also include additions to furniture and equipment balance of Ugx.28,815,000 and building balance of Ugx.12,713,000, all totaling Ugx.41,528,000 whose procurement records were not provided for audit.

In the circumstances, the regularity of expenditure on additions to property, plant and equipment could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Simlaw Seeds Company Uganda 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. There are no key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Ugx.15,539,000,000 and Ugx.11,759,243,000 respectively resulting to an under-performance of Ugx.3,779,757,000 or 24.3% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Ugx.3,036,000 and Ugx.2,329,141,000 respectively resulting to an under-expenditure of Ugx.706,859,000 or 24% of the budget.

Failure to achieve desired performance puts the Company under liquidity strains and erodes the ability to operate in the market competitively.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: AG.4/16/2 Vol.3(72) dated 30 June, 2022.

Other Information

The Directors are responsible for the other information, which comprises the Chairman's report, Director's report, the statement of corporate governance, management discussions and analysis, statement of environmental and sustainability reporting, corporate social responsibility statement and the statement of Directors' responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources, 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

Failure to Deduct and Remit Pension Dues

The statement of profit or loss and other comprehensive income reflects administration expenses of Ugx.1,638,327,000 which as disclosed in Note 9 to the financial statement. includes an expenditure of Ugx.551,775,000 in respect of salaries and allowances. Review of the human resource records maintained by organization revealed that the Company had not deducted and remitted pension deductions and contributions amounting to Ugx.13,541,000 and Ugx.20,311,000 respectively for an employee who has been redeployed to the Company since March, 2020. This is contrary to Section E 19(ii) of the Kenya Seed Company Limited Human Resources Policy on Statutory deductions which states that an amount that is due to a provident fund, pension fund or any other scheme approved by the Company shall be deducted and be remitted to the scheme.

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

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 discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of a Functional Board

During the year under review, the Company has operated with three (3) members of the Board. As a result it could not constitute the requisite oversight committees such as Audit Committee, Finance Committee or Human Resource Committees of the Board as required by the Company's Articles of Association.

In the circumstances, the lack of a full functional Board affected the overall governance and oversight of the Company.

2. Weak Internal Controls over Operations of the Company

Review of records and processes for the Company revealed various weaknesses in its operations as detailed below;

- i. Lack of documented and approved policies and procedures to guide operations of the Company including, procurement, finance, human resources and sales and marketing functions.
- ii. Lack of segregation of duties and responsibilities within the Company with regards to procurement, human resource and finance functions.
- iii. Review of purchases records revealed that the Company contracted various growers for the production of seeds. However, a policy document to guide recruitment of the growers or criteria for identification of growers was not provided for audit. It was therefore not possible to determine whether the growers were recruited in a fair, equitable, transparent, competitive and cost-effective process.
- iv. The Company staff have not been trained and sensitized on public finance management and public procurement practices.

In the circumstances, the existence of an effective mechanism to safeguard the Company against fraud and losses associated with poor control over operations could not be established.

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

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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 overall governance.

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

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 skepticism throughout the audit. I also:

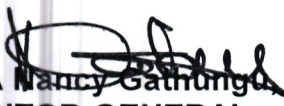
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 July, 2023

Simlaw Seeds Company Uganda Limited
Financial Statements for the year ended 30 June, 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

		2022	2021
	Note	Ugx 000	Ugx 000
Revenue	5	11,356,843	11,103,269
Cost of sales	6	(8,971,906)	(8,811,225)
Gross profit		2,384,937	2,292,044
Other operating income	7	402,400	79,014
Selling and distribution costs	8	(465,840)	(360,406)
Administrative expenses	9	(1,638,327)	(1,317,439)
Other operating expenses	10	(224,974)	(386,120)
Total Expenses		(2,329,141)	(2,063,965)
Operating (loss)Income		458,196	307,093
Tax Expense	12	(20,805)	(87,561)
Operating Profit after taxation		437,392	219,532
Profit After Taxation & Other Comp. Income		437,392	219,532

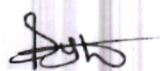
The notes set out from page 7 to 33 form an integral part of the financial statements.

Simlaw Seeds Company Uganda Limited
Financial Statements for the year ended 30 June, 2022

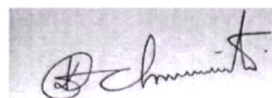
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

		2022	2021
	Note	Ugx 000	Ugx 000
ASSETS			
Non-current assets			
Property, plant and equipment	14	1,637,713	1,519,973
Intangible Asset	15	15,896	2,261
Total Non-Current asset		1,653,609	1,522,234
Current assets			
Cash and bank balances	16	1,728,373	3,213,332
Inventories	17	7,324,410	5,905,414
Trade and other receivables	18	3,483,149	2,793,639
Tax Recoverable	12	416,745	405,788
		12,952,677	12,318,173
TOTAL ASSETS		14,606,286	13,840,407
EQUITY AND LIABILITIES			
Equity			
Issued capital	19	125,000	125,000
Unallocated share capital	19	1,474,492	1,474,492
Accumulated losses	19	(703,938)	(1,141,330)
		895,554	458,162
Long Term Liabilities			
Amounts due to related parties	20(a)	3,025,189	3,316,529
Current liabilities			
Due to Related Parties	20(b)	5,955,625	5,996,998
Trade and other payables	21	4,729,918	4,068,718
		10,685,543	10,065,716
TOTAL EQUITY AND LIABILITIES		14,606,286	13,840,407

The financial statements were approved by the Board of Directors on 10th of September 2022 and signed on its behalf by:



.....
Sylvia Kyeyune
General Manager



.....
Cornelius Chemitei
Finance Controller
ICPAK M/NO: 15161

Simlaw Seeds Company Uganda Limited
Financial Statements for the year ended 30 June, 2022

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

	Issued Share Capital	Un-Allocated Share Capital	Retained Earnings	Total
	Ugx 000	Ugx 000	Ugx 000	Ugx 000
Balance 30.06.2020	125,000	1,474,492	(1,360,862)	238,630
Balance 01.07.2020	125,000	1,474,492	(1,360,862)	238,630
Profit for the Year			219,532	219,532
Balance 30.06.2021	125,000	1,474,492	(1,141,330)	458,162
Balance 01.07.2021	125,000	1,474,492	(1,141,330)	458,162
Profit for the Year			437,392	437,392
Balance 30.06.2022	125,000	1,474,492	(703,938)	895,554

Simlaw Seeds Company Uganda Limited
Financial Statements for the year ended 30 June, 2022

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE, 2022

	Note	2022 Ugx 000	2021 Ugx 000
OPERATING ACTIVITIES			
Profit (Loss) before taxation		458,196	307,093
Adjustment for:			
Unrealised forex		(82,800)	-
Depreciation & Amortisation	14	131,887	120,775
Amortisation	15	8,505	1,114
		515,789	428,982
Working capital adjustments:		-	-
Decrease(Increase) in inventories	17	(1,418,995)	(2,433,985)
Decrease(Increase) in trade and other receivables	18	(689,510)	(381,814)
Increase in amounts due from related parties		-	-
Increase in amounts due to related parties	20	(249,913)	777,006
(Decrease)Increase in trade and other payables	21	661,200	1,419,454
Movement in reserves		-	-
Net cash flows used in operating activities		(1,181,429)	(190,358)
Interest Paid		-	-
Tax paid	12	(31,762)	(96,280)
Net Cash(utilised in)generated by operating activities		(1,213,191)	(286,637)
		-	-
INVESTING ACTIVITIES		-	-
Purchase of property, plant and equipment	14	(249,627)	(338,286)
Purchase of intangible asset	15	(22,140)	(3,207)
Net cash flows used in investing activities		(271,767)	(341,493)
		-	-
FINANCING ACTIVITIES		-	-
Net cash flows generated from financing activities		-	-
		-	-
Net increase in cash and cash equivalents		(1,484,958)	(628,131)
Cash and cash equivalents at 1 July 2021		3,213,332	3,841,463
Cash and cash equivalents at 30 June 2022	16	1,728,373	3,213,332

Simlaw Seeds Company Uganda Limited
Financial Statements for the year ended 30 June, 2022

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE
YEAR ENDED 30 JUNE, 2022**

	Original & Final Budget	Actual performance	Performance Difference	% change
	2021-2022	2021-2022	2021-2022	%
REVENUE	Ugx'000	Ugx'000	Ugx'000	change
Maize	3,647,443	2,192,109	1,455,334	40%
Pasture	246,177	159,578	86,600	35%
Vegetable Seed	11,195,158	8,937,402	2,257,756	20%
Other Seed	450,221	67,755	382,466	85%
Sales	15,539,000	11,356,843	4,182,157	27%
cost of sales	(11,654,000)	(8,971,906)	(2,682,094)	23%
Other operating Income	0	402,400	(402,400)	0%
Gross Profit	3,885,000	2,787,338	1,097,662	28%
			0.00	
Administrative expenses	(1,802,000)	(1,638,327)	(163,673)	9%
Selling and Distribution Expenses	(768,000)	(465,840)	(302,160)	39%
Other Operating Expenses	(466,000)	(224,974)	(241,026)	52%
Research and Development Costs				
	(3,036,000)	(2,329,141)	(706,859)	23%
Operating Profit/(Loss)	849,000	458,197	390,803	46%
Finance Costs	(150,000)		(150,000)	100%
Profit/(Loss) Before Tax	699,000	458,197	240,803	34%

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

Budget Notes for the variances of more than 10%:

1. Revenue:

The Sales for the year was less than the budget by 27% due to Sporadic rainfall, post pandemic inflation and high cost of farm inputs due to events happening in Ukraine.

2. Cost of Sales:

The Cost of goods sold was off the target by 23 % is positively correlated to the sales achieved.

3. Gross profit

The gross profit was less than the budget by 28% occasioned by non-achievement of sales volume.

4. Administrative Expenses

The actual expenses was less than the budget by 9 % as a result of less staff hired than had been planned for.

5. Selling and distribution

The selling and distribution expenses recorded a saving of 39% from the budget due promotional activity that were not conducted including road shows whose impact on sales was low.

6. Other operational expense

There was a 52% favorable variance on the cost center due cost saving measures adopted in the face of reduced activities.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Presentation of financial statements

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the entity's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 19.

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Uganda shillings (Ugx), which is the functional and presentation currency. All financial information presented in Uganda shillings (Ugx) has been rounded to the nearest thousands, except where otherwise indicated.

Uganda Companies Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

(b) Changes in accounting policy and disclosures

(i) New standards, amendments, interpretations and improvements

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 July 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective. A list of the standards and amendments is below:

Effective for annual periods beginning on or after 1 January 2021

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2

The nature and the impact of the new standards, amendments and interpretations which are relevant to the Company are described below:

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
 - Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
 - Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component
- These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

(ii) Standards that are not yet effective and have not been early adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt these standards, if applicable, when they become effective:

2 Effective for annual periods beginning on or after 1 April 2021 (Earlier application is permitted, including in financial statements not yet authorised for issue at 31 March 2021)

- COVID-19-Related Rent Concessions beyond 30 June 2021-Amendments to IFRS 16
Effective for annual periods beginning on or after 1 January 2022

- Reference to the conceptual framework -Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

- AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

- AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

- AIP IAS 41 Agriculture – Taxation in fair value measurements

Effective for annual periods beginning on or after 1 January 2023

- Classification of Liabilities as Current or Non-current - Amendments to IAS 1
- IFRS 17 Insurance Contracts

- Definition of Accounting Estimates - Amendments to IAS 8

- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

Effective date postponed indefinitely

- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

None of the standards and interpretations listed above are expected to have a significant impact on the Company's financial statements when they become effective.

2. 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 Company 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 company 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 gain in forex exchange transactions.

b. Property, plant and equipment

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

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

- ii) Machinery

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

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

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:

• Plant and machinery	10%
• Furniture and equipment	20%
• Motor vehicles	25%
• Computers	33.33%
• Lease Hold Land (Amortization)	2.04%
• Freehold land is not depreciated.	
• Buildings	5%

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 Company 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 company can demonstrate:

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

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

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

f. 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 are measured on initial recognition and at the end of each reporting period at its fair value less costs to sell. They are subsequently measured at lower of cost and net realizable value in accordance with IAS 2 once harvested.

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 at 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.

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:

i) Consumable biological assets

Consumable biological assets are those that are to be harvested as agricultural produce or to be sold as biological assets. These are seasonal crops grown by the company i.e. maize, wheat, sunflower, pasture, millet, oats and vegetables.

ii) Bearer biological assets

Other biological assets are classified as bearer biological assets.

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

g. 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.

h. Impairment of non-financial 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 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.

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

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 Company 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.

i. Financial instruments

Financial instruments are recognized in the financial statements when, and only when, the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, the financial instruments are measured at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

For the purpose of financial reporting, the financial instruments are classified into the following four categories:

- Financial instruments at fair value through profit or loss;
- Held-to-maturity investments;
- Loans and receivables;
- Available-for-sale financial assets; and, financial liabilities at amortized cost.

i. Financial instruments at fair value through profit or loss

A financial instrument at fair value through profit or loss is a financial asset or financial liability that is classified as held for trading or is designated as at fair value through profit or loss.

ii. Held-to-maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments in an active market that an entity has the positive intention and ability to hold to maturity.

iii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

iv. Available for sale financial instruments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments (c) or financial assets at fair value through profit or loss.

The company's principal financial instruments include unquoted equity investments, government securities, trade and other receivables, bank and cash balances and trade and other payables.

v. Financial liabilities at amortized cost

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the income statement.

Unquoted equity instruments

Investments in shares of other enterprises that give the company a residual interest in the assets of that enterprise after deducting all of its liabilities are classified as equity instruments. Unquoted investments are reported at their acquisition costs, less any accumulated impairment losses since their fair values cannot be reliably determined. All equity investments are classified as available for sale investments.

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.

Government securities

The Company's investments in government securities such as treasury bills are classified as held to maturity investments and are carried at amortized cost using the effective interest method less impairment.

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

Cash and cash equivalents

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

Offsetting

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

Accounts payable

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

Gains and losses

Gains or losses on revaluation of financial assets and financial liabilities carried at fair value are dealt with as follows:

- For financial assets and financial liabilities classified as fair value through profit or loss, the gains or losses are recognized through the income statement;
- For financial assets and financial liabilities classified as available for sale, the gains or losses are recognized directly through equity. However, impairment losses and foreign exchange differences, if any, are dealt with through the income statement; and,
- For financial assets and financial liabilities carried at amortized cost, gains or losses are recognized in profit or loss when the financial asset or financial liability is derecognized or impaired, and through the amortization process.

Impairment and uncollectibility of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a company of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a company of debtors is experiencing significant financial difficulty, default or delinquency in

interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is written down through use of an allowance account. The amount of the loss is recognized through the profit or loss.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

When there is a decline in the fair value of an available-for-sale financial asset whose fair value gains and losses have been accumulated in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been accumulated in equity is removed from equity and recycled from other comprehensive income into the profit or loss even though the financial asset has not been derecognized. Impairment losses recognized in the income statement for an investment in an equity instrument classified as available for sale are not reversed in the profit or loss. Increases are recognized in other comprehensive income.

De-recognition

Financial assets (or a portion thereof) are de-recognized when the rights to the cash flows expire or when the Company transfers substantially all the risks and rewards related to the financial asset or when the company loses control of the financial asset. On de-recognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity are included in the profit or loss.

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

Financial liabilities (or a portion thereof) are de-recognized when the obligation specified in the contract is discharged, cancelled or expires. On de-recognition, the difference between the carrying amount of the financial liability, including related un-amortized costs and amounts paid for it, are included in the statement of comprehensive income.

j. Foreign currency transactions

Transactions in foreign currencies are initially recorded by the entity 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.

k. 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.

l. Loan capital from parent.

The loan capital relates to amounts advanced by the parent to help start operations. The directors resolved that the loans should be treated as loan capital as they will be used to increase the share capital of the parent company in the subsidiary.

m. Employee benefits

(i) Defined contribution scheme

NA It contributes to the statutory National Social Security Funds (NSSF) NA

(ii) 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 recognised within 'payables and accrued expenses' and the movement in the year is charged to profit or loss.

(iii) Gratuity

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

n. 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.

o. 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.

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 realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognized directly in other comprehensive income or equity is recognized in equity and not in the profit or loss.

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

Deferred tax liabilities are recognized 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 recognized 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 utilized 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;
- 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 associates and interests in joint ventures, deferred tax assets are recognised only to the extent a profit will be available against which the temporary differences can be utilised;

Deferred tax

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

3. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the financial statements conformity with International Financial Reporting Standards (IFRS), management (representing directors) is required to make certain critical accounting estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. It also requires directors to exercise their judgment in the process of applying the company's accounting policies.

Use of available information and the application of judgment is inherent in the formation of estimates. Although these estimates are based on directors' best knowledge of current events and actions they may undertake in the future, actual results in the future could differ from these estimates which may be material to the financial statements. In particular, critical judgments applied include:

- Trade receivables, held to maturity investments and loans and other receivables;
- Available - for - sale assets;
- Taxation;
- Valuation of biological assets – detailed in Note 19;
- Estimation of useful lives of property, plant and equipment, prepaid operating lease rentals and intangible assets; Notes 16 and 17
- Determination of revalued amounts of property, plant and equipment; Notes 16.

Where applicable, the directors consulted experts to determine accounting estimates that require special or technical knowledge and experience.

Trade receivables, held to maturity investments and loans and other receivables

The Company assesses its trade receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows of a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Available - for - sale assets

The company follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment.

In making this judgment, the company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

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 company 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.

The company recognizes the net future tax benefit related to deferred income tax asset to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets require the company to make significant estimates related to expectations of future taxable income.

Estimates of future taxable income are based on forecast cash flows from operations and applications of existing tax laws. To the extent that the future cash flow and taxable income differ significantly from estimates, the ability of the company to realize the net deferred tax assets recorded at the statement of financial position date could be impacted.

Simlaw Seeds Company Uganda Limited**Notes to the financial Statements for the year ended 30 June, 2022****4. OWNERSHIP OF SIMLAW SEEDS COMPANY UGANDALIMITED**

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.

5	REVENUE	2022	2021
		Ugx'000	Ugx'000
	Income from Certified Maize Seeds	2,192,109	2,551,885
	Income from Vegetable Seeds	8,937,402	8,390,199
	Income from Pasture Seeds	159,578	143,065
	Income from Other Seeds	67,755	18,120
	Total Revenue	11,356,843	11,103,269

6	COST OF SALES	2022	2021
		Ugx'000	Ugx'000
	Opening Stock	5,905,414	3,471,429
	Purchases	10,264,007	11,036,342
	Factory Overheads	126,894	208,868
	Closing Stock	(7,324,410)	(5,905,414)
	Cost of Goods Sold	8,971,905	8,811,225

7	OTHER INCOME	2022	2021
		Ugx'000'	Ugx'000'
	Profit on exchange	283,802	13,430
	Other Misc. Income	167,343	
	Grants	91,154	
	Loss on exchange	(139,898)	(13,612)
	Total	402,400	(182)

8	SELLING AND DISTRIBUTION	2022	2021
		Ugx'000'	Ugx'000'
	Public Relations and advertising	194,166	142,625
	Freight and Transport	55,548	22,279
	Travelling	216,125	195,502
	Total	465,840	360,406

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

9	ADMINISTRATIVE EXPENSES	2021	2020
		Ugx'000'	Ugx'000'
	Salaries & Allowances	551,775	514,902
	Staff Training and Welfare	139,567	128,818
	Printing & Stationery	40,836	44,317
	Pension	16,553	-
	Medical	69,006	42,310
	Travelling	113,228	46,659
	Rent & Rates	179,762	20,947
	Audit	29,362	24,382
	Legal	92,970	165,167
	Directors Expenses	155,387	-
	Postage & Telephone	13,697	48,524
	Motor Vehicles	77,673	58,928
	Power, Light and water	16,594	19,653
	Repairs & Maintenance	86,741	112,132
	Social Security (NSSF)	55,177	90,700
	Total	1,638,327	1,317,439

10	OTHER OPERATING EXPENSES	2022	2021
		Ugx'000	Ugx'000
	Insurance	48,135	71,418
	Depreciation on other Equipment	140,392	121,888
	Bank Charges	8,379	12,992
	General Expenses	18,574	-
	Repairs & Maintenance	9,493	9,782
	Total	224,974	386,120

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

11	The profit before taxation is arrived at after charging:		
		2022	2021
		Ugx'000	Ugx'000
	Auditors' remuneration	69	23
	Depreciation	140,392	113,146
	Operating lease rentals	179,762	316,093
	Directors' Emoluments	155,387	58,772
	And after crediting:		
	Other Income	249,966	56,462

12 (a) Tax recoverable	2022	2021
	Ugx'000	Ugx'000
As at 1 July	405,788	397,069
Charge for the year	(20,805)	(87,561)
Paid during the Year	31,762	96,280
As at 30 June	416,745	405,788

12(b) Taxation charge	2022	2021
	Ugx'000	Ugx'000
Accounting Profit Before Tax	437,392	307,093
Current taxations based on adjusted profit at 30%	(20,805)	(87,561)
Net Profit	416,587	219,532

13. EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit after tax of Ugx. 437,391,962 (2021: Ugx219,531,960) by the average number of ordinary shares in issue during the year of 5,000 (2021: 5,000). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

Simlaw Seeds Company Uganda Limited
Notes to the financial Statements for the year ended 30 June, 2022

14 PROPERTY PLANT AND EQUIPMENT

(a) Year ended 30 June 2022

	Land	Building	Machinery	Motor Vehicle	Furniture & Equipment	TOTALS
	Ugx'000	Ugx'000	Ugx'000	Ugx'000	Ugx'000	Ugx'000
COST OR VALUATION						
At 1st July 2021	948,610	573,836	169,721	180,378	287,925	2,160,469
Additions		192,076		14,199	28,815	249,627
At 30th June 2022	948,610	765,912	169,721	184,257	316,740	2,410,997
DEPRECIATION						
At 1st July 2021	(17,727)	(165,125)	(125,571)	(125,571)	(241,045)	(640,497)
Charge for the year	(19,359)	31,122	(7,903)	(7,903)	(28,440)	(131,887)
At 30th June 2022	(37,086)	(196,247)	(133,474)	(133,474)	(269,485)	(772,384)
NET BOOK VALUE	911,524	569,665	50,783	58,486	47,254	1,637,713

b) Year ended 30 June 2021

	Land	Building	Machinery	Motor Vehicle	Furniture & Equipment	TOTALS
	Ugx'000	Ugx'000	Ugx'000	Ugx'000	Ugx'000	Ugx'000
COST OR VALUATION						
At 1st July 2020	948,610	355,493	169,721	98,378	249,981	1,822,183
Additions		218,342		82,000	37,944	338,286
At 30th June 2021	948,610	573,836	169,721	180,378	287,925	2,160,469
DEPRECIATION						
At 1st July 2020	-	(143,607)	(110,500)	(49,516)	(216,099)	(519,722)
Charge for the year	(17,727)	21,518	(15,071)	(41,513)	(24,946)	(120,775)
At 30th June 2021	(17,727)	(165,125)	(125,571)	(91,028)	(241,046)	(640,496)
NET BOOK VALUE	930,883	408,711	44,150	89,350	46,879	1,519,973

Fixed assets consist of assets which are fully depreciated amounting to Ugx 559,220,272 (2021 Ugx 432,702,740)

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

15 INTANGIBLE ASSETS

(a) Year ended 30 June 2022	Ugx'000	Ugx'000
	Computer Software	Totals
COST OR VALUATION		
At 1st July 2021	77,799	77,799
Additions	22,140	22,140
At 30th June 2022	99,939	99,939
DEPRECIATION		
At 1 st July 2021	(75,535)	(75,535)
Charge for the year	(8,505)	(8,505)
At 30th June 2022	(84,043)	(84,043)
NET BOOK VALUE	15,896	15,896

	Computer Software	TOTALS
(b) Year ended 30 June 2021	Ugx'000	Ugx'000
COST OR VALUATION		
At 1st July 2020	74,424	74,424
Additions	3,375	3,375
At 30th June 2021	77,799	77,799
DEPRECIATION		
At 1 st July 2020	(74,424)	(74,424)
Charge for the year	(1,114)	(1,114)
At 30th June 2021	75,535	(75,538)
NET BOOK VALUE	2,261	2,261

Intangible assets consist of assets that were fully depreciated amounting to Ugx 74,423,939 (2021 Ugx 77,798,939)

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

16. CASH & CASH EQUIVALENTS

Financial Institution	Account No.	2022	2021
		Ugx'000	Ugx'000
Kenya Commercial Bank, Ugx.	2202575138	1,467,072	635,133
Kenya Commercial Bank, USD	2202638024	12,219	7,402
Kenya Commercial Bank, KShs	2200834721	0	173
Centenary Bank, Ugx	3100044408	249,081	2,570,621
Total		<u>1,728,372</u>	<u>3,213,329</u>

17. INVENTORIES	Ugx'000' 2022	Ugx'000' 2021
Maize	1,790,206	2,108,453
Cabbage	2,047,405	1,752,739
Tomatoes	1,725,356	378,370
Other Vegetables	1,429,363	1,338,424
Packaging	481	378,801
Chemicals	29,780	799
Fertilizers	2,128	2,476
Provision for Obsolete Stock	299,690	(54,648)
Total	<u>7,324,409</u>	<u>5,905,414</u>

18. TRADE AND OTHER RECEIVABLES	2022	2021
	Ugx'000	Ugx'000
Trade and other receivables	3,036,840	2,079,332
VAT recoverable	305,589	627,660
Pre-payments	310,115	256,041
Provision for bad and doubtful debts	(169,395)	(169,395)
Total	<u>3,483,148</u>	<u>2,793,639</u>

At 30th June 2022, the aging analysis of the gross trade receivables was as follows

Period	2022	2021
	Ugx'000	Ugx'000
Less than 30 days	850,750	404,650
Between 30 and 60 days	798,405	459,981
Between 61 and 90 days	862,500	397,032
Between 91 and 120 days	525,185	817,667
Total	<u>3,036,840</u>	<u>2,079,332</u>

Simlaw Seeds Company Uganda Limited
Notes to the financial Statements for the year ended 30 June, 2022

19. EQUITY

	2022	2021
	Ugx'000	Ugx'000
Authorized, Issued & Fully Paid 5,000 ordinary Shares of Ugx 25,000 Each	125,000	125,000
Unallotted share capital	1,474,492	1,474,492
Accumulated Profit	(703,938)	(1,141,330)
Total	895,554	458,162

20 RELATED PARTIES TRANSACTIONS AND BALANCES

Simlaw Seeds Company is a subsidiary of Kenya Seed Company Limited which holds 99.98% of its shares. The remaining 0.02% of the shares are held by private individuals. Outstanding balances arising from sale and purchase of goods/services or advances to/from related companies

	2022	2021
	Ugx'000'	Ugx'000'
a) Amounts due to related parties – Long term liabilities		
Kenya seed company Limited	641,670	691,579
Mt Elgon Seeds Company limited	1,596,752	1,798,384
Simlaw Seeds Company limited – Nairobi	237,355	274,911
Kenya seed Loan	549,411	551,655
Total	3,025,188	3,316,529
b) Amounts due to related parties – Current liabilities		
Kenya seed company Limited	5,955,625	5,996,997
Total	5,955,625	5,996,997

21. TRADE AND OTHER PAYABLES

	2022	2021
	Ugx'000	Ugx'000
Trade Payables	4,543,732	4,037,251
Other payables	186,186	31,467
Total	4,729,918	4,068,718

22. CAPITAL EXPENDITURE COMMITMENTS

	2022	2021
	Ugx'000	Ugx'000
Authorised but not contracted for	1,554,000	1,651,833

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise cash and cash equivalents, trade receivables, trade payables and amounts due from related parties. These instruments arise directly from its operations.

The Company does not enter into derivative transactions.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk.

The policy of the Company is to minimize the negative effect of such risks on cash flow, financial performance and equity

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

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

(a) Credit risk

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

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

Customer credit risk is managed by each business unit subject to the Company's

Simlaw Seeds Company Uganda Limited**Notes to the financial Statements for the year ended 30 June, 2022**

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

The amount that best represents the company's maximum exposure to credit risk as at 30 June 2021 is made up as follows:

				2022	2021
				Ugx'000	Ugx'000
Trade receivables				3,036,840	1,203,314
Prepayments				310,115	312,692
VAT Receivables				305,589	510,964
Provision for Bad Debts				(169,395)	(169,395)
				3,483,149	1,857,575

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

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

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

				2022	2021
				Ugx'000	Ugx'000
Past due but not impaired:					
- by up to 30 days				925,850	404,650
- by 31 to 60 days				814,832	459,981
- by 61 to 90 days				801,067	397,032
- over 90 days				941,400	595,912
				3,483,149	1,857,575

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Movement in provisions for doubtful debts:

	2022	2021
	Ugx'000	Ugx'000
As at 1 July	169,395	169,395
Recoveries during the year	-	-
Provisions for the year	-	-
As at 30 June	<u>169,395</u>	<u>169,395</u>

a) Cash and cash equivalents

The cash and cash equivalents of Ugx,'000' 1,723,556,810 (2021:Ugx'000' 3,841,462) 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 had not borrowed during the year therefore there is no risk of exposure.

	Change in Interest rate	Effect on profit Before Tax Ugx '000	Effect on Equity Ugx '000
2021	-10.00%	-	-
	10.00%	-	-
2012	-10.00%	-	-
	10.00%	-	-

Exchange risks

The Company operates in Uganda. The transactions are carried out in the local currencies. Other transactions in the foreign currency are carried out in the

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

relatively stable US Dollars. Therefore, the net investments in these subsidiaries are exposed to foreign exchange risk upon consolidation of the financial statements and any losses/ (gains) are charged / (credited) to other comprehensive income.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

USD	Change in currency rate	Effect on profit Before Tax Ugx '000	Effect on Equity Ugx '000
2021	-10.00%	1,221	855
	10.00%	(1,221)	(855)
2022	-10.00%	699	489
	10.00%	(699)	(489)
KES			
2021	-10.00%	803,409	562,386
	10.00%	(803,409)	(582,306)
2022	-10.00%	738,406	568,522
	10.00%	(738,406)	(568,522)

(c) *Liquidity risk*

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

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

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / 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					
	Inaccuracies in Cash and Cash Equivalents Balance The statement of financial position reflects cash and cash equivalents balance of Ushs.3,213,332,000 as disclosed in Note 17 to the financial statements. However, the balance differs from closing cash and cash equivalents balance of Ushs.2,658,915,000 reflected in the statement of cash flows. The variance of Ushs.554,417,000 has not been explained or reconciled. Further, the cash and cash	The balances have been amended and the comparative column in the current year now agrees. The bank statements and certificates of balances for the bank accounts that were not provided have now been obtained. The bank accounts	FC	Resolved	

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

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)
	equivalents balance include two balances of Ushs.7,402,000 and Ushs.173,000 whose cashbooks, certificates of balance and bank reconciliations statements as at 30 June, 2021 were not provided for audit while the reconciliation statement for the current account held at Kenya Commercial Bank reflects an unrepresented cheque of Ushs.134,799 which had gone stale as at 30 June, 2021. Management did not provide any explanation for the failure to reverse of the payment in the cashbook.	were dormant and management had not changed the mandates for the computer			
	Inaccuracies in Non-Current Liabilities Balance The statement of financial position reflects non-current liabilities due to related parties and current liabilities due to related parties balance of Ushs.3,316,529,000 and Ushs.5,996,998,000 respectively all amounting to Ushs.9,313,527,000 as disclosed in Notes 21 (a) and 21 (b) to	The balances are stated at Ugx after conversion from Kshs. The resultant losses/gains are recognised in the FS	FC	Resolved	

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

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)
	the financial statements. The balances include an amount of Ushs.7,240,231,000 due to Kenya Seed Company. However, Kenya Seed Company's financial statements reflected translated receivables due from the Simlaw Seeds Company Uganda Limited balance of Ushs.7,215,132,000 resulting to an unreconciled variance of Ushs.25,099,000.				
	Inaccuracies in Trade and Other Payables Balance The statement of financial position reflects trade and other payables balance of Ushs.4,068,718,000 which as disclosed in Note 22 to the financial statements includes trade payables balance of Ushs.4,037,251,000 which differs from the payables listing balance of Ushs.5,989,525,000 resulting to an unreconciled variance of		FC	Unresolved	30 June 2022

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

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)
	Ushs.1,952,274,000. In the circumstances, the accuracy and completeness of trade and other payables balance of Ushs.9,313,527,000 could not be confirmed.				
	Inaccuracies in Loan Repayment As disclosed in Note 21(a) to the financial statements the Kenya Seed loan balance of Ushs.551,655,000 which is a reduction of Ushs.254,584,000 from Ushs.806,239,000 reflected in the previous year's audited financial statements. However, the loan repayment has been omitted the statement of cash flows. Further, evidence of repayment of the loan during the year was not provided for audit. In the circumstances, the accuracy and	The reduction arose due to exchange translation, the gain/loss is recognised in the P and L	FC	Resolved	

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

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)
	completeness of loan repayment of Ushs.551,655,000 could not be confirmed				
	Unsupported Other Income Balance The statement of profit or loss and other comprehensive income reflects other income balance of Ushs.79,015,000 which as disclosed in Note 7 to the financial statements constitutes of profit and loss on exchange of Ushs.370,046,000 and Ushs.291,031,000 respectively whose details were not provided for audit				
	Unsupported Prior Year Adjustments The statement of changes in equity reflects an opening balance on accumulated losses of Ushs.1,360,862,000 which includes a prior year adjustment of Ushs.554,249,000. Although Note 24 to the financial statements indicates that the adjustment relates to invoices received after the previous financial	The transaction relates to invoices relating to 2019/20 that were excluded in the FS and discovered and posted in 2020/2021	FC	Resolved	

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

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)
	year end, the details of the invoices were not provided. Further, the balance was deducted from opening cumulative losses contrary to the provisions of IAS 8 which require retrospective restatement of balances in the financial statements when correcting prior year errors.				
	Failure to Revalue Assets The statement of financial position reflects property, plant and equipment balance of Ushs.1,519,973,000 as disclosed in Note 15 to the financial statements. Review of the asset register revealed that assets with a historical cost of Ushs.422,155,525 were fully depreciated. However, the assets are still in use and the Company continues to derive benefits while incurring fuel and maintenance costs. Unsupported Additions to Assets	Management has set aside a budget for revaluation of the assets in the 2022/2023 FY	GM and FC	Unresolved	

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

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	Balance Further, Note 15 to the financial statements on the schedule of movement of assets reflects additional assets during the year valued at Ushs.338,286,000. However, procurement records for the assets were not provided for audit while assets held by the Company were not tagged for identification.				
	Failure to Settle Long Outstanding Trade and Other Payables As disclosed in Note 22 to the financial statements, the statement of financial position as at 30 June, 2021 reflects trade and other payables balance of Ushs.4,068,718,000. An aging analysis of the payables revealed invoices amounting to Ushs.2,060,895,105 had been outstanding for over 180 days.	Management has strived to ensure it pays its creditors within the agreed timeframe, the company was experiencing cashflow problems but this has now been resolved	GM and FC	Unresolved	

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

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)
	Failure to settle obligations when they fall due exposes the Company to risks of litigation and may result in extra costs.				
	Failure to Recover Long Outstanding Trade and Other Receivables The statement of financial position reflects net trade and other receivables balance of Ushs.2,793,639,000 which as disclosed in Note 19 to the financial statements includes receivables balance of Ushs.2,079,332,000 constitutes staff receivables balance of Ushs.248,469,811. Review of aging analysis of the staff receivables revealed that receivables totalling to Ushs.86,681,450 have been outstanding for more than three (3) years although Management has made a provision of Ushs.5,128,700.	Management has put in place measures to recover receivables and will propose to the board write off of uncollectable debts	GM and FC	Unresolved	

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

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	Further, the receivables balance of Ushs.2,079,332,000 includes trade debtors balance of Ushs.817,667,000 which have been outstanding for over 90 days. Management has not explained the measures it has taken to ensure recovery of the long outstanding receivables.				
	Failure to Dispose Obsolete Inventories The statement of financial position reflects inventories balance of Ushs.5,905,414,000 which, as disclosed in Note 18 to the financial statements includes obsolete maize seeds valued at Ushs.54,648,000 that has been held at Kapchorwa branch for the last two (2) years. The Company continues to incur cost on storage and security on worthless stock.	We have disposed the seeds after obtaining all approvals from Authorities in Uganda and the same has been written off from the books	GM and FC	Resolved	

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

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	In the circumstances, continuous holding of obsolete stock in stores results in further obsolescence and avoidable storage costs and deterioration in value.				
	Lack of a Functional Board During the year under review, the Company did not have a fully constituted Board of Directors as required by the Articles of Association. Lack of a functional Board affected oversight activities on the Company including approval of crucial documents that guide the Company's operations such as the budget and financial statements which may have affected the overall governance of the Company. In the circumstances, the overall oversight, governance and strategic	The issue is with the appointing authority	GM and Board	Unresolved	

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022

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)
	direction of the Company may have been hampered by lack of a functional Board.				
	Lack of Internal Audit Services During the year under review, there was no evidence of the Company having been reviewed by internal audit despite the same having been provided for in the Company's organization structure, as explained in the corporate governance statement. Further, the Company lacked documented and approved policies and procedures to guide its operations on, procurement, finance and sales and marketing functions	The company relies on audit services from the parent company. During the year, an assessment of the internal audit was performed and management s addressing the report. Further, the company has proposed to recruit an internal auditor in the new structure that is yet to be approved by SCAC	GM and Board	Partially resolved	

Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended 30 June, 2022



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Sylvia Kyeyune
General Manager
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Mr. Mohamed M. Bulle
Chairman of the Board
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Simlaw Seeds Uganda is a proud member of the Kenya Seed Group of Companies



