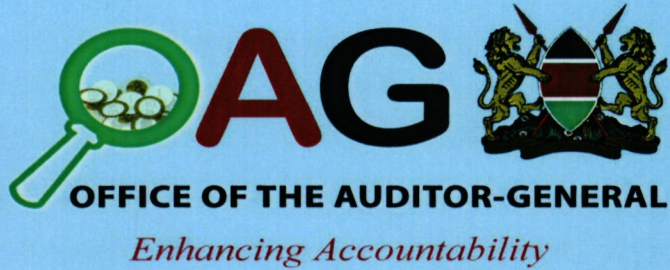


REPUBLIC OF KENYA



**REPORT**

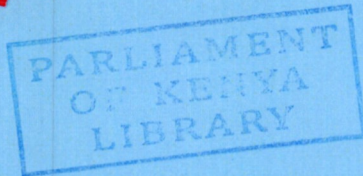
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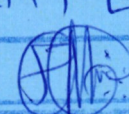
**THE AUDITOR-GENERAL**

**ON**

**SIMLAW SEEDS COMPANY  
UGANDA LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2020**



 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 22 MAR 2022	DAY: TUESDAY
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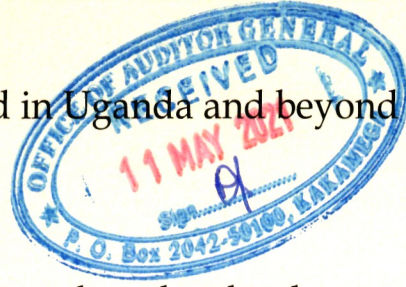
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## VISION

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.

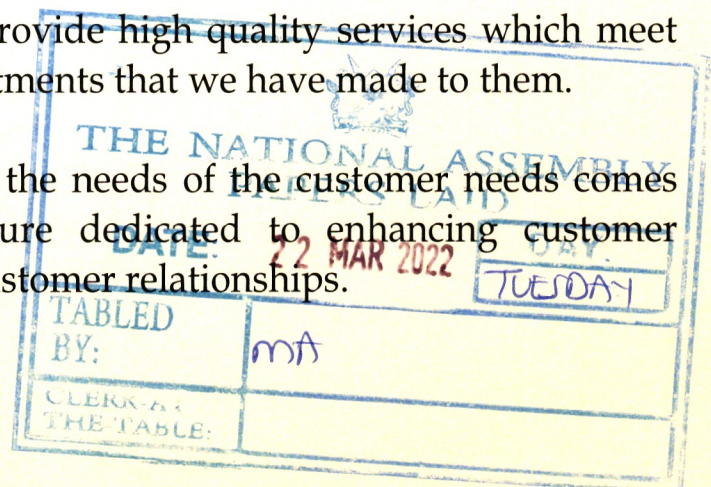
**Teamwork and Cooperation:** Simlaw Seeds staff work as a team committed to the realization of the Company goals. We endeavor to pull in one direction internally and externally in delivering on our mandate.

**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

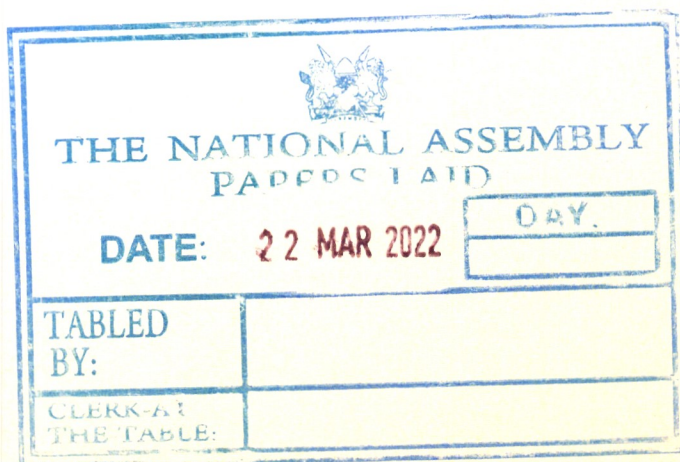


Indigenous Vegetable Buuga



## **Table of Contents**

<b>KEY SIMLAW SEEDS UGANDA LIMITED INFORMATION .....</b>	<b>ii</b>
<b>FIVE YEAR PERFORMANCE TREND .....</b>	<b>v</b>
<b>PERFORMANCE AT A GLANCE .....</b>	<b>vi</b>
<b>BOARD OF DIRECTORS .....</b>	<b>vii</b>
<b>BOARD OF DIRECTORS .....</b>	<b>vii</b>
<b>MANAGEMENT TEAM .....</b>	<b>vii</b>
<b>MANAGEMENT TEAM.....</b>	<b>vii</b>
<b>REPORT OF THE GENERAL MANAGER.....</b>	<b>ix</b>
<b>CORPORATE GOVERNANCE STATEMENT.....</b>	<b>x</b>
<b>MANAGEMENT DISCUSSION AND ANALYSIS .....</b>	<b>xiv</b>
<b>CORPORATE SOCIAL RESPONSIBILITY STATEMENT .....</b>	<b>xviii</b>
<b>REPORT OF THE DIRECTORS .....</b>	<b>xx</b>
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2020 .....	2
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020.....	3
STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2020.....	4
STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2020 .....	5
NOTES TO THE FINANCIAL STATEMENTS .....	8
<b>PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS .....</b>	<b>33</b>



**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**

Mr. William Kundu (Ended 6<sup>th</sup> February 2020)

Mr. Lawrence Njiru (Ended 6<sup>th</sup> February 2020)

Mr. Richard Aiyabei (Ended 6<sup>th</sup> February 2020) ADC

Mr. Mohamed Bulle (Joined 17<sup>th</sup> April 2020) ADC

Dr. Johnson Irungu (Ended 6<sup>th</sup> February 2020) Alternate Director to the  
Principal Secretary, State Department of  
Agriculture

**Executive**

Mr. Azariah Soi (Ended 7<sup>th</sup> April 2020) Managing Director KSC

Mr. Fred Oloibe (Started 17<sup>th</sup> February 2020) Acting Managing Director  
Kenya Seed Company

**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 6<sup>th</sup> Street Industrial Area  
P.O. Box 21303  
Kampala, Uganda

**Simlaw Seeds Company Uganda Limited**  
**Annual Report for the year ended June 30, 2020**

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**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](http://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 Ushs.25, 000.

The shareholders of the company as at 30<sup>th</sup> June 2020 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
<b>Total</b>		<b>5,000</b>	<b>100.00</b>

**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.

## **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), Jews Mallow (Murere/Mrenda), Crotolaria (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

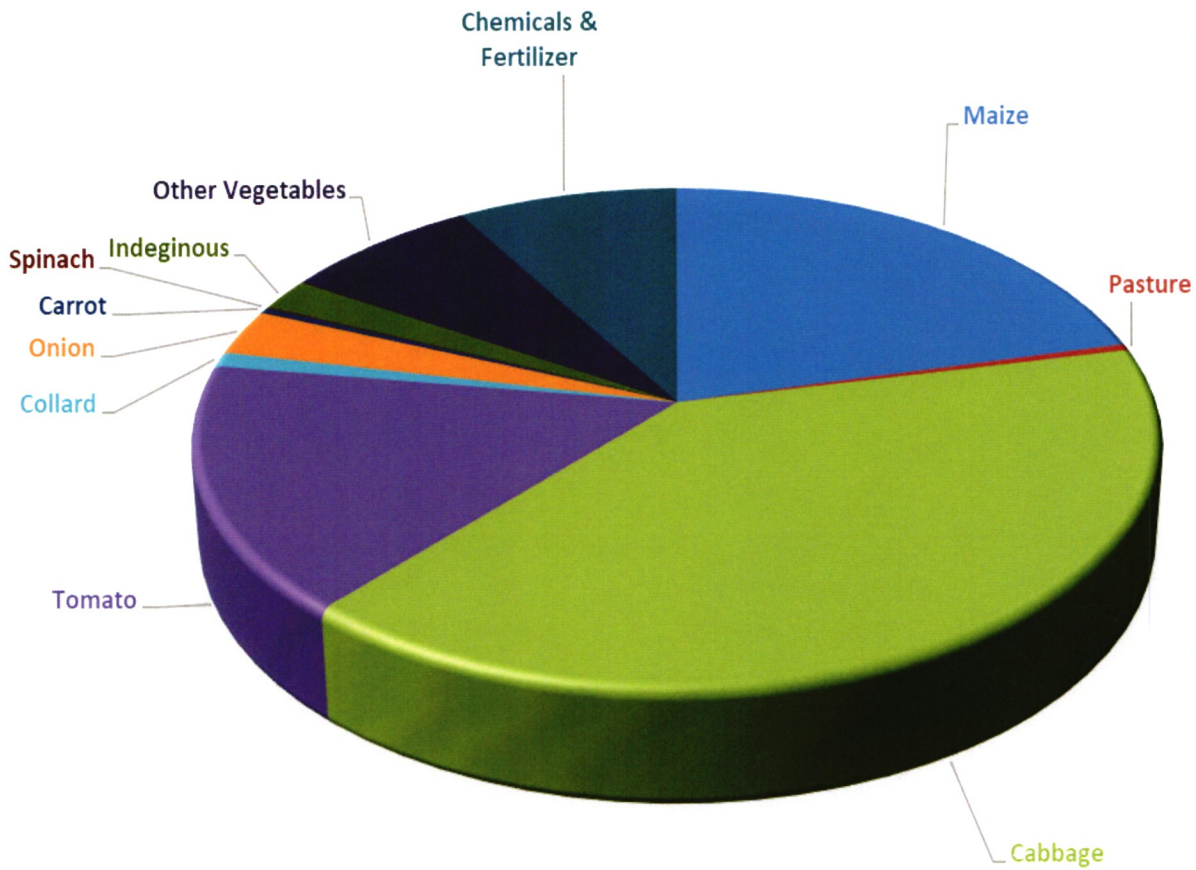
Masindi: Masindi Port Road (Next to Masindi stadium)

**Simlaw Seeds Company Uganda Limited**  
**Annual Report for the year ended June 30, 2020**

**FIVE YEAR PERFORMANCE TREND**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>Ushs'000'</b>	<b>Ushs'000'</b>	<b>USh'000'</b>	<b>USh'000'</b>	<b>USh'000'</b>
<b>Turnover</b>	12,577,830	10,127,946	9,737,146	9,810,450	6,900,125
Profit before tax	625,287	(68,461)	107,326	413,522	191,322
Tax charge	84,288	-	-	-	-
Profit for the year transferred to retained earnings	541,000	(68,461)	107,326	413,522	191,322
Dividends	-	-	-	-	-
<b>Share Capital and shareholders' Funds</b>	(231,331)	(856,618)	(788,157)	(895,483)	(1,309,005)
Ordinary Share capital	1,599,492	1,599,492	1,599,492	1,599,492	1,599,492
Share holders' funds	(1,830,823)	(2,456,111)	(2,387,649)	(2,494,975)	2,908,948)
<b>Earnings and Dividend per Share</b>					
Earnings per share	125,058	(13,692)	21,465	82,704	38,265
Dividend per share(UShs)	-	-	-	-	-

**PERFORMANCE AT A GLANCE**



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

**12.6**

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

**625**

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

**10.87**

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

**(231)**

# Simlaw Seeds Company Uganda Limited

## Annual Report for the year ended June 30, 2020

### BOARD OF DIRECTORS

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#### BOARD OF DIRECTORS

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**William Kundu Ndombi**

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

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**Lawrence Njiru Mark**

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

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



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

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#### **Mr. Richard Aiyabei**



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

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# Simlaw Seeds Company Uganda Limited

## Annual Report for the year ended June 30, 2020

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**Mr. Azariah Soi** is the Managing Director and CEO of Kenya Seed Company from 19th May 2016 until 7<sup>th</sup> April 2020 and was born in 1960. He is responsible for the operational running of the Company to ensure that the mission is achieved. Mr. Soi has wide experience gained as the General Manager of Simlaw Seeds from 2006 until his appointment as the Managing Director of Kenya Seed Company. Mr. Soi is a holder of B.Sc (Agriculture) as well as MBA degrees, from Kenyatta University. Mr. Soi started his career in Kenya Seed Company where he joined on 1st August 1986 as field officer in the pasture department.

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### **Ms. Wilkister Simiyu**

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

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### **Mr. Mohamed M. Bulle**



Mr. Mohamed Bulle was born in 1958. He is the Managing Director of ADC. He joined the board on 17<sup>th</sup> April 2019. 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.

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### **Mr. Fred Oloibe**



Mr. Fred Oloibe was born on the 18th September 1974 and is the Acting Managing Director from 17<sup>th</sup> 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.

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# Simlaw Seeds Company Uganda Ltd

Annual Report and Financial Statements for the year ended June 30, 2020

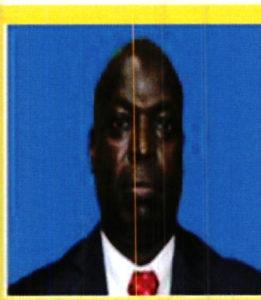
## MANAGEMENT TEAM

### 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 30<sup>th</sup> June 2019 is as set out below:

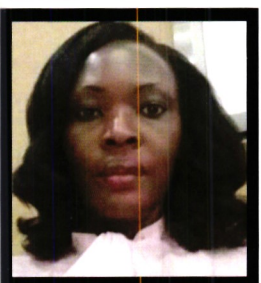


**Mr. Azariah Soi** is the Managing Director and CEO of Kenya Seed Company from 19<sup>th</sup> May 2016 and was born in 1960. He is responsible for the operational running of the Company to ensure that the mission is achieved. Mr. Soi has wide experience gained as the General Manager of Simlaw Seeds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

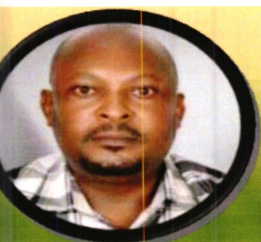


#### Mr. Fred Oloibe

Mr. Fred Oloibe was born on the 18<sup>th</sup> September 1974 and is the Acting Managing Director from 17<sup>th</sup> 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 1<sup>st</sup> 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. Francis Ngaruiya** was born in 1977 and was the Financial Controller of Simlaw Seeds Company Uganda Ltd until 10<sup>th</sup> March 2020, in Uganda, a subsidiary of Kenya Seed Company. He holds a Bachelor of Commerce Accounting degree from Kenyatta University and currently pursuing Master of Science degree in accounting and finance at Makerere University business school (MUBS), Kampala, Uganda. He has over 15 years of managerial experience having worked with Kenya Seed Company Ltd (Kenya) and Simlaw Seeds company Ltd Uganda.



**Mr. Cornelius Chemitei** was born in 1978 and was appointed the Financial Controller of Simlaw Seeds Company Uganda Ltd from 10<sup>th</sup> 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 20 years of managerial experience having worked with Kenya Seed Company Ltd in Kitale and Simlaw Seeds Company Ltd Kenya in Nairobi in both the ICT and Finance Department.

# **Simlaw Seeds Company Uganda Ltd**

## **Annual Report and Financial Statements for the year ended June 30, 2020**

### **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 2020.

The company experienced various challenges during the year among them cessation of movement during peak season due to COVID-19, stock outs of popular varieties and delayed supply due to lack of air transport, uncertainties occasioned by emergence of diseases and pests, frost and a devastating desert locusts invasion.

#### **Business Environment Overview**

The global economy slowed down 4.9% in the second half of the Financial Year, a 1.9% lower than earlier forecast, compared to 6% growth in the first half occasioned by the COVID-19 Global pandemic which resulted in restricted movement and closure of manufacturing hubs around the world. Subsequent recovery efforts have proved to be slower than earlier anticipated. According to a report by the African Development bank East Africa growth rate slowed down to 1.2% but remains the fastest growing economic block in Africa and is forecast to rebound to 3.7% in 2021. The growth was fuelled by public infrastructure investment, agriculture development and increased consumption of goods and services.

Uganda's economy experienced a relatively conducive environment for growth during the first three Quarters of 2020. However, the last quarter's growth was undermined by global pandemic and invasion by desert locust which resulted in considerable resources diverted to minimize the effects of these two catastrophes.

The agricultural sector, which continues to be the mainstay of Uganda's economy contributing 30% of the GDP, experienced mixed results with maize. Sunflower and vegetables sub sectors recording fair prices in the international market. The seed subsector faced ordinary challenges with decrease in prices of commercial maize demotivating many farmers to reduce their acreage of commercial maize crop therefore affecting the demand for certified seed negatively. This was however cushioned by the fact that with the closure of most economic activities most Ugandans fell back on small scale commercial farming to prop up falling household incomes.

#### **Financial Review**

We report that the company recorded a profit of US\$ 625 million as compared to loss of US\$ 68 million in 2019. This was majorly due to increase of 28% in sales with no significant increase in operating expenses.

#### **Future Outlook**

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

#### **Appreciation**

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

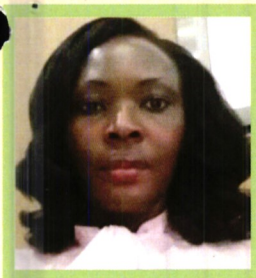
**Mr. William Kundu**  
**Chairman**

# **Simlaw Seeds Company Uganda Ltd**

## **Annual Report and Financial Statements for the year ended June 30, 2020**

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### **REPORT OF THE GENERAL MANAGER**



Simlaw Seeds Company Uganda Ltd made great progress towards achievement of the objectives that were undertaken in the year 2019/2020 as we strived to remain committed to availing top quality seed at affordable prices to our customers. We increased our sales revenue and hence profits through timely availability of quality seed, enhanced market activities, increased company visibility, enhanced use of technology among others. We also improved employee engagement and morale. Customer satisfaction was also improved during this year. These improvements contributed to an increase in our brand visibility and market share.

Our financial performance also saw improvements. The company achieved a sales turnover of Ushs.12.5 billion (Kshs.359million) compared to UShs.10.1 billion (Kshs.289 million) achieved in the previous financial year 2018/2019, representing an increase of 24%. The net profit for this year increased to Ushs.625 million (Kshs.17.8 million) from a loss of Ushs.68 million (Kshs 1.9 million) incurred during the year 2018/2019. Non-current asset increased from UShs.1.07 billion (Kshs 30 million) to UShs 1.17billion (Kshs 33.6 million) as at 30<sup>th</sup> June 2020. This was as a result of purchase of additional fixed assets for the company.

During the last half of the year, there was an outbreak of a pandemic, COVID-19 throughout the world. This pandemic resulted into a total lockdown of most economies and re-emphasized the importance of agriculture as everyone needed to eat even as they stayed home. This pandemic threatened the food security and nutrition of millions of people around the world yet hundreds of millions of people were already suffering from hunger and malnutrition before the virus hit. This calls for immediate action to be taken otherwise we could see a global food emergency. As a result, food production, marketing and distribution have been declared essential services hence the need to invest more in food production. More food needs to be grown and the demand for seed is expected to increase more than ever before. This challenge presents a very big opportunity for the company to increase her seed sales than ever before. Management plans to implement new initiatives to improve access of seeds to the farming communities through:

- i. Building a stronger distribution network across the region to ensure supply of adequate quantities of quality seed of the most demanded varieties at all times.
- ii. Enhance use of technology to provide information on the seed, recommended agricultural practices availability among others
- iii. Diversification of the company's product range to include new preferred crops and to cater for changing customer demands and preferences.
- iv. Market expansion to new areas where the company has not gone before.
- v. Fast track local seed production to meet the required quantities of seed timely.

In closing, I would like to thank our employees for the achievements of the concluded year, and the hard work and energy with which they serve our customers. I would also like to thank our suppliers and our external partners for their collaboration and support. I also to thank the Board of Directors for their continued guidance and tireless support that has made us a strong and reputable company.

A handwritten signature in blue ink, appearing to read 'Sylvia Kyeyune'.

**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

## Annual Report for the year ended June 30, 2020

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

**The composition of board, date of appointment and position held as on 30<sup>th</sup> June 2020**  
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 30<sup>th</sup> June 2020. 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 2019/20 is as follows:

Member	Meetings Held	Meetings Attended	% attendance
Mr. Lawrence Njiru	2	2	100%
Mr. William Kundu (Chairman)	2	2	100%
Mr. Azariah Soi	2	2	100%
Dr. Johnson Irungu	2	2	100%
Mr. Richard Aiyabei	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

## Annual Report for the year ended June 30, 2020

### 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 2019/2020 is as under:

Member	Number of Meetings	Attendance	% of attendance
Mr. Lawrence Njiru	2	2	100%
Mr. Azariah Soi	2	2	100%
Dr. Johnson Irungu	2	2	100%
Mr. Richard Aiyabei	2	2	100%
Mr. William Kundu -Chairman	2	2	100%

### 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)	\$615	\$615

### 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.

**Simlaw Seeds Company Uganda Limited**  
**Annual Report for the year ended June 30, 2020**

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

**Going Concern**

The directors confirm that the Company has adequate resources to continue in business for the 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.

.....

**William Kundu**  
**Chairman, Board of Directors**

**Date:** .....

## **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 grew by 22% from UShs 10.1 billion to UShs 12.6 Billion as highlighted in the table below

<b>Product Category</b>	<b>June 2020</b>	<b>June 2019</b>
	<b>Ushs'000</b>	<b>Ushs'000</b>
Maize	2,592,997	2,403,526
Pasture	50,281	35,069
Cabbage	4,930,214	3,655,552
Tomato	1,971,630	1,227,154
Collard	115,048	138,720
Onion	364,411	1,000,642
Carrot	48,056	68,651
Spinach	8,456	10,296
Indigenous	254,733	159,295
Other Vegetables	1,194,854	1,055,775
Chemicals & Fertilizer	1,047,149	373,261
	<b>12,577,830</b>	<b>10,127,946</b>

The company recorded sales increased in Seed Maize 8%, Vegetable Seed 43%, Legumes and pasture seeds 21%, Chemicals & Fertilizer 30%. The increase in sales was as result of aggressive marketing, promotional campaigns, company business remodeling and personal selling by the sales team and availability of stock.

Seed maize contributed 21% of annual sales revenue while other seeds and agricultural Inputs contributed 79% of the Company Revenues. Vegetable revenues contributed 71% 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

## Annual Report for the year ended June 30, 2020

### A2: Profit before Tax

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

	2020	2019
	UShs'000	UShs'000
Profit Before Tax	625,288	(68,461)

The Profits grew by 111% from UShs 68.4 million loss recorded last year to UShs 625 Million in the year.

### A3: Cash and Cash Equivalents

The company cash and bank balance stood at a net of UShs 3.8 Billion compared to UShs 2.6 Billion at the beginning of the year. The increase is attributed to revenue generated from sales and debt recovery.

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

### Section B: Entity's compliance with statutory requirements

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

- (a) 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 5<sup>th</sup> & 6<sup>th</sup> 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

## Annual Report for the year ended June 30, 2020

### 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**  
**Annual Report for the year ended June 30, 2020**

	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**  
**Annual Report for the year ended June 30, 2020**



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**  
**Annual Report for the year ended June 30, 2020**

**REPORT OF THE DIRECTORS**

The Directors submit their report together with audited financial statements for the year ended June 30, 2020 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, 2020 are set out on page 1 to 37. Below is summary of the profit or loss made during the year.

	2020	2019
	UShs'000	UShs'000
Profit before tax	625,287	(68,461)
Taxation charge	(84,288)	-
Profit for the year	541,000	(68,461)

**Dividends**

The directors do not recommend the payment of dividend in respect of the year ended 30<sup>th</sup> June 2020 (30 June 2019: nil)

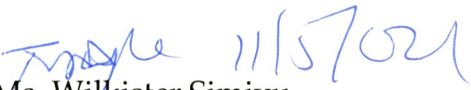
**Directors**

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

  
Ms. Wilkister Simiyu  
Company Secretary  
Kitale, Kenya.

Date.....

# Simlaw Seeds Company Uganda Limited

## Financial Statements for the year ended June 30, 2020

### 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, 2020. 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, 2020, 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 Management team and will be approved by Board of Directors once it's reconstituted. Signed on its behalf by:



Sylvia N. Kyeyune  
General Manager

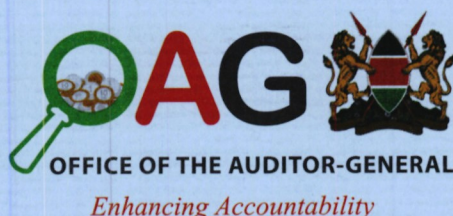


Fred Oloibe  
Director

William Kundu  
Chairman

# REPUBLIC OF KENYA

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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON SIMLAW SEEDS COMPANY UGANDA LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

### REPORT ON THE FINANCIAL STATEMENTS

#### Adverse Opinion

I have audited the accompanying financial statements of Simlaw Seeds Company Uganda Limited set out on pages 2 to 43, which comprise the statement of financial position as at 30 June, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Simlaw Seeds Company Uganda Limited as at 30 June, 2020 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (accrual basis) and do not comply with Uganda Companies Act, 2012.

#### Basis for Adverse Opinion

The financial statements reflect several balances that have not been supported with adequate records or information, as explained in the following paragraphs:

#### 1.0 Comparative Amounts

The following comparative balances reflected in the statement of cash flows differ with those reflected in the previous year's audited financial statements as indicated in the following table:

Item	Amount as per Financial Statements for 2019/20 Ushs.000	Amount as per Audited Financial Statements for 2018/19 Ushs.000	Variance Ushs.000
Gain/Loss in Exchange	-	(150,688)	150,688

Item	Amount as per Financial Statements for 2019/20 Ushs.000	Amount as per Audited Financial Statements for 2018/19 Ushs.000	Variance Ushs.000
Amounts due from/to related parties	587,982	984,764	(396,782)
Proceeds from borrowings	-	34,374	(34,374)

Further, the opening balance for the other income balance amounting to Ushs.150,688,000 reflected in the statement of profit or loss and other comprehensive income differs by Ushs.41,995,000 with the balance amounting to Ushs.108,693,000 reflected against the account in Note 7 to the financial statements.

Further, the items reflected in respect to the account at Note 7 amount to a debit (negative) balance of Ushs.246,413,000 being the sum of profit on exchange amounting to Ushs.179,714,000 and loss on exchange amounting to Ushs.108,693,000 and credit balance of interest paid 41,994,000. No explanation or reconciliation has been provided on the variance.

## 2.0 Revenue (Sales) Amount

The statement of profit or loss and other comprehensive income reflects revenue for the year under review totalling Ushs.12,577,830,000 which however differs by Ushs.67,159,000 with revenue balance totalling to Ushs.12,644,989,000 reflected in the sales ledger. Management explained the variance as having resulted from sales invoices that were entered into the ledger after the trial balance had been extracted for the purpose of preparing the financial report. However, no explanation was provided for the failure to correct the anomaly. Therefore, the reported revenue balance may be understated by Ushs.67,159,000.

## 3.0 Total Expenses

The statement profit or loss and other comprehensive income reflects total expenses amounting to Ushs.1,979,214,000 comprised of sales and distribution expenses, administrative expenses and other operating expenses as further disclosed in Note 8, Note 9 and Note 10 to the financial statements. However, the notes cumulatively reflect twelve (12) line expense items with a total value of Ushs.1,587,349,000 which however differ with the balances totalling Ushs.1,626,136,000 recorded in the respect to the items in their respective ledger as shown in the Appendix to this report.

## 4.0 Shareholders' Funds

Further, reported under "Performance at a Glance" section at page vi of the annual report and financial statements is shareholders' funds balance amounting to negative Ushs.231,000,000 which however, differs by UShs.85,000,000 with the corresponding balance amounting to Ushs.316,000,000 reflected in the statement of financial position.

## 5.0 Cash and Cash Equivalents

The statement of financial position as at 30 June, 2020 reflects a cash and cash equivalents totalling Ushs.3,841,463,000 which however, differs by a net difference of Ushs.33,487,000 with balances shown in the two cash book balances totalling Ushs.3,807,976,000 shown in the following table:

<b>Account</b>	<b>Balance in as Financial Statements Ushs.000</b>	<b>Balance in Cashbooks Ushs.000</b>	<b>Variance Ushs.000</b>
Kenya Commercial Bank	1,610,480	1,611,512	(1,032)
Centenary Bank	2,230,983	2,196,464	34,519
<b>Total</b>	<b>3,841,463</b>	<b>3,807,976</b>	<b>33,487</b>

No explanation or reconciliation was provided on the variances. Further, the Centenary Bank Account reconciliation statement as at 30 June 2020 reflected three un-presented cheques totalling Ushs.2,400,000, which had become stale as they had not been presented to the bank for payment for periods exceeding six months as at 30 June, 2020. No explanation was provided for the failure to cancel the cheques and reverse them in the cashbook.

In addition, the certificate of bank balances obtained from the Company's main bank account had a balance of Ushs.1,669,223,733 as at 30 June, 2020. The Company had two more bank accounts with balances totalling Kshs.7,394 and US\$.774 respectively as at 30 June, 2020. However, the latter two balances were not included in the cash and cash equivalents balance totalling Ushs.3,341,463,000 reflected in the financial statements. Management did not provide an explanation for their omission.

Further, the statement of cash flows for the year under review reflects amounts due from/ to related parties and amounts due from/ to the parent Company amounting to Ushs.8,000 and Ushs.1,090,768,000 respectively. However, a recast of items included in the balance yielded Ushs.223,001,000 and Ushs.1,313,768,000 resulting in variances of Ushs.222,993,000 and Ushs.223,000,000 respectively. No reconciliations were provided for the balances.

Also, Note 21 (a) relates to non-current liabilities and should therefore not have been included in the statement of cash flows under "changes in working capital".

## 6.0 Non-Current Assets

The statement of financial position reflects a property, plant and equipment balance totalling Ushs.1,302,461,000 as at 30 June, 2020. However, included in the balance is machinery totalling Ushs.104,845,000 which however, differs with the sum of Ushs.57,060,000 reflected in respect to the Company's machinery in the assets register. No explanation was provided for the variance of Ushs.47,785,000 between the two sets of records.

Further, several non-current balances reflected in the statement of financial position differ with those reflected in respect to the accounts in the trial balance as follows:

	<b>Amount as Per Financial Statements Ushs.000</b>	<b>Amount as Per Trial Balance Ushs.000</b>	<b>Variance Ushs.000</b>
Property, Plant and Equipment (Book Value)			
Land	948,610	84,200	864,410
Buildings	70,123	0	70,123
Work- in -progress	148,064	1,205,060	(1,056,996)
Machinery	104,845	(5,320)	110,165
Motor Vehicles	48,863	27,850	21,013
Office Furniture and Equipment	29,734	(9,328)	39,062

Management explained that the items in the trial balance were reclassified to provide a true reflection of the various classes of assets. However, the basis for the reclassifications and the resulting adjustments on the balances were not provided for audit and as a result, their validity and accuracy could not be confirmed.

## **7.0 Inventories**

In addition, the statement of financial position reflects an inventories balance totalling Ushs.3,471,429,000, whereas the stock valuation report as at 30 June, 2020 reflected inventories totalling Ushs.2,810,358,000, resulting to an unreconciled variance of Ushs.661,071,000. Therefore, the inventories may have been stated at higher amount than net realizable value, contrary to the Company's policy on inventories which provides that inventories shall be stated at the lower of cost and net realizable value.

Had the stock valuation balance amounting to Ushs.2,810,358,000 been applied instead, the Company would have reported an operating loss of Ushs.120,071,000, instead of the profit of Ushs.541,000,000 reflected in the statement of profit or loss and other comprehensive income.

Management has explained that the difference in the two stock values arose from several unidentified sales receipts that were omitted in the valuation of stock. However, no explanation was provided on why these were not corrected in the financial statements.

Further, the inventories balance totalling Ushs.3,471,429,000 was comprised of book values of stocks of cabbage, tomatoes, other vegetables, packaging, chemicals, fertilizers and provision for obsolete stock, as disclosed in Note 18 to the financial statements. However, the balance was not supported with stores records such as bin cards, stock control cards and a report on stock denoted as expired or damaged at Industrial Area, Masindi and Nakivubo stores. As a result, the accuracy and completeness of the inventory balance could not be confirmed.

In view of these anomalies, the accuracy and completeness of the inventories balance totalling Ushs.3,471,429,000 as at 30 June, 2020 could not be confirmed.

## 8.0 Trade and Other Receivables

Note 19 to the financial statements reflects trade and other receivables amounting to Ushs.1,857,575,000 which include provision for bad and doubtful debts totalling Ushs.169,395,000, whereas the analysis provided for audit in respect to the balance reflected debts totalling Ushs.2,020,379,000, resulting in an unreconciled variance of Ushs.162,804,000.

Management explained the relatively larger receivables balance reflected in the analysis as having resulted from unidentified sales receipts posted after the trial balance had been extracted and the financial report for the year under review prepared. However, no explanation was provided why the financial statements were not reconciled with the ledger.

Further, the receivables analysis balance amounting to Ushs.2,020,379,000 included receivables totalling Ushs.991,936,000 which, as at 30 June, 2020, had been outstanding for periods ranging from 120 days to 180 days as analyzed in the following table:

<b>Period Outstanding (Days)</b>	<b>Amount (Ushs).</b>	<b>Long Outstanding (Ushs).</b>
180 Days	711,005,000	
150 Days	122,302,000	
120 Days	98,629,000	991,936,000
90 Days	485,613,000	
60 Days	240,008,000	
30 Days	152,111,000	
Current	210,711,000	
<b>Total</b>	<b>2,020,379,000</b>	<b>991,936,000</b>

Management explained that the long outstanding debts were comprised of amounts due from out-growers who were advanced seeds for the purpose of multiplication, and salary advances to staff on contract. Management further indicated that the farmers were unable to pay the debts due to post-harvest losses occasioned by heavy rains. The advances to staff on contract were reportedly not recovered in due time. However, Management did not provide evidence on efforts made to recover the receivables.

In view of these issues, the accuracy and extent of recoverability of the trade receivables balance totalling Ushs.1,203,314,000 reflected in the statement of financial position could not be confirmed.

## 9.0 Trade and Other Payables

The statement of financial position reflects trade and other payables balance totalling Ushs.2,646,044,000 as further reflected in Note 22 to the financial statements. However, the balance differs by Ushs.507,247,000 with the balance of

Ushs.3,153,293,000 reflected in the analysis provided for the account. No explanation was provided for the difference between the two sets of records. Management explained that the variance related to invoices and payments included in the analysis but not posted at the time the trial balance was extracted.

No plausible explanation was provided why the omission was not corrected.

Further, the accounts payable analysis report balance of Ushs.3,153,293,000 includes payables totalling Ushs.2,372,746,000 which, had, as at 30 June, 2020, remained unsettled for between 120-180 days as analyzed in the following table:

<b>Period Payable Outstanding</b>	<b>Amount Ushs.'000</b>	<b>Long Outstanding Ushs.'000</b>
180 Days	643,038	
150 Days	1,450,119	
120 Days	279,590	<b>2,372,746</b>
90 Days	65,167	
60 Days	148,748	
30 Days	62,980	
Current	503,652	
<b>Total</b>	<b>3,153,293</b>	<b>2,372,746</b>

Management has explained that all the outstanding accounts payable were within the repayment periods agreed with suppliers. However, the agreements signed with the respective suppliers for audit verification and as a result, Management's assertion could not be confirmed.

In view of these anomalies, the accuracy and completeness of trade payables totalling Ushs.2,646,044,000 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

## **10. Notes to the Financial Statements**

Ledgers or supporting schedules for the following line items reflected in the financial statements under the respective Notes to the financial statements were not provided for audit verification:

<b>Note No. and Item</b>	<b>Account Description</b>	<b>Amount Ushs.'000'</b>
Note 5 Revenue	<b>Revenue</b>	
	Income from Certified Maize Seeds	2,592,997

<b>Note No. and Item</b>	<b>Account Description</b>	<b>Amount Ushs.'000'</b>
	Income from Vegetable Seeds	8,887,403
	Income from Pasture Seeds	50,281
	Income from Other Seeds	1,047,149
	<b>Total Revenue</b>	<b>12,577,830</b>
Note 6- Cost of Sales	Seed Production, Testing & Others	821,980
	Repairs and Maintenance	48,026
	<b>Total Cost of Sales</b>	<b>870,006</b>
Note 9- Administrative Expenses	<b>Administrative Expenses</b>	
	Rent and Rates	12,992

### 10.1 Selling and Distribution Expenses

Included in the selling and distribution expenses balance totalling Ushs.344,260,000 reflected in the statement of profit or loss and other comprehensive income and as disclosed in Note 8 to the financial statements, are the following unconfirmed expenses:

- i. Travelling expenses totalling Ushs.169,818,000 which include travel costs totalling Ushs.61,514,000 that were not supported with work programmes , field work reports, invitation letters for workshops, workshops' programmes or copies of air tickets and boarding passes, as applicable.
- ii. Public relations and advertising expenses totalling Ushs.130,841,000 including advertising expenses totalling Ushs.37,890,000 which were not supported with procurement records, requisitions from user departments, delivery inspection and acceptance reports, or any other relevant supporting documents.

### 10.2 Administrative Expenditure

Included in the administrative expenses balance totalling Ushs.1,133,354,000 reflected in the statement of profit or loss and other comprehensive income are expenses totalling Ushs.149,110,448 which were not supported with a procurement plan and procurement documents such as tenders, quotations, list of prequalified suppliers, contract agreements, inspection and acceptance reports, and requisitions from the users and evaluation reports.

### 10.3 Other Operating Expenses

Included in the other operating expenses totalling Ushs.501,600,000 reflected in the statement of profit or loss and other comprehensive income for the year under review, and as disclosed in Note 10 to the financial statements, are repair and maintenance costs totalling Ushs.8,135,000 not supported with reports on defects identified and

repaired, and evidence of these having been carried out by prequalified repair and maintenance service providers.

#### 10.4 Property, Plant and Equipment

Included in the value of land totalling Ushs.948,619,000 reflected in the property, plant and equipment schedule at Note 15 to the financial statements is a five-acre parcel of land at Masindi valued at Ushs.80,000,000, which did not have a title deed. As a result, ownership of the land by the Company could not be confirmed. Management explained that Uganda Government procedure requires the party requesting for a title deed to provide a clear development plan for the land for the purpose of determining the lease period to be granted. Management indicated that Company had sought funding for construction of a seed dryer after which a title deed was to be obtained for a lease period of at least 49 years. However, Management did not provide the Company's plan on development of the land.

Further, Note 5 reflects furniture and equipment additions totalling Ushs.25,404,000 made during the year under review which the supporting non-current assets register provided for audit indicated were for purchase of various office furniture and equipment. However, procurement documents, including advertisements, opening and evaluation minutes, notifications of award, list of pre-qualified suppliers; delivery notes; goods received notes; and stores ledgers were not provided for audit verification. Further, the items of furniture and equipment were not tagged.

#### 10.5 Related Parties

The following balances reflected in the statement of financial position were not supported with any evidence of liability.

Item Name	2019/2020	2018/209
	Ushs.000	Ushs.000
Amount Due to Related Parties-Non-Current	3,233,729	3,456,730
Amount Due to Related Parties - Current	5,302,791	3,989,023

In view of the foregoing, the accuracy, completeness and propriety of revenue, cost of sales, selling and distribution expenses, other operating expenses, inventories, property, plant and equipment, and amounts due to related parties' balances reflected in the financial statements, 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 adverse 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 were no key audit matters to report in the year under review.

## **Other Matter**

### **1.0 Budgetary Control and Performance**

The statement of comparison of budgeted and actual amounts indicates that the Company had budgeted to make sales totalling Kshs.15,538,604,000 during the year but realized Ushs.12,577,830,000 resulting in a revenue shortfall of Ushs.3,214,900,000 or 19% of the budget. Management attributed the shortfall to low sales due to shortage of hybrid maize varieties.

The statement further indicates that cost of sales were budgeted at Ushs.11,654,250,000 but amounted to Ushs.9,973,146,000 resulting in cost savings totalling Ushs.1,681,104,000 or 14% of the budget. Management attributed the savings to low sales realized in the year.

Similarly, administrative and other indirect costs were budgeted at Kshs.2,963,900,000 but amounted to Ushs.1,979,213 resulting in cost savings of Ushs.984,687,000 equivalent to 33% of the budget. Management attributed the cost savings to low levels of activity and cost cutting measures adopted in the year.

### **2.0 Prior Year Issues**

The audit report for the year ended 30 June, 2019 highlighted several unsatisfactory issues on balances reflected in the financial statements, lawfulness and effectiveness in use of public resources and effectiveness of internal control risk management and governance.

The progress made in resolving the issues will be confirmed after they are discussed by the legislature.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Lack of Procurement Plan**

Expenditure records reflected various costs of sales made by the Company during the year under review totalling Ushs.9,973,146 reflected in the statement of profit or loss

and other comprehensive income. The balance included cost of purchases totalling Ushs.9,079,201,000 as reflected in Note 6 to the financial statements. However, the audit confirmed that the Company did not prepare a procurement plan for the year under review.

As a result, there was no clarity on whether the items purchased were identified in an objective way based on requisitions raised by user departments, and whether there was due consideration for the budget and value for money on expenditure incurred.

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, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **1.0 Lack of Board of Directors**

Kenya Gazette Notice No.1264 dated 31 March, 2017 indicated that, all the six directors of the Company were appointed on 7 February, 2017 for a period of three years and therefore, their term in office expired on 7 February, 2020. However, at the time of this audit in February, 2021, no new directors had been appointed and the terms of the retiring ones had not been renewed. Management attributed the delay in appointment of the Directors to the lockdown occasioned by the Covid-19 pandemic.

In the absence of the Board, the Company's strategic leadership and governance is not properly established which may impede attainment of its goals and objectives.

#### **2.0 Lack of Risk Management Policy**

Review of operational systems indicated that, the Company had no documented risk management policy. As a result, Management lacked objective means to identify, measure and mitigate operational and other risks faced by the Company.

#### **3.0 Lack of a Disaster Recovery Plan**

The audit review also disclosed that the Company did not have a disaster recovery plan to minimize disruptions of its operations in the event of occurrence of unfavourable events.

Consequently, the operations of the Company may be severely disrupted and business remit in losses.

#### **4.0 Lack of Approved Staff Establishment and Policies**

During the year under review, the Company operated without an authorized staff establishment and there were no policies to manage staffing, posting, training, skill retention and succession. It was therefore not possible to establish the criteria used to fill positions in the various job groups. Although Management indicated that a human resource policy had been developed and was awaiting approval by the Board, the draft document was not provided for audit review and there was no information on when it would be approved and implemented.

Consequently, Management is in breach of the law.

#### **5.0 Failure to Implement Requirements of the Companies Act**

During the year under review, the Company did not comply with its Articles of Association and the Companies Act, 2012 of Uganda (Act) as indicated below:

##### **5.1 Failure to Appoint Managing Director and Company Secretary**

As similarly reported in the previous year, the Company did not have a Managing Director and a Company Secretary in the year under review contrary to the Company's Articles of Association, which require the Directors of the Company to, appoint one of their members to hold the office of the Managing Director (Article 63) and Company Secretary (Article 65) on such terms, and such remuneration and upon such conditions as the directors think fit. Management has indicated that the Managing Director and Company Secretary of the Parent Company, Kenya Seed Limited were acting in the respective positions in the Company.

##### **5.2 Failure to Hold Annual General Meeting**

During the year under review, the Company did not hold any General Meeting, contrary to Section 138(1) of the Companies Act of Uganda, 2012. The provision requires every public Company to hold a General Meeting each year in addition to any other meetings in that year.

##### **5.3 Failure to File Returns to the Registrar of Companies**

The Company did not file returns containing a register of members and debenture holders, shares and debenture indebtedness, past and present members, directors and Secretary and accounts as required by Section 132 (1) of the Uganda Companies Act, 2012.

##### **5.4 Failure to Maintain a Register of Members and Directors**

The Company did not maintain a register of members and directors at its head office as required by Section 215(1) of the Uganda Companies Act, 2012.

Management was therefore, in breach of its Articles of Association and the Companies Act, 2012 of Uganda.

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Ugandan Companies Act, 2012, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have not been kept by the Company, so far as appears from the examination of those records; and,
- iii. The financial statements are not in agreement with the accounting records and returns.

### **Responsibilities of Management and Board of Directors**

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Company monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and

systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting

from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

I communicate with 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**

**16 February, 2022**

## Appendix I

### Variations in Expenses Balance

<b>1.</b>	<b>Selling and Distribution</b>			
2.	Public Relations and Advertising	130,840	84,431	46,409
3.	Travelling	169,818	206,114	(36,296)
<b>4.</b>	<b>Administrative expenses</b>			
5.	Salaries and Allowances	510,300	530,492	(20,192)
6.	Staff Training and Welfare	113,335	120,958	(7,623)
7.	Pension	4,545	6,627	(2,082)
8.	Medical	28,965	35,087	(6,122)
9.	Motor Vehicles	44,424	49,556	(5,132)
10.	Power, Light and Water	27,198	27,163	35
11.	Repairs and Maintenance	52,684	52,233	451
12.	Social Security (NSSF)	76,001	85,576	(9,575)
	<b>Other Operating Expenses</b>			
14.	Rent and Rates	316,093	320,668	(4,575)
15.	Depreciation on Other Equipment	113,146	107,231	5,915
	<b>Total</b>	<b>1,587,349</b>	<b>1,626,136</b>	<b>(38,787)</b>

**Simlaw Seeds Company Uganda Limited**  
**Financial Statements for the year ended June 30, 2020**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR  
THE PERIOD ENDED 30 JUNE 2020**

	Note	2020 Ushs'000	2019 Ushs'000
Revenue	5	12,577,830	10,127,946
Cost of sales	6	<u>(9,973,146)</u>	<u>(8,101,517)</u>
		<b>2,604,684</b>	<b>2,026,429</b>
<b>Gross profit</b>			
Other income	7	<u>(182)</u>	<u>150,688</u>
		<b>2,604,502</b>	<b>2,177,117</b>
<b>EXPENSES</b>			
Selling and distribution expenses	8	344,260	345,872
Administration expenses	9	1,133,354	1,420,121
Other operating expenses	10	<u>501,600</u>	<u>437,590</u>
<b>Total Expenses</b>		<b>1,979,214</b>	<b>2,203,583</b>
Operating Profit/(Loss)	11	<b>625,288</b>	<b>(26,467)</b>
Finance cost	12	-	41,994
<b>Profit before taxation</b>		<b>625,288</b>	<b>44,686</b>
Income tax expense	13	<u>(84,288)</u>	<u>(-)</u>
<b>Profit for the year</b>		<b>541,000</b>	<b>(68,461)</b>
<b>Profit attributable to:</b>			
Owners of the parent company		541,000	(68,461)
<b>Earnings per share attributable to:</b>			
Basic (Ushs per share)	14	108	(14)
<b>Other comprehensive income:</b>			
Profit for the year		541,000	(68,461)
<b>Total comprehensive income</b>		<b>541,000</b>	<b>(68,461)</b>
<b>Attributable to:</b>			
Owners of the company		541,000	(68,461)

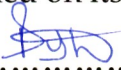
The notes set out from page 7 to 35 form an integral part of the financial statements.


**Simlaw Seeds Company Uganda Limited**  
**Financial Statements for the year ended June 30, 2020**

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	Note	2020 UShs'000	2019 Ushs'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property Plant & Equipment	15	1,302,461	1,068,833
Intangible Assets	16	168	2,233
		<b>1,302,629</b>	<b>1,071,066</b>
<b>Current assets</b>			
Cash and cash equivalents	17	3,841,463	2,637,603
Inventories	18	3,471,429	3,152,971
Trade and other receivables	19	1,857,575	1,099,987
Tax recoverable	13	397,069	471,681
		<b>9,567,536</b>	<b>7,362,243</b>
<b>Total assets</b>		<b>10,870,165</b>	<b>8,433,310</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	20	1,599,492	1,599,492
Retained earnings	20	(1,915,111)	(2,456,111)
		<b>(315,619)</b>	<b>856,619</b>
<b>Non-current liabilities</b>			
Due to Related Parties	21(a)	3,233,729	3,456,730
		-	-
<b>Current liabilities</b>			
Due to Related Parties	21(b)	5,302,791	3,989,023
Trade and other payables	22	2,649,264	1,844,176
		<b>7,952,055</b>	<b>5,833,199</b>
<b>Total equity and liabilities</b>		<b>10,870,165</b>	<b>8,433,310</b>

The financial statements were approved by the management on 26<sup>th</sup> of September 2020 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 June 30, 2020**

**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2020**

	Share capital UShs '000	Unallotted Shares UShs '000	Retained Earnings UShs '000	Total UShs '000
<b>Year ended 30 June 2019</b>				
As at 1 July 2018	125,000	1,474,492	(2,387,649)	(788,158)
Total comprehensive income for the year	-	-	(68,461)	(68,461)
Transfer of excess depreciation	-	-	-	-
<b>As at 30 June 2019</b>	<b>125,000</b>	<b>1,474,492</b>	<b>(2,456,111)</b>	<b>(856,618)</b>
<b>Year ended 30 June 2020</b>				
As at 1 July 2019	125,000	1,474,492	(2,492,111)	(856,619)
Total comprehensive income for the year	-	-	541,000	541,000
<b>As at 30 June 2020</b>	<b>125,000</b>	<b>1,474,492</b>	<b>1,951,111</b>	<b>(315,619)</b>

**Simlaw Seeds Company Uganda Limited**  
**Financial Statements for the year ended June 30, 2020**

**STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2020**

	Notes	2020 UShs '000	2019 UShs '000
<b>CASHFLOWS FROM OPERATING ACTIVITIES:</b>			
<b>Profit before taxation</b>		541,000	(68,461)
Adjustment for:-			
Depreciation	15	52,398	36,002
Amortization	16	2,233	10,167
Gain/(Loss) in Exchange			41,994
Finance Cost			
		<b><u>595,631</u></b>	<b><u>19,702</u></b>
<b>Changes in working capital:-</b>			
Inventories	18	(318,458)	1,192,019
Trade and other receivables	19	(757,588)	587,982
Amounts due from/to related parties	21(a)	(8)	587,982
Amounts due from/to Parent Company	21(b)	1,090,768	
Trade and other payables	22	805,088	(676,115)
Cash flows used/generated in operations		<b><u>1,415,433</u></b>	<b><u>2,142,725</u></b>
Tax paid	13	74,612	(130,992)
<b>Net cash flows used in operating activities</b>		<b><u>1,490,044</u></b>	<b><u>2,011,734</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment	15	(286,185)	(171,442)
<b>Net cash flows from investing activities</b>		<b>(286,185)</b>	<b>(171,442)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>			
Interest		-	(41,994)
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>(41,994)</b>
<b>Cash and cash equivalents:</b>		<b>1,203,859</b>	<b>1,798,297</b>
Movement during the year			
Effect of foreign exchange changes			
As at 1 July 2019		2,637,603	839,306
<b>As at 30 June 2020</b>		<b>3,841,463</b>	<b>2,637,603</b>

# Simlaw Seeds Company Uganda Limited

Notes to the Financial Statements for the year ended June 30, 2020

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2020

	Original & Final Budget 2019-2020 UShs'000	Actual performance 2019-2020 UShs'000	Performance Difference UShs'000	% change
<b>REVENUE</b>				
Maize	5,083,740	2,592,997	2,490,743	49%
Pasture	91,186	50,281	40,905	45%
Vegetable Seed	10,212,628	8,887,403	1,325,225	13%
Other Seed	151,050	1,047,149	(896,099)	-593%
<b>Sales</b>	<b>15,538,604</b>	<b>12,577,830</b>	<b>3,214,900</b>	<b>19%</b>
<b>cost of sales</b>	<b>(11,654,250)</b>	<b>(9,973,146)</b>	<b>(1,681,104)</b>	<b>14%</b>
Other operating Income	-	182		
<b>Gross Profit</b>	<b>3,884,750</b>	<b>2,604,684</b>	<b>1,280,066</b>	<b>33%</b>
			-	
Administrative expenses	(1,683,353)	(1,133,353)	(550,000)	33%
Selling and Distribution Expenses	(469,280)	(344,260)	(125,020)	27%
Other Operating Expenses	(811,267)	(501,600)	(309,667)	38%
	<b>(2,963,900)</b>	<b>(1,979,213)</b>	<b>(984,687)</b>	<b>33%</b>
<b>Operating Profit/(Loss)</b>	<b>920,850</b>	<b>625,471</b>	<b>295,379</b>	<b>32%</b>
<b>Profit/(Loss) Before Tax</b>	<b>920,850</b>	<b>625,471</b>	<b>295,379</b>	<b>32%</b>

**Budget Notes for the variances of more than 10%:**

**1. Revenue:**

The Sales for the year was less than the budget by 19% due to the lack of sufficient stocks of Hybrid Maize Seed varieties.

**2. Cost of Sales:**

The Cost of goods sold was of the target by 14 % is positively correlated to the attainment of sales targets in 1 above and it wasn't attained.

**3. Gross profit**

The gross profit increased by 33% above budget due to the sales volume, which was not attained during the year.

**4. Administrative Expenses**

The actual expenses was less than the budget by 33% 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 27% 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 38% favorable variance on the cost Centre due cost saving measures adopted.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

#### **Presentation of financial statements**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the entity's accounting policies. 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 (UShs), which is the functional and presentation currency. All financial information presented in Uganda shillings (UShs) 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.

### **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

# Simlaw Seeds Company Uganda Limited

## Notes to the Financial Statements for the year ended June 30, 2020

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- 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

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	1/Period
• 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.

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.

# Simlaw Seeds Company Uganda Limited

## Notes to the Financial Statements for the year ended June 30, 2020

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### *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.

### *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.

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

# Simlaw Seeds Company Uganda Limited

## Notes to the Financial Statements for the year ended June 30, 2020

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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.

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

# Simlaw Seeds Company Uganda Limited

## Notes to the Financial Statements for the year ended June 30, 2020

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- 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 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

# Simlaw Seeds Company Uganda Limited

## Notes to the Financial Statements for the year ended June 30, 2020

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.

#### 4. OWNERSHIP OF SIMLAW SEEDS COMPANY UGANDA LIMITED

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	<b>REVENUE</b>	<b>2020</b>	<b>2019</b>
		<b>UShs'000</b>	<b>UShs'000</b>
	Income from Certified Maize Seeds	2,592,997	2,403,526
	Income from Vegetable Seeds	8,887,403	7,316,089
	Income from Pasture Seeds	50,281	35,069
	Income from Other Seeds	1,047,149	373,261
	<b>Total Revenue</b>	<b>12,577,830</b>	<b>10,127,946</b>
6	<b>COST OF SALES</b>	<b>2020</b>	<b>2019</b>
	<b>Product costs:</b>	<b>UShs'000</b>	<b>UShs'000</b>
	Purchases	9,079,201	8,050,153
	Seed Production, Testing & Others	821,980	34,312
		<b>9,901,181</b>	<b>8,084,464</b>
	<b>Production Overheads:</b>		
	Depreciation of production Equipment	21,909	54,567
	Repairs and maintenance	48,026	-
		<b>69,934</b>	<b>54,567</b>
	<b>Movement In Inventories</b>	<b>2,031</b>	<b>(37,514)</b>
	<b>Cost of Goods Sold</b>	<b>9,973,146</b>	<b>8,101,517</b>

# Simlaw Seeds Company Uganda Limited

Notes to the Financial Statements for the year ended June 30, 2020

<b>7</b>	<b>OTHER INCOME</b>	<b>2020</b>	<b>2019</b>
		<b>UShs'000'</b>	<b>UShs'000'</b>
	Interest paid	-	41,994
	Profit on exchange	(13,430)	(179,714)
	Loss on exchange	13,612	(108,693)
	<b>Total</b>	<b>182</b>	<b>(108,693)</b>
<b>8</b>	<b>SELLING AND DISTRIBUTION</b>	<b>2020</b>	<b>2019</b>
		<b>UShs'000'</b>	<b>UShs'000'</b>
	Public Relations and advertising	130,840	106,524
	Freight and Transport	43,602	67,286
	Travelling	169,818	172,062
	<b>Total</b>	<b>344,260</b>	<b>345,872</b>
<b>9</b>	<b>ADMINISTRATIVE EXPENSES</b>	<b>2020</b>	<b>2019</b>
		<b>UShs'000'</b>	<b>UShs'000'</b>
	Salaries & Allowances	510,300	423,988
	Staff Training and Welfare	113,335	183,253
	Printing & Stationery	39,736	34,632
	Pension	4,545	9,452
	Medical	28,965	27,612
	Travelling	24,851	39,197
	Rent and Rates	12,992	20,195
	Audit	18,241	61,348
	Legal	81,274	69,610
	Directors Expenses	58,772	310,479
	Postage & Telephone	40,036	37,778
	Motor Vehicles	44,424	44,134
	Power, Light and water	27,198	28,599
	Repairs & Maintenance	52,684	62,583
	Social Security (NSSF)	76,001	67,261
	<b>Total</b>	<b>1,133,354</b>	<b>1,420,122</b>
<b>10</b>	<b>OTHER OPERATING EXPENSES</b>	<b>2020</b>	<b>2019</b>
		<b>UShs'000'</b>	<b>UShs'000'</b>
	Rent & Rates	316,093	324,226
	Insurance	64,227	60,265
	Depreciation on other Equipment	113,146	46,169
	Repairs & Maintenance	8,135	6,930
	<b>Total</b>	<b>501,601</b>	<b>437,590</b>

# Simlaw Seeds Company Uganda Limited

Notes to the Financial Statements for the year ended June 30, 2020

## 11 The profit before taxation is arrived at after charging:

	2020	2019
	UShs'000	UShs'000
Auditors' remuneration	18,241	61,348
Depreciation	113,146	46,169
Operating lease rentals	316,093	46,169
Directors' Emoluments	58,772	310,479
<b>And after crediting:</b>		
Other Income	(182)	150,688

## 13 (a) Tax recoverable

	2020	2019
	UShs'000	UShs'000
<b>As at 1 July</b>	<b>471,681</b>	<b>340,689</b>
Charge for the year	(84,288)	-
Paid during the Year	9,676	130,992
<b>As at 30 June</b>	<b>397,069</b>	<b>471,681</b>

## 13(b) Taxation charge

	2020	2019
	UShs'000	UShs'000
Accounting Profit Before Tax	625,288	(68,461)
Current taxations based on adjusted profit at 30%	(84,288)	-
<b>Net Profit</b>	<b>541,000</b>	<b>(68,461)</b>

## 14. EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit after tax of UShs.541, 000 (2019: UShs.(68,461) by the average number of ordinary shares in issue during the year of 5,000 (2019: 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 June 30, 2020

## 15 PROPERTY PLANT AND EQUIPMENT

### (a) Year ended 30 June 2020

	Land UShs'000	Building UShs'000	W.I.P UShs'000	Machinery UShs'000	Motor Vehicle UShs'000	Furniture & Equipment UShs'000	TOTALS UShs'000
<b>COST OR VALUATION</b>							
At 1st July 2019	880,810	199,560	67,356	113,756	98,378	176,297	1,536,157
Additions	67,800	63,956	80,708	48,150	-	25,404	286,018
At 30th June 2020	948,610	263,516	148,064	161,906	98,378	201,701	1,822,175
<b>DEPRECIATION</b>							
At 1st July 2019	-	(191,160)	-	(91,326)	(28,503)	(156,334)	(467,324)
Charge for the year	-	(2,233)	-	(13,519)	(21,013)	(15,633)	(52,398)
At 30th June 2020	-	(193,393)	-	(104,845)	(49,516)	(171,967)	(519,722)
<b>NET BOOK VALUE</b>	<b>948,610</b>	<b>70,123</b>	<b>148,064</b>	<b>104,845</b>	<b>48,863</b>	<b>29,734</b>	<b>1,302,453</b>

### b) Year ended 30 June 2019

	Land UShs'000	Building UShs'000	W.I.P UShs'000	Machiner y UShs'000	Motor Vehicle UShs'000	Furniture & Equipme nt UShs'000	TOTALS UShs'000
<b>COST OR VALUATION</b>							
At 1st July 2018	880,810	189,060	14,422	113,756	14,328	158,379	1,370,755
Additions	-	10,500	52,934	-	84,050	17,918	165,402
Disposals	-	-	-	-	-	-	-
At 30th June 2019	880,810	199,560	67,356	113,756	98,378	176,297	1,536,157
<b>DEPRECIATION</b>							
At 1st July 2018	-	(189,060)	-	(79,951)	(14,328)	(147,982)	(431,322)
Charge for the year	-	(2,100)	-	(11,375)	(14,175)	(8,352)	(36,002)
At 30th June 2019	-	(191,160)	-	(91,326)	(28,503)	(156,334)	(467,324)
<b>NET BOOK VALUE</b>	<b>880,810</b>	<b>8,400</b>	<b>67,356</b>	<b>22,429</b>	<b>69,875</b>	<b>19,875</b>	<b>1,068,834</b>

Fixed assets consist of assets which are fully depreciated amounting to UShs 1,078,196 (2019 UShs 819,429)

# Simlaw Seeds Company Uganda Limited

Notes to the Financial Statements for the year ended June 30, 2020

## 16 INTANGIBLE ASSETS

### (a) Year ended 30 June 2020

	UShs'000	UShs'000
	Computer Software	Totals
<b>COST OR VALUATION</b>		
At 1st July 2019	74,424	74,424
Additions	168	
<b>At 30th June 2020</b>	<b>74,592</b>	<b>74,424</b>
<b>DEPRECIATION</b>		
At 1st July 2019	(72,191)	(72,191)
Charge for the year	(2,233)	(2,233)
<b>At 30th June 2020</b>	<b>168</b>	<b>(74,424)</b>
<b>NET BOOK VALUE</b>	<b>-</b>	<b>-</b>

### (b) Year ended 30 June 2019

	Computer Software UShs'000	TOTALS UShs'000
	Computer Software	Totals
<b>COST OR VALUATION</b>		
At 1st July 2018	68,390	68,390
Additions	6,034	6,034
<b>At 30th June 2019</b>	<b>74,424</b>	<b>74,424</b>
<b>DEPRECIATION</b>		
At 1st July 2018	(62,024)	(62,024)
Charge for the year	(10,179)	(10,179)
<b>At 30th June 2019</b>	<b>2,221</b>	<b>2,221</b>
<b>NET BOOK VALUE</b>	<b>2,221</b>	<b>2,221</b>

Intangible assets consist of assets that were fully depreciated amounting to UShs 68,384 (2019 UShs 68,384)

# Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended June 30, 2020

## 17. CASH & CASH EQUIVALENTS

Financial Institution	Account No.	2020 Ushs'000	2019 Ushs'000
Kenya Commercial Bank, UShs.	2202575138	1,610,480	1,159,351
Kenya Commercial Bank, USD	2202638024	-	110,527
Kenya Commercial Bank, KShs	2200834721	-	-
Centenary Bank, UShs	3100044408	2,230,982	1,367,725
<b>Total</b>		<b><u>3,841,462</u></b>	<b><u>2,637,603</u></b>

## 18. INVENTORIES

	2020 Ushs'000'	2019 Ushs'000'
Maize	777,694	510,505
Cabbage	272,746	367,134
Tomatoes	674,658	611,767
Other Vegetables	1,550,123	1,406,920
Packaging	242,938	202,254
Chemicals	4,390	11,836
Fertilizers	3,528	97,203
Provision for Obsolete Stock	(54,648)	(54,648)
<b>Total</b>	<b><u>3,471,429</u></b>	<b><u>3,152,971</u></b>

## 19. TRADE AND OTHER RECEIVABLES

	2020 UShs'000	2019 UShs'000
Trade and other receivables	1,203,314	591,715
VAT recoverable	312,693	94,090
Pre-payments	510,963	583,626
Provision for bad and doubtful debts	(169,395)	(169,395)
<b>Total</b>	<b><u>1,857,575</u></b>	<b><u>1,099,987</u></b>

At 30<sup>th</sup> June 2020, the aging analysis of the gross trade receivables was as follows

Period	2020 UShs'000	2019 UShs'000
Less than 30 days	234,172	87,691
Between 30 and 60 days	266,192	68,682
Between 61 and 90 days	114,023	51,369
Between 91 and 120 days	588,926	383,793
<b>Total</b>	<b><u>1,203,314</u></b>	<b><u>591,715</u></b>

# Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended June 30, 2020

## 20. SHARE CAPITAL

	2019 UShs'000	2018 UShs'000
Authorized, Issued & Fully Paid 5,000 ordinary Shares of UShs 25,000 Each	125,000	125,000
Unallotted share capital	1,474,492	1,474,492
<b>Total</b>	<b>1,599,492</b>	<b>1,599,492</b>

## 21 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

	2020 Ushs'000'	2019 Ushs'000'
<b>a) Amounts due to related parties – Long term liabilities</b>		
Kenya seed company Limited	503,310	806,239
Mt Elgon Seeds Company limited	1,582,752	1,730,752
Simlaw Seeds Company limited – Nairobi	341,428	416,428
Kenya seed Loan	806,239	503,310
<b>Total</b>	<b>3,233,730</b>	<b>3,456,730</b>
<b>b) Amounts due to related parties – Current liabilities</b>		
Kenya seed company Limited	5,302,791	3,989,023
<b>Total</b>	<b>5,302,791</b>	<b>3,989,023</b>

## 22. TRADE AND OTHER PAYABLES

	2020 UShs'000	2019 UShs'000
Trade Payables	2,646,044	1,839,909
Other payables	3,220	4,267
<b>Total</b>	<b>2,649,264</b>	<b>102,405</b>

# Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended June 30, 2020

## 23. CAPITAL EXPENDITURE COMMITMENTS

	2020	2019
	Ushs'000	Ushs'000
Authorised but not contracted for	1,413,000	690,000

## 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Company does not enter into derivative transactions.

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

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

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

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

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

### *(a) Credit risk*

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

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

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk

# Simlaw Seeds Company Uganda Limited

## Notes to the financial Statements for the year ended June 30, 2020

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 2020 is made up as follows:

	2020	2019
	Ushs'000	Ushs'000
Net trade receivables	1,033,919	422,321
Other receivables	823,656	677,667
	<b>1,857,575</b>	<b>1,099,987</b>

### 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).

	2020	2019
	UShs'000	UShs'000
Past due but not impaired:		
- by up to 30 days	234,172	87,691
- by 31 to 60 days	266,192	68,862
- by 61 to 90 days	114,023	51,389
- over 90 days	588,926	383,793
	<b><u>1,203,314</u></b>	<b><u>591,715</u></b>

# Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended June 30, 2020

## 25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Movement in provisions for doubtful debts:

	2020	2019
	UShs'000	UShs'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 UShs,'000' 3,841,462 (2019:UShs'000' 2,637,603 ) 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	Effect on Equity
		UShs '000	UShs '000
2020	-10.00%	-	-
	10.00%	-	-
2019	-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 relatively stable US Dollars. Therefore, the net investments in these subsidiaries

# Simlaw Seeds Company Uganda Limited

## Notes to the financial Statements for the year ended June 30, 2020

are exposed to foreign exchange risk upon consolidation of the financial statements and any losses/ (gains) are charged / (credited) to other comprehensive income.

### 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

USD	Change in currency rate	Effect on profit Before Tax UShs '000	Effect on Equity UShs '000
2020	-10.00%	87	290
	10.00%	(87)	(290)
2019	-10.00%	3,313	11,044
	10.00%	(3,313)	(11,044)
KES			
2020	-10.00%	20	68
	10.00%	(20)	(68)
2019	-10.00%	584	1,947
	10.00%	(584)	(1,947)

#### (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 June 30, 2020

**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)
<b>REPORT ON FINANCIAL STATEMENTS</b>					
<b>Basis for Qualified Opinion</b>					
<b>1.0-2019</b>	<b>Trade &amp; Other Receivables</b> The Trade & Other Receivables reflect a balance of Ushs 1,099,987,499 as at June 2019 while the age analysis reflects a figure of 1,830,503,927 resulting in a variance of UShs 730,516,428. Additionally Ushs 61,640,500 owed to 15 staff had remained uncollected for periods ranging from 120 to 180 days.	Staff loans are recoverable over their contracted period which may be as long as 3 years.	Finance Controller.	Not Resolved	30 June 2021
<b>1.1-2019</b>	<b>Air Travel Expenses</b> Under Local Travelling expense an amount of UShs 47,557,826 was incurred on travel services for directors by a local firm however procurement records were not	The firm was procured by the parent company and the company now requires the travelling	Finance Controller	Not Resolved	30 June 2021

**Simlaw Seeds Company Uganda Limited**  
Notes to the financial Statements for the year ended June 30, 2020

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 you expect the issue to be resolved)
1.2-2019	<p>availed. Further the payment vouchers were not supported with travel documents</p> <p><b>Unsupported Directors Expenditure.</b> Allowance to directors amounting to Ushs 211,125,620 which were paid to a staff member without being authorized or approved further this figure also contains an amount of Ushs 66,822,300 which was not supported by the board.</p> <p><b>Property Plant &amp; Equipment</b> The procurement for the construction of the Jinja Exhibition House amounting to Ushs 42,000,000 did not adhere to procurement rules &amp; Regulations</p>	<p>officials to surrender boarding passes</p> <p>The restriction of movements during the period after the audit limited follow up on this issue</p>	Finance Controller	Not Resolved	30 June 2021
1.3-2019	<p><b>Property Plant &amp; Equipment</b> The procurement for the construction of the Jinja Exhibition House amounting to Ushs 42,000,000 did not adhere to procurement rules &amp; Regulations</p>	<p>The management used the request for quotation method.</p>	Finance Controller	Not Resolved	30 June 2021
1.4-2019	<p><b>Amounts Due to Related Parties</b> An amount of Ushs 7,447,752,701 were not supported by agreements between this company and the related party</p>	<p>The current balances related to inter-company trade within the Kenya Seed Group While the non-current Balance relates to for Stock &amp; Cash injected into the</p>	General Manager	Not Resolved	30 June 2021

## Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended June 30, 2020

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)
1.5-2019	<b>Unsupported &amp; Irregular Purchases</b> Included in the figure for cost of sales is an amount of UShs 6,854,931,688 unsupported by tenders quotations, evaluation reports and contract agreements	company at inception. This products were procured from specialised suppliers of Simlaw Seeds in Kenya due to their high quality products that have wide appeal among the customers. Furthermore the small number of administrative staff prevents the company from complying.	General Manager	Not Resolve	30 June 2021
2.0-2019	<b>LAWFULNESS AND EFFECTIVENESS IN THE USE OF RESOURCES</b>				
2.1-2020	<b>Un-Authorized Expenditure</b> Expenses amounting to UShs 297,329,421 which were not included in the approved budget for the year				

**Simlaw Seeds Company Uganda Limited**  
Notes to the financial Statements for the year ended June 30, 2020

Reference No. on the external audit Report	Issue / Observations from Auditor contrary to Section 12 of the State corporations Act	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)
2.2-2020	<p><b>Trade &amp; Other Payables</b> Included in accounts payable is an amount of 1,501,665,263 which have remained unpaid for over 180 days</p>	<p>The aged analysis generated from the system was misleading because the invoices had not been marched with payments done in the subsequent month. The system &amp; SOP's will be improved to produce an accurate ageing list</p>	Finance Controller	Not Resolved	June 2021
3.0-2019	<p><b>EFFECTIVENESS OF INTERNAL CONTROLS,RISK MANAGEMENT AND GOVERNANCE</b></p>				
3.1-2019	<p><b>Absence of Board of Directors</b> The term of all the six directors expired on 7 February 2020, and there was no evidence that new directors have been appointed.</p>	<p>The Covid 19 movement restrictions from 21 March 2020 delayed the</p>	General Manager	Not Resolved	31 March 2021

**Simlaw Seeds Company Uganda Limited**  
Notes to the financial Statements for the year ended June 30, 2020

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)
3.2-2019	<b>Lack of Risk Management Policy</b> The company did not have in place customized risk management policy hence no guidelines on how to identify and mitigate operational, legal and financial risks.	process of appointment of new directors A Risk Management Policy is being developed to be approved once the BoD convenes.	General Manager	Not Resolved	30 June 2021
3.3-2019	<b>Lack of Disaster Recovery Plan</b> The company did not have a disaster recovery plan that would otherwise help it to restart in case of a disaster	A disaster recovery policy is being developed to be approved once the BoD convenes	General Manager	Not Resolved	30 June 2020
3.4.2019	<b>Lack of Approved Staff Establishment and Policies</b> The company operated without an Authorized staff establishment and there were no policies governing staffing,posting,training,skill retention and succession	A draft Staff Establishment & Policy has been developed by management but it awaits BoD Approval	General Manager	Not Resolved	30 June 2021
3.5-2019	<b>Legal &amp; Regulatory Requirements Under Companies Act, Uganda</b> -Failure to appoint Managing Director and Company Secretary	This require BoD Approval which will be sought as soon as one is	General Manager	Not Resolved	30 June 2021

## Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended June 30, 2020

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)
	<p><b>Issue / Observations from Auditor</b></p> <ul style="list-style-type: none"> <li>-Failure to Hold Annual General Meeting</li> <li>-Failure to File Returns to the Registrar of Companies</li> <li>-Failure to officially appoint an Auditor</li> <li>-Failure to Maintain Register of Members and Directors</li> </ul>	<p>appointed</p>			
<b>2.0</b>	<p><b>Accuracy, Completeness and presentation of the financial statements</b></p>				
<b>1.1</b>	<p><b>Presentation of Financial Statements</b></p> <p>The financial statements presented for audit revealed the following:</p> <p>(i) The statement of profit or loss and other comprehensive income reflects profit for the year of Ushs.107,325,910 which has been arrived at after deducting finance costs of Ushs.43,160,944 contrary to the requirements of International Public Sector Accounting Standards</p> <p>In the circumstance, the financial statements are not in line with the International Public Sector</p>	<p>The presentation of Financial statement was presented in line with IFRS</p>	<p>Finance Controller</p>	<p>Resolved</p>	<p>N/A</p>

## Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended June 30, 2020

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)															
1.2	<p><b>Accounting Standards.</b></p> <p><b>Unsupported Adjustments to financial statements</b>                      The adjustments detailed below, have been made to the financial statements originally submitted for audit for the year ended 30 June 2018;</p> <table border="1" data-bbox="783 1272 1289 1861"> <thead> <tr> <th>Item description</th> <th>Balance as per original submitted financial statements Ushs.</th> <th>Balance as per amended financial statements Ushs.</th> </tr> </thead> <tbody> <tr> <td>Trade and other receivables</td> <td>1,533,028,374</td> <td>1,687,969,633</td> </tr> <tr> <td>Trade and other payables</td> <td>2,382,297,572</td> <td>2,520,291,058</td> </tr> <tr> <td>Long Term Administrative</td> <td>3,375,214,080</td> <td>3,422,355,745</td> </tr> <tr> <td></td> <td>1,164,693,957</td> <td>1,554,692,666</td> </tr> </tbody> </table>	Item description	Balance as per original submitted financial statements Ushs.	Balance as per amended financial statements Ushs.	Trade and other receivables	1,533,028,374	1,687,969,633	Trade and other payables	2,382,297,572	2,520,291,058	Long Term Administrative	3,375,214,080	3,422,355,745		1,164,693,957	1,554,692,666	<p>These journal entries to value receivables, payables and party related balances at year end. The journal vouchers are available</p>	Finance Controller	Resolved	N/A
Item description	Balance as per original submitted financial statements Ushs.	Balance as per amended financial statements Ushs.																		
Trade and other receivables	1,533,028,374	1,687,969,633																		
Trade and other payables	2,382,297,572	2,520,291,058																		
Long Term Administrative	3,375,214,080	3,422,355,745																		
	1,164,693,957	1,554,692,666																		
<p>However, approved journal vouchers were not provided in support of these adjustments.</p>																				

## Simlaw Seeds Company Uganda Limited

Notes to the financial Statements for the year ended June 30, 2020

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)
2.0	<p>In view of the foregoing, the completeness, validity and accuracy of the financial statements for the year ended 30 June 2018 could not be ascertained.</p> <p><b>Unsupported Procurements</b>            Note 6 to the financial statements reflects purchases figure of Ushs.8,941,613,578 during the year under review. However, the signed contracts between the Company and suppliers were not made available for audit scrutiny.</p> <p>Consequently, the validity, fair competition and accuracy of the purchases figure of Ushs.8,941,613,578 could not be confirmed.</p>		General Manager	Not resolved	June 2020
3.0	<p><b>Un supported Amounts due to Related Parties</b>            The statement of financial position as at 30 June 2018 reflects amounts due to related parties balance of Ushs.3,422,355,745 as disclosed in note 19(a) to the financial statements.</p>	Parent company and Simlaw Kenya confirmed their balances	Finance Controller	Not resolved	June 20120

**Simlaw Seeds Company Uganda Limited**  
**Notes to the financial Statements for the year ended June 30, 2020**

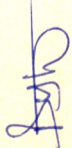
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.0	<p><b>Issue / Observations from Auditor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

**Simlaw Seeds Company Uganda Limited**  
Notes to the financial Statements for the year ended June 30, 2020

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)
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b>					
<b>Basis for Conclusion</b>					
<b>1.0</b>	<b>Rents and Rates</b> The statement of profit or loss and other comprehensive income for the year ended 30 June 2018 reflects other operating figure of Ushs.405,648,560 which includes rent and rates figure of Ushs.326,767,136 as disclosed under note 19 to the financial statements. Available information revealed that included in the rent and rates figure of Ushs.326,767,135.53 is Ushs.8,745,000 in respect of lease for the company branch office located at Kapchorua whose lease agreement was not provided for audit review. Consequently, the propriety of the expenditure of Ushs.8,744,999.97 for the year ended 30 June 2018 could be confirmed.	Agreement for all rental premises were availed.	Finance Controller	Resolved	N/A
<b>REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS</b>					
<b>Basis for Conclusion</b>					

**Simlaw Seeds Company Uganda Limited**  
Notes to the financial Statements for the year ended June 30, 2020

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)
1.0	<b>Internal Control Environment</b> The company does not have a formally approved ICT Policy. In addition, a review of available records indicated that internal audit function is performed by auditors and audit committee of Kenya Seed Company Limited. No reason was provided for not establishing an internal audit function as required by section 162 of the Public Finance Management Regulations, 2016.	It is still under Work in progress	Finance Controller	Not resolved	December 2020
2.0	<b>Lack of approved staff establishment</b> The statement of profit or loss and other comprehensive income reflects administrative expenses of Ushs.1,554,692,666 which includes Wages and salaries of Ushs.580,036,069 which has not been supported by an approved staff establishment.	This is still work in progress	General Manager	Not resolved	December 2020

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**Sylvia Kyeyune**  
 General Manager

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

**Simlaw Seeds Company Uganda Limited**  
**Notes to the financial Statements for the year ended June 30, 2020**

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