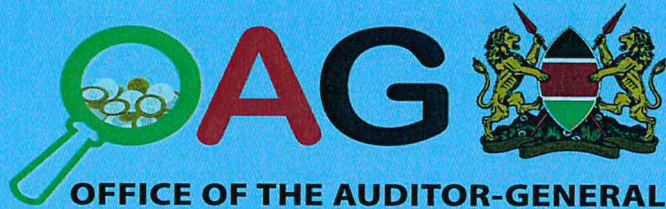



REPUBLIC OF KENYA



Enhancing Accountability

REPORT

 THE NATIONAL ASSEMBLY PAPERS LAID	
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THE AUDITOR-GENERAL

ON

SIMLAW SEEDS COMPANY LIMITED

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



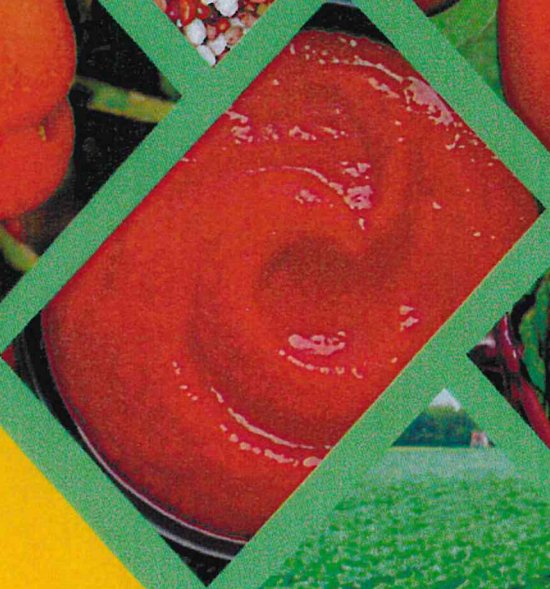
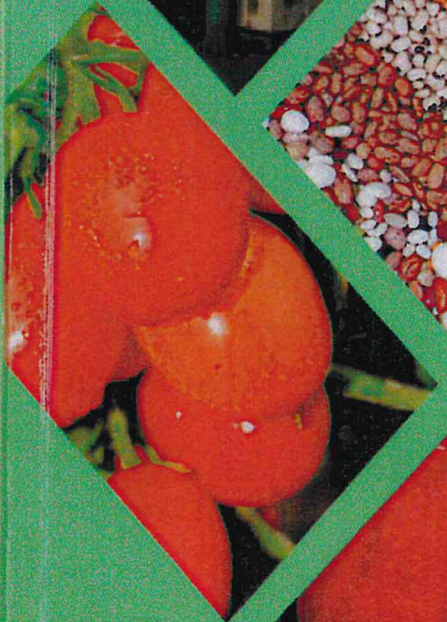
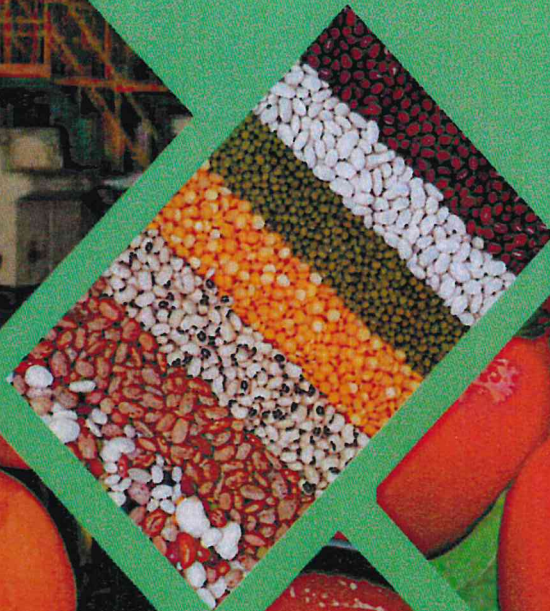
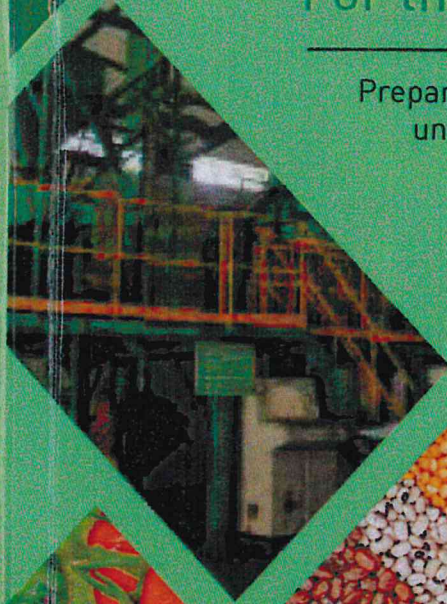
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Annual Report and Financial Statements

For the Financial Year Ending June 30, 2019

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



Simlaw Seeds

Superior & Reliable

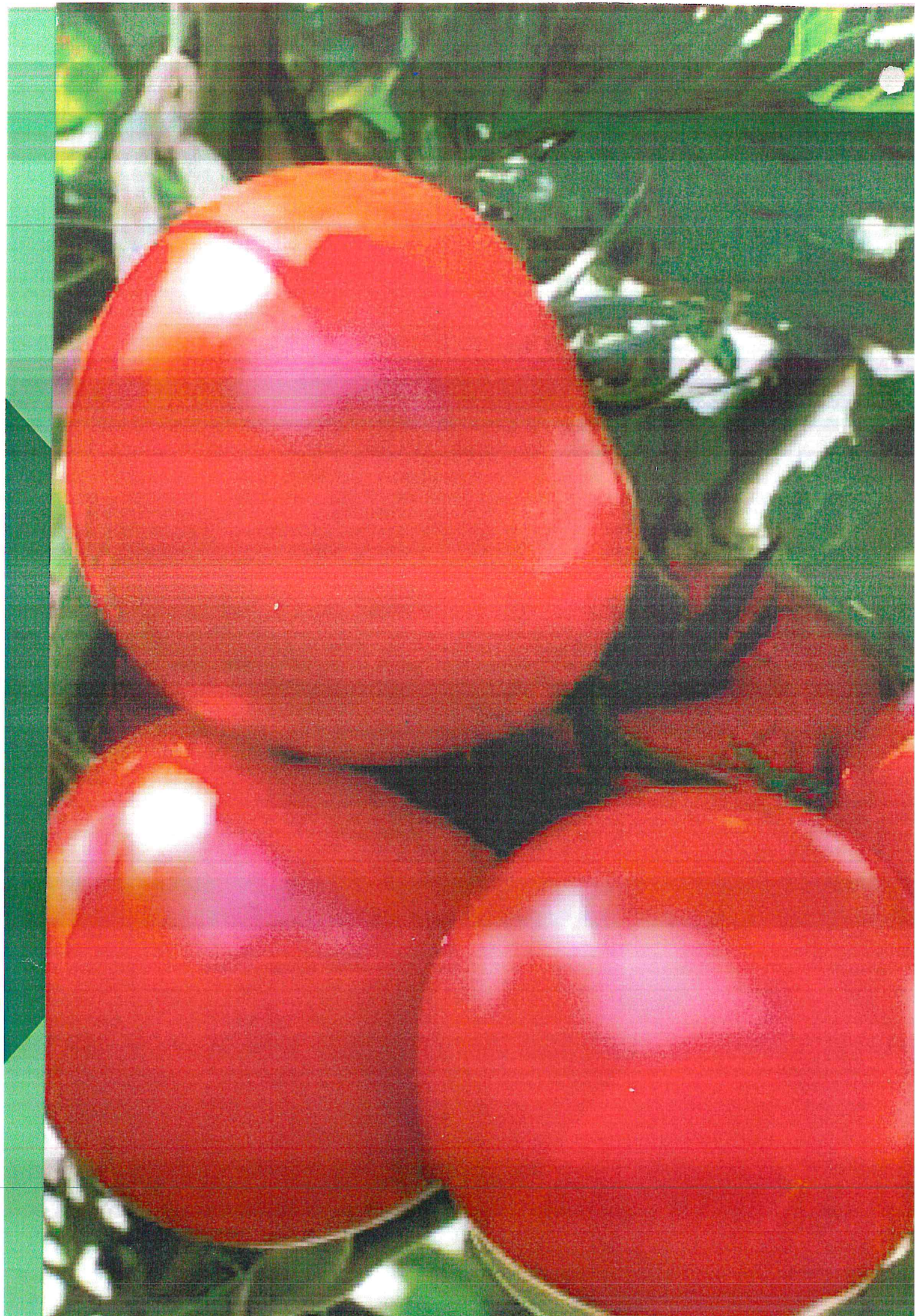


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VISION

A world class supplier of certified agricultural seeds

MISSION

To avail superior certified seeds and other agricultural input to maximize productivity.

CORE VALUES

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

Teamwork: Simlaw Seeds staff work as a team committed to the realization of the Company goals. We 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.

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

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

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



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I. KEY ENTITY INFORMATION

GENERAL INFORMATION

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

Directors

The Directors who served the entity during the year were as follows and were appointed February 2017:

Non-Executive

Mr. Simon Cherogony	-Managing Director, KFA
Mr. Lawrence Njiru	-Appointed on 7 th February 2017
Mr. William Kundu	-Appointed on 7 th February 2017
Dr. Johnson Irungu	-Alternate Director to the Principal Secretary, State Department of Agriculture

Executive

Mr. Azariah Soi	Managing Director Kenya Seed Company
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Company Secretary	Ms. Wilkister Simiyu, CPS (K) P.O. Box 553 - 30200 Kitale, Kenya.
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Registered office and Principal place of Business	Kijabe Street P.O. Box 40042 - 00100 Nairobi, Kenya
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Principal Bankers	Barclays Bank of Kenya Limited Moi Avenue Nairobi P O Box 30116 - 00100 NAIROBI Barclays Bank of Kenya Limited
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Simlaw Seeds Company Limited

Annual Report for the year ended June 30, 2019

Barclays Plaza
P O Box 30120 - 00100
NAIROBI

Kenya Commercial Bank Limited
Loitokitok Branch
P O Box 182
LOITOKITOK

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

Independent and Principal Auditors

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

Principal Lawyers

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

Company Shareholding

Kenya Seed Company acquired Simpson and Whitelaw in 1979 and operated as a branch until 2001 when Simlaw Seeds was incorporated under The Companies Act (Chapter 486, Laws of Kenya). The issued and fully paid share capital is 5000 share worth Kes .200,000.

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

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

Simlaw Seeds Company Limited

Annual Report for the year ended June 30, 2019

Our seed business

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

Our Seed Brands

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

Where we operate:

Kenya Seed Co. Ltd	Simlaw Seeds Kenya	Kibo Seed Tanzania	Simlaw Seeds Uganda	Kenya Seed Rwanda
➤ Kapsabet	➤ Nairobi	➤ Arusha	➤ Kampala	➤ Kigali
➤ Kericho	➤ Loitoktok	➤ Makambako	➤ Kapchorwa	➤
➤ Kakamega	➤ Ruaraka	➤ Mbeya	➤ Mbale	➤
➤ Bungoma	➤ Karatina	➤ Morogoro	➤	➤
➤ Eldoret	➤ Meru	➤ Iringa	➤	➤
➤ Kitale	➤	➤ Mwanza	➤	➤
➤ Kisii	➤	➤	➤	➤
➤ Nakuru	➤	➤	➤	➤
➤ Narok	➤	➤	➤	➤



The Company has a fully-fledged departments comprising: Finance, Sales and Marketing, Human Resource and Administration, Information Communication Technology and Procurement based at the Head Office and Technical Services based in Ruaraka.

The Company has an elaborate sales distribution outlets located in Main Office, Ruaraka, Loitokitok, Karatina and Meru.

II. BOARD OF DIRECTORS



Lawrence Njiru Mark

Mr. Lawrence Mark Njiru was born in 1972 is the Chairman of the Board of Directors of Simlaw Seeds Company Limited. 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.



Azariah Soi

Mr. Azariah Soi is the Group Managing Director Kenya Seed Group of Companies from 19th May 2016 and was born in 1960. He is responsible for the operational running of the Company to ensure that the mission is achieved. Mr Soi has wide experience gained as the General Manager of Simlaw Seeds from 2006 until his appointment as the Group Managing Director. Mr. Soi is a holder of BSc (Agriculture) from University of East Africa, Baraton as well as MBA 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. He also served as a Research Officer in R& D department, in marketing department as market research and information officer and later as public relations and communication officer. Mr Soi has made contribution to the seed industry as the Chairman of the Seed Trade Association of Kenya (STAK), a member of the Board of African Seed Trade Association (AFSTA) and in the global body as a Board member of the International Seed Federation (ISF).



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 gained while serving as a senior Manager in the Production, Marketing and Quality Departments in Kenya Seed Company. He joined the Board of Simlaw Seed Company in 2017.



Symon Kipchumba Cherogony

Mr. Symon Cherogony was born in 1954. He holds a Bachelor of Science Degree in Engineering from Texas A & M University, USA and a diploma in Agricultural Engineering from Egerton University. Mr Cherogony joined Kenya Farmers Association (KFA) in 1988 as a Sales Manager- Machinery where he rose through the ranks in various positions in the organization. In 1994, Mr Cherogony was promoted to the position of General Manager- Machinery, a position he served until 1999. In 1999, Mr Cherogony was

promoted to the position of the overall General Manager of the KFA business, a position he occupied until 2007 when he was promoted to the position of the Managing Director of KFA which he has held to date. Mr Cherogony has represented KFA in the Board of Simlaw Seeds Company from 2009 to date. Mr. Cherogony is a seasoned professional who has attended various professional development programs both locally in Kenya and abroad.



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 Ministry of Agriculture, Livestock, Irrigation 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 Simlaw Seeds Company Board, representing Principal Secretary, Ministry of Agriculture. Dr Irungu is also serving in the Board of Trustees of African Agricultural Technology Foundation (AATF) and has published widely.



Ms. Wilkister Simiyu

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

III. MANAGEMENT TEAM

○ General Manager



Mr. David Kiplagat

Mr. Kiplagat is a Master of Business Administration (MBA) Graduate from Staffordshire University in United Kingdom, a Post-Graduate Diploma (PGDBA) from the same University and a Bachelor of Science in Business Administration from the United States International University. He has vast experience in business administration spanning over 20 years where he has worked as a Manager and Director in various companies. Prior to his engagement at Simlaw Seeds Limited he served in the Board of Kenya Seed Co Ltd.

○ Finance Manager



Mr. Hezekiah Keitany

Mr. Keitany was born in the year 1969 and he is the Head of Finance. He holds a Bachelor of Commerce from the University of Nairobi. He is a member of Certified Public Accountants of Kenya (ICPAK). He previously worked at Kibo Seed Co. Ltd., a foreign subsidiary of Kenya Seed in Tanzania as head of Finance.

○ Chief H.R Officer



Mr. Philip Arusei

He is a holder of Bachelor of Business Management (HR Option) from Moi University. He is an experienced Human Resources & Administration Officer with a demonstrated history of working in the Agriculture and manufacturing industries. Skilled in staff competency development, Performance Management, Industrial relations and disciplinary processes and Human Resources Management Information Systems (HRMIS). He has an aptitude and professionalism in administration.

○ Research & Production Manager



Mr. Michael Ngugi

He was born on 27th December 1957 and is the Head of Research and Production. He joined the company in 1986 after 6 years as a Researcher with the Ministry of Agriculture, Research Division. He holds a BSc and MSc in Agriculture both from the University of Nairobi and a Post Graduate diploma in Maize research from Mexico. He has developed over

Simlaw Seed Company Limited

Annual Report for the year ended June 30, 2019

15 varieties of Vegetable crop. He has also served as the General Manager of Kibo Seed Company in Tanzania, a subsidiary of Kenya Seed Company.

○ Sales & Marketing Manager



Mr. Robert Musyoki

He holds a Bachelor of Science (Horticulture) from Egerton University and Master of Science - Horticulture (Molecular Breeding) from Jomo Kenyatta University of Agriculture and Technology.

He has a wealth of experience spanning over 10 years in marketing of seeds coupled with good agronomical understanding in field crop husbandry.

Chief Engineer - Processing



Eng. Shadrack Lagat

Mr. Lagat was born on 15th January 1966 and is the Chief Engineer, Processing Department. Lagat joined Kenya Seed Company in the year 1993 and now has 25 years hands on experience in Seed Business and Quality Management Systems, having worked in Nakuru Branch, Head office Kitale - Factory, Basic Seed, Elgon Downs Farm and Seed dress. He is a Quality Management Systems Auditor. Currently he is the Head of Processing Simlaw Seeds.

○ Senior Quality Assurance Officer

Mrs. Ephor Masibili



She was born on 12th April 1962. Mrs. E. Masibili is the Senior Quality Assurance Officer. She holds a certificate in General Agriculture-crop and Livestock, Agricultural related discipline and Training on the job. She has an experience of 32 years in different areas of her field. Over these years of experience she has learnt that Seed needs to be handled with care since it is a basic input in Agriculture and that seed Quality is the possession of seed with required genetic and physical purity that is accompanied with physiological soundness and health status- thus free from pathogens.

○ ICT Manager

Mr. Isaac Macharia



Isaac Macharia is BSC IT Holder from JKUAT and currently undertaking MSC Project Management. A multi-skilled IT professional with over 10 years of experience as a software specialist, Extensive practical knowledge of complex

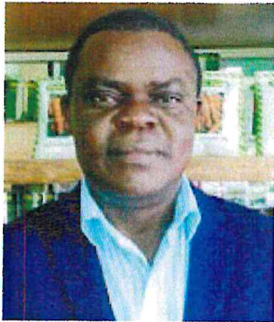
Simlaw Seed Company Limited

Annual Report for the year ended June 30, 2019

systems builds, hardware and software's and Skilled at operating in a wide range of ICT platforms.

Chief Procurement Officer

Mr. Edward Namasaka



Mr. Edward Namasaka is the Senior Procurement Officer. He holds a Bachelor of Commerce degree from the University of Nairobi and a post graduate diploma in purchasing and supply management from Chartered Institute of Purchasing and Supplies Management. He has over 20 years' experience having worked at the manufacturing sector, non - governmental organization and Ministry of Agriculture. He is a member of Kenya Institute of Supplies Management.

○ Company Secretary



Ms. Wilkister Simiyu

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

IV. CHAIRMAN'S STATEMENT

Dear Shareholders,



Once again, I am delighted to report you another successful financial year for Simlaw Seeds Company Ltd. for the period ended 30th June, 2019.

Despite the numerous challenges including uncertain weather conditions at the expected time of planting, increased competition, and emergence of diseases and pests, the company has continued to record strong financial performance and growth.

Business Environment Overview

Kenya's economy was expected to grow by 5.9% in 2018 up from the 4.9% growth in 2017 vis-à-vis a Sub-Saharan economy growth decline by 0.15% in annual GDP from 2.52% to 2.37% in 2017 and 2018

respectively.

The agriculture sector has been an indispensable part of the Kenyan economy since time immemorial. It is this sector that has played a pivotal role in the functioning of the economy since independence and up to the current day remaining as the largest contributor to the county's GDP averaging 20-25% of the total value. Economic governance institutions have been built around the sector and development policy has always been predisposed towards it. It is a widely accepted notion that far from playing a subsidiary role in the development process, the agriculture sector and rural economy is at the heart of socioeconomic transformation and wealth creation. GDP growth in the agriculture sector is about four times more effective in poverty reduction than GDP growth from other sectors. Economic development in countries like Kenya, with a large percentage of the population still living in rural areas, must unbridle the potential of the agriculture sector and seek to bolster the rural economy through integrated policy interventions that leverage technological advancements, build on rising domestic demand and seek synergies between multiple sectors in the pursuit of higher productivity and value addition.

Due to weather shocks in recent years, the percentage contribution has fluctuated and is on a downturn registering a 22% annual contribution in recent years. Growth in agriculture value added has varied with both significant increases and decreases in successive years. This is reflected by increasingly declining production of the most dominant Maize crop.

The revamping of the agricultural sector is inevitable as it will ensure food security and reduction of poverty hence the Government intervention through one of its 'Big Four' agenda- Agriculture; through increased agriculture budgetary allocation annually. These has led to increased countrywide irrigation projects, input subsidy, strategic grain reserves and food security & crop diversification programs. The company contribution in the supply of seed will greatly be enhanced by the level of support the government has put forward on the agenda on agriculture and sectorial growth.

Simlaw Seed Company Limited

Annual Report for the year ended June 30, 2019

Financial Review

Despite the business environment downward trend, we are pleased to report that the Company posted an improved performance in the year under review despite the challenges experienced. The Company recorded a 27% growth in profit before tax from Kes.44.6 million in 2018 to Kes.56.9 million for the year ended 30 June 2019. The company's Turnover increased from Kes.1.389Billion in 2018 to a company record of Kes.1.502Billion. The company asset base decline from Kes.1.27Billion (2018) to Kes.1.24Billion. The shareholders fund recorded a growth from Kes.356million to Kes.436Million at the close of the year.

Seed Supply

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

Dividend

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

Future Outlook

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

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

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

Appreciation

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



Lawrence Njiru
Chairman



V. REPORT OF THE GENERAL MANAGER



I am delighted to present to you the performance of Simlaw Seeds Company for the year ended 30th June 2019.

Financial Performance

In the FY2018/19, the turnover increased by 8% from Kes.1.389 Billion to Kes. 1.502Billion.

Operating profit of the company increased by 22% from Kes.53 Million to Kes.65 Million.

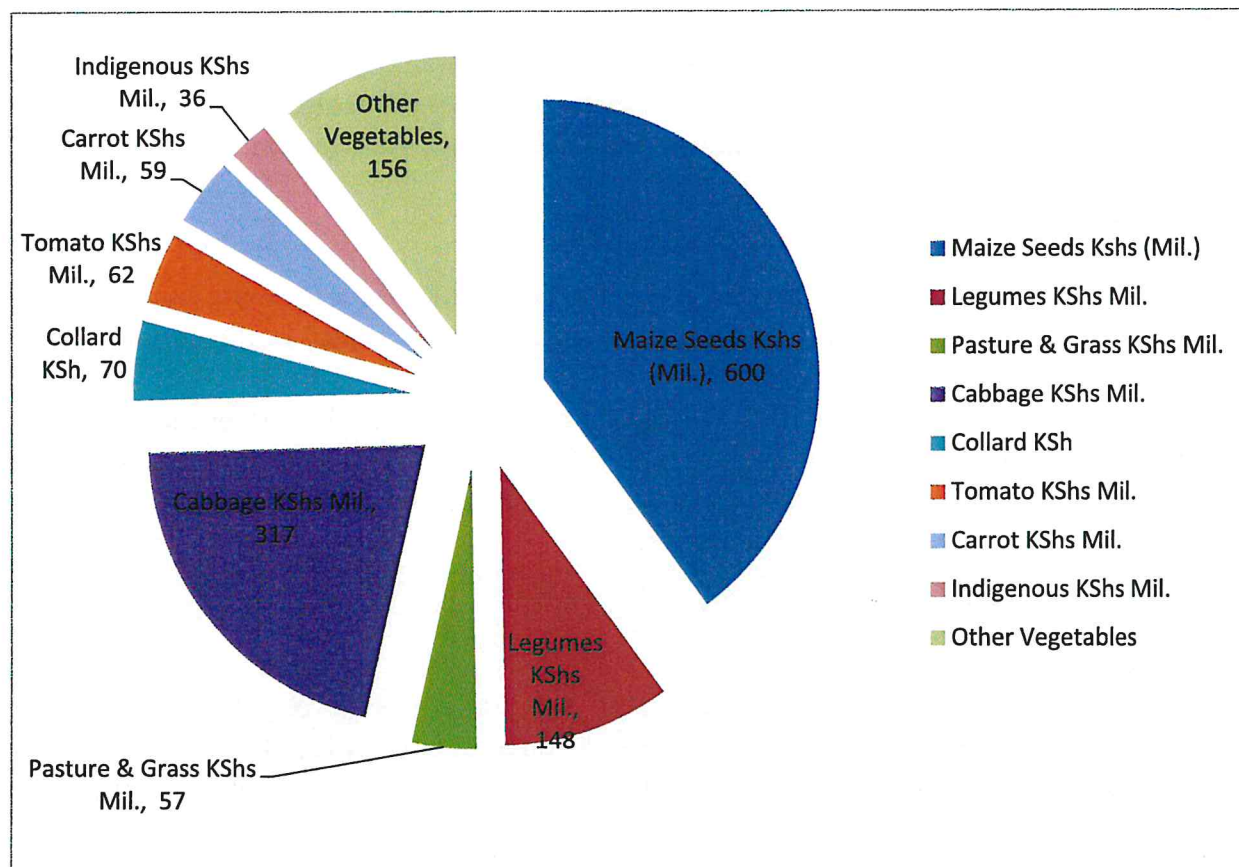
Profit before Tax for the period increased from Kes.44 million to Kes.56 Million representing a 27% growth.

The closing Cash balance improved significantly from Kes.72Million at the start of the year to Kes.110 Million at end of the financial year as result of improved sales, debt collection and stringent financial management. The Company's cash balance increased by Kes.38 Million and the asset base decreased from Kes.1.276 Billion to Kes.1.24Billion. The non-current asset increased from Kes.164 Million to Kes.226 Million as a result of additions to the fixed asset. Trade receivables and inventory decreased due to sales growth and maintenance of optimal stock levels. Below is an overview of the company performance in the five years and current financial year.

FIVE YEAR PERFORMANCE TREND

	2019	2018	2017	2016	2015
	Kes'000	Kes'000	Kes'000	Kes'000	Kes'000
Turnover	1,502,871	1,389,565	943,117	748,220	777,598
Profit before tax	56,955	44,686	12,683	(46,417)	40,444
Tax charge	(19,462)	(14,451)	(5,019)	13,227	(11,671)
Profit for the year transferred to retained earnings	37,494	29,960	7,664	(33,190)	28,773
Dividends	-	-	-	-	-
Share Capital and shareholders' Funds	436,267	356,809	326,850	319,186	362,441
Ordinary Share capital	200	200.00	200.00	200.00	200.00
Share holders' funds	436,067	356,609	327,050	319,386	362,641
Earnings and Dividend per Share					
Earnings per share	7,499	6,047	1,533	(6,638)	5,755
Dividend per share(Kshs)	-	-	-	-	-

PERFORMANCE AT A GLANCE



**Turnover in Kenya
Shillings (Billions)**

1.5

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

56

**Balance Sheet Size in
Kenya Shillings (Millions):**

1,242

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

436

In line with our clarion call of ensuring farmers obtain 'superior and reliable' seed varieties that are high yielding and tolerant to pests and diseases, the company continues to invest in research which has enabled her to release one Bean variety. The company has also forwarded

two legumes varieties (Garden Pea and Soya bean) in the national performance trial for assessment and release to the market.

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

Operations

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

Milestone to our achievement during the year under review, was the successfully completion of the constructions of an additional floor and refurbishment of our premises at Kijabe Street with the intention of enhancing service delivery to our customer- under one roof and more critical to cut-down on operational expenses.

Future Outlook

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

The company's future growth will come from:

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

Simlaw Seed Company Limited

Annual Report for the year ended June 30, 2019

Customer focus

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

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

Acknowledgement

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

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

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



David Kiplagat
General Manager



VI. CORPORATE GOVERNANCE STATEMENT

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

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

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

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

Board of Directors

The composition of the Board is compliant with good corporate governance practices. The role of the Chairman and the General Manager are segregated. The General Manager 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 (The Group Managing Director) and four non- executive directors including the Chairman.

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

Simlaw Seed Company Limited

Annual Report for the year ended June 30, 2019

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

The composition of board, date of appointment and position held as on 30th June 2019

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 3 meetings in the financial year ending 30th June 2019. 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 2018/19 is as follows:

Member	Meetings Held	Meetings Attended	% attendance
Mr.Lawrence Njiru- Chairman	3	3	100%
Mr. William Kundu	3	3	100%
Mr. Azariah Soi	3	3	100%
Dr. Johnson Irungu	3	3	100%
Mr. Symon Cherogony	3	3	100%

Governance Principals

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

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

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

Board Committees

The Kenya Seed Company has set up three key Board committees to help in the implementation of its policy guidelines and strategy. These committees meet regularly

and are chaired by non-executive directors. The committees report their findings to the Board for further vetting and subsequent ratification by the Board. They include:

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

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

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

1. Audit Committee

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

Role of Audit Committee:

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

Composition and other details of Audit Committee

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

The attendance at the audit Committee meetings during the financial year 2018/19 is as under:

Member	Meetings Held	Meetings Attended	% attendance
Lawrence Njiru-Chairman	4	4	100%
Dr. Johnson Irungu	4	4	100%
Mr. Abraham Koech	4	4	100%
Mr. William Kundu	4	4	100%

2. Production Research and Marketing Committee

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

The attendance at the Production Research and Marketing Committee meetings during the financial year 2018/19 is as under:

Member	Number of Meetings	Attendance	% of attendance
Mr. William Kundu-Chairman	3	3	100%
Mr. Azariah Soi	3	3	100%
Dr. Johnson Irungu	3	2	67%
Mr. Richard Aiyabei	3	3	100%
Dr. Nathaniel Tum	3	3	100%

CORPORATE GOVERNANCE STATEMENT (Continued)

3. Finance, Staff and General Purpose Committee

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

The attendance at the Finance, Staff and General Purpose Committee meetings during the financial year 2018/19 is as under:

Member	Number of Meetings	Attendance	% of attendance
Mr. Symon Cherogony-Chairman	7	7	100%
Mr. Azariah Soi	7	7	100%
Dr. Nathaniel Tum	7	7	100%

Simlaw Seed Company Limited

Annual Report for the year ended June 30, 2019

Mr. Abraham Koech	7	6	86%
Mr. Richard Aiyabei	7	7	100%
Dr. Johnson Irungu	7	7	100%

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

Directors' Remuneration

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

Below is a summary of entitlement per Board Member:

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

Code of Conduct

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

Internal Control

The effectiveness of the internal control is monitored on a regular basis by the Internal Audit function. The Internal Audit function reviews the Company's compliance with the

Simlaw Seed Company Limited

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laid down policies and procedures as well as assessing the effectiveness of the internal control structures. The Internal Audit function focuses their attention to areas where the Company could be exposed to greatest risks. The Internal Audit function reports to the Audit Committee of the Board. The Company has established operational procedures and controls to facilitate proper safeguard of assets and accurate financial reporting.

Conflicts of Interest

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

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

Going Concern

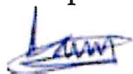
The directors confirm that the Company has adequate resources to continue in business for the foreseeable future and therefore to continue to use the going concern basis when preparing the financial statements.

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 the Group Managing Director.



Lawrence Njiru

Chairman, Board of Directors

Date: ...29.12.2019....

VII. MANAGEMENT DISCUSSION AND ANALYSIS

Section A: The entity's operational and financial performance

Background

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

A1: Revenues

Revenues grew by 8% from Kshs 1.39 million to Kshs 1.50 Billion as highlighted in the table below

Product	2019	2018
	Kes '000	Kes '000
Maize	599,557	573,787
Legumes	133,090	124,485
Pasture	56,721	44,240
Cabbage	316,624	287,905
Tomato	62,039	65,845
Collard	69,499	81,434
Onion	30,289	23,447
Carrot	59,036	50,312
Spinach	28,404	24,922
Indigenous	35,988	26,604
Other vegetables	111,624	86,585
Total	1,502,871	1,389,565

The company recorded sales increased in Seed Maize, Vegetable seed, Legumes and pasture seeds. The increase was as result of aggressive marketing, promotional campaigns, company business remodeling and personal selling by the sale team and availability of stock.

Seed maize contributed 40% of annual sales revenue while other seeds and agricultural Inputs contributed 60% of the Company Revenues as highlighted in the following table. Vegetable revenues contributed 47% of the company revenue.

Simlaw Seed Company Limited

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Management is exploring diversification strategies to reduce overreliance on seed maize.

A2: Profit before Tax

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

	2019	2018
	Kes'000	Kes'000
Profit Before Tax	56,955	44,686

The Profits grew by 27% from Kshs 44.6 Million record last year to Kshs 56.9 Million in the year.

A3: Cash and Cash Equivalents

The company cash and bank balance stood at a net of Kshs 110 Million compared to KShs 72 Million 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 a long term loan of Ksh 59.4 Million. This loan was for the utilized to acquire the premises and construct an additional floor. The loan is payable in five years.

Section B: Entity's compliance with statutory requirements

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

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

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

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

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

The company in the year completed the construction of an additional floor to increase the space and to have most of its operation in one premise and commenced the construction of Loitokitok Store.

At the operational level, the company pursuing various projects under Vision 2030 flagship projects.

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

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

(b) Seed Quality Improvement

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

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

Section D: Major risks facing the entity

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

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

Simlaw Seed Company Limited

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		results of operations and cash flows could be materially and adversely affected.	
3	Business interruption/continuity	Business interruptions stemming from network failure, incapacitation of staff, the unavailability of raw materials, information technologies, skilled labor, facilities or other resources, that may threaten the Company's capacity to continue operations over a period of time.	(i) Continuous improvement and maintenance of the network infrastructure. (ii) Full implementation of the Business Continuity Policy.
4	Competition	Competitors may price their products below our prices and this will have an effect on the demand our products and reduced sales volumes especially in those markets that are price sensitive	Continuous investment in research and development to produce seed products 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 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.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

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

During the year under review, the company visited The Good Life Orphanage Mtwapa. The home host a number of children aged from few days old to eighteen years The Company provided the home with assorted food stuff, toys and clothing





Simlaw Staff presenting foodstuff and other supplies at Msamaria Mwema Children's Home

Simlaw Seeds Company Limited

Annual Report for the year ended June 30, 2019

IX. REPORT OF THE DIRECTORS

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

Principal Activities

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

Results

The results of the company for the year ended June 30, 2019 are set out on page 1 to 37. Below is summary of the profit or loss made during the year.

	2019	2018
	Kes'000	Kes'000
Profit before tax	56,955	44,686
Taxation charge	(19,462)	(14,451)
Profit for the year	37,494	30,235

Dividends

The directors do not recommend the payment of dividend in respect of the year ended 30th June 2019 (30 June 2018: nil)

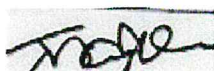
Directors

The members of the Board of Directors who served during the year and to the date of this report are as shown on page vi and pages 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 Public Audit Act, 2015 and article 229 of Kenya Constitution.

BY ORDER OF THE BOARD



Ms. Wilkister Simiyu
Company Secretary
Kitale, Kenya.

Date... 29.10.2019

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Kenya Company's Act 2015, require the Directors to prepare financial statements in respect of that company, which give a true and fair view of the state of affairs of the company at the end of the financial year/period and the operating results of the Company for that year/period. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company. The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act and the Kenya Company's Act 2015. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2019, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

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

Approval of the financial statements

The financial statements and the accompanying notes from page 1 to 36 were approved by the Board of Directors on 29. / 10 / 2019 and were signed on its behalf by:



David Kiplagat
General Manager



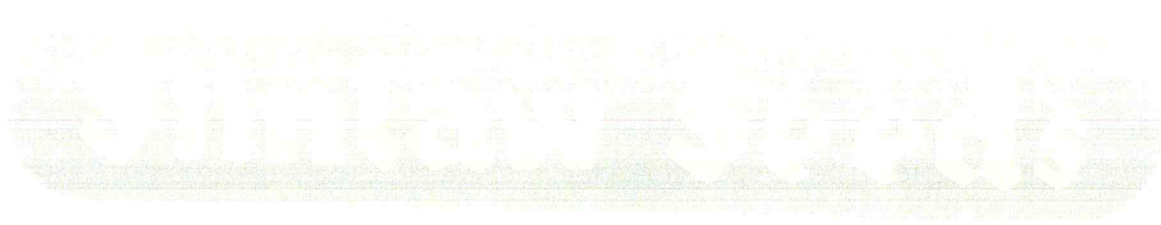
Mr. Azariah Soi
Director



Lawrence Njiru
Chairman

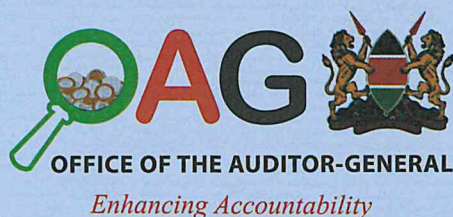
Simlaw Seeds Company Limited
Financial Statements for the year ended June 30, 2019

XI. REPORT OF THE AUDITOR GENERAL ON SIMLAW SEEDS COMPANY LTD



REPUBLIC OF KENYA

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Simlaw Seeds Company Limited set out on pages 1 to 43, which comprise the statement of financial position as at 30 June, 2019, and the statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Simlaw Seeds Company Limited as at 30 June, 2019 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015.

Basis for Qualified Opinion

1.0 Amounts Due from Other Subsidiaries

The statement of financial position reflects amounts due from other subsidiaries totalling Kshs.69,488,000 as at 30 June, 2019 as disclosed in Note 20(a) to the financial statements. The balance is net of an unexplained provision of Kshs.25,285,000 owed by, Mount Elgon Seeds Company Limited, a wound-up subsidiary of the Company. In the absence of an explanation for the provision, the accuracy and validity of the amounts due from other subsidiaries totalling Kshs.69,488,000 as at 30 June, 2019 could not be confirmed.

Further, the amount due from other subsidiaries includes Kshs.58,333,000 owed by Kibo Seeds Company Limited. However, contractual agreements on recovery of the loan were not provided for audit and as a result, its validity and accuracy could not be confirmed.

Further, in both instances, there were no records on efforts made by Management to recover the outstanding amounts.

2.0 Related Party Loans

The statement of financial position reflects amounts due from related parties totalling Kshs.39,410,000 after a provision for bad and doubtful debts totalling Kshs.11,440,000 as at 30 June, 2019, as disclosed in Note 20(b) to the financial statements. However, the basis for the bad and doubtful debts provisions totalling Kshs.11,440,000 was not explained. The related parties are indicated to include County Governments, Kenya Farmers Association and the Ministry of Agriculture, all of which are government institutions.

Consequently, the accuracy and completeness of the amounts due from related parties totalling Kshs.39,410,000 as at 30 June, 2019 could not be confirmed.

3.0 Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance totalling Kshs.211,657,000 as at 30 June, 2019. The following anomalies were noted in regard to the balance:

3.1 Unpaid Cheques

Unpaid cheques totalling Kshs.3,821,607 due from nine (9) customers from September, 2018 to May, 2019 were outstanding. No explanation was provided by Management why the cheques had not been replaced. Further, examination of sales records indicated that one of the entities was offered credit facilities even though its six previous cheques totalling of Kshs.1,200,000 had been dishonoured by the bank.

3.2 Long Outstanding Debtors

Receivables totalling Kshs.60,499,273 were over 90 days old, contrary to the Company's credit policy which limits credit sales payments to 30 days only.

In view of these issues, the recoverability of trade and other receivables totalling Kshs.64,320,880 included in the aggregate debtor balance totalling Kshs.211,657,000 reflected in the statement of financial position as at 30 June, 2019 could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no other key audit matters to communicate in my report.

Other Information

The Directors are responsible for the other information. The other information comprises the report of Directors as required by the Companies Act, 2015, and the statement of the Directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.

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

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is material misstatement of this other information, I am required to report that fact. I report in this regard that the Directors' conclusion under the statement of Board of Directors' responsibilities that, nothing has come to their attention to indicate that the Company will not remain a going concern for at least the next twelve months is not consistent with the operating results and working capital reflected in the financial statements.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Failure to File Returns to the Registrar of Companies

There were no records of the Company having filed annual returns for the year under review with the Registrar of Companies as required by Section 705 of the Companies Act, 2015 and the Company's Articles of Association.

Consequently, the Company may have breached the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1.0 Corporate Governance

1.1 Failure to Appoint Managing Director and Company Secretary

During the year under review, the Company operated without a Managing Director and a Company Secretary contrary to the Company's Articles of Association which provide that the Board shall appoint the Company Secretary and the Managing Director.

1.2 Failure to Hold Annual General Meeting

During the year under review, the Company did not hold its annual general meeting or any general meeting for that matter, contrary to the requirement set in the Company's Articles of Association and Section 310 of the Companies Act, 2015.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and those Charged with Governance

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

maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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


The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how the entity 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 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 or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

27 October, 2021

XII. AUDITED FINANCIAL STATEMENTS

a) STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2019

	Notes	2019 Kes '000	2018 Kes '000
Revenue	5	1,502,871	1,389,565
Cost of sales	6	<u>(1,136,935)</u>	<u>(1,093,132)</u>
Gross profit		365,936	296,433
Other income	7	<u>14,510</u>	<u>8,599</u>
EXPENSES		<u>380,446</u>	<u>305,032</u>
Administration expenses	8	164,018	144,874
Selling and distribution expenses	9	49,009	38,026
Operating expenses	10	93,936	62,557
Research and development costs	11	7,930	6,241
		<u>314,893</u>	<u>251,698</u>
Operating Profit	12	65,553	53,334
Finance cost	13	<u>(8,598)</u>	<u>(8,648)</u>
Profit before taxation		56,955	44,686
Income Tax expense	14(c)	<u>(19,462)</u>	<u>(14,451)</u>
Profit for the year		<u>37,494</u>	<u>30,235</u>
Profit attributable to:			
Owners of the parent company		<u>37,494</u>	<u>30,235</u>
Earnings per share attributable to:			
Basic (Kshs per share)	15	<u>7,499</u>	<u>6,047</u>
Other comprehensive income:			
Profit for the year		37,494	30,235
Fair value loss on Bearer Plants	19	<u>(107)</u>	<u>(275)</u>
Total comprehensive income		<u>37,387</u>	<u>29,960</u>
Attributable to:			
Owners of the company		<u>37,387</u>	<u>29,960</u>

The notes set out from page 7-36 form an integral part of the financial statements.

Simlaw Seeds Company Limited
Financial Statements for the year ended June 30, 2019



b) STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	2019 Kes '000	2018 Kes '000
ASSETS			
Non-current assets			
Land & Building	16	187,702	126,991
Plant & Machinery	16	20,079	20,579
Intangible assets	17	2,915	1,041
Deferred tax asset	14(a)	15,963	15,859
		226,659	164,470
Current assets			
Consumable biological assets	19	575	432
Cash and cash equivalents	24	110,920	72,313
Inventories	21	589,995	713,948
Trade and other receivables	22	211,657	229,572
Amounts due from other subsidiaries	20(a)	69,488	65,214
Due from Related Parties	20(b)	39,410	11,931
Tax recoverable	14(b)		18,844
		1,022,045	1,112,254
Total assets		1,248,704	1,276,724
EQUITY AND LIABILITIES			
Equity			
Share capital	23	200	200
Revaluation surplus	25	65,869	23,798
Capital Reserves	33	144,298	144,298
Retained earnings	26	225,900	188,513
		436,267	356,809
Non-current liabilities			
Bank Loan	34	59,397	61,854
		59,397	61,854
Current liabilities			
Due to Parent Company	20(c)	651,417	743,114
Employee benefits obligations	32	14,562	12,195
Trade and other payables	31	85,992	102,752
Tax Payable	14(b)	1,069	
		753,039	858,061
Total equity and liabilities		1,248,704	1,276,724

The financial statements were approved by the Board on 29 / 10 / 2019 and signed on its behalf by:

Mr. David Kiplagat
General Manager

Mr. Hezekiah Keitany
Finance Manager
ICPAK M/NO: 22083

Mr. Lawrence Njiru
Chairman of the Board

Simlaw Seeds Company Limited

Financial Statements for the year ended June 30, 2019

c) STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2019

	Share capital Kes '000	Loan Capital Kes '000	Revaluation Reserve Kes '000	Retained Earnings Kes '000	Total Kes '000
Year ended 30 June 2018					
As at 1 July 2017	200	144,298	23,798	158,555	326,850
Total comprehensive income for the year	-	-	-	30,234	30,234
Fair value Gain of Bio Assets	-	-	-	(275)	(275)
As at 30 June 2018	200	144,298	23,798	188,513	356,809
Year ended 30 June 2019					
As at 1 July 2018	200	144,298	23,798	188,513	356,809
Total comprehensive income for the year	-	-	42,071	37,494	79,565
Fair value Gain of Bio Assets	-	-	-	(107)	(107)
As at 30 June 2019	200	144,298	65,869	225,900	436,267

Simlaw Seeds Company Limited

Financial Statements for the year ended June 30, 2019

d) STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2019

		2019	2018
	Notes	Kes '000	Kes '000
CASHFLOWS FROM OPERATING ACTIVITIES:			
Profit for after taxation		37,387	44,686
Adjustment for:-			
Depreciation and amortization	16 & 17	8,411	7,780
Gain on Sale of Equipment	16	(612)	-
Interest Expense		8,598	8,648
Gain/(Loss) in Exchange		1,923	(487)
		<u>55,707</u>	<u>60,628</u>
Changes in working capital:-			
Inventories	21	123,954	(39,276)
Biological Assets	19	(143)	(339)
Trade and other receivables	22	17,915	(39,997)
Trade and other payables	31	(16,760)	5,008
Amounts due from/to Parent Company	20c	(91,698)	96,727
Amounts Due from Other Subsidiaries	20a	(4,274)	(2,723)
Amounts Due to Staff	32	2,367	509
Amounts due from/to related parties	20b	(27,479)	(8,554)
Cash flows used/generated in operations		<u>59,589</u>	<u>71,981</u>
Finance costs	13	(8,598)	(8,648)
Tax paid	14	19,809	(3,678)
Net cash flows used in operating activities		70,800	59,655
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from Sale of Equipment	16	612	
Purchase of property, plant and equipment	16(a)	(28,425)	(24,078)
Net cash flows from investing activities		(27,813)	(24,078)
CASH FLOW FROM FINANCING ACTIVITIES:			
Loan movement	34	(2,457)	(1,420)
Net cash flows from financing activities		(2,457)	(1,420)
Cash and cash equivalents:		40,530	34,157
Movement during the year			
Effect of foreign exchange changes		(1,923)	487
As at 1 July		72,313	37,669
As at 30 June		110,920	72,313
	24	110,920	72,313

	Final Budget	performance	Performance	
	2018-2019	2018-2019	Difference	%
REVENUE	Kes'000	Kes'000	Kes'000	change
Maize	561,308	599,557	(38,249)	-7%
Wheat Seed	1,100	1,172	(72)	-7%
Pasture	51,000	55,549	(4,549)	-9%
Vegetable Seed	650,000	685,181	(35,181)	-5%
Other Seed	143,592	161,411	(17,819)	-12%
Sales	1,407,000	1,502,871	(95,871)	-7%
cost of sales	(1,069,320)	(1,136,935)	67,615	-6%
Other operating Income	7,267	14,510	(7,243)	-100%
Gross Profit	344,947	380,446	(35,499)	-10%
Administrative expenses	(146,737)	(164,018)	17,281	-12%
Selling and Distribution Expenses	(48,738)	(49,009)	271	-1%
Other Operating Expenses	(86,271)	(93,936)	7,665	-9%
Research and Development Costs	(15,680)	(7,930)	(7,750)	49%
	(297,426)	(314,893)	17,467	-6%
Operating Profit/(Loss)	47,521	65,553	(18,032)	-38%
Finance Costs	(10,819)	(8,598)	(2,221)	21%
Profit/(Loss) Before Tax	36,702	56,955	(20,253)	-55%

Budget Notes for the variances of more than 10%:

1. Gross profit

The gross profit increased by 10% above budget due to sales increase in the year.

2. Selling and distribution

The selling and distribution expenses recorded a saving of 1% from the budget due promotional activity that were not conducted including road shows whose impact on sales was low.

3. Administrative and Other operational expense

The cost centre increased resulting in unfavourable variance due the level of activity in attaining the increased turnover and obsolete stock that lost viability.

4. Research and development

There was a 49% saving on research and development vote due lower level activity occasioned by less staff in the department.

5. Finance cost

The finance cost incurred in the year was lower the budget by 40% due the lower loan interest attributed lower principal amount drawn occasioned by delay in obtaining additional loan for building additional floor at the premise

XIV. 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 Kenya shillings (KShs), which is the functional and presentation currency. All financial information presented in Kenya shillings (Kshs) has been rounded to the nearest thousands, except where otherwise indicated.

The financial statements have been prepared in accordance with the PFM Act 2012, the State Corporations Act, Kenyan Companies Act 2015 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
- ☐ 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 charges on freight return cheque and gain on disposal on assets.

b. Property, plant and equipment

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

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);
- ☐ Function ability; 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:

<input type="checkbox"/> Plant and machinery	10%
<input type="checkbox"/> Furniture and equipment	20%
<input type="checkbox"/> Motor vehicles	25%
<input type="checkbox"/> Computers	33.33%
<input type="checkbox"/> Lease Hold Land	
<input type="checkbox"/> Freehold land is not depreciated.	
<input type="checkbox"/> 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.

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

i. Financial instruments at fair value through profit or loss

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

ii. Held-to-maturity investments

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

iii. Loans and receivables

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

iv. Available for sale financial instruments

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

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

v. Financial liabilities at amortized cost

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

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

Unquoted equity instruments

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

Trade and other receivables

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

Government securities

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

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.

1. 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**

The Company operated a defined contribution pension scheme for its employees. The scheme was administered independently by Aon Minet Insurance Brokers Limited and was funded by contributions from both the company and employees at rates which were determined every three years by certified actuaries. The employer contributed 15% while the employee contributed 10% of the employee's basic pay to the scheme. It contributes to the statutory National Social Security Funds (NSSF) The company's contributions to the retirement benefit schemes are charged to the profit or loss in the year to which they relate.

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

(iii) Gratuity

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

n. Contingent liabilities

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

o. Taxes

Current Tax

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

Deferred tax

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

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

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

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

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

Deferred tax

- The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered; and,
- Deferred tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

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

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Available - for - sale assets

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

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

Taxation

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

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

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

4. OWNERSHIP OF SIMLAW SEEDS COMPANY LIMITED

Simlaw Seeds Company Limited was incorporated as a limited liability company under the Companies Act, Chapter 486 of the Laws of Kenya on 5th November 2002 by Kenya Seed Company ltd and two subscribers.

Simlaw Seeds Company Limited**Notes to the Financial Statements for the year ended June 30, 2019**

5	REVENUE	2019 Kes '000	2018 Kes '000
	Income from Certified Maize Seeds	599,557	573,787
	Income from Vegetable Seeds	685,182	626,260
	Income from Wheat Seeds	1,172	1,591
	Income from Pasture Seeds	55,549	42,650
	Income from Other Seeds	161,411	145,277
		1,502,871	1,389,565
6	COST OF SALES	Jun-19	Jun-18
	Product costs:	Kes.'000'	Kes.'000'
	Purchases	994,241	1,106,051
	Seed Production, Testing & Others	62,639	47,226
		1,056,880	1,153,277
	Production Overheads:		
	Depreciation of production Equipment	3,211	5,153
	Repairs and maintenance	1,193	1,078
	Fuels and Oils	15	-
		4,419	6,231
	Movement In Inventories	75,636	(66,376)
	Cost of Goods Sold	1,136,935	1,093,132

Simlaw Seeds Company Limited**Notes to the Financial Statements for the year ended June 30, 2019**

7 OTHER INCOME	2019	2018
	Kes '000	Kes '000
Transport Charges	1,062	2,567
Miscellaneous income	9,086	3,740
Gain on Exchange	-	487
Reduction on Provision for Leave	-	411
Penalties on Returned Cheques	346	321
Bad Debts Recovered	3,404	269
Gain/Loss on Disposal of Fixed Assets	612	804
Provision for obsolete stock	14,510	8,599
8 ADMINISTRATIVE EXPENSES	2019	2018
	Kes. '000'	Kes. '000'
Salaries	91,991	86,682
Staff Training and Welfare	31,197	21,816
Gratuity	5,927	7,953
Pension	7,161	7,113
Wages	10,624	8,091
Rent and Rates	7,716	7,737
Leave Pay Provision	3,839	
Power, Light and water	2,765	3,967
Repairs & Maintenance	2,155	1,297
Social Security (NSSF)	643	218
	164,018	144,874
9 SELLING AND DISTRIBUTION	2019	2018
	Kes. '000'	Kes. '000'
Public Relations and advertising	20,521	13,790
Freight and Transport	9,006	8,060
Travelling	17,336	15,740
Depreciation on distribution Vehicles	2,146	436
	49,009	38,026
10 OPERATING EXPENSES	2019	2018
	'000'	'000'
exchange loss	1,936	-
Sundry/ other Expenses	22,101	14,310
Donations and subscriptions	4,959	3,512
Security	5,084	5,005
Auditors Remuneration	3,296	964
Legal and Professional	3,642	433
Depreciation on other Equipment	2,975	2,138

Simlaw Seeds Company Limited

Notes to the Financial Statements for the year ended June 30, 2019

Postage and telecommunication	4,357	3,387
Insurance	2,251	2,199
Bank Charges	1,704	1,833
Printing, stationary and Publications	2,499	1,618
Directors Emoluments	1,703	597
Provision for doubtful debts	1,315	4,788
Provision for obsolete stock	36,114	21,773
	93,936	62,557

	2019	2018
	Kes.	
11 RESEARCH AND DEVELOPMENT COSTS	'000'	Kes. '000'
Motor Vehicle Running	2,656	1,614
Field Inspection	2,279	1,424
Labour Wages	1,872	1,750
Travelling	677	1,182
Farm Inputs	365	202
Depreciation of Research Vehicles	79	69
	7,930	6,241

12 The profit before taxation is arrived at after charging:

	2019	2018
	Kes'000	Kes'000
Auditors' remuneration	3,296	964
Exchange loss	1,923	(487)
Depreciation	8,411	7,780
Operating lease rentals	6,630	7,737
Directors' Emoluments	1,703	597
And after crediting:		
Other Income	14,510	8,599

	2019	2018
13 FINANCE COST	Kes. '000'	Kes. '000'
Interest on Bank Loan	8,598	8,648

Simlaw Seeds Company Limited

Notes to the Financial Statements for the year ended June 30, 2019

14 TAXATION

a) Deferred tax movement

	As at 30 June 2019 Kes'000'	Income Kes'000'	As at 1 July 2018 Kes'000'
Deferred tax assets			
Property, plant and equipment	(1,968)	36	(1,932)
Leave provision	(2,074)	825	(1,248)
Gratuity provision	(2,294)	(150)	(2,445)
General bad debt provision	(9,494)	(626)	(10,120)
Unrealized exchange losses	(101)	(4)	(105)
Tax losses utilized		(9)	9
Biological Assets	(32)	32	-
	(15,963)	104	(15,850)

	2019 Kes '000	2018 Kes '000
b) Tax recoverable/(payable)		
As at 1 July	18,844	26,211
Charge for the year	(19,566)	(10,772)
Paid during the Year	(33)	3,368
Previous Year overprovision	(314)	37
As at 30 June	(1,069)	18,844

	2019 Kes '000	2018 Kes '000
c) Taxation charge		
Accounting Profit Before Tax	56,848	44,686
Current taxations based on adjusted profit at 30%	19,566	10,772
Deferred tax credit/(charge)	(104)	3,679
Prior year under provision		-
	19,462	14,451

15 EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit after tax of Kes.7,499 (2018: Kes.6,047) by the average number of ordinary shares in issue during the year of 5,000 (2018: 5,000). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

Simlaw Seeds Company Limited

Notes to the Financial Statements for the year ended June 30, 2019

16 PROPERTY PLANT AND EQUIPMENT

	Land	Building	W.I.P	Machinery	Motor Vehicle	Furniture & Equipment	TOTALS
<i>(a) Year ended 30 June 2019</i>	Kes '000	Kes '000	Kes '000	Kes '000	Kes '000	Kes '000	Kes '000
COST OR VALUATION							
At 1st July 2018	82,643	27,548	16,800	47,616	40,907	37,447	252,962
Additions	-		19,458	86	3,621	2,260	25,425
Revaluation	37,357	4,714					42,072
Disposals	-		-	-	(2,940)	-	(2,940)
At 30th June 2019	120,000	32,262	36,258	47,702	41,588	39,707	317,518
DEPRECIATION							
At 1st July 2018	-		-	(37,019)	(32,864)	(35,509)	(105,392)
Charge for the year	-	(818)	-	(2,479)	(2,766)	(1,223)	(7,285)
Disposals	-	-	-	-	2,940	-	2,940
At 30th June 2019	-	(818)	-	(39,498)	(32,690)	(36,732)	(109,737)
NET BOOK VALUE	120,000	31,445	36,258	8,204	8,898	2,975	207,781

	Land	Building	W.I.P	Machinery	Motor Vehicle	Furniture & Equipment	TOTALS
<i>(b) Year ended 30 June 2018</i>	Kes '000	Kes '000	Kes '000	Kes '000	Kes '000	Kes '000	Kes '000
COST OR VALUATION							
At 1st July 2017	82,643	27,548	-	46,926	37,833	35,933	230,884
Additions	-		16,800	690	5,074	1,514	24,078
Disposals	-		-	-	(2,000)	-	(2,000)
At 30th June 2018	82,643	27,548	16,800	47,616	40,907	37,447	252,962
DEPRECIATION							
At 1st July 2017	-	-	-	(32,344)	(34,141)	(33,205)	(99,690)
Charge for the year	-	-	-	(4,675)	(723)	(2,304)	(7,702)
Disposals	-	-	-	-	2,000	-	2,000
At 30th June 2018	-	-	-	(37,019)	(32,864)	(35,509)	(105,392)
NET BOOK VALUE	82,643	27,548	16,800	10,597	8,043	1,937	147,590

Simlaw Seeds Company Limited

Notes to the Financial Statements for the year ended June 30, 2019

Fixed assets consist of assets which are fully depreciated amounting to Kes 88,912,099 (2018 Kes 64,010,752)

17 Intangible Assets

(a) Year ended 30 June 2019

	Kes '000	Kes '000
COST OR VALUATION	Computer Software	Totals
At 1st July 2018		
Additions	5,710	5,710
At 30th June 2019	3,000	3,000
	8,710	8,710
DEPRECIATION		
At 1st July 2018		
Charge for the year	(4,669)	(4,669)
At 30th June 2019	(1,126)	(1,126)
NET BOOK VALUE	(5,795)	(5,795)
	2,915	2,915

(b) Year ended 30 June 2018

	Computer Software Kes '000	TOTALS Kes '000
COST OR VALUATION	Computer Software	Totals
At 1st July 2017		
Additions	5,710	5,710
At 30th June 2018	-	-
	5,710	5,710
DEPRECIATION		
At 1st July 2017		
Charge for the year	(4,591)	(4,591)
At 30th June 2018	(78)	(78)
NET BOOK VALUE	(4,669)	(4,669)
	1,041	1,041

Intangible assets consist of assets that were fully depreciated amounting to Kes 4,094,482 (2018 Kes 1,680,172)

Simlaw Seeds Company Limited
Notes to the Financial Statements for the year ended June 30, 2019



18 STAFF RECEIVABLES	2019 Kes'000	2018 Kes'000
Staff Advances	11,505	12,377
Inventory Variance Charges		
Provision for Doubtful Debts	<u>(1,705)</u>	<u>(2,366)</u>
	9,800	10,011
Receivable within 12 Months	<u>(9,800)</u>	<u>(10,011)</u>
Non-Current Asset	<u>-</u>	<u>-</u>

19 CONSUMABLE BIOLOGICAL ASSETS	2019 Kes000	2018 Kes'000
Fair value at the beginning of the year	432	93
Decrease in fair value due to harvesting	(432)	(93)
Additions at cost	<u>682</u>	<u>157</u>
	682	157
Fair value loss arising from physical changes	<u>(107)</u>	<u>275</u>
Fair value at end of the year	<u>575</u>	<u>432</u>

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

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

Simlaw Seeds Company Limited

Notes to the financial Statements for the year ended June 30, 2019

20 RELATED PARTIES TRANSACTIONS AND BALANCES

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

	2019	2018
	Kes '000	Kes '000
i) Sales to related parties		
Kenya seed company limited	206,344	180,663
Kibo Seeds company limited	11,277	2,967
Simlaw seed company Uganda	176	2,593
	217,797	186,223
ii) Purchases from related parties		
	2019	2018
	Kes '000	Kes '000
Kenya seed company limited	561,379	206,690
iii) Outstanding balances arising from sale and purchase of goods/services or advances to/from related companies		
	2019	2018
	Kes '000	Kes '000
a) Due from Group Companies		
Kibo seeds company limited	58,333	53,632
Simlaw seeds company Uganda Ltd	11,155	11,582
Mt Elgon seeds company limited	<u>25,285</u>	<u>25,285</u>
	94,773	90,499
less provision- Mt Elgon seeds company limited	<u>(25,285)</u>	<u>(25,285)</u>
	69,488	65,214
b) Due from related parties		
Kenya Farmers Association	11,891	10,852
Ministry of Agriculture	4,865	4,865
County Governments	34,094	9,914
Provision of doubtful debts	<u>(11,440)</u>	<u>(13,700)</u>
	39,410	11,931
c) Due to parents company		
Current account sales	25,997	88,868
Current account purchases	<u>(677,414)</u>	<u>(831,982)</u>
Kenya seed company limited	(651,417)	(743,114)

Simlaw Seeds Company Limited
Notes to the financial Statements for the year ended June 30, 2019

	2019	2018
21.INVENTORIES	Kes '000	Kes '000
Seeds and materials finished	235,455	384,647
Work in progress	395,448	359,346
Obsolete Inventories	<u>(40,908)</u>	<u>(30,045)</u>
	<u>589,995</u>	<u>713,948</u>
22.TRADE AND OTHER RECEIVABLES	2019	2018
	Kes '000'	Kes '000'
Trade and other receivables	166,783	177,470
Provision for bad and doubtful debts	<u>(8,041)</u>	<u>(7,934)</u>
	<u>158,742</u>	<u>169,536</u>
Growers receivables	8,859	7,259
Provision for bad and doubtful debts	<u>(5,687)</u>	<u>(4,998)</u>
	<u>3,172</u>	<u>2,261</u>
Other receivables	43,618	43,554
Provision for bad and doubtful debts	<u>(4,669)</u>	<u>(4,633)</u>
	<u>38,949</u>	<u>38,921</u>
Staff Receivables	9,801	10,011
VAT recoverable	-	8,424
Pre-payments	993	419
	<u>10,794</u>	<u>18,854</u>
	<u>211,657</u>	<u>229,572</u>

Simlaw Seeds Company Limited

Notes to the financial Statements for the year ended June 30, 2019

At 30th June 2019, the aging analysis of the gross trade receivables was as follows:

Period	2019 Kes '000'	2018 Kes '000'
Less than 30 days	32,457	25,125
Between 30 and 60 days	36,895	19,730
Between 61 and 90 days	15,804	14,718
Between 91 and 120 days	81,627	109,963
Over 120 days		
Total	166,783	169,536

23 SHARE CAPITAL	2019 Kes '000	2018 Kes '000
Authorized share capital: 5,000 ordinary shares of Kshs 40 each	200	200

24. CASH & CASH EQUIVALENTS	2019 Kes '000	2018 Kes '000
Cash In Hand	776	1,110
Barclays Bank Of Kenya	20,928	10,373
Kenya Commercial Bank	89,216	60,830
	<u>110,920</u>	<u>72,313</u>

25. REVALUATION RESERVE

The revaluation reserve relates to the revaluation of certain items of property, land, building, plant and equipment As indicated in the statement of changes in equity, This is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

26. RETAINED EARNINGS

The retained earnings represent amounts available for distribution to the company's shareholders. Undistributed retained earnings are utilized to finance the company's business activities.

27. CAPITAL EXPENDITURE COMMITMENTS

	2019	2018
	Kes '000	Kes '000
Authorised but not contracted for	92,211	108,000

28. 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 management. Credit quality of the customer risk assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with

Simlaw Seeds Company Limited

Notes to the financial Statements for the year ended June 30, 2019

this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by valid contracts. For the growers the credit risk arises when there is a crop failure due adverse weather conditions.

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

	2019	2018
	Kes '000	Kes '000
Net trade receivables	158,748	169,536
Other receivables	52,909	60,036
	211,657	229,572

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).

	2019	2018
	Kes '000	Kes '000
Past due but not impaired:		
- by up to 30 days	32,457	25,125
- by 31 to 60 days	36,895	19,730
- by 61 to 90 days	15,804	14,718
- over 90 days	81,627	109,963
	<u>166,783</u>	<u>169,536</u>

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Movement in provisions for doubtful debts:

	2019	2018
	Kes '000	Kes '000
As at 1 July	12,561	8,042
Recoveries during the year	(3,404)	(269)
Provisions for the year	1,315	4,788
As at 30 June	<u>10,472</u>	<u>12,561</u>



a) Cash and cash equivalents

The cash and cash equivalents of Kes,'000' 110,920 (2017:Kes'000' 72,313) held with reputable banks and financial institutions

(b) Market risk

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

Interest rate risk

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

	Change in Interest rate	Effect on profit Before Tax Kes '000	Effect on Equity Kes '000
2019	-10.00%	56,955	7,499
	10.00%	(56,955)	(7,499)
2018	-10.00%	18,365	12,856
	10.00%	(18,365)	(12,856)

Exchange risks

The Company operates in Kenya, Tanzania and Uganda. The operations in Tanzania and Uganda are significantly autonomous from those in Kenya and most of the transactions are carried out in the local currencies. Other transactions in the foreign currency are carried out in the relatively stable US Dollars. Therefore, the net investments in these subsidiaries are exposed to foreign exchange risk upon consolidation of the financial statements and any losses/ (gains) are charged / (credited) to other comprehensive income.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

USD	Change in currency rate	Effect on profit Before Tax Kes '000	Effect on Equity Kes '000
2019	-10.00%		
	10.00%		
2018	-10.00%	(293)	(205)
	10.00%	293	205

(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.

31. TRADE AND OTHER PAYABLES

	2019 Kes '000	2018 Kes '000
Trade and other Payables	85,992	102,405
	85,992	102,405

Simlaw Seeds Company Limited
Notes to the financial Statements for the year ended June 30, 2019

32. EMPLOYEE BENEFITS OBLIGATIONS

	2019 Kes'000	2018 Kes'000
(a) Leave pay provision		
At the beginning of the year	4,161	5,868
Leave Paid	(1,088)	(1,296)
Provision for leave pay	3,839	(411)
At the end of the year	<u>6,912</u>	<u>4,161</u>
(b) Gratuity provision		
At the beginning of the year	8,034	5,818
Gratuity paid	(6,312)	(5,737)
Provision for gratuity	5,928	7,953
At the end of the year	<u>7,650</u>	<u>8,034</u>
	<u>14,562</u>	<u>12,195</u>

33. Capital Reserves

	2019 Kes'000	2018 Kes'000
Capital reserves	144,298	144,298

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

34. BANK LOAN

	2019 Kes'000	2018 Kes'000
As at 1 st July	61,854	63,275
Additions	(2,457)	(15,909)
Repayments	<u>59,397</u>	<u>61,854</u>
Loan from Kenya Commercial Bank		

Borrowing relates to a bank loan for purchase of property at Number 2, Kijabe Street, L.R. no 209/4360/33, used as security for Loan. The loan was acquired from Kenya Commercial Bank for duration of 5 Years, at an interest rate of 17%.

APPENDIX I: 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.

REPORTED	MATTER	MANAGEMENT COMMENTS	RESPONSIBLE PERSON	TIME FRAME	STATUS
Management letter 2018	Separation of cost of Land and building that have been combined	The management to address the issue through valuation.	Finance Manager	June 2019	Resolved
Management letter 2018	The fixed asset register has not been updated to include date of acquisition ,location of asset and status of asset	Management to ensure the asset tagging software capture all the parameters raised.	Human resource & Finance Manager	June 2019	Resolved
Management letter 2018	Other receivables relating to inventory differences between physical and stores record.			Dec 2020	Unresolved
Management letter 2018	Confirmation of amount due from other subsidiaries	Management to ensure the amount due from other subsidiaries are timely reconciled	Finance manager	June 2019	Resolved
Management letter 2018	Procurement of Security services internally	Management to procurement its security services independently		June 2020	Unresolved
Management letter 2018	Working capital management on long outstanding trade and other receivables	The matter is still being addressed by the management.	Finance Manager	Dec 2020	Unresolved
Management letter 2018	Delay in completion of proposed additions and refurbishment of	The delay was occasioned by the requirement of installation of French drainage system that	General Manager	June 2019	Resolved

Simlaw Seeds Company Limited

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	office in Kijabe street	had not foreseen. The project has now been completed			
Management letter 2018	Long outstanding amounts due to related parties	Management to ensure timely payment of inter company supplies and have a payment plan for long outstanding debts	Finance Manager	Dec2020	Unresolved
Management letter 2018	Lack of company's internal audit arrangements	Management to establish internal audit section function in the Midterm review of strategic plan	General manager	Dec2020	Unresolved
Management letter 2017	Delay in accounting for staff advances and staff imprest	The Long outstanding staff advances for staff who left are to be reconciled and investigated and recommend for write off amount unrecoverable	Human resource & Finance Manager	Dec2019	Unresolved
Management Letter 2017	Staff Car Loan Agreements	The staff loan agreements are still with the Parent Company.	Human resource & Finance Manager	Dec 2018	Resolved
Management Letter 2017	Fringe Benefit Tax	The organization began compiling fringe benefit tax in June 2017.			Resolved
Management Letter 2017	Supporting documents for expenses not stamped paid	The company is still working towards ensuring this is adhered to.			Resolved
Management Letter 2017	Handling payroll by ICT	The processing of payroll by ICT to be handled by Human resource department and Finance			Resolved
Management Letter 2017	Incomplete Employee	Management to			Resolved

Simlaw Seeds Company Limited

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	files	consolidated all documents			
Management Letter 2017	Late filling of Statutory deduction	The management to ensure statutory returns are file in time			Resolved
Management Letter 2017	Variance between valuation of inventory	The company is still working towards resolving this issue.			Resolved
Management Letter 2017	Under insurance of inventory	The company will relook in to that in the next financial year.	Finance Manager	Dec 2018	Resolved
Management Letter 2017	Capitalization policy	The company is still working on capitalization policy	Finance Manager	Dec 2020	Unresolved
Management Letter 2017	Compliance to laws on ethnic diversity	The managements is still in the process of complying.	General Manager	Ongoing	Unresolved
Management Letter 2016	Insufficient control over procurement of imported seed inventory	The company trades in a competitive seed environment that requires unique traits and attributes of seeds that go through vigorous research trial before commercialization and finally adoption by farmers.			Resolved
Management Letter 2016	Insufficient controls over purchases Kenya Seed.	The company has put in place adequate controls over company purchases.			Resolved
Management Letter 2016	Inconsistent accounting treatment	The clearing charges have been correctly accounted for in the			Resolved

Simlaw Seeds Company Limited

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	of clearing charges	current financial year.			
Management Letter 2016	Variance between valuation of inventory	The company is still working towards resolving this issue.			Resolve
Management Letter 2016	Under insurance of inventory	The company will relook in to that in the next financial year.	Finance Manager	Dec2018	Resolve
Management Letter 2016	Negative Margin on Products	The company will try resolving the matter in the financial year.			Resolve
Management Letter 2016	Incorrect Accounting for unrealized gains or losses	The company has correctly accounted for unrealised gains and losses in current year.			Resolve
Management Letter 2016	Tagging of Assets	The company has acquired an asset management system and has tagged of all assets.			Resolve
Management Letter 2016	Incomplete asset register	The company has now a complete fixed assets register.			Resolve
Management Letter 2016/Financial statements 2016	Variance between accounts payable balance and vendor listing	The company accounts payable and vendor listing are now in agreement.			Resolve
Management Letter 2016	Compliance to laws on ethnic diversity	The managements is still in the process of complying.	General Manager	Ongoing	Unresolve

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Financial statements 2015	Purchase of imported seed contrary to Public Procurement and Disposal Act	Overseas suppliers continued to be used and have not gone through competitive bidding process or subject to inspection and acceptance			Unresolved
Financial statements 2015	Import clearing agency not procured through competitive bidding process	The clearing agency is on prequalified supplier listing however has not gone through competitive bidding process			Unresolved
Financial statements 2015	Irregular staff advances. 2.6m held by terminated staff and 5.2m held by existing staff with no supporting documentary evidence		Human Resource / Finance Manager	June 2020	Unresolved
Management letter 2014	Absence of policy to provision for slow moving inventory	The management state slow moving inventories when kept in cool conditions could last for many years; hence the need for such a policy is still under consideration	General Manager	Dec 2018	Resolved
Management letter 2014	Absence of periodic review of the distributor's database	A period review of distributors' database is now in place.			Resolved
Management letter 2014	Lack of formal process and criteria for advancing credit	The company came up with its own policy			Resolved

Simlaw Seeds Company Limited

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	to customers				
Management letter 2014	Provisioning for bad debts		Finance Manager	Jun2019	Unresol
Management letter 2014	Imprest advanced to staff with outstanding balances		Human Resource / Finance Manager	Jun2019	Unresol

DK

Mr. David Kiplagat
General Manager

29.10.2019

Law

Mr. Lawrence Njiru
Chairman of the Board

29.10.2019

Simlaw Seeds Company Limited

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APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Status of Projects completion

The projects undertaken in the year were funded through internally generated funds and are outline below

	Project	Total project Cost' Kes'000	Total expended to date	Completion % to date	Budget Kes'000	Actual Kes'000	Sources of funds
1	Office Refurbishment	19,458	19,458	100%	19,458	19,458	Internal funds
2	Office machinery purchases	86	86	100%	86	86	Internal funds
3	Motor Vehicles purchase	3,621	3,621	100%	3,621	3,621	Internal funds
4	Furniture & equipment purchases	2,260	2,260	100%	2,260	2,260	Internal funds
5	E-commerce & softwares purchase	3,000	3,000	100%	3,000	3,000	Internal funds

Finance Manager

Simlaw Seed Company Ltd



Sign.....





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