

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY PAPERS L AID	
DATE: 08 MAR 2023	DAY: _____
<b>REPORT</b>	Hon. Owen Baya, CBS, MP
BY:	Deputy Majority Leader
CLERK-AT THE-TABLE:	Christine Ndumbu

**OF**

**THE AUDITOR-GENERAL**

**ON**

**SIMLAW SEEDS COMPANY UGANDA  
LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2021**





29 SEP 2022

# SIMLAW SEEDS COMPANY LIMITED

RECEIVED



# Simlaw Seeds



## Annual Report and Financial Statements For the Financial Year Ending June 30, 2021

NAMANVE INDUSTRIAL PARK  
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[www.simlawseeds.ug](http://www.simlawseeds.ug)

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





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## VISION

Preferred supplier of top quality seed in Uganda and beyond

## MISSION

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

## CORE VALUES

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

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


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

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

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

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





Indigenous Vegetable Nakati

Indigenous Vegetable Buuga



**Simlaw Seeds Company Uganda Limited**  
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**KEY SIMLAW SEEDS UGANDA LIMITED INFORMATION**  
**GENERAL INFORMATION**

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

**Directors**

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

**Non-Executive**

Dr. Indeje Wanyama Alternate Director to the PS, The National Treasury  
Mr. Mohamed Bulle Managing Director of ADC  
Dr. Eliud Mathu Kamau PS Ministry of Agriculture

**Executive**

Mr. Fred Oloibe Managing Director KSC

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

**Registered office and  
Principal place of  
Business** Plot No. 78-84 6<sup>th</sup> Street Industrial Area  
P.O. Box 21303  
Kampala, Uganda

**Principal Bankers**

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

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

**Independent and  
Principal Auditors** Auditor General  
Office of the Auditor-General  
P.O. Box 30084 – 00100 GPO  
Nairobi, Kenya

## Simlaw Seeds Company Uganda Limited

### Annual Reports and Financial Statements for the year ended 30 June, 2021

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

#### Company Shareholding

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

The shareholders of the company as at 30<sup>th</sup> June 2021 were as follows:

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

#### Our seed business

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

#### Our Seed Brands

##### 1.Hybrid Seed Maize

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

##### 2.Pasture Seed

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

##### 3.Indigenous Vegetables

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



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**5.Horticulture and other Crops**

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

**Where we operate:**

Kampala: Namanve and Plot 18-24 Nakivubo Road

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

Kapchorwa: Plot 33D, Kapchorwa Mbale Road

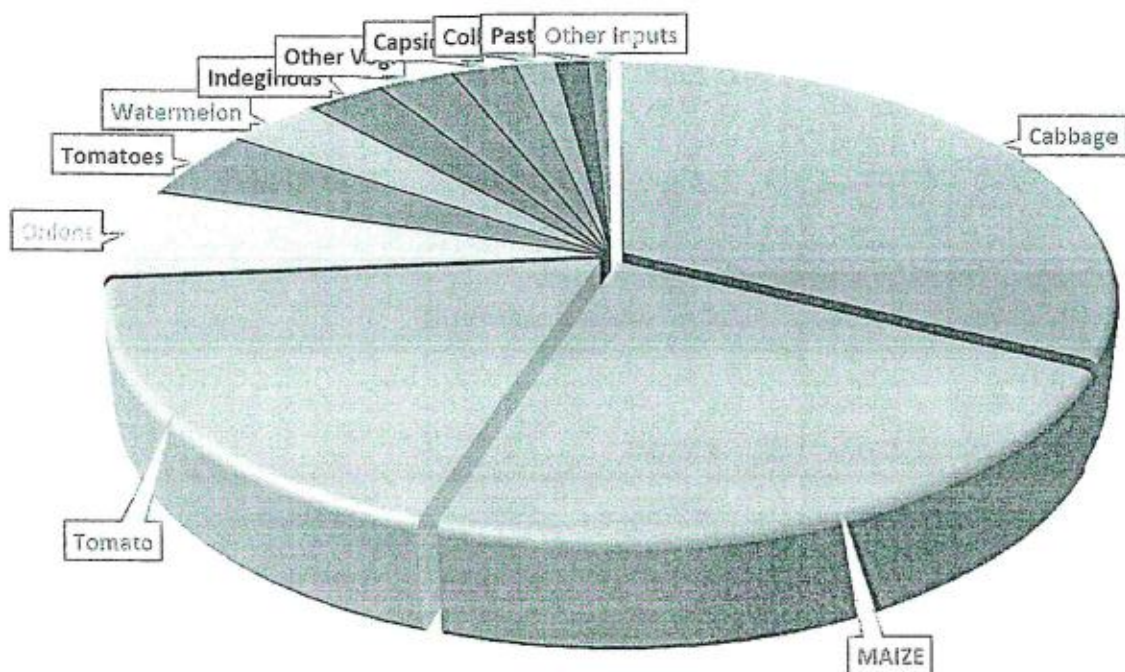
Masindi: Masindi Port Road (Next to Masindi stadium)

**FIVE YEAR PERFORMANCE TREND**

	2021	2020	2019	2018	2017
	Ushs'000'	Ushs'000'	Ushs'000'	USh'000'	USh'000'
Turnover	11,103,269	12,577,830	10,127,946	9,737,146	9,810,450
Profit before tax	307,093	625,287	(68,461)	107,326	413,522
Tax charge	87,561	84,288	-	-	-
Profit for the year transferred to retained earnings	219,532	541,000	(68,461)	107,326	413,522
Dividends		-	-	-	-
Share Capital and shareholders' Funds	458,162	238,630	(856,618)	(788,157)	(895,483)
Ordinary Share capital	1,599,492	1,599,492	1,599,492	1,599,492	1,599,492
Share holders' funds	(1,141,330)	(1,360,823)	(2,456,111)	(2,387,649)	(2,494,975)
Earnings and Dividend per Share					
Earnings per share	43,906	125,058	(13,692)	21,465	82,704
Dividend per share(UShs)		-	-	-	-

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**PERFORMANCE AT A GLANCE**



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

**11.1**

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

**307**

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

**13.8**

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

**458**

# **Simlaw Seeds Company Uganda Ltd**

## **Annual Report and Financial Statements for the year ended June 30, 2021**

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### **BOARD OF DIRECTORS**

#### **Mr. Fred Oloibe**



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

#### **Dr. Indeje Wanyama, Alternate Director to the PS, The National Treasury**

Dr. Indeje Wanyama was born on 04<sup>th</sup> September 1969. He has more than 10 years of Corporate Finance and Management. He started out as an Economist/Planning Officer in the Ministry of Education, and rose to become Deputy Director –Financial and Sectoral Affairs Department in the Ministry of Finance/The National Treasury. He previously served as Deputy Chief Finance Officer at the State Department of Livestock for two years; Assistant Director of Budget-Budgetary Supply Department in the Ministry of Finance/The National Treasury for a period of six years; and as Senior Finance Officer in the Ministry of Finance-Budgetary Supply Department for five years. He previously worked as a lecturer at USIU, and was a Lead Consultant in the development of the Strategic Plan for the Office of the Controller of Budget 2012-17 and involved in preparation of Strategic Plan for the Ministry of Water and Irrigation for the Government of Southern Sudan. He has a BA (Economics) from University of Nairobi, an MSc in Economic Policy Analysis from Addis Ababa University, Ethiopia, and a PhD in Management Science from Shanghai University of Finance and Economics. He is a Certified Public Accountant of Kenya.



#### **Mr. Eliud Mathu Kamau, Ps Ministry of Agriculture**



Mr. Eliud Mathu was born on 27<sup>th</sup> August 1968. He is a seasoned Agricultural economist with over 25 years combined working experience impacting Agricultural policy and its development at the State Department for Crop Development, including hands-on technical support to farmers at the grassroots. A versatile leader with a broad Corporate Governance experience representing the State Department in various state corporation Boards championing ethical and professional governance and policy formulation for execution of their mandates in regulation, delivery of services to Kenyans, economical processing of agricultural produce, Training and research. An avid reader who constantly develops his knowledge in new technologies in practical agricultural practices in developing countries and passionate for efficient and effective service delivery by state corporations. Current scope of influence includes senior government officials, senior executives and boards of State Corporations.



## **Simlaw Seeds Company Uganda Ltd**

### **Annual Report and Financial Statements for the year ended June 30, 2021**

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Eliud is well versed in modern agricultural economic and management trends and has consistently acquired modern skills through training and personal development attending global trainings and seminars in the United States, India, Brazil, Pakistan, Mozambique, Uganda, Japan, South Africa, China and Kenya to keep abreast with emerging trends in modern agricultural practices in developing countries. He has a Master of science in Agriculture and applied Economics at Egerton, with university of Pretoria partnership 4-month residency, Bachelor of science Agricultural Economics at Egerton University.

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



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

#### **CS. Wilkister Simiyu**

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



## **Simlaw Seeds Company Uganda Ltd**

### **Annual Report and Financial Statements for the year ended June 30, 2021**

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#### **MANAGEMENT TEAM**

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

**Mr. Fred Oloibe**



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

**Mrs. Sylvia Nanteza Kyeyune**



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



Mr. Cornelius Chemitei was born in 1978 and was appointed the Financial Controller of Simlaw Seeds Company Uganda Ltd from 10<sup>th</sup> March 2020, in Uganda, a subsidiary of Kenya Seed Company. He is a Certified Public Accountant of Kenya and Oracle Certified Professional. He has over 20 years of managerial experience having worked with Kenya Seed Company Ltd in Kitale and Simlaw Seeds Company Ltd Kenya in Nairobi in both the ICT and Finance Department.

# **Simlaw Seeds Company Uganda Ltd**

## **Annual Report and Financial Statements for the year ended June 30, 2021**

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### **CHAIRMAN'S STATEMENT**

**Dear Shareholders,**

I am privileged to present to you the annual report of financial statements of Simlaw Seeds Company Uganda for the year ended 30th June 2021.

The company experienced various challenges during the year among them cessation of movement during planting season due to the second wave (Delta Variant) of COVID-19 in Uganda, stock outs of popular varieties and delayed supply due to lack of air transport, uncertainties occasioned by delayed onset of the March-May rainfall.

#### **Business Environment Overview**

According to The IMF, the global economic recovery is continuing, even as the pandemic resurges. Vaccine access and early policy support are the principal drivers of the gaps.

The global economy is projected to grow 5.9 percent in 2021 and 4.9 percent in 2022, 0.1 percentage point lower for 2021 than in the July forecast.

Rapid spread of Delta and the threat of new variants have increased uncertainty about how quickly the pandemic can be overcome.

The African Development Bank's East Africa Regional Economic Outlook 2021 reviews the economic performance of 13 countries. Overall, East Africa's GDP growth is projected to recover to an average of 4.1% in 2021 from 0.4% in 2020, supported by the global economic recovery. However, the slow rollout of Covid-19 vaccines and risks of spikes in infections could dampen that outlook. The pandemic has had diverse impacts across the region, with countries highly dependent on tourism being the hardest hit.

Uganda's economy experienced a relatively tough environment for business with lockdowns put in place in the first quarter and fourth quarters and electioneering period in the second quarter

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

#### **Financial Review**

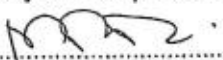
We report that the company recorded a profit of US\$ 276 million as compared to US\$ 625 million in 2019. This was majorly due to a decrease of 12% (US\$ 1.5 B) in sales and an increase in operating expenses by 10% (US\$ 60 M).

#### **Future Outlook**

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

#### **Appreciation**

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



Mohamed M. Bulle

Chairman, Board of Directors



## **Simlaw Seeds Company Uganda Ltd**

### **Annual Report and Financial Statements for the year ended June 30, 2021**

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

The Financial year 2020/2021 was characterized by very unprecedented times especially after the outbreak of the Covid-19 pandemic which totally disrupted the way of life across the whole world bringing many economies down as a result of the lock down in most countries. Despite the challenges, the pandemic also presented opportunities for the agricultural sector to feed the world and sustain economies. Simlaw Seeds took advantage of this opportunity to place herself strategically by ensuring continuous supply of quality seed to facilitate increased food security and contribute to the incomes of households. We had to come up with innovative ways to implement our planned field activities to suit the changing dynamics brought about by the pandemic while ensuring that seed was delivered as close to the farmers as much as possible. We helped improve access to quality seed through last mile deliveries.

The company achieved a sales turnover of Ug. Sh. 11.1 billion (KSh 338 million) in the year 2020/2021 compared to Ug. Sh.12.3 billion (KSh 373 million) achieved in the year 2019/2020 representing a decline of 9.7%. This resulted into a profit of Ug. Sh. 318 million (Kshs 9.7 million) compared to a profit of Ug. Sh. 453 million (KSh 13.5 million) recorded last year.

As we look back on 2020/2021, we are proud of our contribution towards achievement of the Vision 2040 through availing top quality seed to the farmers timely and affordably to increase productivity and hence increased household food security and incomes.

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

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



**Sylvia Kyeyune**  
**General Manager**

## **CORPORATE GOVERNANCE STATEMENT**

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

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

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

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

### **Board of Directors**

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

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

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

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

The board provides leadership, strategic guidance, objective and independent view of the company's management while discharging its fiduciary responsibilities thereby

## **Simlaw Seeds Company Uganda Limited**

### **Annual Reports and Financial Statements for the year ended 30 June, 2021**

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

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

#### **Board Meetings**

The Board meets at least once quarterly or more often in accordance with exigencies of the business. The Board work plan and calendar of meetings is prepared in advance. Adequate notice is given for each board meeting, the agenda and papers are circulated in good time. The Board held 2 meetings in the financial year ending 30<sup>th</sup> June 2020. During their meetings the Board reviews the Companies performance against the planned strategies and also approves issues of strategic nature.

The attendance at the Board meetings during the financial year 2019/20 is as follows:

Member	Meetings Held	Meetings Attended	% attendance
Mr. Fred Oloibe			
Dr. Indeje Wanyama	-	-	-
Mr. Eliud Mathu	-	-	-
Mr. Mohamed M. Bulle	-	-	-
	-	-	-

#### **Governance Principals**

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

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

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

## Simlaw Seeds Company Uganda Limited

### Annual Reports and Financial Statements for the year ended 30 June, 2021

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#### 1. Board of Simlaw Seeds Uganda Limited

This Board oversees the strategies of Simlaw Seeds Uganda Limited.

The attendance of the Simlaw Seeds Uganda Limited Board meetings during the financial year 2020/2021 is as under:

Member	Number of Meetings	Attendance	% of attendance
Mr. Fred Oloibe			
Dr. Indeje Wanyama	-	-	-
Mr. Eliud Mathu	-	-	-
Mr. Mohamed M. Bulle	-	-	-

#### Directors' Remuneration

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

Below is a summary of entitlement per Board Member:

Type of payment	Chairman	Member
Sitting allowance (per sitting)	\$615	\$615

#### Code of Conduct

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

#### Internal Control

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

#### Conflicts of Interest

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

**Simlaw Seeds Company Uganda Limited**  
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The directors are required to disclose their business interests that would conflict with the company business.

**Going Concern**

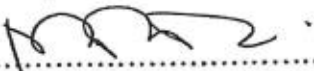
The directors confirm that the Company has adequate resources to continue in business for the foreseeable future and therefore to continue to use the going concern basis when preparing the financial statements.

**Independence**

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

**Activities and Achievements**

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

  
.....

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

Date: .....



## **BUSINESS SUSTAINABILITY**

In year ended June 2021, the COVID-19 pandemic and related economic disruptions continued to pose business and personal challenges to our employees, customers, service providers and suppliers both in Uganda and around the world. With this in mind, we are all the more grateful for the innovation, hard work and collaboration that enabled us to live up to our collective mission of availing top quality seed, through research and technology, to our customers in time to increase productivity .

Our sustainability journey is guided by our Strategic Plan. Despite the significant challenges of 2021, we made good progress toward achieving our commitments. We continued investing to accelerate innovation for farmers and nature. Under the brand our moto "Top Quality Seeds", we launched a new we have continued to increase our seed and other farm inputs portfolio aimed at providing the farmer with quality with respect to affordability and environmental impact.

## **ENVIRONMENTAL SUSTAINABILITY**

Simlaw Seeds recognizes that transition toward sustainable and climate resilient food systems is crucial to achieving food security in the region. The company is therefore investing on research and development of field crops such as beans, cowpeas and locally developed maize varieties. This is intended to target the larger household level kitchen gardens with the objective of providing nutrition, climate resilient crops and increasing the company's product portfolio.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Section A: The entity's operational and financial performance**

#### **Background**

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

#### **A1: Revenues**

Revenues declined by 12% from UShs 12.6 billion to UShs 11.1 Billion as highlighted in the table below

<b>Product Category</b>	<b>Jun-21</b>	<b>Jun-20</b>
	<b>Ushs'000</b>	<b>Ushs'000</b>
Maize	2,551,885	2,592,997
Pasture	143,065	50,281
Cabbage	3,602,835	4,930,214
Tomato	2,071,930	1,971,630
Collard	162,715	115,048
Onion	679,777	364,411
Carrot	75,720	48,056
Spinach	10,401	8,456
Indigenous	715,320	254,733
Other Vegetables	1,071,501	1,194,854
Chemicals & Fertilizer	18,120	1,047,149
<b>Total Sales</b>	<b>11,103,269</b>	<b>12,577,829</b>

The company recorded sales decrease in Seed Maize 3%, Vegetable Seed 6%, and Chemicals & Fertilizer 98%, while there was an increase of 185% in Pasture. The reduction in sales was as result of late onset of rains in April 2021, lockdowns in quarters 1 and 4 and general elections in November to February, which affected the business environment. There was also lack of popular cabbage seed varieties whereas the introduction of dairy farming pasture has improved revenue from this category.

Seed maize contributed 23% of annual sales revenue while other seeds and agricultural Inputs contributed 77% of the Company Revenues. Vegetable revenues contributed 76% of the company revenue.

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

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**A2: Profit before Tax**

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

	2021	2020
	UShs'000	UShs'000
Profit Before Tax	307,093	625,288

The Profits declined by 51% from UShs 625 million loss recorded last year to UShs 307 Million in the year.

**A3: Cash and Cash Equivalents**

The company cash and bank balance stood at a net of UShs 3.5 Billion compared to UShs 3.8 Billion at the beginning of the year. The increase is attributed to revenue generated from sales and debt recovery.

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

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

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

- (a) National Social Security Fund (NSSF)
- (b) Pay As You Earn (PAYE)
- (c) Gender Mainstreaming among others

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

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

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

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

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

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**Seed Quality Improvement**

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

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

**Major risks facing the entity**

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

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



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

**Section E: Material arrears in statutory/financial obligations**

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

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

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

## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

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

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

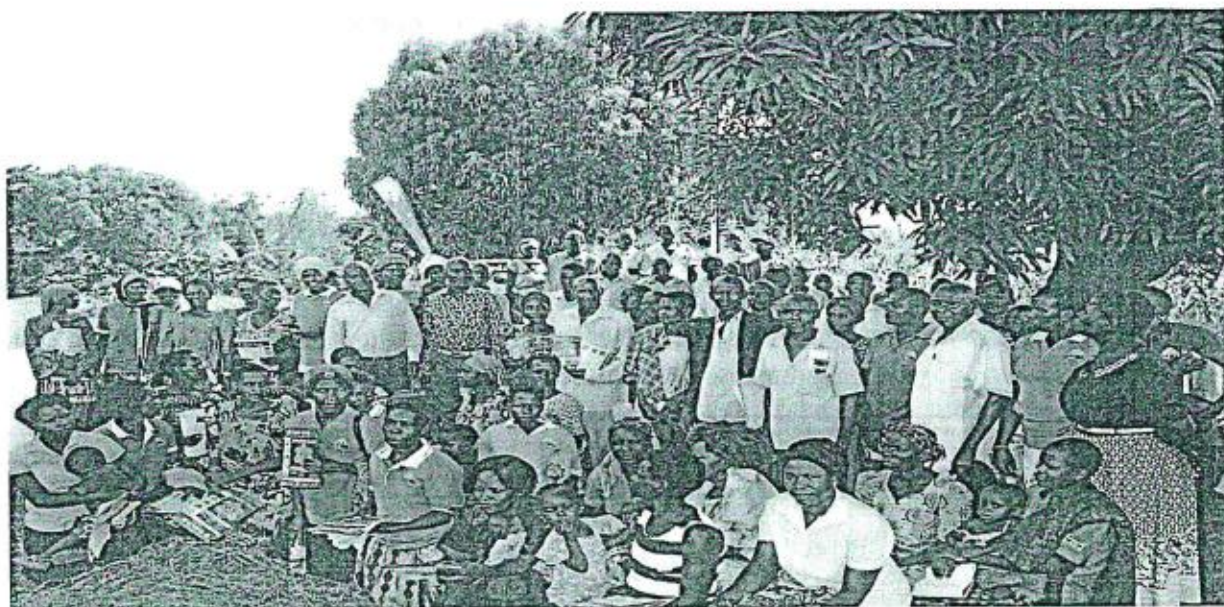
We will conduct every aspect of our business with honesty, integrity, openness and respecting human rights and the interest of our employees, customers and the stakeholders.

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

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

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





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



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

## **REPORT OF THE DIRECTORS**

The Directors submit their report together with audited financial statements for the year ended June 30, 2020 which show the state of the company affairs.

### **Principal Activities**

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

### **Results**

The results of the company for the year ended June 30, 2020 are set out on page 1 to 37. Below is summary of the profit or loss made during the year.

	2021	2020
	UShs'000	UShs'000
Profit before tax	307,093	625,287
Taxation charge	(87,561)	(84,288)
Profit for the year	219,532	541,000

### **Dividends**

The directors do not recommend the payment of dividend in respect of the year ended 30<sup>th</sup> June 2021 (30 June 2020: nil)

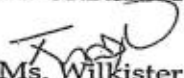
### **Directors**

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

### **Auditors**

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

BY ORDER OF THE BOARD

  
Ms. Wilkister Simiyu  
Company Secretary  
Kitale, Kenya.

Date.....



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

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

The Directors of SSCUL are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors of SSCUL accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the Uganda Company's Act. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2021, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

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

**Approval of the financial statements**

The financial statements and the accompanying notes from page 1 to 30 were approved by the Management team and will be approved by Board of Directors once it's reconstituted. Signed on its behalf by:



**Sylvia N. Kyeyune**  
General Manager



**Fred Oloibe**  
Director



**Mohamed M. Bulle**  
Chairman



# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON SIMLAW SEEDS COMPANY UGANDA LIMITED FOR THE YEAR ENDED 30 JUNE, 2021**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Simlaw Seeds Company Uganda Limited, set out on pages 1 to 38, which comprise of the statement of financial position as at 30 June, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of



comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Simlaw Seeds Company Uganda Limited as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) and comply with the Uganda's Companies Act, 2012 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Inaccuracies in Cash and Cash Equivalents Balance**

The statement of financial position reflects cash and cash equivalents balance of Ushs.3,213,332,000 as disclosed in Note 17 to the financial statements. However, the balance differs from closing cash and cash equivalents balance of Ushs.2,658,915,000 reflected in the statement of cash flows. The variance of Ushs.554,417,000 has not been explained or reconciled.

Further, the cash and cash equivalents balance includes two balances of Ushs.7,402,000 and Ushs.173,000 whose cashbooks, certificates of balance and bank reconciliations statements as at 30 June, 2021 were not provided for audit while the reconciliation statement for the current account held at Kenya Commercial Bank reflects an unrepresented cheque of Ushs.134,799 which had gone stale as at 30 June, 2021. Management did not provide any explanation for the failure to reverse of the payment in the cashbook.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Ushs.3,213,332,000 could not be confirmed.

#### **2. Inaccuracies in Non-Current Liabilities Balance**

The statement of financial position reflects non-current liabilities due to related parties and current liabilities due to related parties balance of Ushs.3,316,529,000 and Ushs.5,996,998,000 respectively all amounting to Ushs.9,313,527,000 as disclosed in Notes 21 (a) and 21 (b) to the financial statements. The balances include an amount of Ushs.7,240,231,000 due to Kenya Seed Company. However, Kenya Seed Company's financial statements reflected translated receivables due from the Simlaw Seeds Company Uganda Limited balance of Ushs.7,215,132,000 resulting to an unreconciled variance of Ushs.25,099,000.

In the circumstances, the accuracy and completeness of non-current liabilities balance of Ushs.9,313,527,000 could not be confirmed.



### **3. Inaccuracies in Trade and Other Payables Balance**

The statement of financial position reflects trade and other payables balance of Ushs.4,068,718,000 which as disclosed in Note 22 to the financial statements includes trade payables balance of Ushs.4,037,251,000 which differs from the payables listing balance of Ushs.5,989,525,000 resulting to an unreconciled variance of Ushs.1,952,274,000.

In the circumstances, the accuracy and completeness of trade and other payables balance of Ushs.9,313,527,000 could not be confirmed.

### **4. Inaccuracies in Loan Repayment**

As disclosed in Note 21(a) to the financial statements the Kenya Seed loan balance of Ushs.551,655,000 which is a reduction of Ushs.254,584,000 from Ushs.806,239,000 reflected in the previous year's audited financial statements. However, the loan repayment has been omitted the statement of cash flows. Further, evidence of repayment of the loan during the year was not provided for audit.

In the circumstances, the accuracy and completeness of loan repayment of Ushs.551,655,000 could not be confirmed.

### **5. Unsupported Other Income Balance**

The statement of profit or loss and other comprehensive income reflects other income balance of Ushs.79,015,000 which as disclosed in Note 7 to the financial statements constitutes of profit and loss on exchange of Ushs.370,046,000 and Ushs.291,031,000 respectively whose details were not provided for audit.

In the circumstances, the accuracy of other income balance of Ushs.79,015,000 could not be confirmed.

### **6. Unsupported Prior Year Adjustments**

The statement of changes in equity reflects an opening balance on accumulated losses of Ushs.1,360,862,000 which includes a prior year adjustment of Ushs.554,249,000. Although Note 24 to the financial statements indicates that the adjustment relates to invoices received after the previous financial year end, the details of the invoices were not provided. Further, the balance was deducted from opening cumulative losses contrary to the provisions of IAS 8 which require retrospective restatement of balances in the financial statements when correcting prior year errors.

In the circumstances, the accuracy of prior year adjustment balance of Ushs.554,249,000 could not be confirmed.



## **7. Property Plant and Equipment**

### **7.1 Failure to Revalue Assets**

The statement of financial position reflects property, plant and equipment balance of Ushs.1,519,973,000 as disclosed in Note 15 to the financial statements. Review of the asset register revealed that assets with a historical cost of Ushs.422,155,525 were fully depreciated. However, the assets are still in use and the Company continues to derive benefits while incurring fuel and maintenance costs.

### **7.2 Unsupported Additions to Assets Balance**

Further, Note 15 to the financial statements on the schedule of movement of assets reflects additional assets during the year valued at Ushs.338,286,000. However, procurement records for the assets were not provided for audit while assets held by the Company were not tagged for identification.

In the circumstances, the valuation and completeness of property, plant and equipment balance of Ushs.1,519,973,000 could not be confirmed.

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

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

### **Other Matter**

#### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Ushs.19,514,790,000 and Ushs.11,182,284,000 respectively resulting to an under-performance of Ushs.8,332,507,000 or 43% of the budget. Similarly, the statement reflects final expenses budget and actual on comparable basis of Ushs.18,579,000,000 and Ushs.10,875,190,000 respectively resulting to an under-expenditure of Ushs.7,703,810 or 41% of the budget.

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

## **2. Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board.

### **Other Information**

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

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the 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 Settle Long Outstanding Trade and Other Payables**

As disclosed in Note 22 to the financial statements, the statement of financial position as at 30 June, 2021 reflects trade and other payables balance of Ushs.4,068,718,000. An aging analysis of the payables revealed invoices amounting to Ushs.2,060,895,105 had been outstanding for over 180 days.

Failure to settle obligations when they fall due exposes the Company to risks of litigation and may result in extra costs.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the

financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion of 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. Failure to Recover Long Outstanding Trade and Other Receivables**

The statement of financial position reflects net trade and other receivables balance of Ushs.2,793,639,000 which as disclosed in Note 19 to the financial statements includes receivables balance of Ushs.2,079,332,000 constitutes staff receivables balance of Ushs.248,469,811. Review of aging analysis of the staff receivables revealed that receivables totalling to Ushs.86,681,450 have been outstanding for more than three (3) years although Management has made a provision of Ushs.5,128,700.

Further, the receivables balance of Ushs.2,079,332,000 includes trade debtors balance of Ushs.817,667,000 which have been outstanding for over 90 days. Management has not explained the measures it has taken to ensure recovery of the long outstanding receivables.

In the circumstances, recoverability of long outstanding receivables from staff and other debtors is doubtful.

#### **2. Failure to Dispose Obsolete Inventories**

The statement of financial position reflects inventories balance of Ushs.5,905,414,000 which, as disclosed in Note 18 to the financial statements includes obsolete maize seeds valued at Ushs.54,648,000 that has been held at Kapchorwa branch for the last two (2) years. The Company continues to incur cost on storage and security on worthless stock.

In the circumstances, continuous holding of obsolete stock in stores results in further obsolescence and avoidable storage costs and deterioration in value.

#### **3. Lack of a Functional Board**

During the year under review, the Company did not have a fully constituted Board of Directors as required by the Articles of Association. Lack of a functional Board affected oversight activities on the Company including approval of crucial documents that guide

the Company's operations such as the budget and financial statements which may have affected the overall governance of the Company.

In the circumstances, the overall oversight, governance and strategic direction of the Company may have been hampered by lack of a functional Board.

#### **4. Lack of Internal Audit Services**

During the year under review, there was no evidence of the Company having been reviewed by internal audit despite the same having been provided for in the Company's organization structure, as explained in the corporate governance statement. Further, the Company lacked documented and approved policies and procedures to guide its operations on, procurement, finance and sales and marketing functions

In the circumstances, it has not been possible to confirm whether the Company has an effective and efficient internal control mechanism to safeguard against loss of resources.

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

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by the Uganda Companies Act, 2012 and Kenya 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 my examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

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

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



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

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall 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 overall governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of



the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

07 October, 2022

**Simlaw Seeds Company Uganda Limited**  
**Annual Reports and Financial Statements for the year ended 30 June, 2021**

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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR  
THE PERIOD ENDED 30 JUNE 2021**

	Note	2021 Ushs'000	2020 Ushs'000
Revenue	5	11,103,269	12,577,830
Cost of sales	6	<u>(8,811,225)</u>	<u>(9,973,146)</u>
		2,292,044	2,604,684
<b>Gross profit</b>			
Other income	7	<u>79,015</u>	<u>(182)</u>
			2,604,502
<b>EXPENSES</b>			
Selling and distribution expenses	8	360,406	344,260
Administration expenses	9	1,317,439	1,133,354
Other operating expenses	10	<u>386,120</u>	<u>501,600</u>
<b>Total Expenses</b>		2,063,965	1,979,214
Operating Profit/(Loss)	11	307,093	625,288
Finance cost	12	-	-
<b>Profit before taxation</b>		307,093	625,288
Income tax expense	13	<u>(87,561)</u>	<u>(84,288)</u>
<b>Profit for the year</b>		219,532	541,000
<b>Profit attributable to:</b>			
Owners of the parent company		219,532	541,000
 Earnings per share attributable to:			
Basic (Ushs per share)	14	44	108
<b>Other comprehensive income:</b>			
Profit for the year		219,532	541,000
<b>Total comprehensive income</b>		219,532	541,000
<b>Attributable to:</b>			
Owners of the company		219,532	541,000

The notes set out from page 7 to 29 form an integral part of the financial statements.

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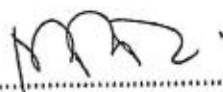
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

	Note	2021 UShs'000	2020 UShs'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property Plant & Equipment	15	1,519,973	1,302,461
Intangible Assets	16	2,261	168
		<b>1,522,234</b>	<b>1,302,629</b>
<b>Current assets</b>			
Cash and cash equivalents	17	3,213,332	3,841,463
Inventories	18	5,905,414	3,471,429
Trade and other receivables	19	2,793,639	1,857,575
Tax recoverable	13	405,787	397,069
		<b>12,318,173</b>	<b>9,567,536</b>
<b>Total assets</b>		<b>13,840,407</b>	<b>10,870,165</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	20	1,599,492	1,599,492
Accumulated Losses	20	(1,141,330)	(1,915,111)
		<b>458,162</b>	<b>(315,619)</b>
<b>Non-current liabilities</b>			
Due to Related Parties	21(a)	3,316,529	3,233,729
			-
<b>Current liabilities</b>			
Due to Related Parties	21(b)	5,996,998	5,302,791
Trade and other payables	22	4,068,718	2,649,264
		<b>10,065,716</b>	<b>7,952,055</b>
<b>Total equity and liabilities</b>		<b>13,840,407</b>	<b>10,870,165</b>

The financial statements were approved by the Board of Directors on 10<sup>th</sup> of September 2021 and signed on its behalf by;

  
 \_\_\_\_\_  
**Sylvia N. Kyeyune**  
 General Manager

  
 \_\_\_\_\_  
**Cornelius Chemitei**  
 Finance Controller  
 ICPAK M/NO: 15161

  
 \_\_\_\_\_  
**Mohamed M. Bulle**  
 Chairman, Board of Directors

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**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021**

	Share Capital UShs '000	Unallotted Shares UShs '000	Retained Earnings UShs '000	Total UShs '000
<b>Year ended 30 June 2019</b>				
As at 1 July 2018	125,000	1,474,492	(2,387,649)	(788,158)
Total comprehensive income for the year	-	-	(68,461)	(68,461)
Transfer of excess depreciation	-	-	-	-
<b>As at 30 June 2019</b>	<b>125,000</b>	<b>1,474,492</b>	<b>(2,456,111)</b>	<b>(856,618)</b>
<b>Year ended 30 June 2020</b>				
As at 1 July 2019	125,000	1,474,492	(2,456,111)	(856,619)
Total comprehensive income for the year	-	-	541,000	541,000
Prior Year Adjustment			554,249	554,249
<b>As at 30 June 2020</b>	<b>125,000</b>	<b>1,474,492</b>	<b>(1,360,862)</b>	<b>238,630</b>
<b>Year ended 30 June 2021</b>				
As at 1 July 2020	125,000	1,474,492	(1,360,862)	238,630
Total comprehensive income for the year	-	-	219,532	219,532
<b>As at 30 June 2021</b>	<b>125,000</b>	<b>1,474,492</b>	<b>1,141,330</b>	<b>458,162</b>



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**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

		2021	2020
	Notes	UShs '000	UShs '000
<b>CASHFLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before taxation		307,094	541,000
Adjustment for:-			
Depreciation	15	120,775	52,398
Amortization	16	1,113	2,233
Gain/(Loss) in Exchange			
Finance Cost			
		<u>428,982</u>	<u>595,631</u>
<b>Changes in working capital:-</b>			
Inventories	18	-2,433,985	-318,458
Trade and other receivables	19	-936,064	-757,588
Amounts due from/to related parties	21(a)	82,800	-8
Amounts due from/to Parent Company	21(b)	694,206	1,090,768
Trade and other payables	22	1,419,454	805,088
Cash flows used/generated in operations		<u>-744,607</u>	<u>1,415,433</u>
Tax paid	13	-96,280	74,612
Net cash flows used in operating activities		<u>-840,887</u>	<u>1,490,045</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment	15	-341,661	-286,185
Net cash flows from investing activities		-341,661	-286,185
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>			
Interest		-	-
Net cash flows from financing activities		-	-
Prior year adjustment			
Cash and cash equivalents:		-1,182,548	1,203,860
Movement during the year			
Effect of foreign exchange changes			
As at 1 July 2020		3,841,463	2,637,603
As at 30 June 2021		2,658,915	3,841,463

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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021**

	Final Budget 2020-2021 UShs'000	Actual performanc e 2020-2021 UShs'000	Performanc e Difference UShs'000	% Under- performanc e change
<b>REVENUE</b>				
Maize	3,647,443	2,551,885	1,095,558	30%
Pasture	246,177	143,065	103,112	42%
Vegetable Seed	15,170,949	8,390,199	6,780,750	45%
Other Seed	450,221	18,120	432,101	96%
<b>Sales</b>	<b>19,514,790</b>	<b>11,103,269</b>	<b>8,411,521</b>	<b>43%</b>
<b>cost of sales</b>	<b>14,636,000</b>	<b>8,811,225</b>	<b>5,824,775</b>	<b>40%</b>
	4,878,790	2,292,044	2,586,746	1
Other operating Income	0	79,014	-79,014	
<b>Gross Profit</b>	<b>4,878,790</b>	<b>2,371,058</b>	<b>2,507,732</b>	<b>51%</b>
Administrative expenses	2,325,000	1,317,439	1,007,561	43%
Selling and Distribution Expenses	1,106,000	360,406	745,594	67%
Other Operating Expenses	512,000	386,120	125,880	25%
	3,943,000	2,063,965	1,879,035	48%
<b>Operating Profit/(Loss)</b>	<b>935,790</b>	<b>307,093</b>	<b>628,697</b>	<b>0</b>

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

**1. Revenue:**

The Sales for the year was less than the budget by 43% due to travel restrictions that affected purchase and distribution activities.

**2. Cost of Sales:**

The Cost of goods sold was off the target by 40 % is positively correlated to the sales target.

**3. Gross profit**

The gross profit was less than the budget by 51% un achieved sales volume.

**4. Administrative Expenses**

The actual expenses was less than the budget by 44 % as a result of less staff hired than

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had been planned for.

**5. Selling and distribution**

The selling and distribution expenses recorded a saving of 67% from the budget due promotional activity that were not conducted including road shows whose impact on sales was low.

**6. Other operational expense**

There was a 25% favorable variance on the cost center due cost saving measures adopted in the face of reduced activities.

**NOTES TO THE FINANCIAL STATEMENTS**

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

**(a) Presentation of financial statements**

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

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

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

**(b) Changes in accounting policy and disclosures**

**(i) New standards, amendments, interpretations and improvements**

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

Effective for annual periods beginning on or after 1 January 2021

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

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



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

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

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

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

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

- COVID-19-Related Rent Concessions beyond 30 June 2021-Amendments to IFRS 16 Effective for annual periods beginning on or after 1 January 2022
- Reference to the conceptual framework -Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- AIP IAS 41 Agriculture – Taxation in fair value measurements

Effective for annual periods beginning on or after 1 January 2023

- Classification of Liabilities as Current or Non-current - Amendments to IAS 1
- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

Effective date postponed indefinitely

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Revenue recognition**

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

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

- Revenue from sale of goods is recognized when the company has transferred to the buyers the significant risks and rewards incidental to the ownership of the goods; and
- Interest income is recognized on time basis, using the effective interest method. Effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected useful life of the financial asset to that asset's net carrying amount.

- ii) Other income is recognized on an accrual basis. It mainly relates gain in forex exchange transactions.

**b. Property, plant and equipment**

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

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

ii) Machinery

The valuation analysis took into account the following factors:

- Cost of the machines;
- Existing use;
- Depreciation;
- Appreciation of the same in value (inflation);
- Functionality; and
- Cost of assembly of the various machines to make it a plant.

iii) Other assets – based on their fair market values

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

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

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

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

**c. Depreciation**

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

• Plant and machinery	10%
• Furniture and equipment	20%
• Motor vehicles	25%
• Computers	33.33%
• Lease Hold Land	1/Period
• Freehold land is not depreciated.	
• Buildings	5%

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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.

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#### *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.

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

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

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

#### *i. Financial instruments at fair value through profit or loss*

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

#### *ii. Held-to-maturity investments*

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

#### *iii. Loans and receivables*

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

#### *iv. Available for sale financial instruments*

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

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

#### *v. Financial liabilities at amortized cost*

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

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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.



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*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

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**Annual Reports and Financial Statements for the year ended 30 June, 2021**

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transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

**k. Provisions**

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

**l. Loan capital from parent.**

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

**m. Employee benefits**

*(i) Defined contribution scheme*

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

*(ii) Accrued leave pay*

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

*(iii) Gratuity*

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

**n. Contingent liabilities**

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

**o. Taxes**

*Current Tax*

Current tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation. The current income tax

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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;



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- 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

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ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

#### **Available - for - sale assets**

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

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

#### **Taxation**

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

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

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

# Simlaw Seeds Company Uganda Limited

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### 4. OWNERSHIP OF SIMLAW SEEDS COMPANY UGANDALIMITED

Simlaw Seeds Company (U) Ltd was incorporated in Uganda on July 8th, 2010 as a wholly owned subsidiary of Kenya Seed Company based in Kitale, Kenya.

5	REVENUE	2021	2020
		UShs'000	UShs'000
	Income from Certified Maize Seeds	2,551,885	2,592,997
	Income from Vegetable Seeds	143,065	8,887,403
	Income from Pasture Seeds	8,390,199	50,281
	Income from Other Seeds	18,120	1,047,149
	<b>Total Revenue</b>	<b>11,103,269</b>	<b>12,577,830</b>
6	COST OF SALES	2021	2020
		UShs'000	UShs'000
	Opening Stock	3,471,429	713,948
	Purchases	11,036,342	11,838,713
	Factory Overheads	208,868	891,914
	Closing Stock	(5,905,414)	(3,471,429)
	<b>Cost of Goods Sold</b>	<b>8,811,225</b>	<b>9,973,429</b>
7	OTHER INCOME	2021	2020
		UShs'000'	UShs'000'
	Profit on exchange	(370,046)	(13,430)
	Loss on exchange	291,031	13,612
	<b>Total</b>	<b>(79,015)</b>	<b>182</b>
8	SELLING AND DISTRIBUTION	2021	2020
		UShs'000'	UShs'000'
	Public Relations and advertising	142,625	130,840
	Freight and Transport	22,279	43,602
	Travelling	195,502	169,818
	<b>Total</b>	<b>360,406</b>	<b>344,260</b>
9	ADMINISTRATIVE EXPENSES	2021	2020
		UShs'000'	UShs'000'
	Salaries & Allowances	514,902	510,300
	Staff Training and Welfare	128,818	113,335
	Printing & Stationery	44,317	39,736
	Pension	-	4,545
	Medical	42,310	28,965
	Travelling	46,659	24,851
	Rent and Rates	20,947	12,992



# Simlaw Seeds Company Uganda Limited

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Audit	24,382	18,241
Legal	165,167	81,274
Directors Expenses	-	58,772
Postage & Telephone	48,524	40,036
Motor Vehicles	58,928	44,424
Power, Light and water	19,653	27,198
Repairs & Maintenance	112,132	52,684
Social Security (NSSF)	90,700	76,001
<b>Total</b>	<b>1,317,439</b>	<b>1,133,354</b>

<b>10 OTHER OPERATING EXPENSES</b>	<b>2021</b>	<b>2020</b>
	<b>UShs'000</b>	<b>UShs'000</b>
Rent & Rates	183,032	316,093
Insurance	71,418	64,227
Depreciation on other Equipment	121,888	113,146
Repairs & Maintenance	9,782	8,135
<b>Total</b>	<b>386,120</b>	<b>501,601</b>

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

	<b>2021</b>	<b>2020</b>
	<b>UShs'000</b>	<b>UShs'000</b>
Cost of sales	8,811,225	9,973,146
Selling and distribution expenses	360,406	344,260
Administration expenses	1,317,439	1,133,354
Other operating expenses	386,120	501,600
<b>And after crediting:</b>		
Other Income	79,015	-182

<b>13 (a) Tax recoverable</b>	<b>2021</b>	<b>2020</b>
	<b>UShs'000</b>	<b>UShs'000</b>
As at 1 July	397,069	471,681
Charge for the year	(87,561)	(84,288)
Paid during the Year	96,280	9,676
<b>As at 30 June</b>	<b>405,788</b>	<b>397,069</b>

<b>13(b) Taxation charge</b>	<b>2021</b>	<b>2020</b>
	<b>UShs'000</b>	<b>UShs'000</b>
Accounting Profit Before Tax	307,093	625,288
Current taxations based on adjusted profit at 30%	(87,561)	(84,288)
<b>Net Profit</b>	<b>219,532</b>	<b>541,000</b>

# Simlaw Seeds Company Uganda Limited

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13 (a) Tax recoverable	2021	2020
	UShs'000	UShs'000
As at 1 July	397,069	471,681
Charge for the year	(87,561)	(84,288)
Paid during the Year	96,280	9,676
As at 30 June	405,788	397,069

13(b) Taxation charge	2021	2020
	UShs'000	UShs'000
Accounting Profit Before Tax	307,093	625,288
Current taxations based on adjusted profit at 30%	(87,561)	(84,288)
Net Profit	219,532	541,000

## 14. EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit after tax of UShs.219,531,960 (2020: UShs540, 999,536) by the average number of ordinary shares in issue during the year of 5,000 (2019: 5,000). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

## 15 PROPERTY PLANT AND EQUIPMENT

### (a) Year ended 30 June 2021

	Land	Building	W.I.P	Machinery	Motor Vehicle	Furniture & Equipment	TOTALS
	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000
<b>COST OR VALUATION</b>							
At 1st July 2020	948,610	355,493	0	169,721	98,378	249,981	1,822,183
Additions		218,342			82,000	37,944	338,286
At 30th June 2021	948,610	573,836		169,721	180,378	287,925	2,160,469
<b>DEPRECIATION</b>							
At 1st July 2020	-	(143,607)	-	(110,500)	(49,516)	(216,099)	(519,722)
Charge for the year	(17,727)	(21,518)		(15,071)	(41,513)	(24,946)	(120,775)
At 30th June 2021	(17,727)	(165,125)		(125,571)	(91,028)	(241,046)	(640,496)
<b>NET BOOK VALUE</b>	<b>930,883</b>	<b>408,711</b>		<b>44,150</b>	<b>89,350</b>	<b>46,879</b>	<b>1,519,973</b>

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**b) Year ended 30 June 2020**

	Land	Building	W.I.P	Machinery	Motor Vehicle	Furniture & Equipment	TOTALS
	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000
<b>COST OR VALUATION</b>							
At 1st July 2019	880,810	199,560	67,356	113,756	98,378	176,297	1,536,157
Additions	67,800	63,956	80,708	48,150	-	25,404	286,018
At 30th June 2020	948,610	263,516	148,064	161,906	98,378	201,701	1,822,175
<b>DEPRECIATION</b>							
At 1st July 2019	-	(191,160)	-	(91,326)	(28,503)	(156,334)	(467,324)
Charge for the year	-	(2,233)	-	(13,519)	(21,013)	(15,626)	(52,391)
At 30th June 2020	-	(193,393)	-	(104,845)	(49,516)	(171,967)	(519,714)
<b>NET BOOK VALUE</b>	948,610	70,123	148,064	104,845	48,863	29,734	1,302,461

Fixed assets consist of assets which are fully depreciated amounting to UShs 432,702,740 (2020 UShs 287,819,429)

**16 INTANGIBLE ASSETS**

**(a) Year ended 30 June 2021**

	UShs'000 Computer Software	UShs'000 Totals
<b>COST OR VALUATION</b>		
At 1st July 2020	74,592	74,592
Additions	3,375	3,375
At 30th June 2021	77,967	77,967
<b>DEPRECIATION</b>		
At 1 <sup>st</sup> July 2020	74,592	74,592
Charge for the year	1,114	1,114
At 30th June 2021	75,706	75,706
<b>NET BOOK VALUE</b>	2,261	2,261

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Intangible assets consist of assets that were fully depreciated amounting to UShs 77,798,939 (2020 UShs 68,384)

**17. CASH & CASH EQUIVALENTS**

Financial Institution	Account No.	2020 Ushs'000	2020 Ushs'000
Kenya Commercial Bank, UShs.	2202575138	635,133	1,610,480
Kenya Commercial Bank, USD	2202638024	7,402	-
Kenya Commercial Bank, KShs	2200834721	173	-
Centenary Bank, UShs	3100044408	2,570,621	2,230,982
<b>Total</b>		<b><u>3,213,329</u></b>	<b><u>3,841,462</u></b>

2021 2020

**18. INVENTORIES**

	Ushs'000'	Ushs'000'
Maize	2,108,453	777,694
Cabbage	1,752,739	272,746
Tomatoes	378,370	674,658
Other Vegetables	1,338,424	1,550,123
Packaging	378,801	242,938
Chemicals	799	4,390
Fertilizers	2,476	3,528
Provision for Obsolete Stock	(54,648)	(54,648)
<b>Total</b>	<b><u>5,905,414</u></b>	<b><u>3,471,429</u></b>

**19. TRADE AND OTHER RECEIVABLES**

	2021 UShs'000	2020 UShs'000
Trade and other receivables	2,079,332	1,203,314
VAT recoverable	627,660	312,693
Pre-payments	256,041	510,963
Provision for bad and doubtful debts	(169,395)	(169,395)
<b>Total</b>	<b><u>2,793,639</u></b>	<b><u>1,857,575</u></b>

At 30<sup>th</sup> June 2021, the aging analysis of the gross trade receivables was as follows

Period	2021 UShs'000	2020 UShs'000
Less than 30 days	404,650	234,172
Between 30 and 60 days	459,981	266,192
Between 61 and 90 days	397,032	114,023



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Between 91 and 120 days	817,667	588,926
<b>Total</b>	<b>2,079,332</b>	<b>1,203,314</b>

	<b>2021</b>	<b>2020</b>
	<b>UShs'000</b>	<b>UShs'000</b>
<b>20. EQUITY</b>		
Authorized, Issued & Fully Paid 5,000 ordinary Shares of UShs 25,000 Each	125,000	125,000
Unallotted share capital	1,474,492	1,474,492
Accumulated Losses	(1,141,330)	(1,360,862)
<b>Total</b>	<b>458,162</b>	<b>238,630</b>

**21 RELATED PARTIES TRANSACTIONS AND BALANCES**

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

	<b>2021</b>	<b>2020</b>
	<b>Ushs'000'</b>	<b>Ushs'000'</b>
<b>a) Amounts due to related parties – Long term liabilities</b>		
Kenya seed company Limited	691,579	503,310
Mt Elgon Seeds Company limited	1,798,384	1,582,752
Simlaw Seeds Company limited – Nairobi	274,911	341,428
Kenya seed Loan	551,655	806,239
<b>Total</b>	<b>3,316,529</b>	<b>3,233,730</b>
<b>b) Amounts due to related parties – Current liabilities</b>		
Kenya seed company Limited	5,996,997	5,302,791
<b>Total</b>	<b>5,996,997</b>	<b>5,302,791</b>

**22. TRADE AND OTHER PAYABLES**

	<b>2021</b>	<b>2020</b>
	<b>UShs'000</b>	<b>UShs'000</b>
Trade Payables	4,037,251	2,646,044
Other payables	31,467	3,220
<b>Total</b>	<b>4,068,718</b>	<b>2,649,264</b>

**23. CAPITAL EXPENDITURE COMMITMENTS**

<b>2021</b>	<b>2020</b>
<b>Ushs'000</b>	<b>Ushs'000</b>

**Simlaw Seeds Company Uganda Limited****Annual Reports and Financial Statements for the year ended 30 June, 2021**

Authorised but not contracted for	1,651,833	1,413,000
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**24. PRIOR YEAR ADJUSTMENT**

The accounts have been restated to incorporate the impact of Credit Sales Invoices that were received and recorded after 30 June 2020. The change has resulted in increase in the opening Trade Receivables and Reduction of Accumulated Losses by US\$ 554,249,345

		US\$'000
30.06.2020	Retained Earnings(Accumulated Losses)-Audited	(1,915,111)
30.06.2020	Sales Invoices Received After Year End	554,249
30.06.2020	Restated Balance (Accumulated Losses)	(1,360,861)
30.06.2021	Pre-Tax Profit for the Year	276,401
30.06.2021	Accumulated Losses	(1,084,461)
30.06.2020	Trade Receivables Audited	1,857,575
30.06.2020	Sales Invoices Received After Year End	554,249
30.06.2020	Trade Receivables Audited (Restated)	2,411,824
30.06.2021	Trade Receivables	1,651,833
30.06.2021	True Movement In Receivables (Statement of Cash Flow)	759,990

# Simlaw Seeds Company Uganda Limited

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## PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<b>REPORT ON FINANCIAL STATEMENTS</b>					
<b>Basis for Qualified Opinion</b>					
1.0-2019	<b>Trade &amp; Other Receivables</b> The Trade & Other Receivables reflect a balance of Ushs 1,099,987,499 as at June 2019 while the age analysis reflects a figure of 1,830,503,927 resulting in a variance of UShs 730,516,428. Additionally Ushs 61,640,500 owed to 15 staff had remained uncollected for periods ranging from 120 to 180 days.	Staff loans are recoverable over their contracted period which may be as long as 3 years.	Finance Controller.	Not Resolved	30 June 2021
1.1-2019	<b>Air Travel Expenses</b> Under Local Travelling expense an amount of UShs 47,557,826 was incurred on travel services for directors by a local firm however procurement records were not availed. Further the payment vouchers were not supported with travel documents	The firm was procured by the parent company and the company now requires the travelling officials to surrender boarding passes	Finance Controller	Not Resolved	30 June 2021
1.2-2019	<b>Unsupported Directors Expenditure.</b> Allowance to directors amounting to Ushs 211,125,620 which were paid to a staff member without being	The restriction of movements during the period	Finance Controller	Not Resolved	30 June 2021

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	authorized or approved further this figure also contains an amount of Ushs 66,822,300 which was not supported by the board.	after the audit limited follow up on this issue			
1.3-2019	<b>Property Plant &amp; Equipment</b> The procurement for the construction of the Jinja Exhibition House amounting to Ushs 42,000,000 did not adhere to procurement rules & Regulations	The management used the request for quotation method.	Finance Controller	Not Resolved	30 June 2021
1.4-2019	<b>Amounts Due to Related Parties</b> An amount of Ushs 7,447,752,701 were not supported by agreements between this company and the related party	The current balances related to inter-company trade within the Kenya Seed Group While the non-current Balance relates to for Stock & Cash injected into the company at inception.	General Manager	Not Resolved	30 June 2021
1.5-2019	<b>Unsupported &amp; Irregular Purchases</b> Included in the figure for cost of sales is an amount of UShs 6,854,931,688 unsupported by tenders quotations, evaluation reports and contract agreements	This products were procured from specialized suppliers	General Manager	Not Resolved	30 June 2021



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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		of Simlaw Seeds in Kenya due to their high quality products that have wide appeal among the customers. Furthermore the small number of administrative staff prevents the company from complying.			
2.0-2019	<b>LAWFULNESS AND EFFECTIVENESS IN THE USE OF RESOURCES</b>				
2.1-2020	<b>Un-Authorized Expenditure</b> Expenses amounting to US\$ 297,329,421 which were not included in the approved budget for the year contrary to Section 12 of the State corporations Act				
2.2-2020	<b>Trade &amp; Other Payables</b> Included in accounts payable is an amount of 1,501,665,263 which have remained unpaid for over 180 days	The aged analysis generated from the system was misleading because the invoices had not	Finance Controller	Not Resolved	June 2021

# Simlaw Seeds Company Uganda Limited

Annual Reports and Financial Statements for the year ended 30 June, 2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		been marched with payments done in the subsequent month. The system & SOP's will be improved to produce an accurate ageing list			
3.0-2019	EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE				
3.1-2019	<b>Absence of Board of Directors</b> The term of all the six directors expired on 7 February 2020, and there was no evidence that new directors have been appointed.	The Covid 19 movement restrictions from 21 March 2020 delayed the process of appointment of new directors	General Manager	Not Resolved	31 March 2021
3.2-2019	<b>Lack of Risk Management Policy</b> The company did not have in place customized risk management policy hence no guidelines on how to identify and mitigate operational, legal and financial risks.	A Risk Management Policy is being developed to be approved once the BoD convenes.	General Manager	Not Resolved	30 June 2021
3.3-2019	<b>Lack of Disaster Recovery Plan</b>	A disaster	General	Not	30 June

**Simlaw Seeds Company Uganda Limited**  
**Annual Reports and Financial Statements for the year ended 30 June, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	The company did not have a disaster recovery plan that would otherwise help it to restart in case of a disaster	recovery policy is being developed to be approved once the BoD convenes	Manager	Resolved	2020
3.4.2019	<b>Lack of Approved Staff Establishment and Policies</b> The company operated without an Authorized staff establishment and there were no policies governing staffing, posting, training, skill retention and succession	A draft Staff Establishment & Policy has been developed by management but it awaits BoD Approval	General Manager	Not Resolved	30 June 2021
3.5-2019	<b>Legal &amp; Regulatory Requirements Under Companies Act, Uganda</b> -Failure to appoint Managing Director and Company Secretary -Failure to Hold Annual General Meeting -Failure to File Returns to the Registrar of Companies -Failure to officially appoint an Auditor -Failure to Maintain Register of Members and Directors	This requires BoD Approval which will be sought as soon as one is appointed	General Manager	Not Resolved	30 June 2021
2.0	<b>Accuracy, Completeness and presentation of the financial statements</b>				
1.1	<b>Presentation of Financial Statements</b> The financial statements presented for audit revealed the following:	The presentation of Financial statement was	Finance Controller	Resolved	N/A

# Simlaw Seeds Company Uganda Limited

Annual Reports and Financial Statements for the year ended 30 June, 2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)																		
	<p>(i) The statement of profit or loss and other comprehensive income reflects profit for the year of Ushs.107,325,910 which has been arrived at after deducting finance costs of Ushs.43,160,944 contrary to the requirements of International Public Sector Accounting Standards</p> <p>In the circumstance, the financial statements are not in line with the International Public Sector Accounting Standards.</p>	presented in line with IFRS																					
1.2	<p><b>Unsupported Adjustments to financial statements</b></p> <p>The adjustments detailed below, have been made to the financial statements originally submitted for audit for the year ended 30 June 2018;</p> <table><tr><th>Item description</th><th>Balance as per original submitted financial</th><th>Balance as per amended financial statement</th></tr><tr><td></td><td>Ushs.</td><td>Ushs.</td></tr><tr><td>Trade and other receivables</td><td>1,533,028,374</td><td>1,687,969,633</td></tr><tr><td>Trade and other payables</td><td>2,382,297,572</td><td>2,520,291,058</td></tr><tr><td>Long Term Liabilities</td><td>3,375,214,080</td><td>3,422,355,745</td></tr><tr><td>Administrative</td><td>1,164,693,957</td><td>1,554,692,666</td></tr></table> <p>However, approved journal vouchers were not provided in support of these adjustments.</p> <p>In view of the foregoing, the completeness, validity and</p>	Item description	Balance as per original submitted financial	Balance as per amended financial statement		Ushs.	Ushs.	Trade and other receivables	1,533,028,374	1,687,969,633	Trade and other payables	2,382,297,572	2,520,291,058	Long Term Liabilities	3,375,214,080	3,422,355,745	Administrative	1,164,693,957	1,554,692,666	These were journal entries to value receivables , payables and related party balances at year end. The journal vouchers are available	Finance Controller	Resolved	N/A
Item description	Balance as per original submitted financial	Balance as per amended financial statement																					
	Ushs.	Ushs.																					
Trade and other receivables	1,533,028,374	1,687,969,633																					
Trade and other payables	2,382,297,572	2,520,291,058																					
Long Term Liabilities	3,375,214,080	3,422,355,745																					
Administrative	1,164,693,957	1,554,692,666																					



**Simlaw Seeds Company Uganda Limited**  
**Annual Reports and Financial Statements for the year ended 30 June, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	accuracy of the financial statements for the year ended 30 June 2018 could not be ascertained.				
2.0	<p><b>Unsupported Procurements</b>  Note 6 to the financial statements reflects purchases figure of Ushs.8,941,613,578 during the year under review. However, the signed contracts between the Company and suppliers were not made available for audit scrutiny.</p> <p>Consequently, the validity, fair competition and accuracy of the purchases figure of Ushs.8,941,613,578 could not be confirmed.</p>		General Manager	Not resolved	June 2020
3.0	<p><b>Un supported Amounts due to Related Parties</b>  The statement of financial position as at 30 June 2018 reflects amounts due to related parties balance of Ushs.3,422,355,745 as disclosed in note 19(a) to the financial statements. However, management did not provide for audit review supporting documents for this balance.</p> <p>In consequence, the accuracy, validity and completeness of the amounts due to related parties balance of Ushs.3,422,355,745 as at 30 June 2018 could not be confirmed.</p>	Parent company and Simlaw Kenya confirmed their balances	Finance Controller	Not resolved	June 20120
4.0	<p><b>Land Valuation</b>  The statement of financial position as at 30 June 2018 reflects property, plant and equipment of Ushs.939,433,474</p>	Valuation was done	General Manager	Resolved	N/A

# Simlaw Seeds Company Uganda Limited

Annual Reports and Financial Statements for the year ended 30 June, 2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	which includes a parcel of land valued at Ushs.815,231,700 procured during the year under review. However, the pre purchase valuation report has not been made available for audit review. Although management has explained that the land was procured on willing buyer willing seller basis, it is not possible to confirm that value for money was obtained in the procurement of land. As a result, the value of land included in property ,plant and equipment balance of Ushs.939,433,474 could not be ascertained as being fairly stated.				
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b>					
<b>Basis for Conclusion</b>					
1.0	<b>Rents and Rates</b> The statement of profit or loss and other comprehensive income for the year ended 30 June 2018 reflects other operating figure of Ushs.405,648,560 which includes rent and rates figure of Ushs.326,767,136 as disclosed under note 19 to the financial statements. Available information revealed that included in the rent and rates figure of Ushs.326,767,135.53 is Ushs.8,745,000 in respect of lease for the company branch office located at Kapchorua whose lease agreement was not provided for audit review. Consequently, the propriety of the expenditure of Ushs.8,744,999.97 for the year ended 30 June 2018 could be confirmed.	Agreement for all rental premises were availed.	Finance Controller	Resolved	N/A

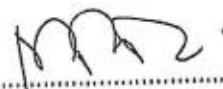
# Simlaw Seeds Company Uganda Limited

Annual Reports and Financial Statements for the year ended 30 June, 2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<b>REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS</b>					
<b>Basis for Conclusion</b>					
1.0	<b>Internal Control Environment</b> The company does not have a formally approved ICT Policy. In addition, a review of available records indicated that internal audit function is performed by auditors and audit committee of Kenya Seed Company Limited. No reason was provided for not establishing an internal audit function as required by section 162 of the Public Finance Management Regulations, 2016.	It is still under Work in progress	Finance Controller	Not resolved	December 2020
2.0	<b>Lack of approved staff establishment</b> The statement of profit or loss and other comprehensive income reflects administrative expenses of Ushs.1,554,692, 666 which includes Wages and salaries of Ushs.580,036,069 which has not been supported by an approved staff establishment.	This is still work in progress	General Manager	Not resolved	December 2020

2021 and signed on its behalf by;

  
Sylvia N. Kyeyune  
General Manager

  
Mohamed M. Bulle  
Chairman, Board of Directors

Simlaw Seeds Uganda is a proud member of the Kenya Seed Group of Companies

