

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing in the Definitions section of this Circular apply, mutatis mutandis, throughout this Circular from the cover page to all appendices and attachments (unless the context indicates a contrary intention).

### Action required:

- This entire Circular is important and should be read with attention to the section titled "Action required by Seed Co Limited shareholders"
- If you are in any doubt as to the action you should take, please consult your stockbroker, banker, accountant or other professional advisor immediately; and
- If you no longer hold any shares in Seed Co Limited, you should send this Circular as soon as possible to the stockbroker, bank or other agent through whom the sale of your shareholding in Seed Co Limited was executed for onward delivery to the purchaser or transferee of your shares.



## The African Seed Company

### SEED CO INTERNATIONAL LIMITED

(Incorporated in Botswana)

Registration number: 2000/3152

BSE code: SCIL UIN: BW: 0000 2529282

### SEED CO LIMITED

(Incorporated in Zimbabwe)

Registration number: 217/83

ZSE code: SEED.zw ISIN: ZW000 901 150 4

## CIRCULAR TO SEED CO LIMITED SHAREHOLDERS

### REGARDING

- An Offer by Seed Co International Limited to all Seed Co Limited shareholders to acquire the shares held by them to be settled through the issuance of new Seed Co International Limited shares on the basis of 1 Seed Co International Limited ordinary share for every 0.98 Seed Co Limited ordinary shares held; and incorporating
- A form of Acceptance Surrender and Transfer for use by Seed Co Limited shareholders who wish to accept the Offer.

*Financial Advisors to Seed Co International Limited*



*Independent Financial Advisors to the Independent Directors of Seed Co Limited*



*Legal Advisors*



*Independent Reporting Accountants & Auditors*



*Transfer Secretaries*



*Sponsoring Brokers*



**Date of issue: Wednesday 13 January 2021**

This Circular is available in English only. Additional copies of this Circular may be obtained from the Company Secretary at the Registered Offices of Seed Co Limited and the Transfer Secretaries, at the addresses set out in the "Corporate Information" section of this Circular, during normal business hours on Business Days. A copy of this Circular will also be available for viewing and downloading on Seed Co Limited's website (<https://www.seedcogroup.com/zw/>)

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## CORPORATE INFORMATION AND ADVISORS

<b>Seed Co Limited Directors</b>	<ol style="list-style-type: none"> <li>1. D.E.B. Long (Independent Non-Executive Chairman)</li> <li>2. M. Nzwere (Group Chief Executive Officer)</li> <li>3. J. Matorofa (Group Finance Director)</li> <li>4. D. Jacquemond (Non-executive Director)</li> <li>5. R.C.D. Chitengu (Independent Non-executive Director)</li> <li>6. P. Spadin (Non-executive Director)</li> <li>7. Dr. D. Garwe (Independent Non-executive Director)</li> <li>8. P. Gowero (Non-executive Director)</li> <li>9. M.S. Ndoro (Independent Non-executive Director)</li> <li>10. F. Ruwende (Non-executive Director)</li> <li>11. F. Savin (Non-Executive Director)</li> </ol>
<b>Company Secretary &amp; Registered Office</b>	<b>T. N. Chimanya</b> <b>Seed Co Limited</b> 1 Shamwari Road, Stapleford P.O. Box WGT 64 Westgate <b>Harare, Zimbabwe</b>
<b>Financial Advisors to Seed Co International Limited</b>	<b>Corporate Excellence Financial Advisory Services (Private) Limited</b> 3 Drummond Chaplin Street Milton Park <b>Harare, Zimbabwe</b>
<b>Independent Financial Advisors to the Directors of Seed Co Limited</b>	<b>Deloitte Advisory Services (Private) Limited</b> West Block Borrowdale Office Park Borrowdale Road Borrowdale <b>Harare, Zimbabwe</b>
<b>Sponsoring Brokers</b>	<b>ABC Stockbrokers</b> First Floor, Heritage House 67 Samora Machel Avenue <b>Harare, Zimbabwe</b>
<b>Legal Advisors</b>	<b>Atherstone &amp; Cook Legal Practitioners</b> Praetor House 119 Josiah Chinamano Avenue <b>Harare, Zimbabwe</b>
<b>Independent Auditors &amp; Reporting Accountants</b>	<b>Ernst &amp; Young Chartered Accountants (Zimbabwe)</b> Registered Public Auditors Angwa City, Corner Julius Nyerere Way/Kwame Nkrumah Avenue <b>Harare, Zimbabwe</b>
<b>Transfer Secretaries</b>	<b>Corpserve Registrars (Private) Limited</b> 2 <sup>nd</sup> Floor, ZB Centre Corner First Street and Kwame Nkrumah Avenue <b>Harare, Zimbabwe</b>

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**CERTAIN FORWARD-LOOKING STATEMENTS**

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This Circular contains statements which are or may be, “forward-looking statements” which are prospective in nature. All statements, other than statements of historical fact are, or may be deemed to be, forward-looking statements, including, without limitation, those concerning strategy, the economic outlook, production, cash flows and other operating results; growth prospects and outlook for operations, individually or in the aggregate; liquidity, capital resources and expenditure and the outcome and consequences of any pending litigation proceedings. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “planned”, “may”, “estimated”, “potential” or similar words and phrases.

Examples of forward-looking statements include statements regarding a future financial position or future profits, cash flows, corporate strategy, anticipated levels of growth, estimates of capital expenditures, acquisition strategy and expansion prospects, or future capital expenditure levels and other economic factors, such as, amongst other things, interest and exchange rates.

All these forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. SCL cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industries in which SCL operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions, as regards SCL and made by SCL as communicated in publicly available documents, all of which are estimates and assumptions, although SCL believes them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Many factors (including factors not yet known to SCL or not currently considered material) may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those estimates, statements or assumptions.

SCL Shareholders should keep in mind that any forward-looking statements made in this Circular or elsewhere are applicable only at the date on which such forward-looking statements are made. New factors that could cause the business of SCL not to develop as expected may emerge from time to time and it is not possible to predict all of them. The extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement are not known. SCL has no duty to, and does not intend to, update or revise the forward-looking statements contained in this Circular after the date of issue of this Circular, except as may be required by law.

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**ACTION REQUIRED BY SEED CO LIMITED SHAREHOLDERS**

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This Circular is important and requires your immediate attention. The action you need to take is set out below. If you are in any doubt as to what action to take, you should consult your agent, stockbroker, banker, accountant, attorney or any other professional advisor. If you have disposed of your Shares, this Circular should be handed to the purchaser of such Shares or to the agent or stockbroker who disposed of your Shares for you.

**Action**

Shareholders who wish to accept the Offer must complete the form of acceptance, surrender and transfer attached to this Circular in accordance with the instructions therein. The completed form of acceptance, surrender and transfer must be forwarded, together with the relevant share certificates or any other proof of ownership, by hand, mail or email to the transfer secretaries, as follows:

**By Hand**

Corpserve Registrars (Private) Limited  
2<sup>nd</sup> Floor, ZB Centre  
Corner First Street and Kwame Nkrumah Avenue  
**Harare, Zimbabwe**

**By Mail**

Corpserve Registrars (Private) Limited  
2<sup>nd</sup> Floor, ZB Centre  
Corner First Street and Kwame Nkrumah Avenue  
**Harare, Zimbabwe**

**By Email**

[corpserve@escrowgroup.org](mailto:corpserve@escrowgroup.org)

To be received by the Transfer Secretaries by no later than 1600 hours on the closing date, Wednesday 3 February 2021.

Neither Seed Co Limited, nor any of their advisors take any responsibility, nor will be held liable for any failure on the part of any stockbroker, asset manager or custodian to notify a shareholder of the Offer and/or to obtain instructions from a shareholder and submit acceptances timeously to the transfer secretaries.

**It is mandatory for all BSE listed company securities to be held in dematerialized form in depository accounts with the Central Securities Depository of Botswana ("CSDB"). The CSDB depository accounts can be opened through any Stockbroker in Botswana or with the facilitation of Corpserve Zimbabwe and CSDB.**

- **Shareholders are advised to update their records with Corpserve Zimbabwe, the Transfer Secretaries in Zimbabwe, for ease of securities depository account opening with the CSDB where applicable subject to applicable Exchange Control Regulations of Zimbabwe.**

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**IMPORTANT DATES AND TIMES**


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**Timetables**

<b>Event</b>	<b>Date</b>
Full Circular incorporating Offer posted to SCL shareholders	Wednesday, 13 January 2021
Abridged Circular to SCL Shareholders published	Wednesday, 13 January 2021
Primary Offer opens at 0900 hours	Wednesday, 13 January 2021
Primary Offer closes at 16000 hours	Wednesday, 3 February 2021
Primary Offer results released	Friday, 5 February 2021

**Notes**

- The above dates are subject to such changes as may be agreed by the Boards of SCL and SCIL and approved by the ZSE, if required and any amendments will be published in the Zimbabwean press, the ZSE portal and on SCL's website.
- Although the salient dates and times are subject to change, such statements may not be regarded as consent or dispensation for any change in time periods which may be required in terms of the COBE, where applicable, and any such consents or dispensations must be specifically applied for and granted.
- The Primary Offer will close at the earlier of the announcement of the acquisition of a Control Block and commencement of the Secondary Offer or at 1600 hours on Wednesday 3 February 2021.
- In terms of the COBE, the Offer for remaining shares must remain open for at least thirty [30] days from the date of sending the Offer to shareholders. Accordingly, the Offeror reserves the right to change the closing date of the Offer for remaining shares to a later business day, which date shall not be earlier than 30 days after the opening date of the Offer.
- All times indicated above and elsewhere in this Circular are Zimbabwean standard times.

## DEFINITIONS

In this Circular the following definitions apply, unless otherwise stated or the context indicates otherwise, the words in the first column have the meanings stated opposite them in the second column. Words in the singular shall include the plural and vice versa, and words importing natural persons shall include juristic persons, whether corporate or incorporate and vice versa.

"ABC Stockbrokers"	ABC Stockbrokers, a member of the ZSE and the Sponsoring Brokers for the Offer.
"Atherstone & Cook" or "Legal Advisors"	Atherstone & Cook Legal Practitioners, the legal advisors to SCIL on the Proposed Transaction.
"Articles"	The Articles of Association of Seed Co Limited.
"Auditors"	Ernst and Young Chartered Accountants (Zimbabwe).
"BSE"	The Botswana Stock Exchange.
"Circular"	This Circular, dated Wednesday, 13 January 2021, addressed to Shareholders of SCL which sets out the details of the Offer to SCL shareholders.
"Closing Date"	The date on which the Primary Offer closes being Wednesday 3 February 2021.
"COBE"	The Companies and other Business Entities Act of Zimbabwe (Chapter 24:31) as amended.
"Conditions precedent"	Conditions precedent to the mandatory Offer set out in paragraph 4.6 of this Circular.
"Control Block"	Thirty-five percent (35%) or more of the total ordinary shares of SCL, a control and takeover threshold defined in the COBE.
"Corporate Excellence"	Corporate Excellence Financial Advisory Services (Private) Limited, a Securities and Exchange Commission of Zimbabwe licensed financial advisory services company and Lead Financial Advisors to SCIL on the Offer.
"Corpserve Zimbabwe"	Corpserve Registrars (Private) Limited, the Transfer Secretaries to Seed Co International Limited and Seed Co Limited in Zimbabwe.
"CSDB"	Central Securities Depository Company of Botswana Limited, the Transfer Secretaries to SCIL in Botswana.
"Deloitte"	Deloitte Advisory Services (Private) Limited, a Securities and Exchange Commission of Zimbabwe licensed financial advisory services company and Independent Financial Advisors to SCL on the Offer.
"Directors"	The directors of Seed Co Limited whose names appear on page 3 of this Circular under the Corporate Information and Advisors section.
"Documents of Title"	Share certificates, dematerialised shares in CSD accounts, certified transfer deeds, balance receipts or any other physical documents of title to shares acceptable to the issuer of such shares.
"EY"	Ernst and Young Chartered Accountants (Zimbabwe), SCL's Independent Auditors and Reporting Accountants.
"Form of Acceptance, Surrender and Transfer" or "Form"	The form, included in this Circular, which interested SCL Shareholders must complete and send back to the Transfer Secretaries.
"Independent advisor"	The independent professional expert that the SCL Board has appointed to advise and report on the Offer, which is Deloitte.
"Independent Directors"	Independent members of the Board of Seed Co Limited comprising D.E.B Long, R.C.D Chitungu, D Garwe and M.S Ndoro.
"Last practicable date"	Friday 8 January 2021, being the last practicable date prior to finalisation of this Circular.

"Non-resident shareholder"	SCL shareholder who is resident outside Zimbabwe.
"Offer" or "the Offer"	The Offer by SCIL, to acquire, on terms set out in this Circular, from SCL Shareholders, their SCL shares for the Offer Consideration.
"Offer consideration"	1 SCIL ordinary share for every 0.98 ordinary shares held by SCL Shareholders payable in new SCIL ordinary shares.
"Offer for remaining shares"	The notice by SCIL to SCL Remaining shareholders of its intention to acquire their shares on the same terms as those on which the Control Block was acquired.
"Offeree"	SCL Shareholders to whom the Offer is being made.
"Offeror"	Seed Co International Limited, a public company incorporated and domiciled in Botswana, unique identification number BW0000 2529282 and listed on the BSE (primary listing) and the VFEX (secondary listing).
"Offer Participants"	SCL Shareholders who validly and lawfully accept the Offer by the closing date, and who are thus entitled to receive the Offer consideration.
"Opening date"	The opening date of the Primary Offer, being Wednesday 13 January 2021.
"Register"	The register of shareholders of SCL maintained by the Transfer Secretaries.
"Remaining shareholders"	65% of SCL shareholders remaining after the acquisition of a Control Block in SCL by SCIL.
"SCIL"	Seed Co International Limited, a public company incorporated and domiciled in Botswana whose ordinary shares are listed on the BSE and VFEX and the Offeror.
"SCL" or "the Company"	Seed Co Limited, a public company incorporated in Zimbabwe whose ordinary shares are listed on the ZSE and is the subject of this document.
"Settlement Date"	The date on which the Offer consideration will be credited to the Offer Participants' CSD accounts on or about the Settlement Date.
"Stockbroker"	Any person registered as a securities dealer in terms of the rules of the Securities and Exchange Act (Chapter 24:25).
"Transfer Secretaries" or "Corpserve"	Corpserve Registrars (Private) Limited, the Zimbabwean Transfer Secretaries to Seed Co Limited and Seed Co International Limited.
"the SCL Shareholders"	The SCL shareholders to whom the Offer is being made.
"US\$"	The United States of America dollar, an allowable trading currency in Zimbabwe.
"VFEX"	The Victoria Falls Stock Exchange Limited
"VWAP"	Volume Weighted Average Price.
"ZSE"	The Zimbabwe Stock Exchange.
"ZSE Listings Requirements"	The Securities and Exchange (Zimbabwe Stock Exchange Listings Requirements) Rules, Statutory Instrument 134 of 2019.
"Z\$"	The Zimbabwe dollar, the official trading currency in Zimbabwe.



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## CIRCULAR TO SCL SHAREHOLDERS

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### 1. Introduction and purpose of this Circular

Seed Co International Limited ("SCIL") was incorporated on 7 July 2000 in Botswana under the International Financial Services Centre. It is registered under company unique identification number BW0000 2529282. The Company was a wholly-owned subsidiary of Seed Co Limited ("SCL") until 9 August 2018 when the Shareholders of SCL approved the partial unbundling and separate listing of SCIL. SCIL was partially unbundled through a dividend-in-specie of its shares to SCL Shareholders. SCL retained a 27% shareholding in SCIL which it still owns to date.

SCIL and SCL operate under 'the African Seed' brand with their operations falling under the same management and sharing various support and technical functions. Following recent developments in the economy necessitated by the Zimbabwean monetary authorities' desire to stabilise the economy through eliminating foreign exchange volatilities, the Board of Directors of SCIL resolved to bundle the two Companies. The bundling will be achieved through the acquisition of 100% of SCL's issued share capital by SCIL by way of an open market Offer in compliance with the COBE and the ZSE Listings Requirements.

The Government of the Republic of Zimbabwe ("Government of Zimbabwe"), through the monetary and fiscal authorities introduced a cocktail of measures aimed at stabilizing the Zimbabwean economy. Some of the measures include:

- i) taming the perennial budget deficit that had become an albatross on the entire economy;
- ii) introducing the auction foreign currency trading system;
- iii) suspending the trading in the shares of dual-listed companies on the ZSE in order to eliminate implied foreign currency exchange rates;
- iv) creating the VFEX as a special economic zone (offshore financial services center) stock exchange that will trade in USD and accompanied with various fiscal incentives;
- v) transferring dual listed companies' secondary listings from the ZSE to the VFEX; and
- vi) several monetary policy interventions aimed at curbing activities on the parallel foreign currency exchange market.

Stability in the foreign exchange rate is regarded as the backdrop of economic stability in Zimbabwe as it is envisaged as a solution to tame speculative behavior and local currency inflation. Investigations undertaken by Zimbabwean monetary authorities noted that implied exchange rates were being derived from the comparison of dual listed share prices on the ZSE and other exchanges. Such implied exchange rates were believed to be leading indicators of parallel foreign exchange rates. This perception compelled the authorities to suspend trading in the shares of dual listed companies on the ZSE. The authorities have subsequently facilitated the creation of the VFEX, where in the first instance it is envisaged dual listed companies including SCIL will trade in USD.

To consummate the proposed acquisition of SCL by SCIL, this Circular has been prepared and issued for the purposes of presenting the Offer that is being made by SCIL to the Shareholders of SCL in terms of the ZSE Listings Requirements and COBE.

## **2. Migration of SCIL's secondary listing from ZSE to VFEX and restoration of SCIL shares' fungibility**

SCIL's secondary listing on the ZSE was terminated on 23 October 2020. SCIL's shares were subsequently listed on the VFEX on 26 October 2020. On 5 November 2020, the Minister of Finance and Economic Development announced the lifting of all fungibility restrictions on SCIL's shares following the suspension of fungibility of the shares on 15 March 2020. Accordingly, and subject to prevailing exchange control regulations regarding fungibility, SCIL shares are now freely transferrable for trading on either the BSE or the VFEX and the transferability is allowed in either direction.

## **3. Rationale for the Offer**

The rationale for the Offer is premised on SCIL's:

- a) strategic response to the changes in the status of its Secondary Listing in Zimbabwe brought about by policy initiatives introduced by the Government of Zimbabwe. It is now thought that transferring only one of the entities, SCIL, to the VFEX trading in US\$ while leaving SCL on the ZSE trading in Z\$ will not protect value for shareholders. Against this background, SCIL deemed it strategically fit to integrate SCL's operations under SCIL with a view to strengthening the profile of SCIL following its Secondary Listing's migration from the ZSE to the VFEX. This integration of the Zimbabwean operations will make SCIL's profile on the VFEX comparable to its dual listed counterparts whose make up comprise both international and Zimbabwean operations.
- b) long-term strategy of being the "African Seed Company" whose realization will not be achieved with the exclusion of the Zimbabwean operations held through SCL. It should be noted that despite the partial unbundling and separate listing of SCIL, the majority shareholding structure of SCIL continue to mirror that of SCL. In addition to this strategic pursuit, benefits of the proposed acquisition of SCL by SCIL also include the harmonization of synergies as well as the elimination of duplicated functions and associated costs:
  - harmonization of governance structures;
  - harmonization of administrative functions;
  - elimination of costs of maintaining two listed entities such as annual listing fees and disclosure costs (annual reports and shareholder meetings);
  - seamless sharing of support and technical functions including but not limited to Human Resources, ICT, Finance, R&D and Marketing; and
  - leveraging the SCIL regional balance sheet to access affordable hard currency debt and equity funding as and when necessary. The current structure puts SCIL in a dilemma of making sure the sister operations in Zimbabwe survive the turbulence in Zimbabwe in a manner that does not raise conflict of interests from a related-party perspective.

By accepting the Offer, existing and eligible new Zimbabwean shareholders will also have full exposure:

- to the country risk hedge provided by the regional operations of SCIL; and
- foreign currency dividend distributions by SCIL which already reports its financial results and pays out dividends in US\$.

If the SCL acquisition does not take place, then SCIL and SCL will both remain separate companies with substantially the same shareholding and the benefits outlined above will not be available to either SCIL or SCL.

#### 4. Terms of the Offer

SCIL hereby offers to acquire, on the terms set out in this Circular, from the SCL Shareholders all their SCL ordinary shares for the Offer Consideration. SCL Shareholders who accept the Offer by the Closing Date shall receive 1 new SCIL share for every 0.98 shares they hold in SCL. The share swap is based on the relative intrinsic values of SCIL and SCL determined through an independent valuation of the two companies. The share swap ratio represents a premium of 5% on the average 30-day and 60-day VWAPs of SCIL and SCL shares as of 26 June 2020.

The Offer will be implemented in accordance with the COBE and the ZSE Listings Requirements in three stages as follows:

**a) Primary Offer: -**

The publication of this Circular shall constitute SCIL's Primary Offer to the Shareholders of SCL from the date of publication to the date of receiving acceptances aggregating to 35% of all the issued shares of SCL. Acceptances of the Offer by 35% of the Shareholders of SCL will constitute an acquisition by SCIL of a Control Block in SCL in terms of the provisions of COBE and the mandatory offer requirements of the ZSE Listings Requirements.

**b) Secondary Offer: -**

It is SCIL's intention to invoke the takeover provisions of the ZSE Listings Requirements and COBE immediately after receiving acceptances in aggregate of 35% of the entire issued share capital of SCL. Immediately after receiving acceptances by holders of at least 35% of the entire issued shares of SCL, SCIL will, through an announcement in the Zimbabwean Press, the ZSE portal and on the SCL website, notify the remaining SCL Shareholders ("the Remaining Shareholders") of its intention to acquire their shares on the same terms as those by which it would have acquired the Control Block ("the Secondary Offer"). The Secondary Offer will be open for 30 days.

**c) Drag-along acquisition (*right of Offeror with 90% to squeeze out minorities*)**

If at least 90% of the Remaining Shareholders accept the Secondary Offer, SCIL shall be entitled to acquire all the remaining SCL shareholders on the same terms that applied to shares whose holders accepted both the Primary Offer and the Secondary Offer, in terms of COBE.

In the event of the Drag-along provision of COBE being triggered, SCL shareholders who do not make an election or who are untraceable will have their allotted shares held in trust by the Transfer Secretaries for onward transmission upon tendering of genuine claims by the concerned shareholders.

#### **4.1 Pricing of the Offer**

The pricing of the Offer has been adjudged to be fair and reasonable by the Independent Financial Advisors, Deloitte. Pricing of the Offer was arrived at having considered the intrinsic values of SCIL and SCL, the market values on both the BSE and ZSE before the suspension of trading of all shares on the ZSE, comparable precedent transactions, the willing-seller and willing-buyer open market offer nature of the proposed Transaction, acquisition of control to achieve SCIL's takeover objective, and the rationale for the Proposed Transaction.

#### **4.2 Offer Acceptances**

All valid acceptances received by SCIL from SCL shareholders during the Primary Offer shall be deemed to be valid acceptances for the Secondary Offer unless withdrawn through a written notice to SCIL within 48 hours after the Secondary Offer has been published.

Notwithstanding the foregoing, should the takeover and de-listing threshold of 70% SCL issued share capital acceptances to the SCIL open market offer not be reached, SCIL will not proceed with the acquisition of any SCL shares. Accordingly, the offer is therefore conditional upon acceptances to the SCIL's open market offer cumulatively exceeding 70% of SCL's issued share capital.

#### **4.3 Settlement of the Offer consideration**

- The Offer Consideration will, where the Documents of Title have been validly surrendered prior to the Closing Date, be credited to the Offer Participants' CSD accounts on or about the Settlement Date;
- SCL shareholders will get a full share for every fractional entitlement resulting from the calculation of the Offer consideration;
- Where no CSD account is held, the Offer Consideration in the form of SCIL Share Certificates due to Offer Participants will be posted to the addresses registered in the Register at the risk of such Offer Participants, unless written instructions to the contrary are furnished in the attached Form of Acceptance, Surrender and Transfer;
- If the Offer Consideration is not sent to the Offer Participant entitled thereto, or transferred directly into such Offer Participant's CSD account, because the relevant Documents of Title, have not been validly surrendered; or in the case of the Drag-along where the SCL shareholders cannot be traced or do not accept the Offer, unless otherwise agreed between SCIL, SCL and any of the Offer Participants, then the relevant Offer Consideration will be held in trust by the Transfer Secretaries for the benefit of the Offer Participants and/or untraceable SCL shareholders concerned until claimed by such relevant Offer Participants and/or untraceable SCL shareholders;

- The SCIL shares which will be exchanged with the SCL shares will be acquired by the SCL Shareholders free from any liens, charges including intermediated money transfer tax, equitable interests, third party rights and encumbrances and together with all rights attaching thereto, on or off after the Closing Date, including the right to all dividends and other distributions (if any) declared, made or paid after that date; and
- Non-Resident Zimbabwean SCL shareholders, registered as such, who accept the Offer and elect to receive SCIL shares as consideration may, subject to Zimbabwean Exchange Control Regulations, have the options of maintaining their new SCIL shares on the Secondary Register in Zimbabwe or on the Primary Register in Botswana. By default the Company will apply for the listing of all new acquisition shares on the VFEX and eligible Non-Resident shareholders may subsequently engage their Stockbroker and/or the Transfer Secretaries in Zimbabwe should they wish to migrate their new SCIL shares from the Zimbabwean Register to the Botswana Register subject to Zimbabwean Exchange Control Regulations.

#### **4.4 Termination of listing of SCL shares on the ZSE**

Subject to the Offer being accepted by shareholders of SCL to the extent that SCIL's shareholding in SCL reaches more than 70% or SCL has less than 300 shareholders, SCL will apply for voluntary delisting of SCL from the ZSE in terms of section 11(6) (b) of the ZSE Listing Requirements.

SCL Shareholders' attention is brought to the disadvantages of owning shares in an unlisted company which include but are not limited to the following:

- i) exit prospects for any remaining shareholders will be limited and share trading will have no easily determinable reference price; and
- ii) unlisted company protocols may differ from those of listed companies.

#### **4.5 Offer period**

The Primary Offer opens for acceptance at 0900 hours on Wednesday 13 January 2021 and will close at the earlier of the announcement of the acquisition of a Control Block and commencement of the Secondary Offer or at 1600 hours on Wednesday 3 February 2021. In terms of the takeover provisions of COBE, SCIL's Secondary Offer will remain open for a period of thirty days after the date on which the Secondary Offer is announced and sent to the Remaining Shareholders by way of announcement in the Zimbabwean press, the ZSE portal and on the SCL website.

#### **4.6 Conditions precedent**

The full acquisition of SCL by SCIL is subject to the following conditions being satisfactorily completed or lawfully waived:

- a) the acceptance thresholds of the Primary Offer and the Secondary Offer being reached and total acceptances reaching at least 70% of the issued shares of SCL to pave the way for the delisting of SCL from the ZSE and implementation of Drag Along provisions of the COBE.

- b) approval by the Exchange Control Authorities of Zimbabwe for SCIL, a foreign registered company, to acquire the shares of SCL; and
- c) approval of the proposed SCL acquisition by the Competition and Tariff Commission of Zimbabwe.

## 5. Tax implications

The tax treatment of the Offer Consideration is dependent on the Offer Participants' individual circumstances and on the tax jurisdiction applicable to the respective Offer Participants. Offer Participants are advised to consult their professional advisors or bank regarding their individual tax position in relation to their participation in the Offer. The Offer is made gross of tax, and where applicable Capital Gains Tax will be deducted at source prior to settlement of the Offer Consideration. Shares withheld from shareholders for tax purposes will be rounded to the nearest whole number.

## 6. Material SCL borrowings

As at the Last Practicable Date, SCL owed SCIL an amount of US\$10.4m and this debt has been successfully registered with the RBZ as legacy debt.

SCL also recently concluded a US\$12.5m, 7-year facility with Proparco Groupe Agence Francaise De Developpement, a development finance institution. The facility is secured by a pledge of SCL's 27.3% residual investment in SCIL and the principal debt service source would be SCL's research and development fees/royalty recoveries.

Draw-down on the facility is pending fulfillment of customary conditions precedent. Full details of the facility will be disclosed in SCL's next annual report.

## 7. Litigation statement

There are no legal or arbitration proceedings, pending or threatened, that SCL nor SCIL is aware, that may have or have had a material effect on the financial position of either SCL or SCIL in the 12-month period preceding the Last Practicable Date.

## 8. Future prospects of SCL post the proposed acquisition by SCIL

The prospects of SCL, if successfully acquired by SCIL, will remain to a larger extent positively correlated with the general performance of the Zimbabwean economy and the effects of the Covid-19 pandemic. To some extent, SCL's operations will continue to show some resilience to its depressed operating environment owing to the following:

- a business model at the nucleus of the food chain will continue to benefit from enhanced agriculture sector and food security focus by Government and development partners;
- the completion of the Artificial Seed Drying Plant, at the Stapleford main factory site and country head office, that is expected to deliver seed to the market early as seed can be harvested early for processing thus reducing field losses due to diseases, pests and weather elements;
- reduced foreign currency exposure through the settlement of the legacy debt;
- the support the Zimbabwean operations will receive from SCIL backed by its regional balance sheet and equity listings on the BSE and VFEX; and
- the positive results of a Covid-19 Business Continuity Plan whose implementation is currently an ongoing exercise by management under the stewardship of the Board.

## **9. Disclosures for the purposes of the Offer**

### **9.1 Information on Seed Co International Limited**

#### **Company background**

SCIL was incorporated on 7 July 2000 in Botswana under the International Financial Services Centre. The Company was a wholly owned subsidiary of Seed Co Limited, a company incorporated and domiciled in Zimbabwe, until 9 August 2018 when the shareholders of Seed Co Limited approved the unbundling and separate listing of Seed Co International Limited. SCIL was partially unbundled through a dividend-in-specie of its shares to Seed Co Limited shareholders. Seed Co Limited retained a 27.3% shareholding in SCIL which it still owns to date.

SCIL is a holding company of seed businesses in various countries falling under the "Seed Co in Africa" brand, excluding Zimbabwe. It is listed on the BSE (primary listing) and the VFEX (secondary listing).

#### **Nature of operations**

SCIL is one of the leading certified seed companies authorized to market seed varieties developed by itself, government and other associated seed breeders in its markets. From years of intensive investment in R&D, the company is involved in the breeding, multiplication and distribution of mainly hybrid seed varieties for the following crops:

- maize;
- wheat;
- soya beans;
- sugar beans;
- cowpeas;
- sorghum;
- groundnuts; and
- vegetables.

SCIL's seed products are the result of long-term scientific breeding programs. They are designed to add value to every farming operation where they apply, since they bring with them appropriate immunity, resistance or tolerance to diseases and reliable high yield performance. All SCIL's hybrids and seed varieties are protected under the Plant Breeders Rights legislation in the various jurisdictions where the Company operates.

#### **Operations in Africa**

The main business of SCIL is the production and marketing of certified cereal and vegetable seeds. The company has registered operations in the following countries:

- a) Botswana;
- b) Ghana;
- c) Kenya;
- d) Malawi

- e) Nigeria;
- f) Rwanda;
- g) Tanzania; and
- h) Zambia.

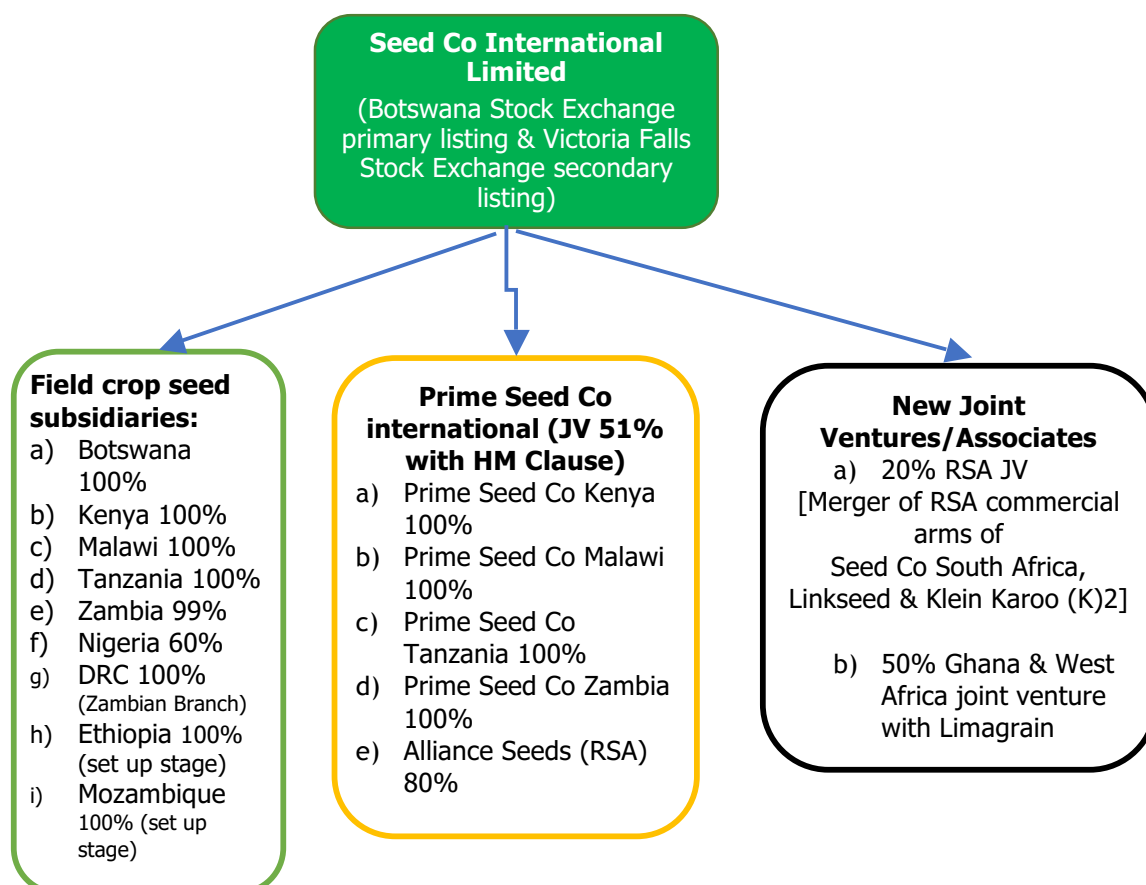
In addition, the SCIL's products are also currently being distributed in the following countries:

- a) Angola;
- b) Burundi;
- c) Ethiopia;
- d) Lesotho;
- e) Swaziland; and
- f) Uganda.

SCIL runs the largest single outgrower scheme in the seed business in Africa and has the most extensive network of farmers, infrastructure, resources, geographical reach and know-how.

### Corporate structure

The corporate structure of SCIL is illustrated in the chart below:





**Overview of country operations**

SCIL has managed to grow its presence in its market segment across Africa leveraging its brand equity and superior seed products with multi-geography adaptability characteristics. Three years ago, the company, in partnership with Limagrain's affiliate, HM Clause, also ventured into the development and distribution of vegetable seeds on the African continent.

Below is an overview of the key markets where SCIL has a presence:

**Seed Co Zambia**

Seed Co Zambia is the leading operation of SCIL, contributing the largest share to consolidated annual revenue. It is one of Zambia's leading players in the agricultural sector and it is involved in crop seed research, production, processing, distribution and marketing. Seed Co Zambia's flagship seed products include hybrid seed maize, wheat and soya bean. The business unit also markets sorghum, sugar beans, groundnuts and vegetables seeds.

Taking advantage of the unique location of Zambia in the region and Zambia's diverse agro-ecological environments, SCIL has invested in two research stations to maximize germplasm screening and development of varieties with diverse adaptability to suit Zambia and other countries in the region with similar environments. One research station is in Mpongwe district on the Copperbelt where disease pressure and rain are very high while the other station is in Lusaka, which is the most productive agro-region of Zambia. This placement gives SCI a competitive edge not only in Zambia but the region as well.

The company operates a centralized processing factory in Lusaka with a packing capacity of over 300 metric tonnes per day. This gives the business unit great efficiency in meeting big seed orders within a short period to serve Zambia and other regional markets. With the distribution network anchored around the 8 depots that are strategically located across the country, seed has been taken closer to the farmers. The depots are supplemented by a network of appointed stockists in almost every district.

Seed Co Zambia exports seed to most of the countries in the COMESA and SADC regions such as Tanzania, Malawi, Rwanda, Zimbabwe, Botswana and the Democratic Republic of Congo.

**Seed Co Kenya**

Agri-Seed Co Kenya is one of the key business units of SCIL. The business unit is involved in crop seed research, production, processing, distribution and marketing. Its flagship seed products include hybrid seed maize, sorghum and vegetable seeds.

Agri-Seed Co has a seed drying and processing plant in Kitale. The plant enables the business to meet the increasing demand of the Seed Co varieties popular in the Kenyan highlands and demand in Burundi, Uganda and Rwanda.

Seed Co Kenya leverages on information and technology and the R&D resources at its disposal to provide MLND and Striga resistant varieties for the Kenyan highlands, whilst continuing to develop the product depth and range.

### **Seed Co Malawi**

Seed Co Malawi produces and markets various cereal and legume crop seeds to the farming communities in Malawi. The business unit is involved in crop seed research, production, processing, distribution and marketing. Its flagship seed products include hybrid seed maize, soya beans, groundnuts and vegetable seeds.

Seed Co Malawi has a production plant in Lilongwe with adequate capacity to provide seed to customers timely. Seed Co Malawi is positioned to take advantage of the key role played by agriculture in Malawi. Agriculture is the main determinant of economic performance in Malawi contributing around 30% of GDP. It also drives growth in the other sectors, particularly manufacturing.

### **Seed Co Tanzania**

Seed Co Tanzania is one of Tanzania's prominent players in the seed industry. It is involved in crop seed research, production, processing, distribution and marketing. Its flagship seed products include hybrid seed maize, wheat and soya bean.

Seed Co Tanzania has 2 processing plants in the northern and southern regions of Tanzania which service the distribution depots across the country. The Northern plant produces 300S; 400S; 500S and 600S varieties which are distributed in the western, northern and southern regions of Tanzania. Whilst the processing plant in the south produces 6-800s varieties and services the north and south regions.

### **Seed Co Nigeria**

Seed Co Nigeria was incorporated in 2013 under the name Agriseed Co Nigeria Limited. It is one of the major players in Nigeria's seed industry. The company has been at the forefront of increasing farmers yield and productivity in maize production in Nigeria through the introduction of high yielding hybrid maize adapted to Nigerian ecology. This is in tandem with the current efforts of the Federal Government of Nigeria to boost agricultural productivity, create employment opportunities, enhance rural farmers income and food security.

To achieve this, Seed Co Nigeria collaborates with organization such as Institute of Agricultural Research (IAR) Zaria, International Institute of Tropical Agriculture (IITA), National Agricultural Seed Council of Nigeria (NASC), and Federal ministry of Agriculture.

### Associates and joint ventures

SCIL owns 51% of Prime Seed Co International, a joint venture with HM Clause. HM Clause is an affiliate of Limagrain, which focuses on the production and distribution of vegetable seeds in Kenya, Malawi, Tanzania, Zambia under the Prime Seed Co umbrella and Alliance Seeds in South Africa.

SCIL's newly established joint ventures and associates include:

- a) a 50% equity stake in a joint venture company, African Seed Co Company Ghana Limited that is domiciled in Ghana. The objective of this joint venture is to expand into Francophone West and Central Africa covering 13 countries. This is a predominantly yellow maize market and SCIL is seeking to leverage its strength in white maize with the strength of Limagrain in yellow maize to better serve this market with both variants of maize.
- b) an effective 20% stake in Limagrain Zaad South African (Pty) Limited, a merger of the commercial arms of Seed Co South Africa, Linkseed and K2. The main objective of this merger is to:
  - create critical mass necessary to compete with the dominant global seed companies, Monsanto and Pioneer, that equally control 90% of the South African maize seed market;
  - harness biotechnology leveraging the relatively strong R&D budget of Limagrain to develop products suited for the South African market and compete with the dominant seed companies in this market; and
  - harness the processing capacity and distribution channels of Linkseed and K2 in South Africa, Swaziland and Lesotho to better serve farmers in these markets.

### Seed Co International Limited Directors

The directors of SCIL are:

D. E. B. Long	-	Non-executive Chairman
M. Nzwere	-	Group Chief Executive Officer
J. Matorofa	-	Group Finance Director
D. P. F. Jacquemond	-	Non-Executive Director
R. de Wet	-	Independent Non-Executive Director
F. J. Azanza Moriones	-	Non-Executive Director
A. G. Baron	-	Independent Non-Executive Director
R. C. D. Chitengu	-	Non-Executive Director
P. Gowero	-	Non-Executive Director
M. S. Ngoro	-	Non-Executive Director
C. Kabaghe	-	Independent Non-Executive Director
F. Savin	-	Non-Executive Director
P. Spadin	-	Non-Executive Director
K. Moswela	-	Independent Non-Executive Director

## 9.2 Information on Seed Co Limited

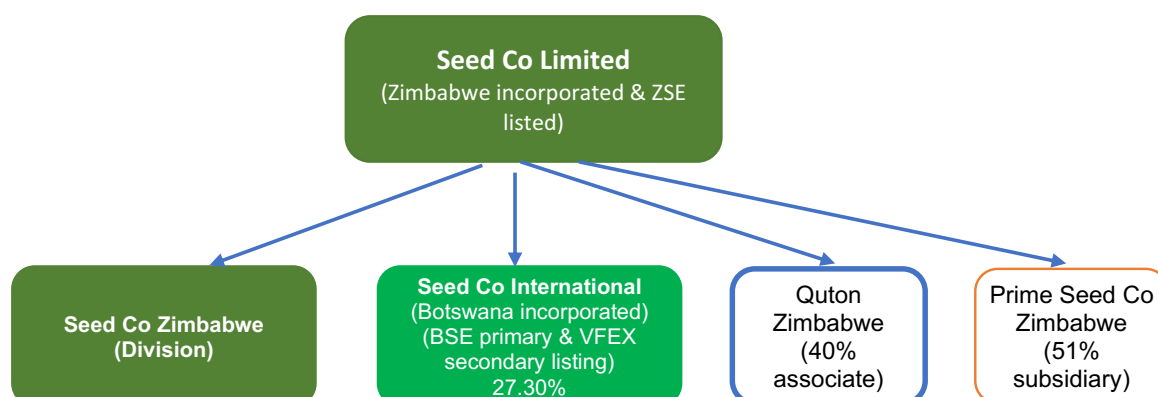
### Company background

SCL is a public company incorporated and domiciled in Zimbabwe and quoted on the Zimbabwe Stock Exchange (“ZSE”). It is the leading producer and marketer of certified crop seeds in Africa. SCL develops and markets certified crop seeds, mainly hybrid maize seed, cotton seed, wheat, soya bean, barley, sorghum and ground nut seed. Most of SCL’s hybrid and non-hybrid cereals and oil crop seed varieties are proprietary, having been developed and bred at SCL’s research stations through market-oriented research and breeding projects.

SCL retained 27.3% shareholding in SCIL following the partial unbundling and separate listing, in 2018, of SCIL, which was its wholly owned subsidiary.

### Corporate structure

The corporate structure of SCL is illustrated in the chart below:



### Seed Co Zimbabwe

This division houses SCL’s operations in Zimbabwe.

### Prime Seed Co Zimbabwe

Prime Seed Co Zimbabwe houses the Zimbabwean operations of the Zimbabwean vegetable seed business that is a joint venture between SCL and HM. Clause.

### Quton Zimbabwe

Quton is a producer and distributor of cotton seeds in Zimbabwe that also exports within the SADC region.

### Seed Co Limited Directors

The directors of SCL are:

D.E.B. Long	–	Independent Non-Executive Chairperson
M. Nzwere	–	Group Chief Executive Officer
J. Matorofa	–	Group Finance Director
D. Jacquemond	–	Non-Executive Director
R.C.D. Chitengu	–	Independent Non-Executive Director
P. Spadin	–	Non-Executive Director
Dr. D. Garwe	–	Independent Non-Executive Director
P. Gowero	-	Independent Non-Executive Director
M.S. Ndoro	-	Independent Non-Executive Director
F. Ruwende	-	Non-Executive Director
F. Savin	-	Non-Executive Director

### 9.3 Directors' interests and dealings in shares

#### SCL's interest and dealing in SCIL shares

SCL holds 104,124,874 SCIL ordinary shares representing 27.3% of the issued share capital of SCIL.

#### Directors' interest and dealing in SCIL and SCL shares

The following table illustrates the direct and indirect shareholding of the directors of SCIL and SCL in the share capital of the respective companies.

Director	Number of shares in SCIL	% holding in SCIL	Number of shares in SCL	% holding in SCL
D.E.B. Long	Nil		Nil	Nil
M. Nzwere	180,000	0.05%	180,000	0.07%
J. Matorofa	112,000	0.03%	Nil	Nil
D. Jacquemond	Nil	Nil	Nil	Nil
R.C.D. Chitengu	331	0.00%	372	0.00%
P. Spadin	Nil	Nil	Nil	Nil
D. Garwe	Nil	Nil	Nil	Nil
P. Gowero	Nil	Nil	Nil	Nil
M.S. Ndoro	Nil	Nil	Nil	Nil
F. Ruwende	12,226	0.003%	14,248	0.01%
F. Savin	Nil	Nil	Nil	Nil
K. Moswela	Nil	Nil	Nil	Nil
P. Spadin	Nil	Nil	Nil	Nil
F. J. Azanza Moriones	Nil	Nil	Nil	Nil
C. Kabaghe	Nil	Nil	Nil	Nil
R.D. Wet	Nil	Nil	Nil	Nil

**9.4 Directors' remuneration and service contracts**

The total remuneration receivable by SCL directors will not be varied because of the Offer. There are no material particulars of an abnormal nature in respect of SCL directors' service contracts which require specific disclosure, nor were any directors' service contracts entered into or amended during the period beginning six months prior to the opening date and ending on the Last Practicable Date.

The service contracts of SCL directors will not be affected by the Offer.

**9.5 Composition of the SCL board following implementation of the Offer**

SCIL does not intend to make changes to the Board of SCL following the implementation of this Offer and the subsequent delisting of SCL from the ZSE. However, should any changes occur, these shall be communicated in due course and through the appropriate channels when the decision is made.

Nothing contained in this paragraph shall preclude the board of SCL and/or SCL shareholders from removing any director of SCL in accordance with the provisions of the COBE after the implementation of this Offer and the delisting of SCL from the ZSE.

**9.6 Material agreements**

No agreements which can be considered to be material to a decision by SCL shareholders regarding the Offer have been entered into between SCL and SCIL, or between SCL and any of the directors of SCIL, or any persons who were directors of SCIL in the 12 months preceding the Offer, or between SCL and any other SCIL shareholders who hold any beneficial interests in SCL, or any person who were SCL shareholders or beneficially interested in SCL shares in the 12 months preceding the Offer.

**9.7 Irrevocable undertakings**

No irrevocable undertakings to accept the Offer have been received from Shareholders in respect of their shareholdings in SCL.

**9.8 Opinions and recommendations**

In accordance with the ZSE Listings Requirements, an independent expert is required to be appointed to provide the Independent Directors with an opinion as to whether the terms of the Offer are fair and reasonable to shareholders. The Independent Directors have appointed Deloitte Advisory Services (Private) Limited ("Deloitte") as the Independent Financial Advisors to provide them such an opinion as to whether the terms of the Offer are fair and reasonable to SCL shareholders. Taking into consideration the terms and conditions of the Offer, Deloitte is of the opinion that such terms and conditions are fair and reasonable to SCL shareholders. The independent expert's opinion is included in Appendix I to this Circular and has not been withdrawn prior to the publication of this Circular.

The Independent Directors, having had regard to the independent fair and reasonable opinion of the independent expert, have concluded that the Offer is fair and reasonable given the prospects of SCL post the proposed acquisition by SCIL.

### 9.9 Responsibility statement

The Board, insofar as any information in this Circular relates to SCL or to the matters on which it is required to opine, and the directors of SCIL, insofar as any information in this Circular relates to SCIL:

- accept responsibility for the information contained in this Circular;
- certify that, to the best of their knowledge and belief, the information contained in this Circular is true and that there are no other facts, the omission of which would make any statement false or misleading; and
- this Circular has not omitted anything that is likely to affect the importance of the information contained herein insofar as it relates to a matter which they are required to opine.

No Independent Director is excluded from the statements in this paragraph.

### 9.10 Major shareholders

As at the last practicable date, the following shareholders held more than 5% of the issued shares of SCL:

Shareholder	Number of shares	% shareholding
Vilmorin & Cie C/O	72,098,086	29.17%
Stanbic Nominees (Private) Limited	29,821,953	12.06%
Old Mutual Life Assurance Company Zimbabwe Limited	31,759,048	12.85%
National Social Security Authority	25,887,327	10.47%
<b>Major shareholders</b>	<b>153,718,651</b>	<b>64.56%</b>
<b>Total issued shares</b>	<b>247,169,845</b>	<b>100.00%</b>

### 9.11 Share price history

The price history of SCL on the ZSE is set out in Appendix IV to this Circular

### 9.12 Costs of the Proposed Transaction

The costs of the Proposed Transaction are expected to amount to approximately US\$300,000 which relate to various advisory, accounting, regulatory as well as advertising, printing and postage charges. All costs of the Proposed Transaction except the independent financial advisors' fees will be borne by SCIL, the acquirer.

The table below depicts a breakdown of the costs of the Proposed Transaction.

Description	Amount (US\$)
Professional fees	227,100
Stock Exchange, regulatory fees, printing and distribution expenses	50,000
Independent financial advisors' fees	22,900
<b>Total</b>	<b>300,000</b>

### 10. Expert consents

Corporate Excellence, ABC Stockbrokers, Ernst & Young, Corpserve, Atherstone & Cook and Deloitte have given, and have not withdrawn, their consents to the issue of this Circular with the inclusion of their logos, names and reports in the forms and contexts in which they appear.

### 11. Documents available for inspection

The following original documents, or certified copies thereof, will be made available for inspection at the registered offices of SCL, 1 Shamwari Road, Stapleford, P.O Box WGT64, Westgate, Harare Zimbabwe during normal business hours, on week days from Wednesday 13 January 2021 until the closing date of the Secondary Offer.

- the Memorandum and Articles of Association for SCL;
- the audited financial statements of SCL for the years ended 31 March 2018, 31 March 2019 and 31 March 2020. The financial statements are also available for viewing and downloading using the following link: <https://www.seedcogroup.com/investors/results/annual-reports>;
- the report by the Independent Financial Advisors to the SCL Board;
- original letter from ZSE approving publication of this Circular;
- the experts' consent letters; and
- the original signed copy of this Circular to Shareholders.

### 12. SCL Directors responsibility statement

The Directors of SCL, whose names are set out below, collectively and individually accept full responsibility for the accuracy of the information provided in this Circular and certify that, to the best of their knowledge and belief, there are no other facts the omission of which make any statement in this Circular false or misleading, that they have made all reasonable inquiries to ascertain such facts (where applicable), and that this Circular contains all information required by law.

Director	Position	Signatures
D. E. B. Long	Independent Non-Executive Chairman	Signed on original
M. Nzwere	Group Chief Executive Officer	Signed on original
J. Matorofa	Group Finance Director	Signed on original
D. P. F. Jacquemond	Non-Executive Director	Signed on original
R. C. D. Chitengu	Independent Non-Executive Director	Signed on original
P. Spadin	Non-Executive Director	Signed on original
Dr. D. Garwe	Independent Non-Executive Director	Signed on original
P. Gowero	Independent Non-Executive Director	Signed on original
M. S. Ngoro	Independent Non-Executive Director	Signed on original
F. Ruwende	Non-Executive Director	Signed on original
F. Savin	Non-Executive Director	Signed on original



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**APPENDIX I – HISTORICAL FINANCIAL INFORMATION OF SCL FOR THE YEARS ENDED 31 MARCH 2017 TO 31 MARCH 2020**

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**FINANCIAL COMMENTARY**

The Group posted turnover of Z\$1.2bn which was 91% above prior year while operating profit of Z\$643m increased by 1,579% from the prior year. PBT was Z\$10m, a 95% decrease compared to prior year. Product pricing was a challenge during the year as increases could not be effected to catch up with the runaway inflation. In addition, the value of the profits earned could not be preserved after changes in Zimbabwe's functional currency. Whilst a number of cost containment initiatives across the Group saw operating expenses decrease significantly the challenge remains to balance value preservation with keeping the business running at optimal levels.

Revenue was up by 91% compared to prior year mainly due to alignment of selling prices with inflation. The decrease in PBT was as a result of a monetary loss of Z\$696m. Maize seed sales volumes were down by 36% due to a combination of reduced disposable incomes, and poor rainfall, which is usually a catalyst for seed demand. Low dam levels and inconsistent electricity supply resulted in 13% reduction in wheat offtake.

Increase in other income was due to sale of chemicals, consumables and other non-seed items mainly to out growers. The company had sourced the inputs required for seed production early to try and preserve value and these were in turn sold to growers at prevailing prices.

Operating costs increased by 63% owing to the prevailing hyperinflationary conditions in Zimbabwe.

**Product Quality and Seed Supply**

Despite the weather challenges experienced during the season, the Company had adequate stocks to supply the market unlike previous seasons where there were product shortages. The installation of a USD\$10m Artificial Seed Drying Plant is nearing completion at the Stapleford Plant and work is now at 85% completion and should be completed by December 2020. Delays were faced as the country grappled with the foreign currency shortage. The new Artificial Seed Drying Plant, the first of its kind in Zimbabwe and Africa will bring new technology aimed at addressing the problems of high cob/kernel diseases/rots and slow dry down resulting in seed maize losses. This will also make it possible for seed growers to carry out double cropping and put Seed Co on a par with leading global seed players who have employed such technology elsewhere.

**Impact of the Covid-19 outbreak**

The first case of Covid-19 in Zimbabwe was recorded in March 2020 and the disease has continued spreading across the country. To curb the outbreak, the Government enforced a national lockdown.

The emergency measures adopted by Government had a limited impact on the Group's operations as the agriculture business of the Group fell under legally protected essential services that did not shut down completely. While there have been no recorded cases of Covid-19 within the Group, other value-chain operations of the business were affected, albeit minimally. In response to the catastrophic effects of the pandemic on lives and business, the Group swiftly formulated and implemented a Business Continuity Plan ("BCP").

Seed Co Limited Consolidated Income statements	Audited		
	Inflation adjusted		Historical
	31-Mar-20	31-Mar-19	31-Mar-18
	Z\$	Z\$	US\$
<b>Revenue</b>	<b>1,076,267,591</b>	<b>563,446,797</b>	<b>63,364,173</b>
Cost of sales	(378,007,031)	(255,826,041)	(26,714,404)
<b>Gross profit</b>	<b>698,260,560</b>	<b>307,620,756</b>	<b>36,649,769</b>
Other income	218,887,672	22,648,619	2,401,075
Operating expenses	(274,583,312)	(168,283,340)	(17,496,334)
<b>Operating profit</b>	<b>642,564,920</b>	<b>161,986,035</b>	<b>21,554,510</b>
Finance income	4,142,172	13,697,294	1,435,213
Finance costs	(34,917,546)	(4,999,440)	(131,850)
Net monetary (loss)/gain	(695,999,351)	-	-
Share of loss from joint venture	94,561,426	19,778,676	1,250,527
<b>Profit before taxation</b>	<b>10,351,621</b>	<b>190,462,565</b>	<b>24,108,400</b>
Income tax expense	(130,735,210)	(36,891,486)	(6,993,525)
<b>Profit after tax</b>	<b>(120,383,589)</b>	<b>153,571,079</b>	<b>17,114,875</b>
Profit from discontinued operations	-	537,326,290	4,316,904
<b>(Loss)/Profit for the year</b>	<b>(120,383,589)</b>	<b>690,897,369</b>	<b>21,431,779</b>
<b>Attributable to:</b>			
<b>Equity holders of the parent</b>	<b>(120,383,589)</b>	<b>690,897,369</b>	<b>21,516,060</b>
<b>Non-controlling interests</b>	<b>-</b>	<b>-</b>	<b>(84,281)</b>
	<b>(120,383,589)</b>	<b>690,897,369</b>	<b>21,431,779</b>
<b>Earnings per share</b>			
Basic earnings per share - cents	(49.19)	285.03	8.99
Diluted earnings per share - cents	(78.78)	285.03	8.94
Headline earnings per share - cents	(52.09)	63.38	8.99

Seed Co Limited	Audited		
	Inflation adjusted		Historical
	31-Mar-20 Z\$	31-Mar-19 Z\$	31-Mar-18 US\$
<b>Consolidated Statements of financial position</b>			
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant & equipment	1,030,945,775	640,224,792	31,318,103
Investment in associates and joint ventures	479,774,003	445,176,307	4,589,256
Goodwill	-	-	264,472
Non-current financial assets	5,114,646	136,191,253	12,255,332
Deferred tax asset	-	-	573,852
	1,515,834,424	1,221,592,352	49,001,015
<b>Current assets</b>			
Inventories	631,985,238	174,250,064	17,027,367
Trade and other receivables	220,203,137	183,568,184	19,014,647
Amounts due from related entities	9,481,805	71,419,318	-
Other current financial assets	-	116,437,068	40,757,278
Cash and cash equivalents	33,829,569	98,061,225	12,048,606
	895,499,749	643,735,859	88,847,898
Assets held for distribution	-	-	111,820,718
	895,499,749	643,735,859	200,668,616
<b>Total assets</b>	<b>2,411,334,173</b>	<b>1,865,328,211</b>	<b>249,669,631</b>
<b>Equity &amp; Liabilities</b>			
<b>Equity</b>			
Share capital	8,076,504	1,882,974	241,883
Non-distributable reserves	-	-	52,379,234
Share premium	396,288,873	378,451,720	-
Share based payments reserve	14,467,969	12,931,901	-
Asset revaluation reserve	523,621,392	-	-
Foreign currency translation reserve	(94,626,554)	(35,236,574)	-
Retained earnings	1,014,427,202	1,162,337,237	149,525,911
Changes in ownership reserve	-	-	562,318
Reserves of a disposal group held for distribution	-	-	(16,992,540)
<b>Equity attributable to equity holders of the parent</b>	<b>1,862,255,386</b>	<b>1,520,367,258</b>	<b>185,716,806</b>
Non-current interests	-	-	2,490,597
<b>Total equity</b>	<b>1,862,255,386</b>	<b>1,520,367,258</b>	<b>188,207,403</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	6,938,714	-	-
Deferred tax liability	362,757,974	146,462,131	6,048,175
	369,696,688	146,462,131	6,048,175
<b>Current liabilities</b>			
Trade and other payables	10,837,184	10,076,343	11,156,074
Amounts due to related entities	9,702,514	147,656,525	-
Interest-bearing loans and borrowings	57,764,478	-	906,651
Income tax payable	73,246,971	13,679,839	1,227,690
Provisions	27,830,952	27,086,115	4,710,013
	179,382,099	198,498,822	18,000,428
Liabilities directly associated with the assets held for distribution	-	-	37,413,625
<b>Total liabilities</b>	<b>549,078,787</b>	<b>344,960,953</b>	<b>61,462,228</b>
<b>Total equity &amp; liabilities</b>	<b>2,411,334,173</b>	<b>1,865,328,211</b>	<b>249,669,631</b>

Seed Co Limited Consolidated Statements of Cash Flows	Audited		
	Inflation Adjusted		Historical
	2020 Z\$	2019 Z\$	2018 US\$
Operating activities			
Profit before tax	10,351,621	190,462,564	29,568,563
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	27,930,087	11,854,840	3,557,403
(Profit)/loss on disposal of property, plant and equipment	(1,782,477)	65,293	36,836
Share of profit from associates and joint venture	(94,561,426)	(19,778,676)	(1,250,527)
Unrealised exchange losses	-	-	(68,250)
Share based payments	1,536,068	4,343,177	-
Allowance for credit losses	-	-	2,500,832
Allowance for credit losses	-	-	323,181
Finance income	(4,142,172)	(13,697,294)	(1,486,134)
Finance cost	34,917,546	4,999,440	2,489,324
<b>Operating cash flows before working capital changes</b>	<b>(25,750,753)</b>	<b>178,249,344</b>	<b>35,671,228</b>
<i>Working capital adjustments:</i>			
Increase in inventories	(457,735,174)	(68,353,227)	(5,728,808)
Increase in biological assets	-	-	(395,486)
Increase in trade and other receivables	(36,634,953)	(141,667,535)	5,937,555
Decrease/(increase) in amounts owed by related entities	61,937,513	(7,435,098)	-
Decrease/(increase) in other current financial assets	116,437,068	(26,430,127)	-
Increase/(decrease) in trade and other payables	760,841	(6,512,270)	(770,725)
(Decrease)/increase in amounts owed to related entities	(137,954,012)	53,658,611	-
Increase/(decrease) in provisions	744,837	(7,754,265)	-
Cash generated from operations	(478,194,633)	(26,244,567)	34,713,764
Income tax paid	(20,087,644)	(58,960,471)	(10,003,951)
<b>Net cash flows (utilised in)/ generated from operating activities</b>	<b>(498,282,277)</b>	<b>(85,205,038)</b>	<b>24,709,813</b>
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment	1,976,488	667,728	255,511
Purchase of property, plant and equipment	(196,821,378)	(33,101,555)	(7,947,320)
Investment in associate	-	(24,224,030)	-
Investment in other financial assets	-	-	(34,869,305)
Loans and receivables net receipts/(advances)	131,076,607	(2,879,291)	-
Dividends received	21,063,412	-	400,000
Interest received	4,142,172	13,697,294	1,486,134
<b>Net cash flows utilised in investing activities</b>	<b>(38,562,699)</b>	<b>(45,839,854)</b>	<b>(40,674,980)</b>
<b>Financing activities</b>			
Proceeds from exercise of share options	1,031,533	4,348,544	1,451,283
Proceeds from borrowings	143,764,478	-	-
Partial disposal of interest subsidiary	-	-	1,837,500
Capital contribution by non-controlling interest	-	-	1,119,336
Repayment of borrowings	(79,061,286)	(500,000)	(270,950)
Dividend paid	(4,527,295)	(83,326,134)	(5,144,872)
Interest paid	(34,917,546)	(4,999,440)	(2,489,324)
<b>Net cash flows generated from/(utilised in) financing activities</b>	<b>26,289,884</b>	<b>(84,477,030)</b>	<b>(3,497,027)</b>
Net (decrease)/increase in cash and cash equivalents	(510,555,092)	(215,521,922)	(19,462,194)
Effects of monetary gains/(losses)	446,323,436	(91,666,830)	180,065
Cash and cash equivalents at beginning of year	98,061,225	405,249,977	18,129,718
<b>Cash and cash equivalents at end of year</b>	<b>33,829,569</b>	<b>98,061,225</b>	<b>(1,152,411)</b>

Seed Co Limited Statement of Changes in Equity	Audited									
	Attributable to the equity holders of the holders of the parent					Reserves of a disposal group held for distribution				
	Issued share capital	Non distributable reserves	Retained earnings	Changes of ownership reserve	Total	US\$	US\$	US\$	Non controlling interests	Total equity
<b>As at 1 April 2017</b>	236,233	25,759,991	137,407,801	190,277	-	163,594,302	21,516,060	21,516,060	(84,281)	163,594,302
Profit for the year	-	-	21,516,060	-	-	21,516,060	-	-	(9,917)	21,431,779
Other comprehensive income	-	3,927,991	-	-	-	3,927,991	-	-	(94,198)	3,918,074
Total comprehensive income	-	3,927,991	21,516,060	-	-	25,444,051	-	-	-	25,349,853
Dividends	-	-	(10,361,153)	-	-	(10,361,153)	-	-	-	(10,361,153)
Issue of share capital	3,638	5,212,644	-	-	-	-	-	-	-	5,216,282
Exercise of share options	2,012	1,449,271	-	-	-	-	-	-	-	1,451,283
Realisation of revaluation reserve through use	-	(158,029)	158,029	-	-	-	-	-	-	-
Realisation of revaluation reserve through disposal	-	(805,174)	805,174	-	-	-	-	-	-	-
Discontinued operations	-	16,992,540	-	-	-	-	-	-	-	-
Partial disposal of interests in subsidiary	-	-	-	372,041	(16,992,540)	-	-	-	-	-
Issue of shares to non controlling interest	-	-	-	-	-	-	-	-	1,465,459	1,837,500
<b>As at 31 March 2018</b>	<b>241,883</b>	<b>52,379,234</b>	<b>149,525,911</b>	<b>562,318</b>	<b>(16,992,540)</b>	<b>185,716,806</b>	<b>2,490,597</b>	<b>2,490,597</b>	<b>1,119,336</b>	<b>188,207,403</b>
Inflation adjusted	Audited									
	Attributable to the equity holders of the holders of the parent					Reserves of a disposal group held for distribution				
	Share capital	Share premium	Share based payments reserve	Asset revaluation reserve	Foreign currency translation reserve	Retained earnings	Changes in ownership reserve	Total	Non-controlling interests	Total equity
<b>At 1 April 2018</b>	1,877,610	376,105,544	8,588,721	-	-	1,103,334,282	4,364,977	1,362,367,032	19,333,187	1,381,700,219
Profit for the year	-	-	-	-	-	690,897,382	-	690,897,382	-	690,897,382
Other comprehensive income	-	-	-	-	(35,236,574)	296,272,831	-	261,036,257	-	261,036,257
Total comprehensive income	-	-	-	-	(35,236,574)	987,170,213	-	951,933,639	-	951,933,639
Exercise of share options	5,364	2,346,176	-	-	-	-	-	2,351,540	-	2,351,540
Share based payments	-	-	4,343,180	-	-	-	-	4,343,180	-	4,343,180
Dividend - in specie	-	-	-	-	-	(953,464,336)	-	(953,464,336)	-	(953,464,336)
Dividend - cash	-	-	-	-	-	(83,326,131)	-	(83,326,131)	-	(83,326,131)
Realisation of revaluation reserve through disposal	-	-	-	-	-	108,623,209	-	(108,623,209)	-	-
Derecognition of change in ownership interest	-	-	-	-	-	-	(4,364,977)	-	-	(4,364,977)
Recycling of foreign currency translation reserve on disposal	-	-	-	-	-	-	-	240,527,311	-	240,527,311
Derecognition of change in ownership interest	-	-	-	-	-	-	-	-	(19,333,187)	(19,333,187)
<b>At 31 March 2019</b>	<b>1,882,974</b>	<b>378,451,720</b>	<b>12,931,901</b>	<b>523,621,392</b>	<b>(35,236,574)</b>	<b>1,162,337,237</b>	<b>-</b>	<b>1,520,367,258</b>	<b>-</b>	<b>1,520,367,258</b>
Profit for the year	-	-	-	-	(59,389,980)	(120,383,589)	-	(120,383,589)	-	(120,383,589)
Other comprehensive income	-	-	-	523,621,392	(59,389,980)	-	-	464,231,412	-	464,231,412
Total comprehensive income	-	-	-	523,621,392	(59,389,980)	(120,383,589)	-	343,847,823	-	343,847,823
Exercise of share options	17,198	1,014,335	-	-	-	-	-	1,031,533	-	1,031,533
Capital redenomination	6,166,626	(6,166,626)	-	-	-	-	-	-	-	-
Share based payments	-	-	1,536,068	-	-	-	-	1,536,068	-	1,536,068
Dividend - scrip	9,706	22,989,444	-	-	-	(22,999,150)	-	-	-	-
Dividend - cash	-	-	-	-	-	(4,527,296)	-	(4,527,296)	-	(4,527,296)
<b>At 31 March 2020</b>	<b>8,076,504</b>	<b>396,288,873</b>	<b>14,467,969</b>	<b>523,621,392</b>	<b>(94,626,554)</b>	<b>1,014,427,202</b>	<b>-</b>	<b>1,862,255,386</b>	<b>-</b>	<b>1,862,255,386</b>

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**APPENDIX II – INDEPENDENT ACCOUNTANTS’ REPORT ON SCL’S HISTORICAL FINANCIAL INFORMATION**

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**8 January 2021**

DM/NJM/JH

The Chief Executive Officer  
Seed Co Limited  
1 Shamwari Road  
Stapleford  
**Harare**

**REPORTING ACCOUNTANTS’ REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF SEED CO LIMITED (“SCL” OR “THE COMPANY”)**

*(A public company incorporated in the Republic of Zimbabwe under company registration number 217/83)*

**1. Introduction**

The directors of SCL are proposing:

1. The bundling of SCL into Seed Co International Limited (“SCIL”) and the subsequent delisting of SCL from the ZSE which will help to eliminate any comparable study and emergence of an implied exchange rate from the share prices of two similar counters on the ZSE (local currency) and VFEX (foreign currency).
2. SCIL shall acquire, from the SCL Shareholders all of their SCL ordinary shares for the Offer Consideration. The SCL Shareholders who accept the Offer by the Closing Date shall receive 1 new SCIL share for every 0.98 shares they hold in SCL.

The directors are responsible for the preparation of the circular to which this report relates, and the information contained therein. This report is prepared in terms of the Listing Requirements of the Zimbabwe Stock Exchange for the purpose of inclusion in the Circular to Shareholders dated 13 January 2021.

**2. Scope of audited annual financial statements**

We audited the historical cost financial information for the years ended 31 March 2018 and the inflation adjusted financial information for the years ended 31 March 2019 and 31 March 2020.

We conducted our audits and in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform that audit to obtain reasonable assurance whether the financial information relating to the financial years ended 31 March 2018 to 31 March 2020 is free from material misstatement.

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

### **3. Prior year audited financial statements**

We are the auditors of SCL and have reported on its annual financial statements for the years ended: 31 March 2018, 31 March 2019 and 31 March 2020. Our audit report for the financial period ended 31 March 2018 had an unmodified audit opinion whereas our audit reports for the financial periods ended 31 March 2019 and 31 March 2020 were issued with adverse audit opinions.

We draw attention to certain pertinent issues that resulted in SCL receiving adverse audit opinions to the financial statements for the years ended 31 March 2019 and 31 March 2020. The adverse opinions for the years ended 31 March 2019 and 31 March 2020 related to non-compliance with International Financial Reporting Standards: International Accounting Standards (IAS) 21- The Effects of Changes in Foreign Exchange Rates, inappropriate application of IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors and inappropriate application of IAS 29 – Financial reporting in hyperinflationary economies.

A detailed outline of the basis for adverse opinions is given in the Annual Reports which are included as part of the documents available for inspection in accordance with section 11 of the Circular.

### **4. Scope**

As the purpose of the appended financial information differs from the purpose of the financial statements prepared for members, the appended financial information is not intended to comply with the full presentation and disclosure requirements of the Companies and other Business Entities Act (Chapter 24:31) and International Financial Reporting Standards. Our reporting shall not in any way constitute recommendations regarding the completion of the Transactions or the issue of the Circular to the Shareholders.

**5. Exclusion of Notes and Accounting Policies**

At the request of the Company, and with the approval of the ZSE, the notes to the financial statements, and the accounting policies have been excluded from the Circular but are available in the Annual Reports as set as out in section 11 of the Circular.

**6. Distribution and Assurances**

This report is prepared solely for the Directors of SCL. Any uses that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this report.

Yours faithfully,

**ERNST & YOUNG**

**CHARTERED ACCOUNTANTS (ZIMBABWE)**

**REGISTERED PUBLIC AUDITORS**





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## PRIVATE AND CONFIDENTIAL

The Directors  
Seed Co Limited  
Shamwari Road, Stapleford  
Harare  
Zimbabwe

8 January 2021

Dear Sirs,

### Independent Fair and Reasonable Opinion on the proposed related party acquisition of 100% of the Seed Co Limited ordinary shares by Seed Co International Limited

#### 1. Introduction

Seed Co Limited ("SCL" or the Group") is a public company incorporated in Zimbabwe and quoted on the Zimbabwe Stock Exchange ("ZSE"). It is the leading producer and marketer of certified crop seeds in Africa. The Board of Directors of Seed Co International Limited ("SCIL") resolved to bundle the two Companies. The bundling will be achieved through the acquisition of 100% of SCL's issued share capital by SCIL by way of an open market offer in compliance with the Companies and Other Business Entities Act [Chapter 24:31] ("COBE") and the Zimbabwe Stock Exchange ("ZSE") Listings Requirements. This report has been prepared for the purpose of inclusion in the Circular to Shareholders of SCL (the "Circular") dated 13 January 2021.

The proposed transaction comprises of the acquisition of 100% of the SCL ordinary shares by SCIL from the SCL shareholders. The purchase consideration will be settled through the issuance of new SCIL shares on the basis of 1 SCIL ordinary share for every 0.92 SCL ordinary shares held (the "share swap ratio") (hereinafter referred to as the "Proposed Transaction").

The terms and conditions of the Proposed Transaction are detailed in the Circular, of which this opinion is a part. Words and phrases used in this letter shall have the same meaning as ascribed to them in the Circular

## 2. Scope

Under section 230 [Independent financial opinion] of the Companies and Other Business Entities Act [Chapter 24:31] and the Zimbabwe Stock Exchange listings requirements, a fair and reasonable opinion is required from an independent financial advisor, acceptable to the ZSE, indicating whether or not the terms and conditions of the proposed transaction are fair and reasonable to the shareholders for SCL.

Deloitte Advisory Services (Private) Limited (“Deloitte”) were appointed by the board of directors of SCL to act as independent financial advisors to provide the required opinion, indicating whether the terms and conditions of the proposed transaction are fair and reasonable to the shareholders of SCL.

Our work and findings shall not in any way constitute recommendations regarding the completion of the Proposed Transaction. Accordingly, we are not expressing an audit opinion on the information contained in the Circular to the Shareholders.

## 3. Responsibility

The compliance with the ZSE Listings Requirements is the responsibility of the SCL Board. Our responsibility is to report on the fair and reasonableness of the Proposed Transaction to the shareholders of SCL.

## 4. Definition of fair and reasonable for the purpose of our opinion

A transaction will generally be considered fair to a company's shareholders if the benefits received by the shareholders, as a result of the transaction, are equal to or greater than the value surrendered by the shareholders. The assessment of fairness is primarily based on quantitative issues. The Proposed Transaction would be considered fair if the purchase consideration for the ordinary shares in SCL is equal to or greater than their fair value.

The assessment of reasonableness is generally based on qualitative considerations surrounding the transaction. Hence, even though the quantifiable benefits received by SCL shareholders may be less than the value that they surrender, the entire Transaction may still be reasonable in certain circumstances after considering other significant qualitative factors.

## 5. Information considered and procedures performed

### Information considered

In arriving at our opinion, we have considered the following information, which has been provided by our data providers (S&P Capital IQ, Economist Intelligence Unit (“EIU”) and Thomson Reuters), management of SCL, the financial advisors of SCIL or obtained from publicly available sources:

Information relating to SCL and its subsidiaries:

- Information on SCL and its subsidiaries, including the history, nature of business, products and competitor activity;
- Audited financial statements of SCL for the financial years ended 31 March 2019 to 2020;
- Projected financial forecasts for SCL for the financial years ending 31 March 2021 to 2030;
- Projected financial forecasts for the SCL subsidiaries for the financial years ending 31 March 2021 to 2025;
- Recent share prices and other publicly available information on SCL as well as listed companies with operations similar to those of SCL (“SCL peer companies”);
- Recent analysts’ reports on SCL and SCL peer companies;
- Other publicly available information relevant to the industry in which SCL operates; and
- Information and explanation obtained in discussion with management of SCL.

Information relating to SCIL and its subsidiaries:

- Information on SCIL and its subsidiaries, including the history, nature of business, products and competitor activity;
- Audited financial statements of SCIL for the financial years ended 31 March 2019 to 2020;
- Projected financial forecasts for SCIL for the financial years ending 31 March 2021 to 2030;
- Projected financial forecasts for the SCIL subsidiaries for the financial years ending 31 March 2021 to 2025;
- Recent share prices and other publicly available information on SCIL as well as listed companies with operations similar to those of SCIL (“SCIL peer companies”);
- Recent analysts’ reports on SCIL and SCIL peer companies;
- Other publicly available information relevant to the industry in which SCIL operates; and
- Information and explanation obtained in discussion with management of SCL as well as the financial advisors to SCIL.

Information regarding the Proposed Transaction:

- Report on the desktop valuation of Seed Co Limited dated 25 August 2020 as prepared by Corporate Excellence;
- Report on the desktop valuation of Seed Co International Limited dated 25 August 2020 as prepared by Corporate Excellence;
- The Seed Co Limited and Seed Co International Limited cautionary announcements dated 1 September 2020;
- Information and explanation obtained in discussion with management of SCIL as well as the financial advisor to SCIL; and
- The draft circular to SCL shareholders dated [25 November 2020] of which this report forms a part.

Where practical, we have corroborated the reasonability of the information provided to use for the purpose of our option, including publicly available information, whether in writing or obtained in discussion with management of SCL.

#### **Our approach to considering the Proposed Transaction and procedures performed**

In considering the terms and conditions of the Proposed Transaction we have performed the following procedures:

- Considered the background information on SCL and SCIL and their subsidiaries and associates;
- Reviewed the historical and forecast information available for SCL and SCIL;
- Considered information made available by management of SCL;
- Prepared indicative valuation of the ordinary shares of SCL and SCIL;
- Conducted appropriate sensitivity analysis on the valuation outcomes based on a reasonable range of key assumptions;
- Based on the indicative valuation prepared of the ordinary shares of SCL and SCIL, prepared the implied share swap ratio;
- Considered the rationale for the proposed transaction;
- Considered qualitative aspects of the proposed transaction.

## Valuation

In considering the terms and conditions of the proposed transaction, we performed indicative valuations of the ordinary shares of SCL and SCIL shares as at 31 July 2020.

For purposes of our valuation analysis we used the income approach (discounted cash flow). In addition, we considered the market approach (based on publicly available financial data for comparable publicly traded companies) as an alternative valuation approach to support the results of our income approach analysis.

We also considered the exchange rate between Zimbabwean Dollars and the United States Dollars and the sensitivity of our valuation of the SCL ordinary shares to this exchange rate.

In performing our valuation analysis of SCL shares and SCIL shares, we considered the sensitivity of the valuations to changes in assumptions around key internal and external value drivers. We found that the valuation is sensitive to the following key internal value drivers:

- Revenue growth;
- Volumes of products sold;
- Projected gross and profit margins;
- Movements in net working capital; and
- Capital expenditure requirements.

The key external value drivers are:

- Rates of economic growth;
- Inflation and prevailing exchange rates in all the countries in which SCL, SCIL and its subsidiaries and associates operate;
- Economic and market conditions in the agriculture industry;
- Global economic and market conditions, including the COVID-19 pandemic; and
- Current economic and market conditions in Zimbabwe.

Our valuation results are also sensitive to the weighted average cost of capital applied in the discounted cash flow valuations and the terminal growth rates applied in the discounted cash flow valuation analysis and we performed sensitivities based on a reasonable range of these assumptions.

### **Assessment of qualitative and other factors**

Our assessment of reasonableness included considering the Proposed Transaction share swap ratio in relation to the share swap ratio implied in the share price of SCL and SCIL respectively. The assessment considered the share price as at 30 October 2020, 26 June 2020 (as the last trading date prior to the temporary suspension of trading on the ZSE effective 28 June 2020), including the 30 day volume weighted average share price.

We note that in terms of the Circular SCIL believes that the proposed transaction will present strategic benefits of being the “African Seed Company”, which cannot be realized with the exclusion of the Zimbabwean operations held through SCL. In addition to the strategic benefits, SCIL has also noted additional benefits to SCL, which will be realized through synergies and elimination of duplicate functions and associated costs, noting leveraging SCIL’s regional balance sheet to access affordable hard currency debt and equity funding as one of these key benefits. This benefit is noted in light of the current macroeconomic conditions in Zimbabwe, which SCL management have noted have affected SCL’s ability to attract the required funding for the business.

### **6. Opinion**

Based on the above considerations, along with the information made available to us by the SCL Board, for which they are solely responsible for, and after due consideration of the details of the Proposed Transaction, we report that nothing has come to our attention that would cause us to believe that the Proposed Transaction is not fair and reasonable to the shareholders of SCL.

Our opinion is necessarily based upon the information available to us up to 11 November 2020, including in respect of the financial, regulatory, securities market and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that all conditions precedent, including any material regulatory, other approvals and consents required in connection with the Proposed Transaction have been or will be timeously fulfilled and/or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm. We have not undertaken to update this report for events and circumstances occurring subsequent to the date of its issuance.

## 7. Restrictions

This opinion is provided to the SCL Board in connection with and for the purposes of the Proposed Transaction. This opinion is prepared solely for the SCL and therefore should not be regarded as suitable for use by any other party or give rise to third party rights. This opinion does not purport to cater for each individual shareholder's perspective, but rather that of the general body of SCL shareholders. Should a SCL shareholder be in doubt as to what action to take, he or she should consult an independent adviser.

An individual SCL shareholder's decision as to whether to vote in favor of any transaction may be influenced by his particular circumstances. The assessment as to whether or not the SCL Board decides to recommend the transaction is a decision that can only be taken by the SCL Board.

We have relied upon and assumed the accuracy of the information used by us in deriving our opinion. Where practical, we have corroborated the reasonability of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with management of SCL, by reference to publicly available or independently obtained information. While our work has involved an analysis of, inter alia, the annual financial statements, and other information provided to us, our engagement does not constitute, nor does it include, an audit or due diligence review of SCL.

In respect of the annual financial statements of SCL for the years ended 31 March 2019 and 31 March 2020 we note that SCL received adverse audit opinions. The basis of the adverse opinions issued on the financial statements were in respect of non-compliance with the following International Accounting Standards ("IAS") within the International Financial Reporting Standards ("IFRS"):

- IAS 21 – The Effects of Changes in Foreign Exchange Rates;
- IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors; and
- IAS 29 – Financial Reporting in Hyperinflationary Economies.

A detailed outline of the basis for adverse opinions is given in the Annual Reports which are included as part of the documents available for inspection in the Circular. We note that we were not able to quantify the impact of the adverse opinion on our analysis and it could have a material impact on the outcome of our analysis and opinion.

Where relevant, the forecasts of SCL relate to future events and are based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of SCL will correspond

to those projected. Where practicable, we compared the forecast financial information to past trends and third party estimates as well as discussing the assumptions inherent therein with the management of SCL. On the basis of these enquiries and such other procedures we consider appropriate to the circumstances, we believe that the forecasts have been prepared with due care and consideration.

We have also assumed that the transaction will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by, representatives and advisors of SCL and we express no opinion on such consequences. We have assumed that all agreements that will be entered into in respect of the transaction will be legally enforceable.

## 8. Independence

In terms of schedule 5.1 (a) of the ZSE Listings Requirements, we confirm that we have no material direct or indirect interest in the shares of both SCL or the Proposed Transaction, save for our professional fees for services rendered in connection with this fair and reasonable statement.

In terms of schedule 5.1 (b) of the ZSE Listings Requirements, we confirm that we have no existing or continuing relationship with SCL and/or any other parties involved in the Proposed Transaction.

Furthermore, we confirm that our professional fees are not contingent upon the success of the Proposed Transaction.

## 9. Consent

We consent to inclusion of this letter in the Circular to the shareholders of SCL in the form and manner it appears.

Yours faithfully

Tapiwa Chizana  
Director  
Deloitte Advisory Services (Private) Limited



**APPENDIX IV – SHARE PRICE HISTORY OF SCIL AND SCL****SCIL monthly share price information on ZSE**

Month	High (Z\$)	Low (Z\$)	Volume	Value (Z\$)
Sep-19	280.21	218.00	715,400	1,599,498
Oct-19	277.56	276.00	791,300	2,188,684
Nov-19	280.59	277.30	350,600	976,153
Dec-19	300.50	280.01	365,100	1,046,337
Jan-20	315.10	300.50	675,900	2,112,214
Feb-20	571.50	315.10	721,800	3,284,095
Mar-20	501.90	455.00	1,745,200	8,525,284
Apr-20	455.00	450.00	1,524,200	6,890,739
May-20	1,280.90	451.97	795,918	7,128,899
Jun-20	2,995.00	1,436.82	528,571	12,542,570
Jul-20	Suspended	Suspended	Suspended	Suspended
Aug-20	Suspended	Suspended	Suspended	Suspended

**SCIL monthly share price information on BSE**

Month	High (Thebe)	Low (Thebe)	Volume	Value (BWP)
Sep-19	300.00	300.00	-	-
Oct-19	300.00	300.00	-	-
Nov-19	300.00	300.00	-	-
Dec-19	300.00	300.00	653	1,959
Jan-20	300.00	290.00	1,600	4,750
Feb-20	290.00	290.00	500	1,450
Mar-20	290.00	290.00	-	-
Apr-20	290.00	290.00	-	-
May-20	290.00	262.00	48,233	126,370
Jun-20	262.00	262.00	-	-
Jul-20	262.00	262.00	-	-
Aug-20	262.00	262.00	-	-

**SCL monthly share price information on ZSE**

Month	High (Z\$)	Low (Z\$)	Volume	Value (ZW\$)
Sep-19	243.27	135.00	4,820,700	8,452,451
Oct-19	219.75	155.01	7,263,200	13,075,701
Nov-19	180.00	159.58	7,065,500	11,659,829
Dec-19	190.25	180.00	3,620,400	6,724,888
Jan-20	200.20	150.00	1,141,000	2,172,664
Feb-20	420.40	240.00	2,791,300	10,773,569
Mar-20	461.73	350.00	3,276,750	12,844,477
Apr-20	388.23	343.94	2,739,100	9,512,246
May-20	1,325.00	347.00	1,353,700	9,227,104
Jun-20	2,500.00	1,480.00	1,995,700	37,782,580
Jul-20	Suspended	Suspended	Suspended	Suspended
Aug-20	1,840.42	1,450.00	1,122,449.00	18,196,888.69

Trading on the ZSE was suspended on 28 June 2020 for all counters and resumed on 3 August 2020 with SCIL remaining suspended.

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**APPENDIX V – FORM OF ACCEPTANCE, SURRENDER AND TRANSFER**

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**The African Seed Company**

(Incorporated in Zimbabwe on 2 March 1983)

Registration number: 217/83 and Certificate of Change of Name dated 12 July 1996

ZSE code: SEED.zw ISIN: ZW000 901 150 4

("SCL" or "the Company")

This document is important and applies to shareholders of SCL electing to accept the Offer.

If you are in any doubt about how to complete this form, please consult your professional advisor immediately.

**FORM OF ACCEPTANCE, SURRENDER AND TRANSFER ("FORM")**

To the Transfer Secretaries:

**Corpserve Registrars (Private) Limited**

2<sup>nd</sup> Floor, ZB Centre

Corner First Street/Kwame Nkrumah Avenue

P.O Box 2208

Harare

Zimbabwe

**Important notice concerning this Form:**

Full details of the Offer are contained in the Circular to shareholders of SCL dated Wednesday 13 January 2021 ("Circular"), to which this Form is attached and forms part. Accordingly, all definitions and terms used in this Form shall, unless the context otherwise requires, have the corresponding meaning and interpretation attributed to them in such Circular.

**Instructions**

1. A separate form is required for each shareholder.
2. Part A, B and D must be completed by all shareholders who wish to accept the Offer.
3. Part C must be completed by all shareholders who are non-residents and who wish to accept the Offer.
4. Shareholders on the Central Depository platform holding shares in dematerialized form are to enter their CSD number on the relevant portion of the form.

5. Shareholders who may have misplaced or lost their share certificates are to complete the form and submit it together with the "lost scrip indemnity form" provided in this Circular by the Transfer Secretaries, Corpserve.

*No receipts will be issued for documents of title lodged unless specifically requested. Lodging stockbrokers and/or agents are requested to prepare special transactions receipts, if required.*

**Dear Sirs,**

I/We hereby irrevocably and unconditionally accept the Offer and surrender and enclose the share certificates, certified transfer deeds and/or other documents of title, in respect of my/our holding of SCL shares, as per my/our instructions contained herein.

## **PART A**

**All shareholders must please complete this section (in BLOCK CAPITALS)**

I/We hereby irrevocably and unconditionally accept the Offer in respect of .....shares.....

A balance certificate (if applicable) for shares that have not been accepted will be posted, by registered post, on the business day following the closing date.

Surname \_\_\_\_\_

First names (in full) \_\_\_\_\_

*Title (Mr, Mrs, Miss, Ms, etc)*

Address to which the Offer consideration, which a shareholder is entitled to in terms of the Offer, should be sent (if different from the registered address): \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Postal code \_\_\_\_\_

Country \_\_\_\_\_

The Offer consideration will be posted on the second business day following the closing date, provided that the form of acceptance, surrender and transfer and relevant documents of title were received by the transfer secretaries.

I/We hereby surrender and enclose the share certificates, certified transfer deeds and/or other documents of title, details in respect of which are set out in the table below in respect of my/our holding of shares:

Name of registered holder (separate form for each holder)	Certificate number(s)/CSD number (in numerical order) (if applicable)	Number of Seed Co Limited Shares
<b>Total</b>		

**PART B**

I/We hereby certify that:

1. I/We own the shares issued by SCL as detailed in the table set out above at the end of Part A (defined for purposes of this Part B as the "Shares");
2. the Shares are fully paid up;
3. the Shares are in registered form;
4. I/We am/are the legal owner solely entitled to the Shares and have the power to dispose of the Shares;
5. there are no pre-emption rights nor any other right by virtue of which any person or entity may be entitled to demand that one or more of the Shares be transferred to him;
6. none of the Shares are encumbered with any pledge or usufruct, there are no right to acquire any pledge or usufruct of the Shares and none of the Shares are subject of any attachment; and
7. the Shares are freely transferable.

**PART C**

To be completed only by all non-resident shareholders who wish to accept the Offer.

The Offer consideration will be posted to the registered address of the non-resident concerned, unless written instructions to the contrary are received and an address provided below.

Substitute address \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**PART D**

To be completed by all shareholders who wish to accept the Offer.

I/We acknowledge that this acceptance of the Offer must be lodged, together with the relevant documents of title, prior to the closing date of the Offer.

Signature \_\_\_\_\_

Date \_\_\_\_\_ 2021 Telephone number: \_\_\_\_\_

## APPENDIX VI - INDEMNITY FORM



### LOST SCRIP INDEMNITY FORM

#### Part A

Particulars in respect of document(s) sought to be replaced

Full names of registered holder as it appears on register	
Quantity of shares in Figures	
Quantity of shares in Words	
Certificate(s) No(s)	
If security held jointly or by more holders, full names of each holder is required	
Full address of shareholder as it appears on register	

### DOCUMENTS TO ACCOMPANY THE INDEMNITY FORM (according to the applicant)

#### Individual

- Copy of national ID or passport certified by a registered Notary
- Completed indemnity form signed and stamped by a registered Notary
- Z\$250 processing fee

#### Corporates

- A Board resolution extracts requesting for a replacement and authorising any member of the company to sign and submit the paperwork with us.
- Copy of national ID or passport for the Directors certified by a registered Notary
- Completed indemnity form signed and stamped by a registered Notary
- Z\$250 processing fee

#### Deceased Estates

- A formal written request which is signed by the Executor
- Copies of the following documents, certified by a commissioner of oaths or notary public:
  - national ID or passport of the Executor Testamentary or Dative
    - letters of Administration appointing the Executor Testamentary or Dative
    - Death Certificate of deceased shareholder
- the indemnity form (Part B) completed by the Executor Testamentary or Dative,

**Part B****Indemnity**

(To be read with Part A)

To be completed by person(s) applying for issue of a replacement document

Whereas the document has been mislaid, lost, destroyed or stolen, I, the undersigned

Full name	
Full address	
If acting in representative capacity for applicant, indicate capacity, give full name and address of applicant and furnish evidence of appointment	
Full name (hereinafter referred to as "the applicant") of	
Full address	
acting in my capacity	
on behalf of (name of shareholder)	

hereby make application for the issue of a replacement for the document and in consideration of your issuing such a replacement, undertake and agree to deliver the document to you should it ever come into my possession and agree to hold the company, its directors, secretary, officers and employees and its transfer secretaries (hereinafter collectively referred to as "those indemnified") harmless and indemnified against any loss, liability, damages, claim, charge, expense or cost (including legal costs on an attorney and client basis) which may be incurred as sustained by those indemnified by reason of the issue of the aforementioned replacement or as a result of the securities evidenced by the document being inadvertently transferred to any other person at any time;

I Do solemnly and sincerely declare that:

- a.) the document has not been found despite all reasonable endeavours to do so;
- b.) the securities evidenced by the document have not been assigned, pledged or encumbered in any way and I\* am/the applicant is absolutely and beneficially entitled thereto free from all encumbrances.

Signature: \_\_\_\_\_ Date signed: DD/MM/YYYYSignature: \_\_\_\_\_ Date signed: DD/MM/YYYY

Assisted by (where applicable) \_\_\_\_\_

*Full name and address of person assisting if applicant does not have full contractual capacity*

Full name: \_\_\_\_\_

### **Part B (continued)**

Attestation by a Commissioner of Oaths / Notary Public

I, \_\_\_\_\_  
(Full name of Commissioner of Oaths / Notary Public)

Hereby certify that the deponent acknowledges that he/she knows and understands the contents of the above declaration, and that I have satisfied myself as to the identity of the signatory(ies) to part Page 2 by reference to Proof of Identity.

The above declaration was made and signed in my presence at \_\_\_\_\_ On this DD/MM/YYY

### **Commissioner of Oaths / Notary Public in Zimbabwe**

Business address: \_\_\_\_\_

Area: \_\_\_\_\_

Capacity: \_\_\_\_\_

### **Commissioner of Oaths / notary public Stamp:**



\* Delete inapplicable



**The African Seed Company**