

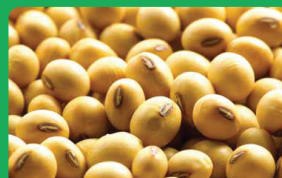


The African Seed Company



# SEED CO INTERNATIONAL LIMITED UNAUDITED ABRIDGED GROUP RESULTS

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2022



THE HOME OF BUMPER HARVESTS

It starts with the right seed

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## SUSTAINABILITY COMMITMENT REAFFIRMATION

Seed Co is committed to sustainable ethical business practices, the protection of the environment, and economic development while improving the livelihoods of all its stakeholders, including but not limited to employees, farmers, consumers, and communities. To this end, the DNA of our seed-to-feed business is to innovate and make available climate-smart high-yielding seed solutions, agronomic support, and training for the efficient utilization of arable land and other farming inputs to sustainably make both small and large-scale farming profitable enterprises that feed both people and livestock with catalytic effects on critical economic value chains.

## ABRIDGED GROUP INCOME STATEMENT

	Unaudited period ended	
	Sept 2022	Sept 2021
	US\$'M	US\$'M
<b>Revenue</b>	<b>25.5</b>	<b>35.5</b>
Cost of sales	(14.2)	(18.2)
<b>Gross profit</b>	<b>11.3</b>	<b>17.3</b>
Other income	1.1	1.3
Operating expenses	(15.0)	(13.8)
<b>Operating (loss)/profit</b>	<b>(2.6)</b>	<b>4.8</b>
Net finance cost	(1.4)	(1.3)
Share of loss from associate & JVs	(0.5)	(0.9)
<b>(Loss)/profit before tax</b>	<b>(4.5)</b>	<b>2.6</b>
Income tax expense	0.2	(1.1)
<b>(Loss)/profit after tax</b>	<b>(4.3)</b>	<b>1.5</b>
Basic earnings per share - cents	(1.09)	0.38
Diluted earnings per share - cents	(1.09)	0.38

## ABRIDGED GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

	Unaudited period ended	
	Sept 2022	Sept 2021
	US\$'M	US\$'M
<b>Profit for the period</b>	<b>(4.3)</b>	<b>1.5</b>
Exchange differences	(0.4)	9.2
<b>Comprehensive income/(loss) for the period</b>	<b>(4.7)</b>	<b>10.7</b>

## ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

	Audited period ended	Audited year ended
	Sept 2022	Mar 2022
	US\$'M	US\$'M
<b>Opening shareholders' equity</b>	<b>96.1</b>	<b>83.7</b>
Profit for the period	(4.3)	7.1
Other comprehensive income/(loss)	(0.4)	5.8
Share based payments	-	0.1
Net (cash)/scrip dividend distributed	-	(0.7)
<b>Closing shareholders' equity</b>	<b>91.4</b>	<b>96.1</b>

## ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited Sept 2022	Audited Mar 2022
	US\$'M	US\$'M
<b>Assets</b>	<b>166.7</b>	<b>157.6</b>
Property, plant & equipment (PPE)	45.1	44.7
Intangible assets	4.7	4.8
Right-of-use assets	0.7	0.9
Investments in associate & JVs	6.1	6.8
Deferred tax asset	0.5	0.5
Inventories & biological assets	42.8	25.6
Receivables	57.9	54.4
Cash & cash equivalents	8.9	19.9
<b>Equity and liabilities</b>	<b>166.7</b>	<b>157.6</b>
Shareholders' equity	91.4	96.1
Loans & borrowings	48.7	42.1
Lease liabilities	0.8	0.9
Deferred tax liability	2.6	3.3
Payables & provisions	23.2	15.1

## ABRIDGED GROUP STATEMENT OF CASH FLOWS

	Unaudited period ended	
	Sept 2022	Sept 2021
	US\$'M	US\$'M
<b>Operating activities</b>		
Operating (loss)/profit	(2.6)	4.8
Non-cash adjustments	1.6	1.4
Working capital changes	(12.3)	(11.6)
Tax paid	(0.8)	(0.8)
<b>Operating cash flows</b>	<b>(14.0)</b>	<b>(6.2)</b>
<b>Investing activities</b>		
PPE disposal proceeds	0.01	0.0
Purchase of PPE	(1.7)	(2.3)
Investment in joint venture	-	(1.5)
Interest received	0.3	0.1
<b>Investing cash flows</b>	<b>(1.4)</b>	<b>(3.7)</b>
<b>Financing activities</b>		
Proceeds from borrowings	14.1	34.2
Repayments of borrowings	(7.8)	(24.4)
Repayment of lease liabilities	(0.1)	(0.1)
Dividend paid	-	(0.7)
Interest paid	(1.6)	(1.4)
<b>Financing cash flows</b>	<b>4.5</b>	<b>7.6</b>
Net cash flows during the year	(11.0)	(2.2)
Exchange rate changes effects	(0.1)	0.6
Opening cash and cash equivalents	19.9	9.8
<b>Closing cash &amp; cash equivalents</b>	<b>8.9</b>	<b>8.2</b>



**SUPPLEMENTARY INFORMATION****1. Corporate information**

Seed Co International Limited is a Company which is incorporated and domiciled in Botswana and listed on the Botswana Stock Exchange and the Victoria Falls Stock Exchange. The Company has subsidiaries, an associate and joint ventures located in Angola, Botswana, Democratic Republic of Congo (DRC), Ethiopia, Ghana, Kenya, Malawi, Mozambique, Nigeria, Rwanda, South Africa, Tanzania and Zambia.

**2. Basis of preparation**

The basis of preparation of these financial statements is International Financial Reporting Standards (IFRS).

**3. Accounting policies**

The principal accounting policies of the Group have been consistently followed in all material respects from prior year.

	Unaudited period ended	
	Sept 2022	Sept 2021
	US\$'M	US\$'M
<b>4. Capital expenditure (CAPEX)</b>	1.7	2.3
<b>5. Depreciation &amp; amortisation</b>	1.5	1.5
<b>6. Commitments for CAPEX</b>	5.2	2.5
<b>7. Contingent liabilities</b>	0.2	0.2

**8. Directorate**

There were no changes to the Board of Directors during the period under review.

**9. Dividend**

No interim dividend was declared at half-year end per the Group's policy.

**10. Approval of financial statements**

These abridged financial statements were approved by the Board on 18 November 2022 and duly signed on its behalf by the Chairman and Chief Executive Officer (CEO).

D. E. B. Long  
Chairman

M. Nzwere  
CEO

**COMMENTARY****Overview**

Adverse effects of the Russo-Ukraine conflict bedevilled the global economy characterised by constrained global supply-chain induced inflation, rising inflation and interest rates. Regional economies in which the Group operates are impacted the most on the backdrop of already fragile economies, the aftermath of the peak of Covid-19 as well as the bad rainfall season last year that was more pronounced in East Africa. On a positive note, the Covid-19 pandemic is largely under control. These developments also impacted the Group mainly through rising input costs, seed production challenges in drought impacted parts of Africa and declining aggregate demand.

**Financial performance**

Performance reverted to the usual first half cost accumulation and loss outturn in line with the seasonality of the business. Unlike prior year, sales volume was subdued in the absence of early seed distribution mainly in Malawi as the Government delayed pronouncing its input programme for the 2022/23 season causing the SBU's half-year volume to decline by 80%. A similar situation also obtained in Zambia with the Government delaying the intake of seed to the next half of the year unlike last year and reduced the SBUs' volume by 20%.

In Kenya drought as well as product unavailability resulted in volume declining by 46% while product shortages in Nigeria handicapped volume by 40% in this market.

Overall, Group volume dropped by 34% and this was partially offset by the appreciation of the Zambian kwacha curtailing the decline in turnover to 28%. Consequently, margins were also weighed down by the drop in turnover.

Operating expenses increased due to imported global inflation in regional markets as well the impact of a strong Zambian kwacha.

Net finance costs were higher due to rising interest rates. The Group's net debt increased mainly as a result of the translation impact of a kwacha on local Zambian borrowings.

Associate and joint venture operations loss contribution almost halved driven by South African associate that had a good early season headstart on the back of better product availability.

The Group's tax expense decreased notably as the business cycle reverted to the normal seasonal first half loss unlike prior year when the Group benefited from early season sales.

**Financial position**

Capital expenditure coupled with the aforementioned strong Kwacha drove the increase in property, plant and equipment values. Notable fixed asset additions include production farm capacitation in Zambia; marketing and distribution fleet replacement across markets.

The carrying value of investments in joint ventures and the associate declined on account of the share of losses booked during the period.

Receivables increased with the early sales though this was partially offset by collections since the last financial year end.

In line with the seasonality of operations, the value of inventory peaks during the first half as seed is being received from growers and being processed ahead of the planting season in most markets.

The movement in equity is mainly attributable to the loss recorded during the first half.

The increase in borrowings mainly arose from the draw-down of seasonal short-term working capital facilities to fund the intake of raw seed from growers and the commencement of seed processing.

Payables mainly relate to amounts outstanding on seed delivered by growers settled subsequent to the reporting date.

**Seed supply**

In spite of climate change and global inflation induced challenges encountered by seed growers, overall the Group has adequate stocks to satisfy demand in most markets save for Kenya and Nigeria.

The Group is however leveraging its production bases in Southern Africa, Zambia and Malawi as well as Zimbabwe, to supply seed to the East and West African markets that have shortages.

**Research and development**

The Group continues to leverage its intellectual capacity to innovate and release seed products that are adaptable to ever changing climatic conditions and emerging pests and diseases. To renew and diversify the product basket, a number of new products were released during the first half.

**Outlook**

Rainfall forecasts are indicating normal to above normal rains in most parts of Southern Africa and below normal to normal rains in parts of East Africa. On the back of enhanced focus on regional food security and the Group's strong geographical presence as well as a diversity of climate-smart products suitable for mixed rainfall patterns, we are well prepared to satisfy market demand. Improved performance is expected from the South African associate that is now on a firm footing following its recent establishment. In addition, the vegetable joint venture is expected to be boosted by exciting opportunities in Mozambique, a new market. We are however cognisant of the global risks, and we continue to implement mitigating measures to continue growing stakeholder value.

By Order of the Board

E. M. Kalaote  
Company Secretary  
12 December 2022

**Directors**

D E B Long (Chairman), M Nzwere\*, F Azanza, A G Barron, R C D Chitengu, R De Wet, R Fournier, P Gowero, C Kabaghe, J Matorofa\*, K Moswela, M S Ndoro, F Savin, P Spadin. \*Executive