



The African Seed Company



SEED CO 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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Seed Co Limited

SHORT-FORM FINANCIAL ANNOUNCEMENT

Issued in terms of practice Note 13 of the Zimbabwe Stock Exchange (ZSE)

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

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2022

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	30 SEPTEMBER 2022 (Reviewed)	30 SEPTEMBER 2021 (Unaudited)	30 SEPTEMBER 2022	30 SEPTEMBER 2021
	ZWL\$'000			
Revenue	8,439,095	8,062,908	5,917,864	1,965,283
Cost of sales	(6,154,058)	(5,901,776)	(2,720,226)	(1,098,710)
Gross profit	2,285,037	2,161,132	3,197,638	866,573
Other income	20,454,863	2,084,536	16,813,323	442,769
Operating expenses	(4,632,567)	(3,456,445)	(3,742,880)	(853,712)
Sales and marketing costs	(1,031,666)	(489,396)	(535,955)	(132,847)
General and administrative costs	(1,919,467)	(1,935,974)	(1,938,237)	(470,983)
Research costs	(1,308,395)	(1,031,075)	(1,035,186)	(249,882)
Movement in expected credit losses	(373,039)	-	(233,502)	-
Operating profit	18,107,333	789,223	16,268,081	455,630
Finance income	1,816	1,106	1,291	271
Finance cost	(3,902,880)	(1,212,390)	(3,403,701)	(294,354)
Net monetary gain/(loss)	(8,418,295)	(3,845,820)	-	-
Share of profit from associates and joint venture (JV)	(1,163,968)	(275,929)	(591,109)	52,686
Profit/(Loss) before tax	4,624,006	(4,543,810)	12,274,562	214,233
Income tax expense	(2,017,440)	(2,886,709)	(6,246,466)	(137,788)
Profit/(Loss) for the period	2,606,566	(7,430,519)	6,028,096	76,445
Attributable to:				
Equity holders of the parent	2,606,566	(7,430,519)	6,028,096	76,445
Earnings per share				
Basic earnings per share	712.98	(1,126.31)	2,438.80	30.91
Diluted earnings per share	697.25	(1,124.97)	2,438.80	30.91
Headline earnings per share	716.02	(1,124.88)	2,443.30	32.34

ABRIDGED GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2022

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	30 SEPTEMBER 2022 (Reviewed)	30 SEPTEMBER 2021 (Unaudited)	30 SEPTEMBER 2022	30 SEPTEMBER 2021
	ZWL\$'000			
Profit/(loss) for the period	2,606,566	(7,430,519)	6,028,096	76,445
Other comprehensive (loss)/income				
Share of other comprehensive income/(loss) from associates	(40,655)	787,400	(40,654)	295,193,251
Total comprehensive income/(loss) for the period, net of tax	2,565,911	(6,643,119)	5,987,442	295,269,696
Attributable to:				
Equity holders of the parent	2,565,911	(6,643,119)	5,987,442	295,269,696

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2022

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	30 SEPTEMBER 2022 (Reviewed)	30 SEPTEMBER 2021 (Unaudited)	30 SEPTEMBER 2022	30 SEPTEMBER 2021
	ZWL\$'000			
Opening shareholders' equity	29,564,081	30,488,306	12,807,727	6,345,103
Profit for the period	2,606,566	(7,430,519)	6,028,095	76,445
Other comprehensive (loss)/income	(40,655)	787,400	(40,654)	295,193
Dividend - cash	-	(6,338)	-	(2,376)
Closing shareholders' equity	32,129,992	23,838,849	18,795,168	6,714,365

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2022

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	30 SEPTEMBER 2022 (Reviewed)	31 MARCH 2022 (Audited)	30 SEPTEMBER 2022	31 MARCH 2022
	ZWL\$'000			
ASSETS				
PPE	16,533,886	16,863,434	6,254,961	6,322,021
Investment in associates and JV	6,017,675	12,075,989	3,812,519	4,444,283
Other financial assets	31,192	84,940	32,235	31,843
Inventories	13,242,689	8,833,882	12,439,548	2,431,420
Trade and other receivables	26,035,747	12,591,626	25,480,183	4,709,989
Cash and cash equivalents	1,118,005	691,900	1,118,005	259,391
Total assets	62,979,194	51,141,771	49,137,451	18,198,947
EQUITY AND LIABILITIES				
Equity				
Share capital	126,700	126,700	2,472	2,472
Non-distributable reserves	30,716,510	30,757,165	7,856,333	7,896,988
Retained earnings	1,286,782	3,534,953	10,936,363	4,908,268
Total equity	32,129,992	34,418,818	18,795,168	12,807,728
Liabilities				
Deferred tax liability	5,008,494	6,171,446	4,501,575	1,435,501
Bank borrowings	18,762,294	8,238,446	18,762,294	3,088,560
Trade and other payables	7,078,415	2,313,061	7,078,414	867,158
Total liabilities	30,849,203	16,722,953	30,342,283	5,391,219
Total equity and liabilities	62,979,195	51,141,771	49,137,451	18,198,947

ABRIDGED GROUP STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2022

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	30 SEPTEMBER 2022 (Reviewed)	30 SEPTEMBER 2021 (Unaudited)	30 SEPTEMBER 2022	30 SEPTEMBER 2021
	ZWL\$'000			
Operating activities				
Profit/(Loss) before tax	4,624,006	(4,543,810)	12,274,562	214,233
Non-cash adjustments	5,526,038	14,693,854	4,309,995	350,263
Working capital adjustments	(15,695,322)	(8,792,465)	(27,562,530)	(2,989,745)
Tax paid	(610,216)	(2,321,276)	(113,087)	1,266,992
Operating cash flows	(6,155,494)	(963,697)	(11,091,060)	(1,158,257)
Investing activities				
Proceeds from sale of PPE	7,170	19,124	3,751	6,468
Purchase of PPE	(274,411)	(349,516)	(238,385)	(201,388)
Loans and receivables net (advances)/receipts	(580)	(84,271)	(391)	(22,785)
Dividends received	-	-	-	632
Interest received	1,816	775	1,291	271
Investing cash flows	(266,005)	(413,888)	(233,734)	(216,802)
Financing activities				
Dividend paid	-	-	-	-
Net cash flows from investing activity	13,255,875	6,378,690	8,962,352	1,272,689
Interest paid	(3,902,880)	(4,605,528)	(3,403,702)	(294,354)
Financing cash flows	9,352,995	1,773,162	5,558,650	978,335
Movement in cash and cash equivalents	2,931,496	395,577	(5,766,144)	(396,724)
Effects of net monetary movement on cash and cash equivalents	(14,282,797)	4,344,042	-	-
Effects of exchange rate on forex	10,006,345	95,637	6,711,381	34,818
Cash and cash equivalents at beginning of period	2,462,961	(2,372,296)	172,768	534,673
Cash and cash equivalents at end of period	1,118,005	2,462,960	1,118,005	172,767

Directors

D E B Long (Group Chairman), P Gowero (Group Deputy Chairman), M Nzwere (Group CEO)*, J Matorofa (Group CFO)*, R C D Chitungu, Dr D Garwe, R Fournier, M S Ndoro, F Savin, P Spadin. *Executive

SUPPLEMENTARY INFORMATION
1. Corporate information

Seed Co Limited is a company which is incorporated and domiciled in Zimbabwe and listed on the Zimbabwe Stock Exchange (ZSE).

2. Basis of preparation

These abridged financial statements are presented in Zimbabwe Dollars (ZWL\$). The basis of preparation of these financial statements is International Financial Reporting Standards (IFRS) with the exception of IAS 8 and IAS 21 as documented in the audit report for the year ended 30 September. Inflation adjusted financial statements have been drawn up using the conversion factors derived from the Consumer Price Index (CPI) prepared by the Zimbabwe Central Statistic Office. The conversion factors used to restate the financial statements are as follows:

	Index	Conversion Factor
30 September 2022	12,713.12	1.00
31 March 2022	4,766.10	2.67
30 September 2021	3,342.02	3.80
31 March 2021	2,759.83	4.61
Average for the six (6) months to:		
30 September 2022	9,468.14	1.48
30 September 2021	3,043.50	4.19

IAS 29 discourages the publication of historical cost financial statements as the inflation adjusted results are the primary records. However, the historical cost results are included as supplementary information to allow for comparability during the transitional phase of applying the Standard and to meet most user requirements.

3. Application of accounting policies

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

4. CAPEX

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	30 SEPT 2022 (Reviewed)	30 SEPT 2021 (Unaudited)	30 SEPT 2022	30 SEPT 2021
	ZWL\$'000			
Capital expenditure	274,411	349,516	238,385	201,388
5. Depreciation	551,901	304,855	290,580	60,454
6. Contingent liabilities	Nil	Nil	Nil	Nil

There were no contingent liabilities in the period under review.

7. Approval of financial statements

These abridged financial statements were approved by the Board on 12 December 2022.

8. External auditors' review conclusion

The abridged Group results for the half year ended 30 September 2022, should be read in conjunction with the interim condensed consolidated inflation adjusted financial statements for the six months ended 30 September 2022, from which they have been extracted.

The interim condensed consolidated inflation adjusted financial statements for the six months ended 30 September 2022 have been reviewed by KPMG Chartered Accountants (Zimbabwe) and a qualified review conclusion issued thereon.

The auditors' review conclusion is qualified in respect of non-compliance with IFRS 13, *Fair Value Measurement*, in relation to the valuation of land and buildings, IAS 21, *The Effects of Changes in Foreign Exchange Rates*, in respect of accounting for blocked funds, IAS 28, *Investments in Associates and Joint Ventures*, in relation to applying inconsistent accounting policies and non-compliance with IAS 21 and IFRS 13 within the associates and joint ventures, IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* due to these areas of non-compliance remaining uncorrected in the comparative periods and the consequential impact of these items on IAS 29, *Financial Reporting in Hyperinflationary Economies*.

The independent auditors review conclusion has been made available to management and those charged with governance of Seed Co Limited. The engagement partner responsible for this review is Vinay Ramabhai (PAAB Practising Certificate Number 0569). The auditors' review conclusion is available for inspection at the Company's registered office.



D. E. B. Long

Chairman

12 December 2022



M. Nzwere

CEO

12 December 2022

COMMENTARY
Overview

The first half of the year was an increasingly difficult operating environment in Zimbabwe with constant policy interventions. Liquidity crunch, foreign currency shortages and prohibitive borrowing costs were among the major obstacles encountered in the period. During the period under review, the cost of key agricultural inputs continued to rise and thereby threaten achievement of food security. On the global scale, the unending geopolitical dispute in Eastern Europe has had a massive impact on international supply chains compounding the challenges of fragile regional economies.

Financial Performance

Record local winter and barley sales were achieved during the first half i.e., a growth of 30% from prior year to 6,320mt. Overall, winter sales were 8% lower in the absence of repeat export sales. Last year 2,000mt of wheat was exported to Nigeria. On the other hand, maize seed sales began on a lower note as farmers did not pre-stock as they did in prior year given the liquidity crunch in the economy. The rollout of Government programmes was also delayed this year. This saw maize sales volumes declining by 45% from same prior year period.

On the export front, the business registered a notable 88% volume growth satisfying the shortage in the regional caused by drought in prior year particularly in East Africa.

On the local market, selling prices were regularly adjusted in line with inflationary pressures and exchange rate movements resulting in inflation-adjusted turnover being 5% higher than prior year.

Gross margins were stable in inflation-adjusted terms owing to inflation tracking price adjustments and the relatively lower carrying value of wheat stock carried over from prior year.

Inflation and exchange rate movements saw overheads increasing significantly compared to prior year.

A loss was absorbed from associates mainly contributed by Seed Co International whose first half performance was subdued with notable early sales reduction in Malawi and drop in revenue in Nigeria due to product unavailability and in East Africa due to drought.

Financial Position

The carrying value of property, plant and equipment was relatively stable compared to last year end with no major capital expenditure during the period under review.

The business is still taking deliveries of raw seed and by the end of the first half 15,500mt tonnes of maize seed was in stock across all varieties. The business will have adequate seed available for this summer selling season.

The carrying value of debtors quadrupled from the closing position last year end and this is attributable to winter cereal credit sales as well as the revaluation of grower debts that were advanced denominated in USD. Nearly half of the debtors' book related to grower advances whose balances are being recovered with the delivery of raw seed.

Short-term borrowings increased in line with the borrowing cycle of the business, characterised with the intake of seed from growers as well as processing. The increase is also due to inflation-induced increase in working capital requirements as well as the need to fund delayed settlement of Government related debtors.

Research and Development

Research and Development remains the key pillar of the competitive advantage for the business. Various innovative research projects are underway to produce seed solutions in both existing product portfolio and new crops that are adaptable to the constantly evolving climate and disease regiment. The business has progressed well in crop diversification with remarkable work on rice and potato seeds having been recorded.

Dividend

No interim dividend was declared.

Outlook

Despite the harsh and uncertain operating environment, the Board and management will focus on defending the leading market position and stakeholder value enhancement by harnessing hard currency local sales as well as exploiting regional export opportunities. The business has adequate seed and is prepared for the main summer selling season which is now underway. The regional business is also well prepared for the season on the back of adequate stocks out of Zambia also serving the East African markets, improving economic environment in Zambia, stability in Tanzania and continued business growth in Mozambique. The Group has optimal varietal mix of seed to match the mixed rainfall forecasts with most parts of Southern Africa expecting normal to above normal rains and East Africa anticipating normal to below normal rains.



T. Chatiza

Group Secretary

12 December 2022