

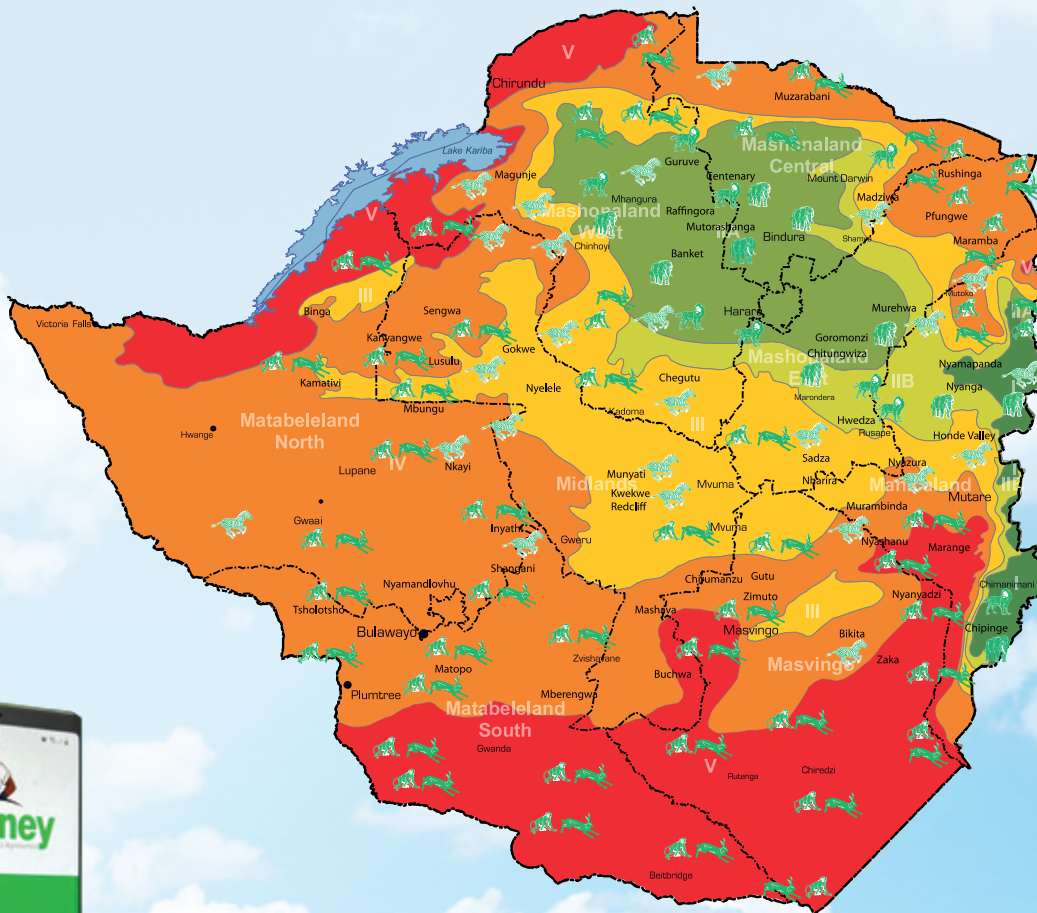


The African Seed Company

SEED CO LIMITED

REVIEWED ABRIDGED FINANCIAL RESULTS

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2023



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LIMITED

REVIEWED ABRIDGED COMPANY RESULTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2023

SHORT-FORM FINANCIAL ANNOUNCEMENT

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

ABRIDGED INCOME STATEMENT

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	Sept 2023 (Reviewed)	Sept 2022 (Reviewed)	Sept 2023	Sept 2022
	ZWL\$'B			
Revenue	59.71	29.69	41.69	5.92
Cost of sales	(21.10)	(21.65)	(17.64)	(2.72)
Gross profit	38.61	8.04	24.05	3.20
Other income	267.50	71.95	226.06	16.81
Operating expenses	(38.28)	(16.29)	(34.63)	(3.75)
Sales and marketing costs	(4.41)	(3.63)	(4.83)	(0.54)
General and administrative costs	(21.20)	(6.75)	(17.48)	(1.94)
Research costs	(9.60)	(4.60)	(9.24)	(1.04)
Movement in expected credit losses	(3.07)	(1.31)	(3.07)	(0.23)
Operating profit	267.83	63.70	215.47	16.26
Finance income	0.01	0.01	0.01	-
Finance cost	(9.77)	(13.73)	(6.84)	(3.40)
Net monetary gain/(loss)	(100.41)	(29.61)	-	-
Share of profit from associates and joint venture (JV)	5.28	(4.09)	8.73	(0.59)
Profit/(Loss) before tax	162.94	16.28	217.36	12.27
Income tax expense	(75.64)	(7.10)	(80.18)	(6.25)
Profit/(Loss) for the period	87.30	9.18	137.18	6.02
Attributable to:				
Equity holders of the parent	87.30	9.18	137.18	6.02
Earnings per share				
				cents
Basic earnings per share	21,908	1,055	53,561	2,439
Diluted earnings per share	21,729	1,031	53,561	2,439
Headline earnings per share	21,904	1,059	53,554	2,443
Diluted headline earnings per share	21,724	1,036	53,114	2,389

ABRIDGED STATEMENT OF OTHER COMPREHENSIVE INCOME

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	Sept 2023 (Reviewed)	Sept 2022 (Reviewed)	Sept 2023	Sept 2022
	ZWL\$'B			
Profit/(loss) for the period	87.28	9.18	137.18	6.02
Other comprehensive (loss)/income				
Share of other comprehensive income/(loss) from associates and joint venture	53.03	(0.14)	100.95	(0.04)
Total comprehensive income/(loss) for the period, net of tax	140.31	9.04	238.13	5.98
Attributable to:				
Equity holders of the parent	140.31	9.04	238.13	5.98

ABRIDGED STATEMENT OF CASH FLOWS

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	Sept 2023 (Reviewed)	Sept 2022 (Reviewed)	Sept 2023	Sept 2022
	ZWL\$'B			
Operating activities				
Profit/(Loss) before tax	162.94	16.27	217.37	12.28
Non-cash adjustments	(88.99)	49.51	2.59	4.53
Working capital adjustments	(195.45)	4.20	(292.32)	(27.77)
Tax paid	(3.25)	(2.15)	(3.25)	0.11
Operating cash flows	(124.75)	67.83	(75.61)	(10.85)
Investing activities				
Proceeds from sale of PPE	0.05	0.03	0.04	0.04
Purchase of PPE	(3.75)	(0.46)	(3.60)	(0.24)
Acquisition of other investments	(6.75)	(0.08)	(0.01)	-
Loans and receivables net (advances)/receipts	66.37	88.29	42.66	8.96
Dividends received				
Interest received	0.01	0.01	0.01	-
Investing cash flows	55.93	87.78	39.10	8.72
Financing activities				
Dividend paid	-	-	-	-
Net cash flows from investing activities				
Interest paid	(9.77)	(2.51)	(6.84)	(3.40)
Financing cash flows	(9.77)	(2.51)	(6.84)	(3.40)
Movement in cash and cash equivalents	(78.59)	153.10	(43.35)	(5.53)
Effects of exchange rate on forex	82.35	(92.16)	48.75	6.48
Cash & cash equivalents at beginning of period	2.37	(57.01)	0.74	0.17
Cash & cash equivalents at end of period	6.13	3.93	6.13	1.12

ABRIDGED STATEMENT OF FINANCIAL POSITION

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	Sept 2023 (Reviewed)	March 2022 (Reviewed)	Sept 2023	March 2022
	ZWL\$'B			
ASSETS				
PPE	119.32	119.15	39.62	37.16
Investment in associate & JV	138.21	81.47	133.41	25.30
Other financial assets	19.64	13.13	19.64	4.10
Inventories	169.43	34.69	145.92	10.23
Trade and other receivables	282.32	173.40	280.95	54.01
Cash and cash equivalents	6.13	2.37	6.13	0.74
Total assets	735.05	424.21	625.67	131.54
EQUITY AND LIABILITIES				
Equity				
Share capital	0.45	0.45	0.002	0.002
Non-distributable reserves	245.59	192.19	150.40	49.10
Retained earnings	150.34	63.06	169.36	32.18
Total equity	396.40	255.70	319.76	81.28
Liabilities				
Deferred tax liability	74.51	50.83	41.78	13.55
Bank borrowings	133.26	79.70	133.26	24.86
Trade and other payables	130.88	37.98	130.87	11.85
Total liabilities	338.65	168.51	305.91	50.26
Total equity and liabilities	735.05	424.21	625.67	131.54

ABRIDGED STATEMENT OF CHANGES IN EQUITY

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	Sept 2023 (Reviewed)	Sept 2022 (Reviewed)	Sept 2023	Sept 2022
	ZWL\$'B			
Opening shareholders' equity	255.70	104.00	81.28	12.81
Profit for the period	87.30	9.17	137.18	6.03
Other comprehensive (loss)/income	53.03	(0.14)	100.95	(0.04)
Exercise of share options	0.04	-	0.03	-
Share based payments	0.33	-	0.32	-
Closing shareholders' equity	396.40	113.02	319.76	18.80

DIRECTORS

P Gowero (Chairman), M Nzwere (Group CEO)*, J Matorofa (Group CFO)*, A Calvalho, R C D Chitengu (Mrs), Dr D Garwe (Mrs), M P Karombo, K Mafukidze, R Fournier, F Savin. *Executive

SUPPLEMENTARY INFORMATION
Issued in terms of Practice Note 13 of the Zimbabwe Stock Exchange

This abridged financial results notification has been prepared and authorized by the Board of Directors. It provides a condensed overview of the full announcement and does not contain comprehensive details. All investment decisions by shareholders and investors should be made after careful consideration of the complete financial results publication. A copy of the full announcement is available on the Zimbabwe Stock Exchange website at www.zse.co.zw as well as on the Company's website at www.seedcogroup.com for further reference and analysis.

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

The abridged inflation adjusted interim financial results of the Company were prepared in line with IAS 34, Interim Financial Reporting, in conformity with the Securities and Exchange (Zimbabwe Stock Exchange Listings Requirements) Rules, 2019. Appropriate adjustments for changes in the general purchasing power of the Zimbabwe Dollar have been made to the Company's historical cost financial information in these Financial Statements for the purposes of fair presentation in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies. IAS 29 Financial Reporting in Hyperinflationary Economies requires that the Financial Statements be prepared in the currency of a hyperinflationary economy and stated in terms of the measuring unit current at the balance sheet date, with corresponding figures for previous periods restated in terms of the measuring unit current at the balance sheet date.

The restatement was computed using conversion factors taken from the Zimbabwe Central Statistical Office's Zimbabwe Consumer Price Index (CPI) for the period up to January 2023. An estimated CPI was utilized for the period beginning February 2023 and ending September 2023, calculated by adjusting the January 2023 published CPI by the monthly movement of the Total Consumption Poverty Line (TCPL).

The conversion factors used to restate the financial statements are as follows:

Closing as at:	Index	Conversion Factor
30 September 2023	44,720.87	1.00
31 March 2023	13,949.99	3.21
30 September 2022	12,713.12	3.52
31 March 2022	4,766.10	9.38
Average for the six (6) months to:		
30 September 2023	35,151.70	1.56
30 September 2022	9,468.14	5.20

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. Summary of accounting policies

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

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	SEPT 2023 (Reviewed)	SEPT 2022 (Reviewed)	SEPT 2023	SEPT 2022
	ZWL\$'B			
4. Capital expenditure	3.75	0.97	3.60	0.24
5. Depreciation on property, plant and equipment (PPE)	3.47	1.94	1.12	0.29

6. Contingent liabilities

There were no contingent liabilities for the period under review.

7. Approval of financial statements

These abridged financial statements were approved by the Board on 17 November 2023.

8. External auditors' statement

The abridged Seed Co Limited results for the half year ended 30 September 2023, should be read in conjunction with the inflation adjusted financial statements for the half year ended 30 September 2023, from which they have been extracted.

The inflation adjusted financial statements for the half year ended 30 September 2023 have been reviewed by KPMG Chartered Accountants (Zimbabwe) and an adverse conclusion issued thereon.

The auditors' review conclusion report is modified for IAS 21, *The Effects of Changes in Foreign Exchange Rates*, in respect of use of internally generated rates in accounting for transactions with growers and determination of split of exchange gains into realised and unrealised portions, in respect of non-compliance with IFRS 13, *Fair Value Measurement*, in

relation to the valuation of land and buildings, 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.

By Order of the Board



P. Gowero
Chairman



M. Nzwere
CEO

COMMENTARY
Overview

Increased macro and micro-environment uncertainty and operating difficulty characterized the first half of the trading year. Liquidity crunch, foreign currency shortages and prohibitive borrowing costs were among the major obstacles encountered in the period. On the global scale, the unending geopolitical dispute in Eastern Europe, as well as the recent war outbreak in the Middle East, has had a massive impact on global supply chains compounding the challenges of already fragile economies.

Financial Performance

Value tracking price adjustments on the backdrop of inflationary pressures and comparative exchange rate movements resulted in inflation-adjusted turnover being 121% higher than prior year.

In volume terms, the business registered 8% growth in winter wheat and barley sales of 6,828mt despite a myriad of challenges experienced by farmers. On the other hand, the summer selling season started slowly mainly because of the late start of Government related input support initiatives. This saw maize sales volumes reducing by 22% when compared with prior year. Gross profit margins notched up to 58% compared to 54% in prior year benefiting from price reviews and older wheat stocks.

Inflation and exchange rate movements saw overheads increasing 181% compared to prior year.

The regional associate, Seed Co International, registered an encouraging start in terms of volume and turnover and this resulted in a reduced first half loss compared to prior year.

Net finance costs were 22% lower than prior as the business largely accessed funding at productive sector interest rates averaging 95% on ZWL\$ borrowing's compared to the average funding cost of 113% year on year.

Financial Position

The carrying value of PPE increased 9% since 31 March 2023 because of the sales shop construction, office complex solar installation, and office complex refurbishment at Stapleford.

The intake and processing of raw seed is almost concluded for this year's selling season. The business has more than adequate stocks in the required varieties for the forecast rainfall season.

The carrying value of debtors of ZWL\$135bn is mainly attributable to:

- prior year Government related debtors;
- current year winter cereal credit sales; and
- the revaluation of USD denominated grower advances.

Short-term borrowings increased in line with the borrowing cycle of the business, characterized by the intake of seed from growers as well as processing. The increase is also due to an inflation-induced increase in working capital requirements as well as the need to fund the debtors' book.

Research and Development

Research and Development remains the key competitive advantage for the Company. Various research initiatives are at various stages of the pipeline to produce climate responsive products. The Company has progressed well in crop diversification with significant progress on the advancement of rice and potato. The maize seed basket has been expanded with the release of SC 661 and SC 657.

Outlook

Despite the harsh and uncertain operating environment, the business is committed to remain the most preferred as well as trusted producer and supplier of improved crop seeds. Going forward the business is focusing on increasing the contribution of exports and USD denominated sales as well as pricing right while containing costs. The regional associate business is poised to continue the growth trend established in the first half leveraging on its diversified geographical footprint and climate smart products to respond to the favourable and unfavorable El Nino weather conditions in East Africa and Southern African respectively. Overall, the Company has an optimal varietal mix of seed suitable for both drought and good rainfall forecasts.



T. Chatiza
Group Secretary