

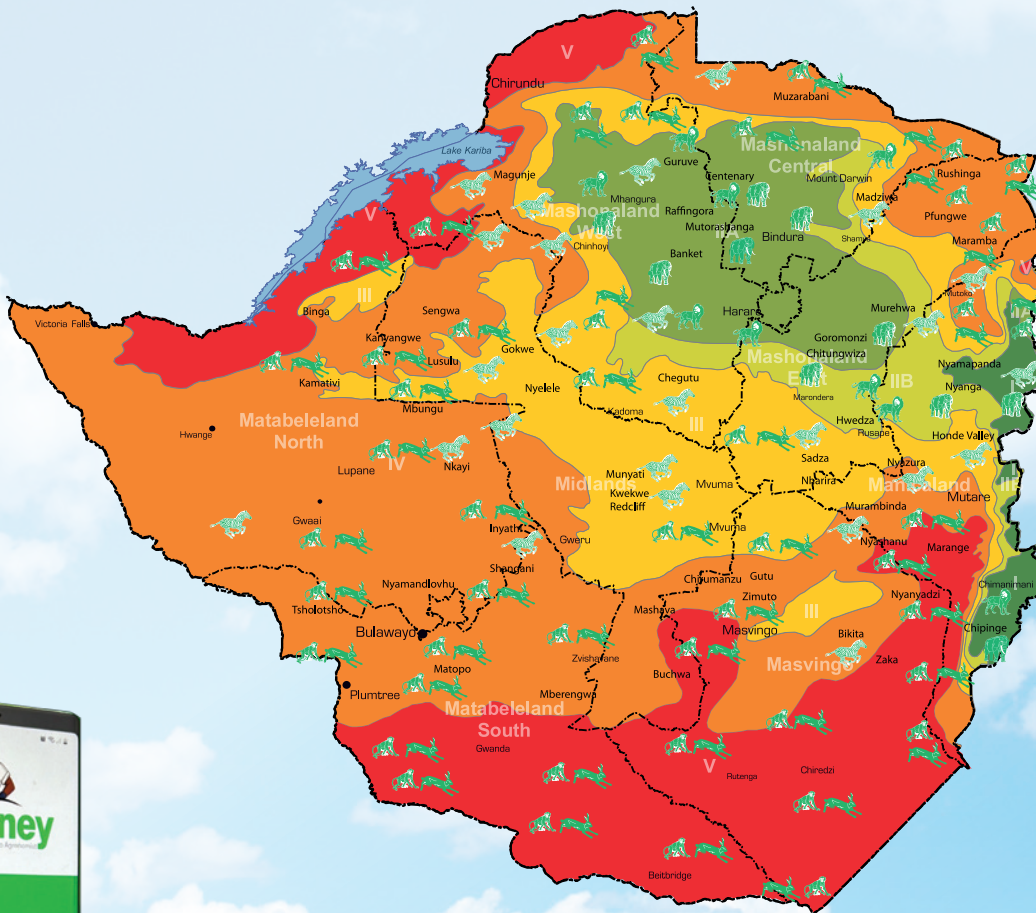


The African Seed Company

# SEED CO LIMITED

## AUDITED ABRIDGED COMPANY RESULTS

### FOR THE YEAR ENDED 31 MARCH 2024



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LIMITED

SHORT-FORM FINANCIAL ANNOUNCEMENT

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

AUDITED ABRIDGED COMPANY RESULTS FOR THE YEAR ENDED 31 MARCH 2024

All inflation adjusted comparatives have been restated in terms of the measuring unit current at the end of the latest reporting period.

^ Foreign currency translation reserve through OCI and investments in associates have been restated at the applicable exchange rates.

ABRIDGED INFLATION ADJUSTED INCOME STATEMENT

	Inflation adjusted Audited		Historical cost*	
	Mar 2024 ZWL'Bn	Mar 2023 ZWL'Bn	Mar 2024 ZWL'Bn	Mar 2023 ZWL'Bn
Revenue	813.66	1,011.70	228.10	38.22
Cost of sales	(487.60)	(597.73)	(93.94)	(15.69)
<b>Gross profit</b>	<b>326.06</b>	<b>413.97</b>	<b>134.16</b>	<b>22.53</b>
Other income	1,245.43	872.89	799.68	34.74
Operating expenses	(494.35)	(435.63)	(272.68)	(16.01)
<b>Operating profit</b>	<b>1,077.14</b>	<b>851.23</b>	<b>661.16</b>	<b>41.26</b>
Net finance costs	(105.09)	(264.29)	(33.99)	(10.09)
Monetary loss	(308.63)	(103.82)	-	-
Share of profit from associates & JV	25.78	44.30	104.19	3.10
<b>Profit before tax</b>	<b>689.20</b>	<b>527.42</b>	<b>731.36</b>	<b>34.28</b>
Income tax expense	(225.86)	(152.84)	(139.41)	(7.01)
<b>Profit for the year</b>	<b>463.34</b>	<b>374.58</b>	<b>591.95</b>	<b>27.27</b>
BEPS - cents	185,250	150,227	236,077	10,936
DEPS - cents	171,580	145,929	218,656	10,623
HEPS - cents	142,711	131,224	213,877	10,222

ABRIDGED INFLATION ADJUSTED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Inflation adjusted Audited		Historical cost*	
	Mar 2024 ZWL'Bn	Mar 2023 ZWL'Bn	Mar 2024 ZWL'Bn	Mar 2023 ZWL'Bn
<b>Profit for the year</b>	<b>463.34</b>	<b>374.58</b>	<b>591.95</b>	<b>27.27</b>
Exchange differences^	(37.74)	245.60	451.89	17.53
Revaluation net of tax	187.64	362.09	821.59	23.45
<b>Total comprehensive income for the year</b>	<b>613.24</b>	<b>982.27</b>	<b>1,865.43</b>	<b>68.25</b>

ABRIDGED INFLATION ADJUSTED STATEMENT OF CHANGES IN EQUITY

	Inflation adjusted Audited		Historical cost*	
	Mar 2024 ZWL'Bn	Mar 2023 ZWL'Bn	Mar 2024 ZWL'Bn	Mar 2023 ZWL'Bn
<b>Opening shareholders' equity</b>	<b>1,891.87</b>	<b>895.81</b>	<b>81.28</b>	<b>12.81</b>
Comprehensive income	613.24	982.27	1,865.43	68.25
Exercise of share options	(0.14)	8.70	0.20	0.14
Share based payments	7.40	5.08	0.31	0.08
Dividend paid	-	-	-	-
<b>Closing shareholders' equity</b>	<b>2,512.37</b>	<b>1,891.86</b>	<b>1,947.22</b>	<b>81.28</b>

ABRIDGED INFLATION ADJUSTED STATEMENT OF FINANCIAL POSITION

	Inflation adjusted Audited		Historical cost*	
	Mar 2024 ZWL'Bn	Mar 2023 ZWL'Bn	Mar 2024 ZWL'Bn	Mar 2023 ZWL'Bn
<b>Assets</b>	<b>3,878.54</b>	<b>3,138.67</b>	<b>3,051.91</b>	<b>131.54</b>
Property, plant & equipment (PPE)	1,129.73	881.56	1,118.35	37.16
Investments in associates & JV^	586.70	602.78	585.30	25.30
Other financial assets	63.14	97.16	63.14	4.10
Inventories	1,003.01	256.64	208.41	10.23
Receivables	1,089.59	1,282.97	1,070.34	54.01
Cash and cash equivalents	6.37	17.56	6.37	0.74
<b>Equity and liabilities</b>	<b>3,878.54</b>	<b>3,138.67</b>	<b>3,051.91</b>	<b>131.54</b>
Shareholders' equity	2,512.37	1,891.86	1,947.22	81.28
**Loans and borrowings	481.42	589.67	481.42	24.86
Deferred tax liability	590.58	376.16	329.09	13.55
Payables and provisions	294.17	280.98	294.18	11.85

\*\*All borrowings are unsecured

ABRIDGED INFLATION ADJUSTED STATEMENT OF CASH FLOWS

	Inflation adjusted Audited		Historical cost*	
	Mar 2024 ZWL'Bn	Mar 2023 ZWL'Bn	Mar 2024 ZWL'Bn	Mar 2023 ZWL'Bn
Profit before tax	689.20	527.42	731.36	34.28
Reconciling items to net cash flows	424.21	283.89	254.53	8.99
Working capital changes	(565.37)	(848.91)	(1,037.13)	(49.69)
Tax paid	(33.77)	(20.20)	(13.18)	(0.85)
Effects of monetary changes	(987.02)	(138.03)	-	-
<b>Operating cash flows</b>	<b>(472.75)</b>	<b>(195.83)</b>	<b>(64.41)</b>	<b>(7.27)</b>
PPE disposal proceeds	1.57	0.61	0.74	0.02
Purchase of PPE	(51.73)	(17.77)	(14.37)	(0.68)
Non-current financial assets changes	26.22	(0.42)	12.14	(0.08)
Dividends received	5.49	0.37	1.53	0.01
Interest received	0.07	0.11	0.01	-
<b>Investing cash flows</b>	<b>(18.38)</b>	<b>(17.10)</b>	<b>0.05</b>	<b>(0.71)</b>
Proceeds from exercise of share options	-	-	-	-
Net proceeds from borrowings	571.31	282.67	104.33	13.78
Dividend paid	-	-	-	-
Interest paid	(85.04)	(219.86)	(28.00)	(10.09)
<b>Financing cash flows</b>	<b>486.27</b>	<b>62.81</b>	<b>76.33</b>	<b>3.69</b>
Net cash flows during the year	(4.86)	(150.12)	11.96	(4.29)
Effects of monetary changes	(6.33)	149.67	(6.33)	4.77
Opening cash and cash equivalents	17.56	18.01	0.74	0.26
<b>Closing cash and cash equivalents</b>	<b>6.37</b>	<b>17.56</b>	<b>6.37</b>	<b>0.74</b>

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](http://www.zse.co.zw) as well as on the Company's website at [www.seedcogroup.com](http://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 basis of preparation of these financial statements is **International Financial Reporting Standards (IFRS)** with the exception of IAS 8 and IAS 21 as stated in the audit report.

Inflation adjusted financial statements have been drawn up using the conversion factors derived from interbank exchange rates that were used in estimating the Consumer Price Index (CPI). The conversion factors used for the IAS 29 restatements are as follows:

	Index	Conversion Factor
Closing as at 31 March 2024	381,544	1.00
Closing as at 31 March 2023	16,086	23.72
Average for the year ended 31 March 2024	127,225	5.48
Average for the year ended 31 March 2023	11,871	35.64

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. Accounting policies

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

DIRECTORS

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

#### 4. The Company's functional and presentation currency

The functional currency assessment remains a critical management judgemental call as the indicators were mixed. During the year ended 31 March 2024, there was a mix of functional currency indicators between the USD and the ZWL when assessing the primary indicators per IAS 21.9, with the weighting between USD and ZWL indicators shifting throughout the year. The company considered the following factors.

- The currency that mainly influences sales prices for goods and services. 51% of sales for the period under review were settled in ZWL.
- The currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services. The official currency in Zimbabwe as of 31 March 2024 was the ZWL.
- The main currency for the business's receipts and payments. The business received 53% of its total cash inflows in ZWL while 54% of the payments were in ZWL.
- The currency that mainly influences labour, material, and other costs of providing goods or services for the year ended March 2024 was mainly ZWL.

Based on the above factors, the businesses concluded that the ZWL was the functional and presentation currency for the year ended 31 March 2024.

	Inflation adjusted Audited		Historical cost*	
	Mar 2024 ZWL'Bn	Mar 2023 ZWL'Bn	Mar 2024 ZWL'Bn	Mar 2023 ZWL'Bn
<b>4. Capital expenditure (Capex)</b>	51.73	17.77	14.37	0.68
<b>5. Depreciation</b>	49.24	34.18	2.36	0.51
<b>6. Commitments for CAPEX</b>			US\$m	US\$m
			3.0	3.6

#### 7. Directorate

Mr. P. Spadin resigned from the board on 8 September 2023 and Mr. D.E.B Long retired from the Board on 20 September 2023. Messrs. A. Carvalho, M. Karombo, and K. Mafukidze were appointed Board Members on 21 September 2023.

#### 8. Dividend

In view of the uncertain local and global economy, the Board decided not to declare a dividend

#### 9. External auditors' opinion

"The abridged Seed Co Limited results for the year ended 31 March 2024, should be read in conjunction with the inflation adjusted financial statements for the year ended 31 March 2024, from which they have been extracted. The inflation adjusted financial statements for the year ended 31 March 2024 have been audited by KPMG Chartered Accountants (Zimbabwe) and an adverse opinion issued thereon.

The auditors' report is modified for IAS 21, **The Effects of Changes in Foreign Exchange Rates**, in respect of internally generated rates in accounting for transactions with growers and determination of split between realised and unrealised portions of exchange gains, IAS 28, **Investments in Associates and Joint Ventures**, in respect of the associate entity's application of the cost model in accounting for property, plant and equipment (PPE) which is not consistent with Company's policies which require PPE to be revalued annually, in respect of non-compliance in the prior year with IFRS 13, **Fair Value Measurement**, in relation to the valuation of land and buildings, and 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' opinion 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' opinion is available for inspection at the Company's registered office."

#### 10. Approval of financial statements

These abridged results have been extracted from the full set of financial statements and are the responsibility of the directors. The full set of financial statements which have been signed on behalf of the board by the Chairman and CEO are available on the ZSE data portal and Company website.



P. Gowero  
Chairman  
28 June 2024



M. Nzwere  
CEO  
28 June 2024

## COMMENTARY

### Overview

Zimbabwe's economy and businesses continue to face several challenges all playing out in the public domain to warrant specific mention. On the global front, the geopolitical conflicts in Eastern Europe and Middle East are disrupting global supply chains in the process fueling global inflation that further worsen the situation of fragile emerging economies.

During the reporting period, the Zimbabwean economy remained substantially dollarised, but the ZWL remained the official trading and reference currency. Foreign currency shortages persisted as most economic players demanded settlement in USD. The post-election season witnessed liquidity crunch of both the ZWL and the USD, slowing down activity in the market. Government payments were delayed, resulting in operating difficulties and unavoidable funding gaps, forcing companies to borrow and incur huge finance costs.

### Sales Performance

Overall sales volumes were nearly a third lower than prior year because of El Nino-induced drought which negatively impacted maize and soya seed sales volumes. The extensively publicised drought dampened cropping plans as farmers cautiously tried to curb the risk of crop failure because of moisture stress.

Sales volume of the flagship crop, maize seed, was below prior year by nearly a third. On the other hand, export sales increased notably earning the business with much need foreign currency while at the same time reducing the impact of lower local demand for seed.

Wheat sales volumes remained constant in comparison to prior year despite challenges experienced by farmers which included power cuts, high prices of key inputs like fertilizer and exchange rate volatility.

### Financial performance

Revenue dropped by 10% as a result of the aforementioned low sales volume performance.

Other income increased due to exchange gains on USD denominated receivables and increase in non seed sales.

Operating expenses surged due to the current hyperinflationary environment as pricing index to the USD became the norm.

Finance costs were for 16% of turnover, down from 26% the previous year. The company remained reliant on borrowings to fund the cash flow gap created by delayed settlement of Government related receivables and the inflationary increase operational costs. The average interest rate year-on-year was 90% p.a. compared to 112% p.a. in prior year.

The profit share from the joint venture and associates was ZWL25.78 billion benefiting from Seed Co International's notable profitability recovery as well as exchange gain anchored profitability of the local joint venture, Prime Seed Co, and associate, Quton.

Despite the subdued volumes, the Company's profitability improved 8% from prior year mainly driven by exchange gains from revaluing USD denominated receivables.

### Financial position

The carrying value of PPE increased 28% because of the sales shop construction, office complex solar installation, and and revaluation of assets at year end.

Inventories on hand at the reporting date mainly comprised of maize seed because of reduced sales. Wheat seed has since been sold in the current winter cropping season.

The increase in receivables is mainly attributable to delayed settlement of Government related receivables.

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 remain the primary driver of competitive advantage for the business, with multiple initiatives at various pipeline stages aimed at producing climate-responsive products. The maize seed portfolio has been expanded with the release of SC661 and SC657, both medium-maturing hybrids. Additionally, a high-yielding wheat variety, SC W9104, has been introduced.

### Outlook

The business maintains cautious optimism regarding Zimbabwe's economic outlook despite prevailing challenges. The agricultural sector, a vital economic driver, is expected to improve with anticipated favourable weather conditions as El Niño transitions to La Niña in the upcoming season. Moving forward, the focus will be on increasing the contribution of exports and USD-denominated sales while ensuring competitive pricing and effective cost management. The business will continue to leverage its intellectual property by continuing to offer an optimal mix of seed varieties suitable for both drought and favourable rainfall conditions.



T. Chatiza  
Company Secretary  
28 June 2024