



**The African Seed Company**





## Welcome to our 2019 Annual Report

Seed Co Limited, which is listed on the Zimbabwe Stock Exchange, is the leading producer and marketer of certified crop seeds in Africa. We believe that our annual report can help our stakeholders make better informed decisions about our business.

This report, which is our primary report to stakeholders, covers the period 1 April 2018 to 31 March 2019. The scope of this report includes the Seed Co group's operations, projects and the key functions over which we exercise control.

For ease of reference we have used Seed Co or the group to represent the company and its group entities. All our subsidiaries, business divisions and products are referred to by their branded names. With respect to comparability, all items are reported on a like-for-like basis with no major restatements. Any restatements are noted and explained.

### Reporting frameworks

Our report conforms to the requirements of local and international reporting frameworks, including those of the Zimbabwe Stock Exchange Listings Requirements. We have used the International Integrated Reporting Framework to guide us in structuring our report to show the connectivity between material information on our strategy, governance, performance and prospects and how our strategy affects and is affected by environmental, social and financial matters. We have been guided by the Global Reporting Initiative's (GRI) 3.1 indicators.

### Your feedback

We welcome your comments and feedback on our reporting. You can provide this at [www.seedcogroup.com/annualreportfeedback](http://www.seedcogroup.com/annualreportfeedback). Your views are important to us and help shape our reporting for future years.



Contents.

|   |    |
|---|----|
| Performance Highlights  | 3  |
| Chairman’s Letter   | 8  |
| Group Chief Executive’s Review                                    | 10 |
| Governance Statement  | 15 |
| Corporate Social Investment                                       | 22 |
| Report of the Directors   | 26 |
| Directors’ Approval of Group Financial Statements                 | 27 |
| Independent Auditor’s Report                                      | 28 |
| Consolidated and Company Income Statements                        | 32 |
| Consolidated and Company Statements of Other Comprehensive Income | 32 |
| Consolidated and Company Statements of Financial Position         | 33 |
| Consolidated Statement of Cash Flows                              | 34 |
| Consolidated and Company Statements of Changes in Equity          | 35 |
| Notes to the Financial Statements                                 | 36 |
| Group Administration  | 78 |
| Notice to Shareholders  | 79 |



About the Seed Co Limited Annual Report

The full edition of Seed Co Limited Annual Report 2019 comprises:

- ▶ Audited consolidated and company financial statements of Seed Co Limited set out on pages 32 to 77 which comprise the group and company statements of financial position as at 31 March 2019.
- ▶ The Annual Report includes notes to the financial statements, including a summary of significant accounting policies.
- ▶ Seed Co Limited AGM Notice and Proxy Form



A soft copy of this Annual Report and further information about the company is available on our corporate website: [www.seedcogroup.com](http://www.seedcogroup.com). The Proxy form and Abridged version of this financial report can also be downloaded online.

Seed Co Limited at a glance.



Rich experience in Africas seed industry



State-of-the-art research facilities



## Performance Highlights

Turnover

2019  
US\$ 73m

2018  
US\$ 63m

▲ 16%

EBIT

2019  
US\$ 24m

2018  
US\$ 22m

▲ 11%

PAT  
Continuing  
Operations

2019  
US\$ 21.4m

2018  
US\$ 17.1m

▲ 26%

Maize  
Sales  
Volumes

2019  
26,800 mt

2018  
28,700 mt

▼ 7%

Headline EPS  
Continuing  
Operations

2019  
8.87c

2018  
7.19c

▲ 23%



## Seed Co International now listed on the Botswana Stock Exchange.

The principal rationale for listing on the BSE is to mobilize capital, to defend the investment already deployed in the region and fund other expansion opportunities, through a structure that will also unlock and preserve shareholder value whilst providing direct geographical portfolio choice for investors.



## Seed Co International's motivations for listing are:

- To unlock shareholder value following the partial unbundling of the Group out of Seed Co Limited by way of a dividend-in-specie distribution;
- To enhance capacity to raise capital to finance research and development, growth and expansion opportunities in the seed business in Africa and beyond;
- To strengthen and enhance the visibility of the Group's brand and regional operations to the investing community;
- To unlock, grow and preserve shareholder value by creating liquidity for the trading and valuation of the Group's shares;
- The capital raised will be directed towards satisfying regional market acquisitions and capex programmes in Tanzania, Nigeria, Zambia, Botswana and Kenya;
- It also seeks to unlock and preserve shareholder value while providing direct geographical portfolio choice for investors;
- The listing gives it momentum in growing its market share in key markets such as East Africa where adoption of the hybrid variety is on the rise as well as input programmes in Zambia, Zimbabwe and Malawi;







Briefing GCEO on work in progress



Inspection of construction site by Seed Co Limited Senior Managemet



Aerial view of Artificial Seed Drying Plant under construction

**Artificial seed drying plant for Seed Co Limited (Stapleford).**

**Seed Co Limited embarked on a USD \$ 10 000 000, Artificial Seed Drying Plant consisting of receiving, hand sorting, drying, and shelling facilities. The plant is being constructed at No. 1 Shamwari Road, Stapleford, Westgate, Harare and assuming all the expected implementation challenges are overcome, the plant is expected to be commissioned by the first quarter of the next financial year.**

Increasingly Zimbabwe is experiencing climatic changes i.e. a shift in rainfall patterns and sometimes above normal to late rains. Such conditions have resulted in high incidences of cob/kernel diseases/rots, slow dry down and huge seed maize losses. In the last three seasons Seed Co Limited and its Seed Growers have both lost significant amounts of revenue and above all, delayed seed deliveries to the processing plant and trade network as well as to the Government Farmer Input Support Programmes. In addition, the current seed maize handling model of 100 % field drying (or on-farm drying) presents challenges to Seed Co as the organisation does have control over seed growers post-harvest processing i.e. timeliness, quality, theft etc.

The technology that Seed Co Limited is installing and commissioning in February, 2020 will address the above challenges. Seed growers would be in a position to double crop their fields (summer & winter crop), thereby enjoying higher returns per unit area. Seed Co Limited would exploit other warmer seed maize planting windows thereby taking advantage of export opportunities and bring into the country the much needed foreign currency. In addition, the Artificial Seed Drying Plant will have the benefit of minimizing importation of seed as has been the case in the past. It is also expected that the current plant utilization (seed cleaning, treating & packing) will increase from 60% to 80% i.e. from volumes of 15,000mt to 20,000mt out of a maximum plant capacity of 25,000mt of maize seed. Above all, this latest technology will put Seed Co Limited at par with other leading global seed players who have employed such technology elsewhere.

Seed maize will be harvested at 32 to 35 % moisture content (MC), de-husked on-farm, delivered to the plant and artificially dried over 4 to 5 days down to shell-able 13 % MC. After shelling the seed will be run through a seed cleaner, treater and packing in a single pass process and ready to be dispatched on to the trade network within the shortest time period. The other advantage of an artificial drier is it locks the best possible seed quality at 35% MC, preventing quality erosion due to forces of natural drying and emerging cob rots.

Phase 1 of the Artificial Seed Drying Plant is designed to dry 14 000 to 15 000 mt of wet cobs resulting in 5 000 mt of seed maize. Phase 2, 3 and 4 of similar capacity to Phase 1 will be commissioned in February 2022, 2024 and 2026, respectively.



**Innovative smart breeding approach is the engine of our progress.**

**With precision and a balanced combination of technology and craftsmanship, sophisticated breeding is producing the varieties of tomorrow. We also engage with farmers to integrate their insights into the products that we make. Our objective is to create value for our customers through higher yields and optimal use of resources.**

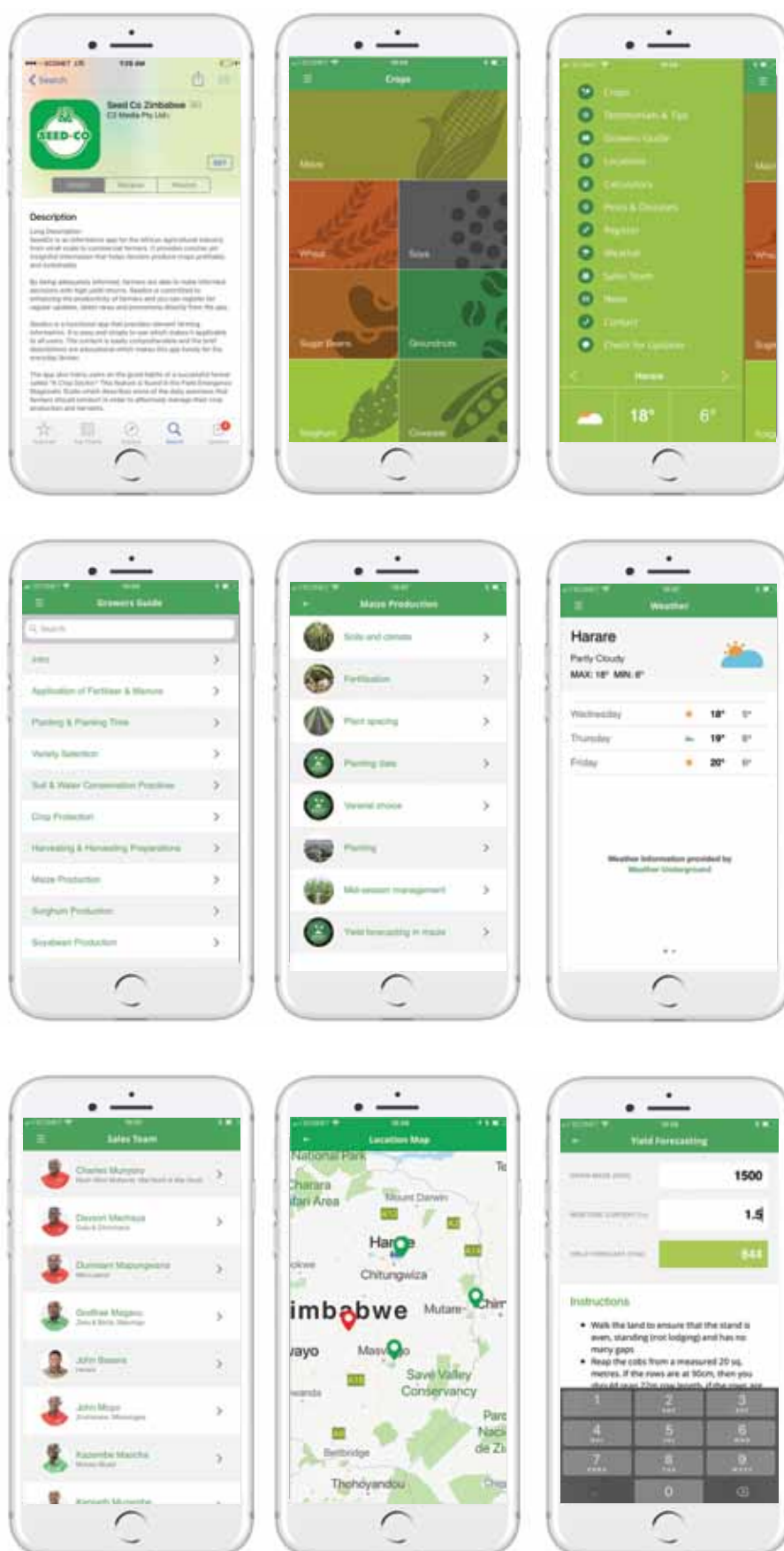


### **Research and development initiatives and progress**

- We have developed dedicated research farms with varying agro-climatic conditions around Africa.
- We are well placed in the emerging markets, having completed a period of extensive investments; and our long experience of managing risk is enabling us to navigate the current volatility.
- Our smart breeding approach produces results with a consistent focus on producing more from less. We look at each crop through the eyes of the grower, and we understand the grower's concerns and grievances.
- We have integrated our business, so that we can combine a broad range of technologies that will have the greatest impact on yields, quality and resource efficiency.
- We are making significant progress by developing suitable high yielding products for different ecologies of Africa.
- We have developed varieties of new germplasm. Our gene bank maintains over 5,000 proprietary germplasm accessions in field crops and vegetables, which facilitates genetic enhancement and multidisciplinary crop improvement research programmes.







## Revolutionizing smart agriculture and information technology

**Digitalization and Artificial Intelligence is the future of agriculture and will play an important role in improving spray technologies and help in identifying deficiencies and interventions for soil. Analysis and data of field topography, soil analytics and production history is possible through new technologies.**

### Seed Co mobile app

- The Seed Co mobile app has proved to be a great technical support to farmers in Africa since its launch. The app continuously evolves in response to our farmers' needs.
- Farmers can now upload pictures of disease infected plants and submit them along with some background information to our expert team of agronomists and plant pathologists for analysis. Seed Co, in turn, will track the spread of diseases and alert farmers to potential disease threats in their areas.
- The popular disease guide with all the commonly occurring and economically significant diseases and disorders crops in Africa will remain in the app for quick and easy self-diagnosis.
- There are also tools to assist farmers in identifying the correct hybrid for their particular production system and to compare similar hybrids head-to-head to make an informed selection.
- With this App you have streamlined access to:
  - Our Products
  - Disease Fact Sheets
  - Estimated Yield Calculator(s)
  - Plant Population Recommendation Tool(s)
  - Hybrid Comparison Tool(s)
  - Replant Feasibility Calculator
  - Contact Details



D.E.B Long - Chairman

## Chairman's Letter.

**“Despite the economic challenges in Zimbabwe at the moment, the demand for your company's products is expected to enable your company to maintain its market dominance ”**

Dear Shareholders,

### Introduction

This past season has seen the worst drought in many years in Zimbabwe and this has severely affected seed uptake during the year. The economic turmoil in Zimbabwe characterized by foreign currency challenges, fuel shortages, load shedding and runaway inflation made farming extremely difficult.

On a positive note, the unbundling of the regional operations of Seed Co Limited under Seed Co International Limited was successfully done and resulted in the listing of Seed Co International Limited on the Botswana Stock Exchange on 5 October 2018 with a secondary listing on the Zimbabwe Stock Exchange. The Group believes that it now has better capacity to raise capital to finance Research and Development, growth and expansion opportunities in the seed business in Africa and beyond apart from improved visibility of the Group's brand and regional operations to the investing community. This would not have been achieved without your support.

### Financial Review

The Group posted turnover of \$73m which was 16% above prior year while Operating Profit of \$24m and PBT of \$27,6m increased by 11% and 15% respectively as compared to prior year. Product pricing was a challenge during the year as increases could not be effected to catch up with inflation. The value of the profits earned could not be preserved after changes in functional currency just before year end.

### Product Quality and Seed Supply

Despite the weather challenges during the season, the Company has adequate stocks to supply the market unlike previous seasons where there were product shortages.

Your Company has embarked on the installation of a USD\$10m Artificial Seed Drying Plant consisting of receiving, sorting, drying, and shelling facilities. This technology is 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 Limited on a par with leading global seed players who have employed such technology elsewhere.

### Research and Technology

The company continues to benefit from its partnership with Limagrain in Research and Development collaboration which has already seen the effective use of the latest breeding techniques. Your company continues to play a leading role in releasing ultra early seed varieties demanded by farmers seeking advantage in load / erratic rain fall areas.



## Chairman's Letter.

### People

As your Company continues to nurture and develop talent, I am proud to congratulate those of our staff who attained Doctorates, enhancing the company's pool of very experienced and skilled scientists and agronomists.

### The Competitive Landscape

While the competitive landscape remains intense in Zimbabwe, your company is keeping ahead of the game by releasing new and better products that outcompete the competition.

### New Business Development

I am happy to report that the local vegetable seed business performed well during the year and is gaining significant market share in the hybrid vegetable seed market. Challenges of securing foreign currency to import product continue to affect product availability.

The strategic input and participation of your Company's equity partners Limagrain in both our field seeds and vegetable seeds businesses is increasing and I am confident that this partnership will give your company a firm foundation for future growth.

### Future Prospects

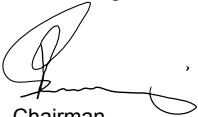
Despite the economic challenges in Zimbabwe at the moment, the demand for your company's products is expected to enable your company to maintain its market dominance and the new seed drying facilities now being installed will enhance the early availability of seed for sale. The currency dynamics will, however, continue to present product pricing challenges this coming year.

### Directorate

I would like to take this opportunity to thank my fellow directors, management and staff for their efforts during this very challenging past year.

Antoine Colombo stepped down from the Board following his appointment as Limagrain Europe CEO. We wish him success in his future endeavors.

D.E.B Long



Chairman

5 July 2019



Morgan Nzwere - Group Chief Executive

Overview

This was yet another challenging year for the Group characterized by drought in both the Southern and East African Markets.

Delayed and below-average rains since the onset of the planting season in most areas of Southern Africa severely dampened demand. The rains that came in late December across most of the sub region did not rescue the situation as it was too late to plant.

The Group successfully unbundled the Regional business and got it listed on the Botswana and Zimbabwe stock exchanges in early October 2018 under the Seed Co International Limited banner.

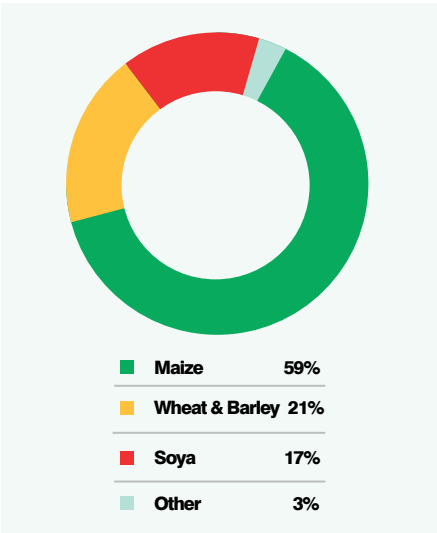
Group Financial Review  
Introduction

The Group opted to maintain its presentation currency as the USD following the change in functional currency on 22 February 2019. The translation to USD was done as practicably possible in the extenuating circumstances based on the prevailing legal statutes. This was however deemed to be non-compliant and in conflict with IAS 21 by the Group’s external auditors hence an adverse opinion was issued on the Group’s financial statements.

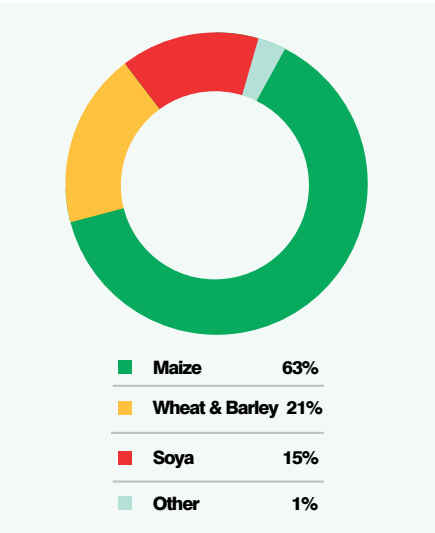
Income statement  
Revenue

Turnover increased to \$73.4m mainly due to upward price adjustments necessitated by the inflationary environment prevailing in the country.

2019 crop volume contribution



2018 crop volume contribution



Chief Executive  
Officer’s Review .

“ The Company embarked on a USD \$ 10 m Artificial Seed Drying Plant project, consisting of receiving, hand sorting, drying, and shelling facilities to mitigate some of the challenges it has experienced over the years with the changing weather patterns. ”

USD 10m Artificial  
Seed Drying Plant  
under construction

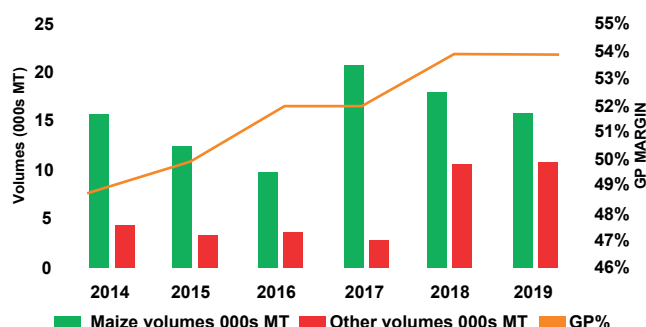
3 new maize hybrids  
in the medium to late  
series were officially  
released

Seed Co International  
Limited listing on the  
BSE and ZSE



## Chief Executive Officer's Review

### Sales Volumes in 000s MT & Gross margin % trend since FY14



#### Gross margin

Gross margin shed 3 percentage points due to the increase in the seed production costs.

#### Operating expenses

Overheads were 7% higher than prior year despite huge inflationary pressures due to cost containment measures across the value chain.

#### Net finance income

Net Finance income rose because of interest received from the investments in the government savings bonds.

#### Share of profit from associates and joint ventures

This mainly relates to profit from unbundled foreign operations now accounted for as an associate entity. The contribution of the associates and JV increased due to first time profit contribution by Prime Seed (51% JV) as well as the cotton seed business achieving a solid set of results.

#### The summarized performance of the Associates and JVs was as follows:

|                           | SCI Group                     |                               |                 | Quton Seed Co                 |                               |                 | Prime Seed Co                 |                               |                 |
|---------------------------|-------------------------------|-------------------------------|-----------------|-------------------------------|-------------------------------|-----------------|-------------------------------|-------------------------------|-----------------|
|                           | Actual ytd March 2019 USD 000 | Actual ytd March 2018 USD 000 | % of prior year | Actual ytd March 2019 USD 000 | Actual ytd March 2018 USD 000 | % of prior year | Actual ytd March 2019 USD 000 | Actual ytd March 2018 USD 000 | % of prior year |
| <b>Income statement</b>   |                               |                               |                 |                               |                               |                 |                               |                               |                 |
| Revenue                   | 60,136                        | 65,119                        | 92%             | 12,639                        | 14,337                        | 88%             | 8,899                         | 5,685                         | 157%            |
| Operating profit/ (loss)  | 7,043                         | 7,767                         | 91%             | 3,015                         | 4,189                         | 72%             | 1,307                         | (135)                         | -970%           |
| Profit/ (loss) before tax | 5,154                         | 5,460                         | 94%             | 3,184                         | 4,394                         | 72%             | 1,235                         | (292)                         | -423%           |
| Profit/ (loss) after tax  | 3,778                         | 4,317                         | 88%             | 2,257                         | 3,126                         | 72%             | 1,085                         | (151)                         | -720%           |
| % shareholding            | 27%                           | 100%                          |                 | 40%                           | 40%                           |                 | 51%                           | 0%                            | 0               |
| Share of profit/ (loss)   | 1,037                         | 4,317                         | 24%             | 903                           | 1,251                         | 72%             | 553                           | 0                             | 24%             |
| Sales volumes             | 29,031                        | 29,907                        | 97%             | 7,376                         | 8,401                         | 88%             | -                             | -                             | 97%             |

#### Profit from continuing operations

The Group's profit from continuing operations was 26% up resulting from:

- Increase in revenue out-turn
- interest from government savings bonds; and
- share of profit from associates and joint ventures

#### Profit from discontinued operations

The profit arose from the partial unbundling of a former foreign subsidiary.

#### Inventories

The book value of stock was substantially lower than at prior year end following the conversion of local currency values to USD.

#### Trade and other receivables

Trade and other receivables also declined due to the currency re-denomination. The balance outstanding from government was settled post year end.

#### Cash and cash equivalents

The decrease was mainly due to translation from ZWL to USD.

#### Equity

The decrease in equity resulted from the dividends (cash and in-specie) and exchange differences on translation of the Group's financial statements from ZWL to USD negating the profit for the year and asset revaluations carried out during the year.

#### Liabilities

The Group paid off most of its local creditors and bank borrowings. However, remittances for foreign obligations remained lodged with the bankers pending repatriation on availability of the required foreign currency.

#### Seed Supply

Despite the inflationary challenges experienced by growers and the dry spell experienced during the production season; the Group has adequate stocks to meet anticipated demand for the forthcoming season.

#### New Seed Drying and Processing technology

The Company embarked on a USD 10m Artificial Seed Drying Plant project, comprising of receiving, hand sorting, drying, and shelling facilities to mitigate some of the challenges it has experienced over the years with the changing weather patterns.

The plant is being constructed at the Group's premises in Stapleford in Harare and is expected to be commissioned in 2020.

Increasingly Zimbabwe is experiencing climatic changes - shift in rainfall patterns, and sometimes above normal to late rains. Such conditions have resulted in high incidences of cob/kernel diseases/rots, slow dry down and huge seed maize losses. In the last three seasons Seed Co Limited and its Seed Growers have both lost significant amounts of revenue and above all, delayed seed deliveries to the processing plant and trade network as well as to the Government Farmer Input Support Programs. In addition, the current seed maize handling model of 100 % field drying (or on-farm drying) presents challenges to Seed Co as the organization does not have control over seed growers post-harvest processing i.e. timeliness, quality, theft etc.

## Chief Executive Officer's Review.

The technology that Seed Co Limited is installing is expected to be commissioned by the first quarter of the next financial year and will address the above challenges. Seed growers will be in a position to double crop their fields (summer & winter crop), thereby improving better returns per unit area. Seed Co Limited will also be potentially able to exploit other warmer seed maize planting windows thereby taking advantage of export opportunities and bringing into the country the much needed foreign currency. In addition, the Artificial Seed Drying Plant will have the benefit of minimizing importation of seed as has been the case in the past. It is also expected that the current plant utilization (seed cleaning, treating & packing) will increase from 60% to 80% as a result. Above all, this latest technology will put Seed Co Limited at par with other leading global seed players who have employed such technology elsewhere.



Aerial view of Seed Drying Plant construction



Senior Executives Project Inspection Team

### Research and Development

A total of 3 new maize hybrids in the medium to late series were officially released with the Seed Services in Zimbabwe while an additional 11 varieties are in their final stages of observation pending release.

One new Soyabean variety was released and registered for commercialization.

Significant progress is being made on the rice varieties being developed.

### Outlook for Zimbabwe Operations

It is difficult at this stage to estimate the impact of exchange rate changes on future financial performance but the Group expects that:

- it will maintain its market dominance with new products expected to spur growth;
- the vegetable business will maintain its upward growth trajectory;
- the new seed drying facilities currently under installation will enhance the early availability of seed for sale post-harvest; and
- the currency dynamics will continue to present product pricing challenges.

### Quton Zimbabwe (40% associate)

The turnover achieved of \$12.6m was 12% below prior year and the \$2.3m PAT was 25% below prior year as volumes reduced by 12% from 8,401mt to 7,376mt.

### Prime Seed Co Zimbabwe

The vegetables business unit in Zimbabwe achieved \$8.9m sales and this was 57% higher than prior year. The sales performance saw the business unit achieving profitability (PAT \$1.1m) for the first time.

### Seed Co International Operations

#### Zambia



The northern part of the country experienced normal rains while the southern part experienced below average and erratic rains that compromised output.

Demand in the local market grew by close to 20% as compared to prior year. However the export volumes were adversely affected by the grain export ban earlier in the year that posed severe logistical challenges in exporting seed.

Seed production at own farms continues to increase as more hectareage is cleared.

Turnover at \$31.6m for the year was at the same levels as in prior year.

Delayed Government payments to Agro-dealers had a negative effect on the business as it meant they in turn couldn't pay the company on time, resulting in increased provisions under IFRS9. Gross margins retreated by 2% to 46% due to product mix, with higher volumes of open pollinated soybeans having been sold in the year under review.

Annual PAT grew by 26%.

#### Malawi



The business achieved a turnover of \$8.8m which was 18% below prior year. Sales volumes were 22% lower than prior year due to product dumping of carry over seed by competition in order to clear old stocks, as well as Government inclusion of cheaper OPV products in the farmer input support program in the local market. The business maintained its prices on hybrid products and also doubled exports to Mozambique.

PBT at US\$ 1.124m and PAT at US\$ 0.974m were 17% and 2% better than prior year respectively on account of better management of costs.



## Chief Executive Officer's Review.

### Seed Co International (Associates)

#### Tanzania



Total revenue at \$10.7m was 18% lower than prior year. The selling season was characterized by the grain pricing crisis, seed import bottlenecks, intense price competition and prolonged second season drought resulting in 13% decline in sales volumes. The second season normally accounts for close to 30% of total sales volumes of the year, but this year was a complete write-off.

The Gross Profit was slightly lower than prior year due to currency devaluation well as introduction of 18% VAT on transport costs. Operating expenses contained to 2% above last year.

The PAT was significantly affected by IFRS9 provisions on receivables.

The local production thrust is progressing well as evidenced by the 60% growth in output.

#### Kenya



Turnover of \$9.5m was 3% lower than prior year.

Drought, local production and seed import challenges resulted in sales volumes declining 12%.

The prolonged drought which was experienced during the second season that normally commences in February affected seed uptake.

GP Margin dropped a % point to 34% from prior year owing to relatively higher import sales and the write-down of some old stocks that failed germination.

The business made a marginal loss as a result of the reduced volumes as well as additional provisions from the adoption of IFRS9.

### Common Customs Union (CCU) Markets (Botswana, South Africa, Namibia, Lesotho and Eswatini)

Normal to below normal rainfall as well as the loss of the Botswana Government tender due to undercutting by competitors affected sales across the Common Customs Union with sales falling 10% below prior.

Revenue at \$6.3m was 16% below prior year.

Currency depreciation reduced the GP Margin by 4% to 39%.

Overheads were 2% below prior year.

### Prime Seed Co International

Vegie divisions consolidated under Prime Seed Co International (Zambia, Tanzania, Kenya and Malawi) achieved sales of \$1.5m and recorded a marginal loss.

The Group vegie sales are still highly skewed towards OPVs with hybrids only contributing 31% of turnover.

### Business Development Projects

#### Nigeria

The production challenges have now been resolved and the business is now positioned well to upscale the distribution and sale of produced seed. The focus is now on the marketing and promotions of the products to improve visibility. The business broke even this year and is now expected to start positively contributing to Group profits.

Seed processing and storage facilities are now being improved to handle the increased volumes.

#### Ghana

In an effort to develop Francophone West Africa territory from Seed Co Ghana, market development work is now set for all the targeted West African countries in collaboration with Novalliance Group as the main distributor, the Alliance for Green Revolution in Africa ("AGRA") and other strategic partners.

A strategic collaboration agreement is being structured between Seed Co and AGRA in promoting the use of hybrids in AGRA targeted countries.

#### Ethiopia

The company is continuing to work with identified co-operators and consultants in a bid to achieve breakthrough in this market.

#### Angola

Angola is a promising market that currently is predominantly yellow OPV maize and largely seed-import dependent, with the company selling about 500mt into this market in the just ended season, a quantity that was compromised by availability of required varieties.

#### Mozambique

Significant inroads have been made with close to 2000mt having been sold into this market. The company is in the process of beefing in-country presence through establishment of local appointment of a Country Manager and agronomy and business development teams as well as seed distribution depots. Some limited seed production trials have also been initiated.

## Chief Executive Officer's Review

### Rwanda, Uganda and Burundi

In Rwanda, focus is now on servicing the open market with a wider product basket that includes vegetables whose demand has increased significantly.

Distributing agents in Rwanda are now being sought to continue serving and grow the open market already established.

An open market approach is also being pursued in Uganda, eastern DRC and Burundi and a distributorship agreement will be signed with a big global distribution Group operating in most parts of Africa.

### Prime Seed Co Vegetable Business development

Upscaling of the Vegetables business in the various countries is underway.

The Seed Co and HM Clause breeding teams set breeding priorities for the vegetable program. Product portfolios for cabbages and tomatoes, the targeted crops for breeding were consolidated.

### Outlook

We expect earnings to rebound due to :

- Adequate carry over stocks in all markets and a better rainfall being forecast for the next season in the key markets.
- Continued demand for soyabeans as well as short season varieties which the Group has in stock.
- Intensifying donor relief input support programs to restore food security as a result of floods in Malawi and Mozambique.

### Acknowledgement

I would like to acknowledge the contribution of the outgoing Managing Director for the Vegetable division Mr Willy Ranby who has been instrumental in setting up the Vegetable businesses in all markets and wish him all the best in his new endeavors.

I would also want to thank the Seed Co team for putting up a brave fight during this tough year and thank the Board of directors for support in the unbundling and separate listing of Seed Co international on the BSE, as well as other projects we undertook during the year.



M Nzwere  
Group Chief Executive  
5 July 2019



## Governance Statement.

### Seed Co Limited - Our Approach to Corporate Governance

The Seed Co Limited Board takes responsibility for the holistic application of the principles contained in King IV Code on Corporate Governance, without diluting the Group's focus on sustainable and ethical performance. The Group has evaluated governance processes and reporting in the context of King IV to foster integrated thinking that continues to create value over time. Our strategy is supported by high standards of corporate governance which we review annually to ensure robust transparent reporting, thus forging strong relationships with our internal and external stakeholders and the continued alignment of our business with global best practice. A detailed internal King IV gap analysis was conducted in 2019. We have ongoing efforts to implement appropriate measures to close off areas requiring improvement. Best practice governance is an aspirational journey and some areas will continue to receive focus in the next one to two years. The Board is confident that no material deficiencies in implementing the recommended practices led to the group not being able to holistically achieve the stated outcomes of an ethical culture, good performance, effective control and legitimacy. Stakeholders will be updated on how we have progressed on improvement measures, as well as generally maturing in our application of the principles to enable and ensure achievement of the governance outcomes through our annual King IV application report.

### Our Approach To Corporate Governance

At Seed Co we appreciate that adhering to the highest form of standards of corporate governance is fundamental to the sustainability of our business across Africa as a whole. The Group will continue to observe best practices in corporate governance by continuously benchmarking with international best practices contained in The King IV Report on Corporate Governance for South Africa, Organisation for Economic Cooperation and Development (OECD 1999) Principles of Corporate Governance and Principles of Corporate Governance in the Commonwealth (CACG Guidelines 1999). Our business practices are therefore conducted in good faith, in the interest of our internal and external stakeholders with a clear mandate to observe the principles of good corporate governance as laid down in King IV Code of Corporate Governance. The Seed Co Limited Board of Directors is the foundation of our governance systems and is accountable and responsible for the Group's performance.

The Board led by our Chairman Mr. David Long retains effective control of the business through a clear governance structure that has established Committees to assist in accordance to our Corporate Governance Framework and King IV. The Board in its entirety recognises that delegations of authority are a fundamental requirement for the success of our business and does not reduce the responsibility of Directors to discharge statutory and common law fiduciary duties. As a business we continue to review our governance structures and ensure that they support the effective decision-making processes and establish a corporate culture that is aligned with Seed Co's vision and

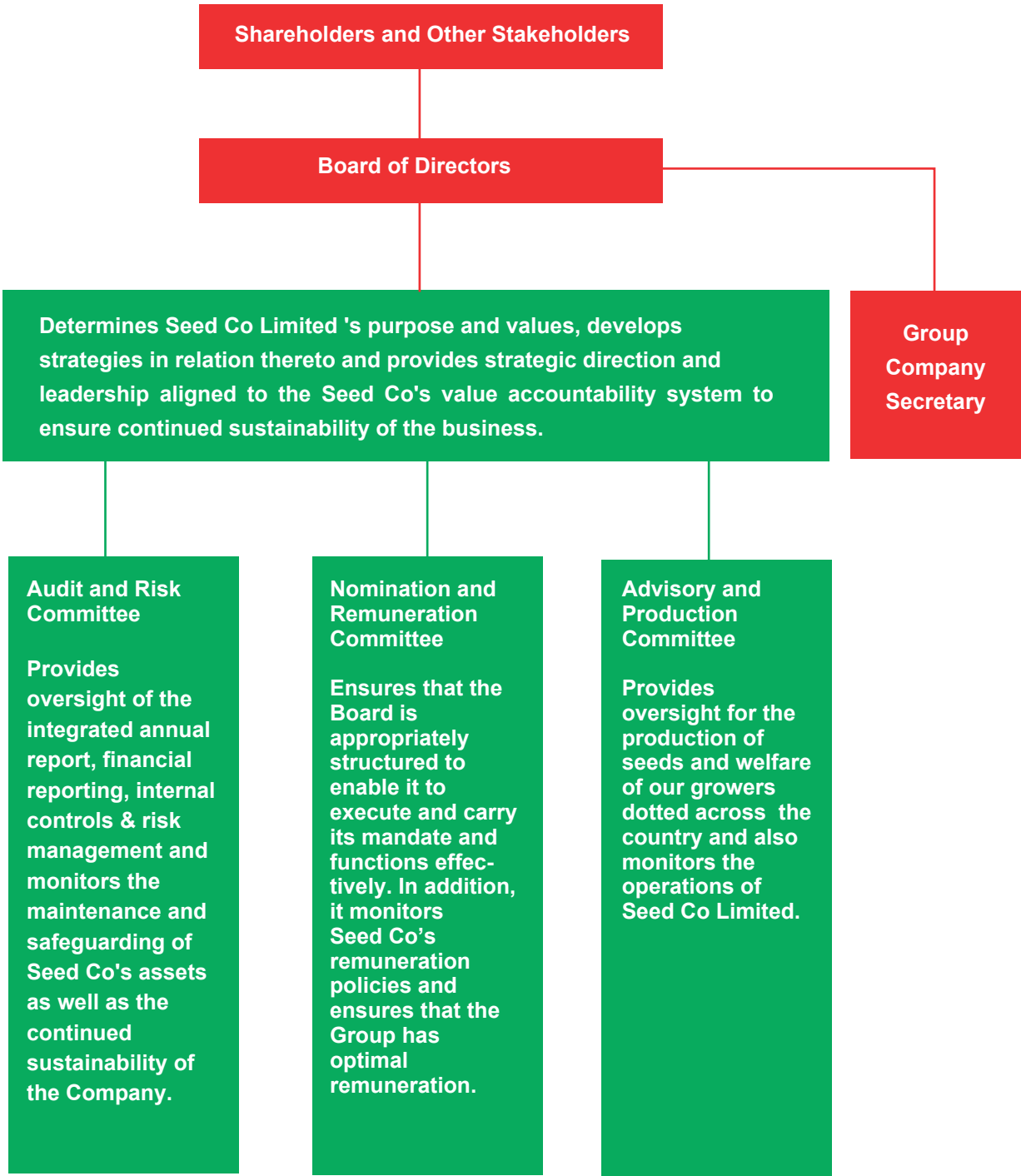
purpose in the process foster sustainable growth and align to every evolving global best practice.

### Legal Compliance

The Group CEO, Group CFO, Group Company Secretary and Senior Management drive compliance. The Group has a legal and regulatory compliance checklist in place, which includes the King IV Governance check list. A risk based compliance framework has been adopted to provide additional focus on compliance with priority legislation. Management considers and includes all material legislative requirements within the checklist and delegates this to the appropriate compliance owners across top and senior management levels. The Corporate Governance Manual is currently under review and will require all Executives and Senior Management make an annual declaration that all laws have been complied with, based on there being no reported instances of non-compliance. All deficiencies noted by the Executive and Senior Management will be tabled to the Board on an annual basis. The effectiveness of the compliance framework is continuously monitored at Board level and the Board confirms that no material non-compliance has been brought to its attention. Furthermore, Seed Co fully complies with employment laws and practices and is committed to the protection of human rights.

# Governance Statement.

Seed Co Limited - Our Governance Structure





## Governance Statement.

### Board of Directors

#### Composition and structure

The Seed Co Limited Board meets at least four (4) times a year to consider the business and strategy of the Company. The Board reviews the reports of the Group Chief Executive Officer, Group Chief Finance Officer, Subsidiary Managing Directors and other Group Executives. The Board comprises 13 Directors, of which two are Executive Directors, seven are independent non-executive directors and four are Non-Executive Directors. Apart from Daniel Jacquemond, Frederic Savin, Antoine Colombo who are all French citizens, all the directors are from Malawi, Zambia and Zimbabwe which are some of the key markets that SeedCo operates in.

The Group Company Secretary, Regional Managing Director – Southern Cluster, Group Internal Auditor, attend meetings regularly by invitation. The external auditors are also invited to certain Audit and Risk committee and Board meetings.

The Board, with respect to gender and race, represents as far as possible the demographics of the markets that the company operates in. Every individual Board member contributes the appropriate knowledge, skills, resources, objectivity and experience as required by the company. The Board has determined that its size, diversity and demographics make it an effective Board. The Board believes that diversity not only applies to academic qualifications, technical expertise, relevant industry knowledge and experience but also to nationality, age, race and gender.

At present, Seed Co Limited has two female directors the Board continues to recognise the importance of promoting gender at Board level and will endeavour to appoint more female Directors as and when the roles open up. Given the company's size and its long operating history, the Board will not be setting voluntary targets at this point but does and will review this policy on a regular basis and make a conscious effort to drive diversity at a Board level by considering that at the time of the appointment of any future directors.

The independence of all independent Non-Executive Directors is assessed on an annual basis and a specific focus on the independence of independent Non-Executive Directors who have served for more than nine years and the outcome of such assessments will be reported on in future annual reports.

#### As at year-end 31 March 2019, the Seed Co Limited Board comprised



DEB Long Independent  
Non-Executive Chairman



M Nzwere Group CEO  
Executive Director



J Matorofa Group CFO  
Executive Director



A.G Barron  
Non-Executive Director



A Colombo  
Non-Executive Director



R.C.D Chitengu  
Non-Executive Director



Dr D Garwe  
Non-Executive Director



P Gowero  
Non-Executive Director



D Jacquemond  
Non-Executive Director



C Kabaghe  
Non-Executive Director



M.S Ndoro  
Non-Executive Director



F Ruwende  
Non-Executive Director



F Savin  
Non-Executive Director

## Governance Statement.

### Directorate Changes

Mr. Antoine Colombo stepped down from the Board as Director of the company following his appointment as CEO of Limagrain Europe.

### Chairman

The roles of the Chairman and Chief Executive Officer ("CEO") are separate with the Chairman being independent. The company's Chairman is currently David Long.

The Chairman is appointed on a term of 3 years which can be further renewed for another 3 year term and is responsible for the effective leadership of the Board by fulfilling the role and functions in terms of King IV. The Board has ensured that a proper succession plan for the position of Chairman is in place.

The Chairman sets the ethical tone for the Board and the company and provides overall leadership to the Board without limiting the principle of collective responsibility for Board decisions, while at the same time being aware of the individual fiduciary duties of Board members.

The Chairman actively participates in the selection of new Board members, as well as overseeing the formal succession plan for Board members, the Group CEO and Executive Management. The Board's annual work plan is formulated by the Chairman, who, in conjunction with the Executive Directors and the Group Company Secretary, sets the agenda for Board meetings while ensuring that Board minutes properly reflect Board deliberations and decisions.

As the major point of contact between the Group CEO and the Board, the Chairman is kept fully informed of the day-to-day matters of interest to Directors and the Board, while maintaining an arm's length relationship.

The Chairman maintains strong relations with the company's major shareholders and its strategic stakeholders in conjunction with the Group CEO and Senior Management team and continues to build and maintain stakeholders' trust and confidence in the company; and presides over shareholder meetings.

### Group Chief Executive Officer

The Board has established a framework for delegation of authority and ensured that the role and function of the Group CEO has been formalised, and that the Group CEO's performance is evaluated against specified criteria on an annual basis.

The Group CEO has developed and recommended to the Board a long-term strategy and vision together with the Board's annual business plans and budgets that support this strategy in order to generate satisfactory levels of shareholder value. The Group CEO has established the organisational structure for the company which is necessary to enable execution of its strategy whilst ensuring that the business continues to operate and perform effectively.

In conjunction with the Board, the Group CEO ensures proper succession planning for Group Executive and Senior Management across the Group and associate companies as well as performance appraisals for Executive and Senior Management.

The company's performance and its conformance with compliance imperatives is monitored and reported to the Board by the Group CEO who formulates and oversees the implementation of company policies.

In addition, the Group CEO sets the tone at Executive and Senior management level in providing ethical leadership and creating an ethical environment and maintaining a positive and ethical work climate that is conducive to attracting, retaining and motivating a diverse group of quality employees.

With the assistance of the Audit and Risk Committee as well as the Group Company Secretary, the GCEO ensures that the company complies with all relevant laws and corporate governance principles and applies all recommended best practices.

### Board Committees

The Board has set up Committees to assist with fulfilling its responsibilities in accordance with the provisions of the Corporate Governance Manual and King IV. The Board has therefore delegated certain functions to the Audit and Risk Committee, Remuneration and Nomination Committee, and Advisory and Production Committee. The Board is nonetheless acknowledging that the delegation of authority to its committees does not detract and is not an abdication of the Board members' responsibilities. The Committees have Terms of Reference which are reviewed annually by the Board. These set out the Committee's roles and responsibilities, functions, scope of authority and composition. In the April 2018 the Board approved amendments to the Board Committees and created the Advisory and Production Committee.

#### Audit and Risk Committee

M.S Ndoro – Chairman, D Jacquemond and R.C.D Chitengu

The Primary objective of the Audit and Risk Committee is to assist the Board in discharging its duties relating to the safeguarding of Seed Co International assets, risk management and compliance; the operation of adequate systems, internal controls and processes and preparation of accurate financial reports and statements of compliance with all applicable legal, regulatory, corporate governance and accounting standards. The Committee also enhances the reliability, integrity, objectivity and fair representation of the affairs of Seed Co International and its associate companies.



## Governance statement.

### Remuneration and Nomination Committee

P Gowero - Chairman, D.E.B Long and M.S Ndoro

The Remuneration and Nomination Committee is responsible, inter alia for establishing formal, transparent procedures for the appointment of Directors, setting out the overarching principles and parameters of the Group wide remuneration policy, recommending to the Board suitable candidates for appointment as Member of the Company's Committees and Chairman of such Committees; consider and approving the remuneration for Executives and Senior Management including the share options; success planning, strategic human resources issues affecting the Group and strategic oversight over the performance of the Group CEO and Executives of the company.

### Advisory and Production Committee

M.S Ndoro - Chairman, K Mafukidze, J Mutizwa, C Mutunhu, C Davenport)

The Advisory and Production Committee is a collection of professional individuals who bring unique knowledge and skills which augment the knowledge and skills of the formal Seed Co Limited Board of Directors in order to more effectively guide the organisation on production and operational matters pertaining specific to the Zimbabwe operations which was once a subsidiary Seed Co Zimbabwe (Private) Limited. The Committee is composed of external advisers who are not members of the Seed Co Limited Board but are Non-Executive Committee Members and one Non-Executive Director who is appointed as their Chairman). Executives and Senior Management of the Company attend the committee meetings by invitation.

### Balance of Power

Seed Co Limited has a unitary Board, comprising a balance of power, with a majority of Non-Executive Directors, currently the majority of Non-Executive Directors are independent.

The Company's Group Executive Directors are involved in the day-to-day business activities of the company and are responsible for ensuring that the decisions of the Board are implemented in accordance with the mandates given by the Board. All Seed Co International subsidiaries have a functioning Board and the subsidiary Managing Directors run the day to day operations of their business reporting into the Group Chief Executive Officer. The Board has ensured that there is an appropriate balance of power and authority at Board level such that no one individual or block of individuals dominates the Board's decision making its Board or Committee meetings.

The Non-Executive Directors are individuals chosen for their calibre and credibility and have the necessary skills and experience to bring independent judgement on issues of strategy, performance, resources, standards of conduct and evaluation of performance.

### Board Evaluation

In line with King IV Code of Corporate Governance which recommends that a formal evaluation process of the Board, its committees and its individuals be conducted at least every two years and that every alternate year, the Board schedules an informal opportunity for consideration of, reflection on and discussion of its performance. Formal evaluations of the Committees and the Board will be conducted in the 2020 FY. All committees and the Board's performance were found to be operating reasonably well.

### Summary of the Seed Co Limited Board Charter

The main functions of the Board as set out in the Board Charter are:

- ensuring that the company performs at an acceptable level and that its affairs are conducted in a responsible and professional manner;
- the adoption of strategic plans and ensuring that these plans are implemented by management;
- good corporate governance and implementation of the code of corporate practices and conduct as set out in the King IV Report and other best practice codes;
- monitoring of the operational performance of the business against predetermined budgets;
- monitoring the performance of management at both operational and executive level;
- ensuring that the company complies with all laws, regulations and codes of business practice;
- ensuring a clear division of responsibilities at Board level to ensure a balance of power and authority in terms of company policies;
- ensuring the integrity of the company's integrated annual report;
- appointing the Group CEO; and
- establishing a framework for the delegation of authority.

***The Board confirms that it is satisfied that it has carried out its duties and responsibilities in compliance with its mandate and the Board Charter.***

### Board Appointments and Rotation

The Board (together with the remuneration and nominations committee) undertakes the role of a Nominations Committee and the selection, appointment and approval of new directors is therefore undertaken by the Board as a whole, in a formal and transparent manner, free from any dominance of any one particular shareholder. Any new appointees are required to possess the necessary skills to contribute meaningfully to Board deliberations and to enhance Board composition in accordance with recommendations, legislation, regulations and best practice.

## Governance Statement.

The Group Company Secretary assists the Board and ensures that the procedure for the appointment of directors is properly carried out and all new Directors undergo an induction process prior to them attending their first Board Meeting. Seed Co Limited has adhered a strict age policy for all its Directors and no director is appointed for life or for an indefinite period. Any director appointed during the year, whether filling a vacancy as an additional appointment to the Board, is required to resign and have their appointment approved by Shareholders at the next annual general meeting. At each annual general meeting, one third of the Directors, or if their number is not three or a multiple of three, the number nearest to one third but not less than one third, retires from office, provided also that at least one third of the Non-Executive directors, or if their number is not three or a multiple of three, the nearest to one third, but not less than one third, will retire from office. The appointment of Executive directors shall be terminable by way of a Board resolution.

### Access to information

The Board constantly reviews the information requirements of Directors to enable them to act in the best interests of the company, perform their duties and fulfil their fiduciary obligations responsibly. In order to make informed decisions, Directors must have adequate information and facts covering the matter at hand, which is included in a detailed Board pack that is provided well in advance of all meetings on the Diligent system the company is now using.

All Board Members have access to company records, information, documents and property including unfettered access to Executive and Senior management at any time.

### Training and Continuing Development of Directors

With the assistance of the Board, the Chairman and the Group Company Secretary ensure that all Directors are appropriately made aware of their fiduciary responsibilities through a tailored induction programme and ensure that a formal programme of continuing professional education is adopted by the Board. The Chairman is also responsible for ensuring the ongoing effectiveness, mentoring and development of the Board and individual directors while the Group Company Secretary sees to the orientation, ongoing training and education of Directors, including assessing the specific training needs of Directors and Executive Directors in their fiduciary and other governance responsibilities.

Directors are provided with regular briefings on changes in risks, regulatory requirements, laws and the environment and are expected to keep abreast of developments in the business environment and markets that may have a material impact on the business.

| Member                         | Board | Audit and Risk Committee | Remuneration Committee |
|--------------------------------|-------|--------------------------|------------------------|
| <b>Number of meetings held</b> | 4     | 4                        | 4                      |
| DEB Long                       | 4/4   |                          | 4/4                    |
| MS Ndoro                       | 4/4   | 4/4                      | 4/4                    |
| M Nzwere**                     | 4/4   | 4/4*                     | 4/4*                   |
| AG Barron                      | 4/4   |                          |                        |
| RCD Chitengu                   | 4/4   | 4/4                      |                        |
| A Colombo                      | 3/4   |                          |                        |
| Dr D Garwe                     | 4/4   |                          |                        |
| P Gowero                       | 4/4   |                          | 4/4                    |
| D Jacquemond                   | 4/4   | 4/4                      |                        |
| C Kabaghe                      | 4/4   |                          |                        |
| J Matorofa**                   | 4/4   | 4/4*                     |                        |
| F Ruwende                      | 4/4   |                          |                        |
| F Savin                        | 4/4   |                          |                        |

Attended on Invitation \* Executive Director\*\*

### Company Secretary

All Directors have access to the services and advice of the Group Company Secretary, Terrence N Chimanya (MSc, LLB (Hons, ACIS)). The Group Secretary is not a Director of Seed Co Limited and maintains an arm's length relationship with the Board. The Secretary supports the Board as a whole and Directors individually by providing guidance as to how they fulfil their fiduciary responsibilities as Directors. The Group Secretary also oversees the Board induction and training of new Directors and also carries out the annual Board evaluation exercise in line with King IV. The Board reviews the Company Secretary's performance at least annually and the Board is satisfied that the Company Secretary maintains an arms-length relationship with the Board and is sufficiently qualified and experienced to execute the required duties. The Company Secretary has, in addition to his statutory duties, fulfilled the duties of the Company Secretary as contemplated in King IV. It is the Company Secretary's duty to make all the directors aware of any law relevant to or affecting the company. The Company Secretary attends all Board and committee meetings as secretary.

### Statement of compliance

During the year under review, the Board has considered and satisfied itself that the Company Secretary is competent, has the necessary qualifications and experience to act as Company Secretary, is not a director of the company and has been empowered to fulfil his duties.

By Order of the Board



T.N Chimanya  
Company Secretary  
5 July 2019

## Governance Statement.

### Ethics Performance

#### Directors' Interests

The Seed Co Limited Board consists of thirteen Directors, seven of whom are Independent Non-Executive Directors two Executive Directors and four Non-Executive Directors. The Chairman, David Long, oversees the Board's functioning whilst the Group CEO, Morgan Nzwere leads the Executive Team and attends to the day-to-day operational functions of the business. Please refer to note 24.1.7 Directors' emoluments and benefits to the annual financial statements for further information on Directors' interests.

#### Directors' Declarations and Conflict of interest

Board members are obliged to disclose in writing any personal financial interest in terms of the Companies Act and any other interests they have within or outside the company and the Group that may be of interest to the company or that may interfere or conflict with the performance of their duties. The Board is in the process of updating its corporate governance manual which include a policy which details the manner in which a director's interest in a transaction must be determined and the interested director's involvement in the decision-making process, which will be rolled out in 2019 – 2020 FY. Real or perceived conflicts in the Board will be managed in accordance with the pre-determined policy used to assess a director's interest in transactions. Any possible conflict of interest is declared in the manner prescribed by law and in terms of the company's memorandum of incorporation ("MOI"), as soon as a director becomes aware of the conflict, and in any event prior to the consideration of the matter to which the conflict relates, at any Board meeting. The director concerned does not participate in a discussion or vote on the subject matter and will leave the meeting immediately after making the requisite disclosure.

#### Code of Ethics

The Board is responsible for the strategic direction of the Company and sets the values that the company adheres to and is currently in the process of updating its Corporate Governance Manual to also include a code of ethics which will be adopted and applied throughout the company. The current Board's diversity of professional expertise and demographics makes it highly effective with regard to Seed Co's current strategies. The Board will ensure that, in appointing successive Board members, the Board will continue to reflect, whenever possible, a diverse set of professional and personal backgrounds.

### Investor Relations and Communication with Stakeholders

Seed Co Limited is committed to transparent, inclusive and objective communication with our stakeholders. Our Group Legal and Corporate Affairs Department is responsible for communication with institutional shareholders, the investing community whilst our Group PR manages all our media activities.

#### Annual General Meetings

Board Members, External Audit Partner attend Annual General Meetings of the Company to respond to the shareholders questions. The Notice of the Seed Co 24th Annual General Meeting is available on page 79 of this report.



## Corporate Social Investment.



Flooded Chimanimani area leaving thousands homeless



Hand over of maize meal to victims of the devastating Cyclone Idai



**Seed Co Limited in the community. A helping hand in times of need.**

**Intense Tropical Cyclone Idai was one of the worst tropical cyclones on record to affect Africa and the Southern Hemisphere. The long-lived storm caused catastrophic damage in Mozambique, Zimbabwe, and Malawi, leaving more than 1,000 people dead and thousands more missing.**

### Corporate Social Responsibility

Seed Co Limited is committed to delivering shareholder value while empowering communities across Zimbabwe as well as protecting the environment that its growers operate in. We believe there is an interdependence between achieving our strategic growth objectives and promoting economic growth in the wider sense. As a business we are focused on building a heritage of good corporate citizenship. We engage in a range of development projects and community relations activities by allocating funding support as well as resources to areas of need across the country. We believe the projects that we were engaged in promote the sustainable welfare within our communities.

### Over 60 tonnes of maize donated to victims of cyclone Idai

Seed Co donated over 60 tonnes of maize meal to victims of the devastating Cyclone Idai in Zimbabwe and Malawi, while its subsidiary Quton chipped in with cooking oil, blankets, matemba and sugar beans.

Of the mealie-meal donation most was allocated to worst hit Chimanimani while the remainder was destined for the other affected parts of Zimbabwe and Malawi.





## Introducing smarter seeds to smallholders to improve their yields and livelihoods.

Africa needs to grow more food now and in the future while using resources far more efficiently. We work together with farmers who use our products, and focus particular effort on smallholders, who have the greatest potential to increase productivity and in turn improve their own livelihoods.



## Initiatives and progress to ensure strong equity among Smallholders

- Focused programmes to spread awareness among the farming community on new products.
- Reaching more smallholders to increase our impact on the wellbeing and prosperity of these farmers and their communities.
- Assessment methodology to see the broader picture of what we bring to them through our products and services.
- Productivity gains on smallholder farms have come from a combination of state-of-the-art products made available in pack sizes appropriate for smallholders and the necessary training to use them effectively. We are measuring our progress in improving smallholder productivity through our network of reference farms.
- In the year ahead, we will continue developing partnerships to tackle structural challenges facing smallholders in areas such as climate change and access to technology and markets.
- Our agronomists reach out and train smallholder farmers acollaboration to empower and cover aspects such as capacity building and productivity enhancement.







# 11 Ton PLUS Club Promotion

## \*558#

### REGISTER NOW!

Wendy : Mash Central, Masvingo, Mat South: 0773270080  
Phillip: Midlands, Mat North, Mash West: 0772572497  
Elizabeth: Mash East, Manicaland: 0772432590  
Dr John Basera: Head Office 0772413184 or  
Contact your nearest Agritex Officer

[www.seedcogroup.com/zw](http://www.seedcogroup.com/zw)



The African Seed Company

THE HOME OF BUMPER HARVESTS

Farming competitions are a great way to improve the performance of our crop varieties.

The Yield Contest aims at creating a competitive spirit amongst farmers. Once farmers compete, farmhold productivity levels compete upwards, so is national productivity. That's the main objective of 11 Ton Club Yield Contest

11 Ton Club prize giving ceremony

The mega event saw all the participants (up to 50 farmers with at least 10ha under maize) in this year's competition receiving tablet computers, while the first and second runners up went home with a Nissan Single Cab and a 60 Horsepower Tractor.



Despite most farmers being able to now break the 11 tonne threshold with great ease, it will continue to maintain the threshold at 11 tonnes per hectare to bring more farmers at the same level of productivity.

In a bid to improve productivity, Seed Co has extended its arms by sponsoring learning trips for selected farmers to attend various International Agricultural Exhibitions and shows. Concurrently, the company also introduced new products such as the Seed Co Farmers Guide and a new Seed Co Agronomy App which are meant to deepen its reach to local farmers.



Deputy Minister of Lands, Agriculture, Water, Culture and Rural Resettlement, Vangelis Haritatos in Zimbabwe, commended the company's efforts that have been instrumental in increasing the national output and ensuring a more feasible business in Agriculture. He added that his ministry is at full disposal should the seed house require assistance.



## Report of the Directors.

### Share Capital

The authorised share capital of the company remained unchanged at US\$500 000. The authorised share capital is made up of 500 000 000 ordinary shares of \$0.001 each.

The issued and fully paid share capital increased during the year as follows:

|   |                    |
|---|--------------------|
| <b>Issued and fully paid at 31 March 2018</b> | <b>241 883 340</b> |
| Issued during the year:                       |                    |
| Share option scheme                           | 729 300            |
| <b>Issued and fully paid at 31 March 2019</b> | <b>242 612 640</b> |

At 31 March 2019, 257 387 360 unissued shares were under the control of the Directors of which 11 710 146 (2018: 13 355 307) were committed to the share option scheme as shown below:

|  |                    |
|--|--------------------|
| Unissued Shares above                    | 257 387 360        |
| Already Committed to unexercised options | 4 132 761          |
| Set aside for future options             | 7 577 385          |
| <b>Balance of uncommitted shares.</b>    | <b>245 677 214</b> |

### Share Options

At 31 March 2019 options for a total of 4 132 761 shares had not been exercised or forfeited and the movement in share options is as shown below:

|   |                  |
|---|------------------|
| <b>Unexercised options at 31 March 2018</b> | <b>2 967 900</b> |
| New options granted                         | 2 189 161        |
| Less options exercised                      | 729 300          |
| Options forfeited                           | 295 000          |
| <b>Unexercised options at 31 March 2019</b> | <b>4 132 761</b> |

### Accounting Policies

The consolidated financial statements have been prepared both in accordance with International Financial Reporting Standards (IFRS) and in compliance with provisions of the Companies Act (Chapter 24:03) and the relevant regulations there-under. The financial statements comply with the requirements of IFRS except for IAS21 (Effects of Changes in foreign exchange). It has been impracticable to comply in full with IAS21. The directors are of the view that the requirement to comply with SI 33/19 issued on 22 February 2019 has created inconsistencies with IAS21 as well as with the principles embedded in the IFRS conceptual framework. The Group Financial statements have been qualified by the auditors because of this inconsistency with IAS21.

### The Group Year's Results

The annexed Financial Statements adequately disclose the results of the Group's operations during the year. They should be read in conjunction with the Chairman's statement and Chief Executive's review of operations, both of which base their comments on the historical cost accounts.

### Dividend

The Board proposed a dividend of 0.40 US cents per share payable in RTGS at the ruling interbank rate on 13 June 2019 the results publication date to shareholders in the register of the company as at 26 June 2018. The dividend is payable in either cash and scrip depending on the option elected by each shareholder.

### Capital Expenditure

Group capital expenditure for the year to 31 March 2019 totalled US\$3,234,552 (2018: US\$7,947,320). Capital expenditure for the year to 31 March 2020 is planned at \$14 477 928 including \$10 million for artificial drying project committed in the prior year.

### Directorate

Mr. A Colombo stepped down from the Board following his appointment as Limagrain Europe CEO.

### Risk Management

The Group takes a proactive approach to risk management. The table on page 26 are major risks that we constantly manage that may materially affect our business, financial condition or results of our operations:

At 31 March 2019, the Directors held no beneficial interests (2018- Nil) shares in the company.

Members will be asked to approve the payment of directors' fees amounting to \$205 998 in respect of the year ended 31 March 2019 (31 March 2018 \$355 663).

Members will be asked to re-appoint Ernst & Young as Auditors of the company for the ensuing year.

By order of the Board



T.N Chimanya  
Company Secretary  
5 July 2019

## Risk Management.

| Principal risk                                  | Context   | Impact  | Mitigation measures   |
|---|---|---|---|
| <b>Foreign Exchange Risk</b>                    | The risk that the foreign currency will not be available when critically needed and the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the group's imported inputs like chemicals, fertilizers, plant spare parts and any foreign loans  | Reduction in the real value of earnings when the currency depreciates. Unavailability of foreign currency also crippling operations                                 | Grow export seed market and earn foreign currency. Use any available cash resources to prepay inputs and lock any further cost escalations. Product pricing that preserves value. Borrow locally unless its absolutely unavoidable. |
| <b>Interest Rate Risk</b>                       | The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group's exposure to the risk of changes in the market interest rates relate primarily to the Group long term debt obligations with floating interest rates.   | High interest cost resulting in reduced earnings.   | -Paying off long term loans where possible<br>-Negotiating lower interest rates   |
| <b>Inventory Risk</b>                           | The Group's inventory risk relates to seed stocks where the stocks are prone to damage/degradation during the stockholding period   | Write-off of stocks resulting in reduced profits  | Thorough review of the sales projections to determine appropriate levels of production to avoid over-stocking.  |
| <b>Credit Risk</b>                              | The risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables). The group entities have significant transactions with the governments in the countries of operation. The propensity for the governments to honour terms of payment is rather on the low side and hence high levels of receivables on their account. | Where customers default on their payment commitment to us, the financial condition, results of operations and cashflows could be materially and adversely affected. | -Rigorous vetting of customers before extending credit.<br>-Regular review of receivables to ensure adherence to payment terms<br>-Enter into factoring arrangements on Government debt especially with those in financial crisis   |
| <b>Adverse Weather &amp; Climate Change</b>     | This affects the availability, quality and price of agricultural commodities  | Weather changes affect the demand of seed in the various maturity groups  | Breeding early maturing seed varieties especially for those markets with shorter wet seasons  |
| <b>Changes in Agricultural Commodity Prices</b> | Commodities like soya beans, wheat, cotton and fertilizers have volatile prices as they are sensitive to international changes in the supply and demand   | Fluctuations in these commodity prices directly affect the cost of seed production as well as side marketing of open pollinated seeds                               | Fixing prices for seed purchases at the beginning of each farming season where possible   |
| <b>Economic and Political Instability</b>       | The deterioration of the Zimbabwe economy and the unpredictable fiscal and monetary policy changes  | Run away inflation affecting operating costs and shrinking margins. Price controls affecting margins  | Invest in stock and constantly review product prices. Streamline operations to shed off any excess costs.   |
| <b>Increasing Competition</b>                   | Competitors may price their products below Seed Co prices and this will have an effect on the demand for these products.  | Reduced sales volumes especially in those markets that are price sensitive  | Continuous investment in research and development to produce seed products that outdo the competition and strengthen the distribution network.  |

## Directors' Approval of Group Financial Statements.

### Responsibility

The Directors of the company are responsible for the preparation and integrity of the annual financial statements and related information contained in this report. The financial statements are required by law and International Financial Reporting Standards (IFRS) to present fairly the financial position of the Group and the Company and the performance for that period.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with the Companies Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

### Preparation of financial statements

The preparation of the financial statements and the process thereto was done under the supervision of Mr. J Matorofa (PAAB No. 241) and under the guidance of the Directors of the Company, who are vested with the governance and responsibility for these financial statements as is provided for in terms of the common law, Companies Act [Chapter 24:03] and other legislative and regulatory requirements such as the Statutory instrument number 33 of 2019 issued on 22 February 2019 and guidance issued by the Public Accountants and Auditors Board on 21 March 2019.

### Compliance with Companies Act (Chapter 24:03) and Statutory instruments SI 33/19

These financial statements which have been prepared under the historical cost convention are in agreement with the underlying books and records and have been properly prepared in accordance with the accounting policies set out in note 2 of the financial statements, and comply with the disclosure requirements of the Companies Act (Chapter 24:03) and the relevant regulations made there under including SI33 /19.

### Compliance with International Financial Reporting Standards (IFRS)

The financial statements comply with the requirements of IFRS except for IAS21 (Effects of Changes in foreign exchange). It has been impracticable to comply in full to IAS21. The directors are of the view that the requirement to comply with SI 33/19 issued on 22 February 2019 has created inconsistencies with IAS21 as well as with the principles embedded in the IFRS conceptual framework. The Group Financial statements have been qualified by the auditors because of this inconsistency with IAS21.

### Going concern

The Directors have assessed the ability of the Group to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is appropriate.

### Significant assumptions and estimation uncertainties relating to assets and liabilities carried at fair value

The significant assumptions and the estimation uncertainties pertaining to items that are carried at fair value have been disclosed in note 2 to these financial statements.

These financial statements have been approved by the Board of Directors and are signed on its behalf by:-



T.N Chimanya  
Company Secretary  
26 June 2019





**Ernst & Young**  
Chartered Accountants (Zimbabwe)  
Registered Public Auditors  
Angwa City  
Cnr Julius Nyerere Way /  
Kwame Nkrumah Avenue  
P O Box 62 or 702  
Harare  
Zimbabwe

Tel: +263 4 750905-14 or 750979-83  
Fax: +263 4 750707 or 773842  
E-mail: admin@zw.ey.com  
www.ey.com

## Independent Auditor's Report

*To the Shareholders of Seed Co Limited*

### Report on the Audit of the Consolidated Financial Statements

#### Adverse Opinion

We have audited the consolidated financial statements of Seed Co Limited (the Group), which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated financial statements do not present fairly the consolidated financial position of the Group as at 31 March 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for Adverse Opinion

As explained in note 2g to the consolidated financial statements, the functional currency applied by the Directors for the period 1 April 2018 to 22 February 2019 is the USD and the functional currency applied for the period 23 February 2019 to 31 March 2019 is the RTGS and the consolidated financial statements are presented in USD. The interbank rate used to translate RTGS\$ to US\$ between 23 February 2019 to the 31 March 2019 year end does not meet the criteria of a market rate per IFRS as it was not accessible.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate out FCA RTGS Accounts from the FCA Nostro US\$ Accounts during October 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS and the US\$ amounts. Finally, in February 2019 there was a Monetary Policy statement which introduced the RTGS Dollar (RTGS\$) and the interbank foreign exchange market.

These events triggered the need for reporting entities to assess whether there was a change in functional currency (from US\$ to RTGS\$) and the 1:1 RTGS\$:US\$ exchange rate.

Based on International Financial Reporting Standards IAS 21-*The Effects of Changes in Foreign Exchange Rates* ("IAS 21") the functional currency of an entity is the currency of the primary economic environment in which the entity operates and reflects the underlying transactions, events and conditions that are relevant to it. In addition, paragraph 2.12 of the *Conceptual Framework for Financial Reporting* ("the Conceptual Framework") prescribes that for financial information to be useful, it "must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon."

We believe that events in the market and subsequent promulgation of the RTGS\$ as a formal currency supports that there was a change in functional currency from US\$ to RTGS\$ prior to 22 February 2019 and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 RTGS\$:US\$ exchange rate. The financial statements of the group include balances and transactions denominated in RTGS\$ that were not converted to US\$ at an RTGS\$:US\$ exchange rate that reflects the economic substance of its value as required by International Financial Reporting Standards ("IFRS"). This is because the Directors applied the legal rate of 1:1 as pronounced by Statutory Instrument 133 of 2016, Statutory Instrument 33 of 2019 and the Monetary Policy Statements of the 22nd of February 2018, 1st of October 2018 and 20th of February 2019 for transactions before 22 February 2019. The directors have provided more information on their approach in Note X to the financial statements.

In terms of IAS 21, foreign currency monetary items shall be translated using the closing rate, non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured. Foreign currency transactions shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Transactions between 1 October 2018 and 22 February 2019 and also between 23 February 2019 and 31 March 2019 have been translated using the interbank rate. We believe that the interbank rate used to translate the transactions from RTGS\$ to US\$ does not meet the definition of a market rate as it is not accessible. This impacts the basis for measuring transactions that occurred between 22 February 2019 and 31 March 2019, the valuation of assets and liabilities at year end as well as the accounting for foreign exchange differences.

Therefore, had a different RTGS\$:US\$ currency rate been determined and applied by management, virtually every account in, and the information provided by way of notes to, the accompanying financial statements, would have been materially different. The effects of the departure from IFRS are pervasive to the financial statements and have not been quantified.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

#### Key Audit Matters

Except for the matter described in the Basis for Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our report

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

### Other information

The directors are responsible for the other information. The other information comprises the Directors' report but does not include the financial statements and our auditors report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Group did not comply with the requirements of IAS 21 - Effects of Changes in Foreign Exchange Rates. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Directors' Report affected by the failure to comply with the referred standard.

### *Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that



a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

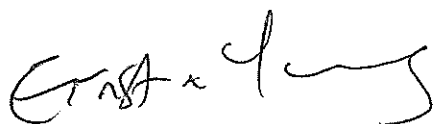
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on Other Legal and Regulatory Requirements

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies Act (Chapter 24:03).

The engagement partner on the audit resulting in this independent auditor's report is David Marange (PAAB Number 0436)



Ernst & Young  
Chartered Accountants (Zimbabwe)  
Registered Public Audit

Harare

26 June 2019

## Consolidated and Company Income Statements

FOR THE YEAR ENDED 31 MARCH 2019

|  | Notes | GROUP               |                     | COMPANY             |                  |
|--|-------|---------------------|---------------------|---------------------|------------------|
|  |       | 2019<br>US\$        | 2018<br>US\$        | 2019<br>US\$        | 2018<br>US\$     |
| <b>Continuing operations</b>                               |       |                     |                     |                     |                  |
| Revenue from contracts with customers                      | 36    | 73,408,864          | 63,364,173          | 73,408,864          | -                |
| Cost of sales  |       | (33,148,642)        | (26,714,404)        | (33,613,380)        | -                |
| <b>Gross profit</b>  |       | <b>40,260,222</b>   | <b>36,649,769</b>   | <b>39,795,484</b>   | -                |
| Other income   | 4.1   | 2,360,725           | 2,401,075           | 2,360,725           | 10,419,975       |
| <b>Operating expenses</b>                                  | 4.2   | <b>(18,664,646)</b> | <b>(17,496,334)</b> | <b>(18,664,646)</b> | <b>(434,533)</b> |
| Selling and distribution costs                             |       | (4,609,705)         | (5,214,581)         | (4,609,705)         | -                |
| Administrative costs                                       |       | (7,791,930)         | (7,894,878)         | (7,791,930)         | (434,533)        |
| Research costs   |       | (6,263,011)         | (4,386,875)         | (6,263,011)         | -                |
| <b>Operating profit</b>                                    |       | <b>23,956,301</b>   | <b>21,554,510</b>   | <b>23,491,563</b>   | <b>9,985,442</b> |
| Finance income   | 4.3   | 1,686,935           | 1,435,213           | 1,686,935           | -                |
| Finance costs  | 4.4   | (512,436)           | (131,850)           | (512,436)           | (72,922)         |
| Share of profit from associates and joint venture          | 11.2  | 2,493,293           | 1,250,527           | -                   | -                |
| <b>Profit before tax</b>                                   |       | <b>27,624,093</b>   | <b>24,108,400</b>   | <b>24,666,062</b>   | <b>9,912,520</b> |
| Income tax expense   | 5.1   | (6,132,654)         | (6,993,525)         | (6,011,916)         | -                |
| <b>Profit for the year from continuing operations</b>      |       | <b>21,491,439</b>   | <b>17,114,875</b>   | <b>18,654,146</b>   | <b>9,912,520</b> |
| <b>Discontinued operations</b>                             |       |                     |                     |                     |                  |
| Profit after tax for the year from discontinued operations | 6.1   | 69,221,035          | 4,316,904           | -                   | -                |
| <b>Profit for the year</b>                                 |       | <b>90,712,474</b>   | <b>21,431,779</b>   | <b>18,654,146</b>   | <b>9,912,520</b> |
| <b>Attributable to:</b>                                    |       |                     |                     |                     |                  |
| Equity holders of the parent                               |       | 90,712,474          | 21,516,060          | 18,654,146          | 9,912,520        |
| Non-controlling interests                                  |       | -                   | (84,281)            | -                   | -                |
|  |       | <b>90,712,474</b>   | <b>21,431,779</b>   | <b>18,654,146</b>   | <b>9,912,520</b> |
| <b>Earnings per share</b>                                  |       |                     |                     |                     |                  |
| Basic earnings per share - cents                           | 7     | 37.42               | 8.99                |                     |                  |
| Diluted earnings per share - cents                         | 7     | 37.42               | 8.94                |                     |                  |
| Headline earnings per share - cents                        |       | 8.87                | 8.99                |                     |                  |
| <b>Earnings per share for continuing operations</b>        |       |                     |                     |                     |                  |
| Basic earnings per share - cents                           |       | 8.87                | 7.19                |                     |                  |
| Diluted earnings per share - cents                         |       | 8.87                | 7.15                |                     |                  |
| Headline earnings per share - cents                        |       | 8.87                | 7.19                |                     |                  |

## Consolidated and Company Statements of Other Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2019

|   |      | GROUP               |                   | COMPANY             |                  |
|---|------|---------------------|-------------------|---------------------|------------------|
|   |      | 2019<br>US\$        | 2018<br>US\$      | 2019<br>US\$        | 2018<br>US\$     |
| <b>Profit for the year</b>  |      | 90,712,474          | 21,431,779        | 18,654,146          | 9,912,520        |
| <b>Other comprehensive income</b>   |      |                     |                   |                     |                  |
| <i>Items that may be reclassified subsequently to profit or loss (net of tax):</i>              |      |                     |                   |                     |                  |
| Exchange differences on translation from functional currency                                    | 19.3 | (79,809,643)        | -                 | (94,258,342)        | -                |
| Exchange differences on translation of foreign subsidiaries                                     |      | -                   | 797,586           | -                   | -                |
| Share of other comprehensive loss of associates and joint venture                               | 11.3 | (10,369,357)        | -                 | -                   | -                |
|   |      | (90,179,000)        | 797,586           | (94,258,342)        | -                |
| <i>Items that may not be reclassified to profit or loss in subsequent periods (net of tax):</i> |      |                     |                   |                     |                  |
| Revaluation of property, plant and equipment  | 9    | 16,710,944          | 3,478,228         | 16,710,944          | -                |
| Deferred tax on revaluation of property, plant and equipment                                    | 5.5  | (4,303,578)         | (347,823)         | (4,303,578)         | -                |
|   |      | 12,407,366          | 3,130,405         | 12,407,366          | -                |
| <b>Other comprehensive income for the year, net of tax</b>                                      |      | <b>(77,771,634)</b> | <b>3,927,991</b>  | <b>(81,850,976)</b> | -                |
| <b>Total comprehensive income for the year</b>  |      | <b>12,940,840</b>   | <b>25,359,770</b> | <b>(63,196,830)</b> | <b>9,912,520</b> |
| <b>Attributable to:</b>   |      |                     |                   |                     |                  |
| Equity holders of the parent  |      | 12,940,840          | 25,453,968        | (63,196,830)        | 9,912,520        |
| Non-controlling interests   | 29.2 | -                   | (94,198)          | -                   | -                |
|   |      | <b>12,940,840</b>   | <b>25,359,770</b> | <b>(63,196,830)</b> | <b>9,912,520</b> |

## Consolidated and Company Statements of Financial Position

|   |            | GROUP        |              | COMPANY      |             |
|---|------------|--------------|--------------|--------------|-------------|
|   |            | 2019         | 2018         | 2019         | 2018        |
|   | Notes      | US\$         | US\$         | US\$         | US\$        |
| ASSETS  |            |              |              |              |             |
| Non-current assets  |            |              |              |              |             |
| Property, plant and equipment   | 9          | 27,400,973   | 31,318,103   | 27,400,973   | 29,534,310  |
| Investments in subsidiaries   | 10         | -            | -            | -            | 20,772,095  |
| Investment in associates and joint venture                            | 11.2& 11.4 | 49,137,702   | 4,589,256    | 7,937,787    | -           |
| Goodwill  | 12         | -            | 264,472      | -            | -           |
| Non-current financial assets  | 13         | 5,828,848    | 12,255,332   | 5,828,848    | 12,255,332  |
| Deferred tax asset  | 5.4        | -            | 573,852      | -            | -           |
|   |            | 82,367,523   | 49,001,015   | 41,167,608   | 62,561,737  |
| Current assets  |            |              |              |              |             |
| Inventories   | 14         | 7,457,726    | 17,027,367   | 7,457,726    | 14,106,892  |
| Biological assets   | 15         | -            | -            | -            | -           |
| Trade and other receivables   | 16         | 7,856,533    | 19,014,647   | 7,856,533    | 17,140,940  |
| Amounts due to related entities                                       | 17         | 3,056,675    | -            | 3,056,675    | 8,242,764   |
| Other current financial assets  | 13         | 4,983,389    | 40,757,278   | 4,983,389    | 40,757,278  |
| Cash and cash equivalents   | 18         | 4,196,921    | 12,048,606   | 4,196,921    | 11,949,032  |
|   |            | 27,551,244   | 88,847,898   | 27,551,244   | 92,196,906  |
| Assets held for distribution  | 6.2        | -            | 111,820,718  | -            | -           |
|   |            | 27,551,244   | 200,668,616  | 27,551,244   | 92,196,906  |
| Total assets  |            | 109,918,767  | 249,669,631  | 68,718,852   | 154,758,643 |
| EQUITY AND LIABILITIES  |            |              |              |              |             |
| Equity  |            |              |              |              |             |
| Issued share capital  | 19.2       | 242,613      | 241,883      | 242,613      | 241,883     |
| Non-distributable reserves  | 19.3       | (24,904,270) | 52,379,234   | (28,983,612) | 52,379,234  |
| Retained earnings   |            | 119,816,445  | 149,525,911  | 82,695,872   | 75,627,046  |
| Changes in ownership reserve  |            | -            | 562,318      | -            | -           |
| Reserves of a disposal group held for distribution                    | 6.2        | -            | (16,992,540) | -            | -           |
| Equity attributable to equity holders of the parent                   |            | 95,154,788   | 185,716,806  | 53,954,873   | 128,248,163 |
| Non-controlling interests   |            | -            | 2,490,597    | -            | -           |
| Total equity  |            | 95,154,788   | 188,207,403  | 53,954,873   | 128,248,163 |
| Non-current liabilities   |            |              |              |              |             |
| Interest-bearing loans and borrowings                                 | 20         | -            | -            | -            | -           |
| Deferred tax liability  | 5.4        | 6,268,431    | 6,048,175    | 6,268,431    | 6,048,175   |
|   |            | 6,268,431    | 6,048,175    | 6,268,431    | 6,048,175   |
| Current liabilities   |            |              |              |              |             |
| Trade and other payables  | 21         | 431,257      | 11,156,074   | 431,257      | 2,137,028   |
| Amounts due to related entities                                       | 22         | 6,319,550    | -            | 6,319,550    | 12,109,277  |
| Interest-bearing loans and borrowings                                 | 20         | -            | 906,651      | -            | 500,000     |
| Income tax payable  |            | 585,483      | 1,227,690    | 585,483      | 1,227,690   |
| Provisions  | 23         | 1,159,258    | 4,710,013    | 1,159,258    | 4,488,310   |
|   |            | 8,495,548    | 18,000,428   | 8,495,548    | 20,462,305  |
| Liabilities directly associated with the assets held for distribution | 6.2        | -            | 37,413,625   | -            | -           |
| Total liabilities   |            | 14,763,979   | 61,462,228   | 14,763,979   | 26,510,480  |
| Total equity and liabilities  |            | 109,918,767  | 249,669,631  | 68,718,852   | 154,758,643 |



## Consolidated and Company Statements of Cash Flows

|  |       | GROUP               |                     | COMPANY             |                   |
|--|-------|---------------------|---------------------|---------------------|-------------------|
|  |       | 2019                | 2018                | 2019                | 2018              |
|  | Notes | US\$                | US\$                | US\$                | US\$              |
| <b>Operating activities</b>  |       |                     |                     |                     |                   |
| Profit before tax from continuing operations                               |       | 27,624,093          | 24,108,400          | 24,666,062          | 9,912,520         |
| Profit before tax from discontinued operations                             | 6.1   | 69,221,035          | 5,460,163           | -                   | -                 |
| Profit before tax  |       | 96,845,128          | 29,568,563          | 24,666,062          | 9,912,520         |
| <i>Adjustments to reconcile profit before tax to net cash flows:</i>       |       |                     |                     |                     |                   |
| Profit from disposal of former subsidiaries                                | 6.1   | (69,221,035)        | -                   | -                   | -                 |
| Depreciation of property, plant and equipment                              | 9     | 1,435,965           | 3,557,403           | 1,435,965           | -                 |
| Loss on disposal of property plant and equipment                           | 4.1   | 3,700               | 36,836              | 3,700               | -                 |
| Share based payment  | 25    | 185,884             | -                   | 185,884             | -                 |
| Unrealised exchange losses/(gains)   | 4.1   | -                   | (68,250)            | -                   | -                 |
| Share of profit from associates and joint venture                          | 11.2  | (2,493,293)         | (1,250,527)         | -                   | -                 |
| Allowance for credit losses  | 16.1  | 70,839              | 2,500,832           | 70,839              | -                 |
| Finance income   | 4.3   | (1,686,935)         | (1,486,134)         | (1,686,935)         | -                 |
| Finance cost   | 4.4   | 512,436             | 2,489,324           | 512,436             | 72,922            |
| <b>Operating cash flows before working capital changes</b>                 |       | <b>25,652,689</b>   | <b>35,348,047</b>   | <b>25,187,951</b>   | <b>9,985,442</b>  |
| <i>Working capital adjustments:</i>  |       |                     |                     |                     |                   |
| Increase in inventories  |       | (8,211,467)         | (5,728,808)         | (7,746,730)         | -                 |
| Increase in biological assets  |       | -                   | (395,486)           | -                   | -                 |
| (Increase)/decrease in trade and other receivables                         |       | (20,685,614)        | 5,937,555           | (20,685,614)        | (364,054)         |
| (Increase)/decrease in amounts owed by group companies                     |       | 6,791,582           | -                   | 6,791,582           | (7,692,376)       |
| Decrease in trade and other payables                                       |       | (258,231)           | (770,725)           | (258,231)           | -                 |
| Increase in amounts owed to group companies                                |       | (1,845,405)         | -                   | (1,845,405)         | -                 |
| (Decrease)/increase in provisions  |       | (1,221,262)         | 323,181             | (1,221,262)         | -                 |
| Cash generated from operations   |       | 222,292             | 34,713,764          | 222,291             | 1,929,012         |
| Income tax paid  |       | (6,181,885)         | (10,003,951)        | (6,181,885)         | -                 |
| <b>Net cash flows (utilised in)/generated from operating activities</b>    |       | <b>(5,959,593)</b>  | <b>24,709,813</b>   | <b>(5,959,594)</b>  | <b>1,929,012</b>  |
| <b>Investing activities</b>  |       |                     |                     |                     |                   |
| Proceeds from sale of property, plant and equipment                        |       | 33,588              | 255,511             | 33,588              | -                 |
| Purchase of property, plant and equipment                                  | 9     | (3,234,552)         | (7,947,320)         | (3,234,552)         | -                 |
| Loss of control of former subsidiary now equity accounted as associate     | 6.2   | 12,294,367          | -                   | -                   | -                 |
| Loss of control of former subsidiary now equity accounted as joint venture | 28.1  | 307,076             | -                   | -                   | -                 |
| Investment in associates   | 11.3  | (3,120,660)         | -                   | (3,120,660)         | -                 |
| Proceeds from redemption of other financial assets on maturity             |       | 25,757,278          | -                   | 25,757,278          | -                 |
| Investment in other financial assets                                       |       | (4,731,737)         | (34,869,305)        | (4,731,737)         | -                 |
| Dividends received   |       | -                   | 400,000             | -                   | -                 |
| Interest received  | 4.3   | 1,686,935           | 1,486,134           | 1,686,935           | -                 |
| <b>Net cash flows generated from/(utilised in) investing activities</b>    |       | <b>28,992,295</b>   | <b>(40,674,980)</b> | <b>16,390,852</b>   | <b>-</b>          |
| <b>Financing activities</b>  |       |                     |                     |                     |                   |
| Proceeds from exercise of share options                                    |       | 302,975             | 1,451,283           | 302,975             | 1,451,283         |
| Dividend paid  | 24    | (10,734,485)        | (5,144,872)         | (10,734,485)        | (5,144,872)       |
| Partial disposal of interest subsidiary                                    | 28.1  | -                   | 1,837,500           | -                   | 1,837,500         |
| Capital contribution by non-controlling interest                           | 28.2  | -                   | 1,119,336           | -                   | -                 |
| Cash inflow on restructuring   | 33    | -                   | -                   | -                   | 11,449,032        |
| Repayment of non-current borrowings  |       | -                   | (270,950)           | -                   | -                 |
| Interest paid  | 4.4   | (512,436)           | (2,489,324)         | (512,436)           | (72,922)          |
| <b>Net cash flows (utilised in)/generated from financing activities</b>    |       | <b>(10,943,946)</b> | <b>(3,497,027)</b>  | <b>(10,943,946)</b> | <b>9,520,021</b>  |
| Net increase/(decrease) in cash and cash equivalents                       |       | 12,088,756          | (19,462,194)        | (512,688)           | 11,449,033        |
| Effects of exchange rate changes   |       | (6,739,424)         | 180,065             | (6,739,423)         | -                 |
| Cash and cash equivalents at beginning of year                             |       | (1,152,411)         | 18,129,718          | 11,449,032          | -                 |
| <b>Cash and cash equivalents at end of year</b>                            | 18.1  | <b>4,196,921</b>    | <b>(1,152,411)</b>  | <b>4,196,921</b>    | <b>11,449,033</b> |

## Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2019

|   |                      | Attributable to the equity holders of the parent   |                     |                              |                |                     |                           |                  |  |
|---|----------------------|--|---------------------|------------------------------|----------------|---------------------|---------------------------|------------------|--|
|   |                      | Reserves of a disposal group held for distribution |                     |                              |                |                     | Non controlling interests | Total equity     |  |
| Note  | Issued share capital | Non distributable reserves                         | Retained earnings   | Changes of ownership reserve |                | Total               |                           |                  |  |
|   | US\$                 | US\$   | US\$                | US\$                         | US\$           | US\$                | US\$                      | US\$             |  |
| <b>As at 31 March 2017</b>                                    | 236,233              | 25,759,991   | 137,407,801         | 190,277                      | -              | 163,594,302         | -                         | 163,594,302      |  |
| Profit for the year   | -                    | -  | 21,516,060          | -                            | -              | 21,516,060          | (84,281)                  | 21,431,779       |  |
| Other comprehensive income                                    | -                    | 3,927,991  | -                   | -                            | -              | 3,927,991           | (9,917)                   | 3,918,074        |  |
| Total comprehensive income                                    | -                    | 3,927,991  | 21,516,060          | -                            | -              | 25,444,051          | (94,198)                  | 25,349,853       |  |
| Dividends   | 24.1                 | -  | (10,361,153)        | -                            | -              | (10,361,153)        | -                         | (10,361,153)     |  |
| Issue of share capital  | 19.2&19.3            | 3,638  | 5,212,644           | -                            | -              | 5,216,282           | -                         | 5,216,282        |  |
| Exercise of share options                                     | 19.2&19.3            | 2,012  | 1,449,271           | -                            | -              | 1,451,283           | -                         | 1,451,283        |  |
| Realisation of revaluation reserve through use                | 19.3                 | -  | (158,029)           | 158,029                      | -              | -                   | -                         | -                |  |
| Realisation of revaluation reserve through disposal           | 19.3                 | -  | (805,174)           | 805,174                      | -              | -                   | -                         | -                |  |
| Discontinued operations                                       | 19.3                 | -  | 16,992,540          | -                            | (16,992,540)   | -                   | -                         | -                |  |
| Partial disposal of interest in subsidiary                    | 28.1                 | -  | -                   | 372,041                      | -              | 372,041             | 1,465,459                 | 1,837,500        |  |
| Issue of shares to non-controlling interest                   | 28.2                 | -  | -                   | -                            | -              | -                   | 1,119,336                 | 1,119,336        |  |
| <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> |  |
| Impact of adoption of IFRS 9                                  | 35.2                 | -  | -                   | (850,835)                    | -              | -                   | (850,835)                 | -                |  |
| <b>As at 1 April 2018 - restated</b>                          |                      | <b>241,883</b>                                     | <b>52,379,234</b>   | <b>148,675,076</b>           | <b>562,318</b> | <b>(16,992,540)</b> | <b>184,865,971</b>        | <b>2,490,597</b> |  |
| Profit for the year   |                      | -  | -                   | 90,712,474                   | -              | -                   | 90,712,474                | -                |  |
| Other comprehensive income                                    |                      | -  | (77,771,634)        | -                            | -              | -                   | (77,771,634)              | -                |  |
| Total comprehensive income                                    |                      | -  | (77,771,634)        | 90,712,474                   | -              | -                   | 12,940,840                | -                |  |
| Dividends - cash  | 24.1                 | -  | -                   | (10,734,485)                 | -              | -                   | (10,734,485)              | -                |  |
| Dividends - in specie   | 24.3                 | -  | -                   | (122,830,000)                | -              | -                   | (122,830,000)             | -                |  |
| Exercise of share options                                     | 19.2&19.3            | 730  | 302,246             | -                            | -              | -                   | 302,976                   | -                |  |
| Share based payments  | 19.3                 | -  | 185,884             | -                            | -              | -                   | 185,884                   | -                |  |
| Realisation of revaluation reserve through disposal           | 19.3                 | -  | -                   | 13,993,380                   | -              | (13,993,380)        | -                         | -                |  |
| Recycling of foreign currency translation reserve on disposal | 19.3                 | -  | -                   | -                            | -              | 30,985,920          | 30,985,920                | -                |  |
| Derecognition of change in ownership interest                 | 6.4                  | -  | -                   | -                            | (562,318)      | -                   | (562,318)                 | -                |  |
| Derecognition of non-controlling interest                     | 6.4                  | -  | -                   | -                            | -              | -                   | (2,490,597)               | -                |  |
| <b>As at 31 March 2019</b>                                    |                      | <b>242,613</b>                                     | <b>(24,904,270)</b> | <b>119,816,445</b>           | <b>-</b>       | <b>-</b>            | <b>95,154,788</b>         | <b>-</b>         |  |

## Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2019

| FOR THE YEAR ENDED 31 MARCH 2019     |           | Issued share capital | Non distributable reserves | Retained earnings | Total equity        |
|--------------------------------------|-----------|----------------------|----------------------------|-------------------|---------------------|
|                                      |           | US\$                 | US\$                       | US\$              | US\$                |
| <b>As at 31 March 2017</b>           |           | 236,233              | 42,896,308                 | 18,006,213        | <b>61,138,754</b>   |
| Profit for the year                  |           | -                    | -                          | 9,912,520         | <b>9,912,520</b>    |
| Total comprehensive income           |           | -                    | -                          | 9,912,520         | <b>9,912,520</b>    |
| Dividends                            |           | -                    | -                          | (10,361,153)      | <b>(10,361,153)</b> |
| Issue of share capital               | 19.2&19.3 | 3,638                | 5,212,644                  | -                 | <b>5,216,282</b>    |
| Share options exercised              | 19.2&19.3 | 2,012                | 1,449,271                  | -                 | <b>1,451,283</b>    |
| Restructuring                        | 33        | -                    | 2,821,011                  | 58,069,466        | <b>60,890,477</b>   |
| <b>As at 31 March 2018</b>           |           | <b>241,883</b>       | <b>52,379,234</b>          | <b>75,627,046</b> | <b>128,248,163</b>  |
| Impact of adoption of IFRS 9         |           | -                    | -                          | (850,835)         | <b>(850,835)</b>    |
| <b>As at 1 April 2018 - restated</b> |           | <b>241,883</b>       | <b>52,379,234</b>          | <b>74,776,211</b> | <b>127,397,328</b>  |
| Profit for the year                  |           | -                    | -                          | 18,654,146        | <b>18,654,146</b>   |
| Other comprehensive income           |           | -                    | (81,850,976)               | -                 | <b>(81,850,976)</b> |
| Total comprehensive income           |           | -                    | (81,850,976)               | 18,654,146        | <b>(63,196,830)</b> |
| Dividends                            |           | -                    | -                          | (10,734,485)      | <b>(10,734,485)</b> |
| Exercise of share options            | 19.2&19.3 | 730                  | 302,246                    | -                 | <b>302,976</b>      |
| Share based payments                 |           | -                    | 185,884                    | -                 | <b>185,884</b>      |
| <b>As at 31 March 2019</b>           |           | <b>242,613</b>       | <b>(28,983,612)</b>        | <b>82,695,872</b> | <b>53,954,873</b>   |

# Notes to the Financial Statements

## 1. Corporate Information

Seed Co Limited is a company which is incorporated and domiciled in Zimbabwe and is listed on the Zimbabwe Stock Exchange whose principal activities are the processing of agricultural seed on a commercial basis.

The consolidated financial statements of Seed Co Limited Limited for the year ended 31 March 2019 were authorised for issue in accordance with a resolution of the directors on 24 May 2019.

## 2. Significant accounting policies

### 2.1 Basis of preparation

The financial statements are based on the statutory records that are maintained on the historical cost convention, except for property, plant and equipment and biological assets which are measured at fair value.

In the previous reporting periods, the Group's financial statements have complied in full with IFRSs. However, this has been impracticable in the financial year ended 31 March 2019, due to the need to comply with local legislation, specifically Statutory Instrument 33 of 2019. The Directors are of the view that the requirement to comply with the Statutory Instrument has created inconsistencies with International Accounting Standard (IAS) 21 (The effects of changes foreign exchange rates) as well as with the principles embedded in the IFRS Conceptual Framework (as mentioned in the guidance issued by the Public Accountants and Auditors Board on 21 March 2019). This has resulted in the accounting treatment adopted in the 2019 Financial Statements being different from that which the Directors would have adopted if the Group had been able to fully comply with IFRSs.

The consolidated financial statements are presented in United States Dollars (USD). Information on the functional currency is provided in policy note 2.3(g). The consolidated financial statements provide comparative information in respect of the previous period.

### 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

### 2.3 Summary of significant accounting policies

#### a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in profit or loss.

## Notes to the Financial Statements cont...

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

### b) Investments in associates and joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint venture are accounted for using the equity method.

Under the equity method, investments in associates and joint venture are initially recognised at cost. The carrying amount of the investments is adjusted to recognise changes in the Group's share of net assets of the associates and joint venture since the acquisition date. Goodwill relating to the associates or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The income statement reflects the Group's share of the results of operations of the associates and joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associates or joint venture are eliminated to the extent of the interest in the associates or joint venture.

The aggregate of the Group's share of profit or loss of its associates and joint venture is shown on the face of the income statement after operating profit.

The financial statements of the associates and joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investments in its associates and joint venture. At each reporting date, the Group determines whether there is objective evidence that the investments in the associates and joint venture are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss in the income statement.

Upon loss of significant influence over the associates or joint control over the subsidiaries, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the investment in the associate or joint venture upon loss of significant influence or joint control respectively and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### c) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.



## Notes to the Financial Statements cont...

### d) Fair value measurement

The Group measures non-financial assets such as property, plant and equipment and biological assets at fair value at balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in an active market for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group Finance Director determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided upon by the Group Finance Director after discussion with and approval by the Group's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group Finance Director decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Group Finance Director analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group Finance Director verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group Finance Director, in conjunction with the Group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On an interim basis, the Group Finance Director presents the valuation results to the Audit Committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in note 8.

### e) Revenue recognition

#### IAS 18

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks except as disclosed under note 3(viii).

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

## Notes to the Financial Statements cont...

### IFRS 15

The Group is in the business of selling seeds to retailers, farmers and government entities.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue from sale of seed is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the seed. The normal credit term is 90 days from delivery.

The Group considers that there are no other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

Revenue is measured at the amount of the transaction price that is allocated to the performance obligation taking into account the effects of variable consideration and the existence of significant financing component.

### Significant financing component

Generally, the Group receives payments from its customers within twelve months of the date of delivery. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

### Contract balances

#### Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer when that right is conditioned on something other than the passage of time.

### Trade receivables

A trade receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

### Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Prepaid receipts from customers are a contract liability.

### Assets and liabilities arising from rights of return

#### Right of return assets

Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

### Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

## f) Taxes

### Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not on the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

## Notes to the Financial Statements cont...

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### *Value Added Tax (VAT)*

Expenses and assets are recognised net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of VAT included

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### **g) Foreign currency translation**

The Group's consolidated financial statements continue to be presented in United States Dollars (USD) in spite of the change in the functional currency of the Group to RTGS during the year. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The comparatives have not been restated.

### *Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rates of exchange at the reporting date with the resulting differences arising on settlement or translation of monetary items recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

### *Group companies*

On consolidation, the assets and liabilities of foreign operations are translated into United States Dollars (USD) at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at average exchange rates prevailing the financial period. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.



## Notes to the Financial Statements cont...

### *Change in the Group's functional currency*

During the year ended 31 March 2019, the Group was operating in an economy which was experiencing a shortage of foreign currency and consequently had exchange control regulations that impacted on the timing of payment of foreign payables among other matters. Given the context of the environment, the Group assessed if there has been a change in the functional currency (USD) used by the Group since dollarisation. The assessment included consideration of whether the various modes of settlement may represent different forms of currency. In doing so, management considered parameters set in IAS 21 as follows:

- The currency that mainly influences the sales prices for goods and services
- The currency of the competitive forces and regulations that mainly determines the sales prices of goods and services.
- The currency that mainly influences labour, material and other costs of providing goods and services (normally the currency in which such costs are denoted and settled)
- The currency in which funds from financing activities are generated; and
- The currency in which receipts from operating activities are usually retained

In addition, the Group considered key developments during 2018 as promulgated by the monetary policy of 1 October 2018 which instructed banks to separate and create distinct (separate) bank accounts for depositors, namely: RTGS FCA and Nostro FCA accounts based on the "Know Your Client" KYC of their clients, effective 15 October 2018. The Group was not able to arrive at the same conclusion that was arrived in prior year financial statements that the USD is the Company's functional currency for the 2018 financial year.

Notwithstanding the above, the Group complied with the local laws and regulations with emphasis on Statutory Instrument 33 of 2019, the Monetary Policy Statement of 20 February 2019 and PAAB guidance of 21 March 2019 which stated that the exchange rate between the USD and RTGS balances (including bond notes) was 1:1 as at 22 February 2019.

In light of the foregoing, the Group adopted the RTGS\$ as its functional currency while maintaining the USD\$ as the presentation currency.

In the books of the Group, on date of change of functional currency i.e., 22 February 2019, all cumulative income statement transactions as well as asset, liability and equity balances were translated to RTGS\$ at 1:1 and any local transactions thereafter treated as RTGS\$ transactions with transactions in other currencies converted to RTGS\$ at the spot rate on the date of the transactions and the resultant exchange differences being recognised in profit and loss.

For the Group's reporting purposes in USD, cumulative transactions in the Group to 22 February 2019 were maintained as USD. All RTGS\$ transactions between 22 February 2019 and 31 March 2019 were translated to USD at the average interbank rate over that period. At 31 March 2019, with the exception of equity balances which were translated from RTGS\$ to USD at cost, all asset and liability balances were converted at the closing interbank rate. The differences arising from use of different rates between the income statement and the balance sheet were accounted for through the foreign currency translation reserve within equity.

### **h) Non-current assets held for distribution to equity holders of the parent and discontinued operations**

The Group classifies non-current assets and disposal groups as held for distribution to equity holders of the parent if their carrying amounts will be recovered principally through a distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for distribution are measured at the lower of their carrying amount and fair value less costs to distribute. Costs to distribute are the incremental costs directly attributable to the distribution, excluding finance costs and income tax expense.

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its present condition. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the decision to distribute will be withdrawn. Management must be committed to the distribution expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for distribution.

Assets and liabilities classified as held for distribution are presented separately as current items in the statement of financial position.

### **i) Dividend distribution to equity holders of the parent**

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws of Zimbabwe, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

### **j) Property, plant and equipment**

Construction in progress is stated at cost. Such cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, borrowing costs for long-term construction projects if the recognition criteria are met and any other costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management.

## Notes to the Financial Statements cont...

All other classes of property, plant and equipment are measured at fair value less accumulated depreciation and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency, usually within a period of five years, to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in profit or loss except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Depreciation is not provided on freehold land and capital projects under development. Depreciation on other asset classes is calculated on a straight-line basis, up to the estimated residual values, over the estimated useful lives of the assets, as follows:

|                                  |            |
|----------------------------------|------------|
| Freehold and leasehold buildings | 40-60years |
| Motor vehicles                   | 5-7years   |
| Plant and machinery              | 5-10years  |
| Office furniture and equipment   | 5-10years  |

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### k) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

#### *Group as a lessee*

A lease is classified at the inception date as a finance lease or an operating lease.

A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs on the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

#### *Group as a lessor*

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

### l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### m) Financial instruments – initial recognition and subsequent measurement

#### *i) IAS 39*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

## Notes to the Financial Statements cont...

### Financial assets

#### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as loans and receivables.

All financial assets are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset.

#### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified as loans and receivables

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income on the statement of profit or loss. The losses arising from impairment are recognised in profit or loss. This category generally applies to trade and other receivables, amounts due from related parties and promissory notes classified under other financial assets. For more information, refer to notes 13, 14 and 15.

#### *Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired

#### *Impairment of financial assets*

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Further disclosures relating to impairment of financial assets are provided in note 13.

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income (recorded as finance income in profit or loss) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other income in profit or loss.

### Financial liabilities

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.



## Notes to the Financial Statements cont...

### Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified as loans and borrowings.

### Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to note 20.

### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### ii) IFRS 9

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Financial assets

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (e) Revenue from contracts with customers.

### Subsequent measurement

For purposes of subsequent measurement, the Group's financial assets are classified as financial assets at amortised cost (debt instruments).

#### Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes debt instruments, trade receivables, amounts due from related entities, and cash and cash equivalents. For more information on each of these, refer to notes 13, 16, 17 and 18.

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired;

Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

## Notes to the Financial Statements cont...

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all its debt instruments at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income (recorded as finance income in profit or loss) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. For stage 1 and 2, the interest is calculated using the gross carrying amount. For stage 3 is calculated on the net carrying amount. Receivables, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other income in profit or loss.

Further disclosures relating to impairment of financial assets are also provided in notes 3, 16.1 and 31.4

### Financial liabilities

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition as loans and borrowings or payables as appropriate.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

#### Subsequent measurement

For purposes of subsequent measurement, the Group's financial liabilities are classified as loans and borrowings.

#### Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to note 20.

## Notes to the Financial Statements cont...

### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### n) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### o) Biological assets

Biological assets comprise of growing crops. At initial recognition, biological assets are valued at fair value. Fair value of the biological assets is determined by reference to the expected yield on the crops and the prevailing market prices at the reporting date. Consideration is also given to whether the crops will germinate and pass the purity test. On that basis, an indicative value is established using the prevailing local and international market prices for the respective products. Fair value movements of the biological assets are recognised in profit or loss. The Group's biological assets are all now held in an associate.

### p) Research and development

Costs relating to research and development of new seed products are written off as incurred since the distinction between the two is indeterminate in practice.

### q) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's cash generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or cash generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.



## Notes to the Financial Statements cont...

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit (or group of cash generating units) to which the goodwill relates. When the recoverable amount of the cash generating units is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Further disclosures relating to impairment of non-financial assets are provided in note 8.2.

### r) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

### s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### t) Pensions and other post-employment benefits

Retirement benefits are provided for Group employees through self-administered defined contribution funds in the respective countries. The cost of retirement benefits for the defined contribution fund is equivalent to the actual amount of the contribution for private pension funds and the legislated contributions for government pension funds. The cost of all retirement benefit contributions is expensed in profit or loss as incurred.

### u) Share based payment transactions

Senior executives of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense together with a corresponding increase in equity over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

## Notes to the Financial Statements cont...

### 2.4 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year with the exception of the application of IFRS 15 and IFRS 9 for the first time.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

#### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 April 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts that are not completed as at 1 April 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

The effect of adopting IFRS 15 is disclosed in note 35.1.

#### *IFRS 9 Financial Instruments*

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9 using the modified retrospective approach, with an initial application date of 1 April 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings and other components of equity.

The effect of adopting IFRS 9 is disclosed in note 35.2.

### 2.5 Standards and interpretations in issue not yet effective

Standards issued but not yet effective up to the date of issuance of the consolidated financial statements are listed below.

This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

#### *IFRS 16 Leases*

The International Accounting Standards board (IASB) issued IFRS 16 in January 2016 which requires lessees to recognize assets and liabilities for most leases on their balance sheets. Under the new standard, a lease is a contract or part of a contract that conveys the right to use an asset for a period of time in exchange for consideration. To be a lease, a contract must convey the right to control the use of the identified asset, which could be a physically distinct portion of an asset.

The standard will be effective for annual periods beginning on or after 1 January 2019.

The Group is still assessing the potential impact of amendments to this standard.

#### *IFRIC Interpretation 23 Uncertainty over Income Tax Treatments*

In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

## Notes to the Financial Statements cont...

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances. An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

The Group is currently assessing the potential impact of the amendment to this standard.

**Long-term interests in associates and joint ventures - Amendments to IAS 28**

The amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The Board also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. Entities must apply the amendments retrospectively, with certain exceptions with effect from 1 January 2019. Early application of the amendments is permitted and must be disclosed.

The Group is currently assessing the potential impact of the amendment to this standard.

**Conceptual Framework for Financial Reporting**

Effective immediately for the IASB and the IFRS IC. For preparers who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework for Financial reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the Standards.

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, and guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is effective for annual periods beginning on or after 1 January 2020 and the Group will consider the provisions of the new conceptual framework where necessary.

**IAS 23 Borrowing Costs- Borrowing costs eligible for capitalisation**

The amendments clarify that an entity treats as part of general borrowings any borrowing Originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

The Group is currently assessing the potential impact of the amendment to this standard.

**Definition of a Business - Amendments to IFRS 3 Effective for annual periods beginning on or after 1 January 2020.**

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. They also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

**Definition of Material - Amendments to IAS 1 and IAS 8 Effective for annual periods beginning on or after 1 January 2020.**

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

Although the amendments to the definition of material is not expected to have a significant impact on an entity's financial statements, the introduction of the term 'obscuring information' in the definition could potentially impact how materiality judgements are made in practice, by elevating the importance of how information is communicated and organised in the financial statements.

## Notes to the Financial Statements cont...

### 3. Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts, assets, liabilities, income and expenses. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key judgements, estimates and assumptions concerning the future and other key resources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### *Useful lives and residual values of property, plant and equipment*

The Group assesses useful lives and residual values of property, plant and equipment each year taking into consideration past experience, technology changes and the local operating environment. No changes to the useful lives have been considered necessary during the year. Residual values will be assessed each year and adjustments for depreciation will be done in future periods if necessary. Refer to the note 2.3j) for the useful lives of property, plant and equipment and note 8 for the carrying amount of property, plant and equipment.

#### *Revaluation of property, plant and equipment*

In assessing the carrying amounts of property, plant and equipment management has considered the condition of the assets and their life span on an item by item basis in determining fair values. The following methods and assumptions were adopted by the professional valuer:

Land and Buildings: fair values were determined using the market comparable approach.

Plant and equipment: values were determined using the cost approach using the depreciated replacement cost of the assets.

Refer to note 2.3j) and note 8 for more information on the estimates and assumptions used to determine the fair value of property, plant and equipment and note 9 for the carrying amount of property, plant and equipment.

#### *Share based payments*

The Group measures the cost of equity-settled transactions with employees by references to the fair value of equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate inputs to the valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The value of the share options granted is determined using the Black Scholes model. Refer to note 25 for further information and disclosures.

#### *Taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile. As the Group assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been disclosed.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Refer to note 5 for more information on taxation.

#### *Provision for expected credit losses of trade receivables and contract assets*

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 16.



## Notes to the Financial Statements cont...

### 4 INCOME AND EXPENSES

|   | Note   | GROUP            |                  | COMPANY          |                   |
|---|--------|------------------|------------------|------------------|-------------------|
|   |        | 2019             | 2018             | 2019             | 2018              |
|   |        | US\$             | US\$             | US\$             | US\$              |
| <b>4.1 OTHER INCOME</b>                       |        |                  |                  |                  |                   |
| Dividends received                            | 27.1.3 | 93,124           | -                | 93,124           | 10,419,975        |
| Research recoveries                           | 27.1.5 | 1,608,911        | -                | 1,608,911        | -                 |
| Commissions received                          |        | 264              | 159              | 264              | -                 |
| Loss on sale of property, plant and equipment |        | (3,700)          | (71,541)         | (3,700)          | -                 |
| Unrealised exchange losses                    |        | -                | (68,250)         | -                | -                 |
| Realised exchange losses                      |        | 217,543          | (14,128)         | 217,543          | -                 |
| Rental income                                 |        | 407,056          | 61,578           | 407,056          | -                 |
| Sweepings and non-seed income                 |        | 12,998           | 15,995           | 12,998           | -                 |
| Sundry income                                 |        | 24,529           | 2,477,262        | 24,529           | -                 |
|   |        | <b>2,360,725</b> | <b>2,401,075</b> | <b>2,360,725</b> | <b>10,419,975</b> |

Included in sundry income are items such as consultancy fees, export incentives, bad debts recovered, brokerage fees, transport recoveries, compensation for insurance claims and commodity sales

### 4.2 OPERATING EXPENSES

|  |   | GROUP     |           | COMPANY   |      |
|--|---|-----------|-----------|-----------|------|
|  |   | 2019      | 2018      | 2019      | 2018 |
|  |   | US\$      | US\$      | US\$      | US\$ |
| <i>Included in operating expenses are:</i> |   |           |           |           |      |
| Directors emoluments                       |   |           |           |           |      |
| for services as directors                  |   | 205,998   | 355,663   | 205,998   | -    |
| for managerial services                    |   | 54,999    | 1,095,283 | 54,999    | -    |
| Employee benefit expenses:                 |   |           |           |           |      |
| Wages and salaries                         |   | 7,530,590 | 7,378,493 | 7,530,590 | -    |
| Pension costs                              |   | 529,151   | 518,464   | 529,151   | -    |
| Social security costs                      |   | 56,312    | 55,175    | 56,312    | -    |
| Medical benefits                           |   | 290,118   | 284,258   | 290,118   | -    |
| Depreciation                               | 9 | 1,435,965 | 3,557,403 | 1,435,965 | -    |
| Audit fees                                 |   | 225,449   | 167,184   | 225,449   | -    |

### 4.3 FINANCE INCOME

|                           |  | GROUP            |                  | COMPANY          |      |
|---------------------------|--|------------------|------------------|------------------|------|
|                           |  | 2019             | 2018             | 2019             | 2018 |
|                           |  | US\$             | US\$             | US\$             | US\$ |
| Interest on bank deposits |  | <b>1,686,935</b> | <b>1,435,213</b> | <b>1,686,935</b> | -    |

### 4.4 FINANCE COST

|                             |  | GROUP          |                | COMPANY        |               |
|-----------------------------|--|----------------|----------------|----------------|---------------|
|                             |  | 2019           | 2018           | 2019           | 2018          |
|                             |  | US\$           | US\$           | US\$           | US\$          |
| Interest on borrowings      |  | 512,436        | 131,850        | 512,436        | -             |
| Interest on unpaid invoices |  | -              | -              | -              | 72,922        |
|                             |  | <b>512,436</b> | <b>131,850</b> | <b>512,436</b> | <b>72,922</b> |

# Notes to the Financial Statements cont...

## 5 INCOME TAX

5.1 The major components of income tax expense for the years ended 31 March 2019 and 2018 are

|   |
|---|
| Current income tax                                  |
| Deferred tax  |
| Income tax expense reported in the income statement |

| Note | GROUP            |                  | COMPANY          |              |
|------|------------------|------------------|------------------|--------------|
|      | 2019<br>US\$     | 2018<br>US\$     | 2019<br>US\$     | 2018<br>US\$ |
| 5.3  | 6,061,881        | 6,936,264        | 6,061,881        | -            |
|      | 70,773           | 57,261           | (49,965)         | -            |
|      | <b>6,132,654</b> | <b>6,993,525</b> | <b>6,011,916</b> | -            |

5.2 Reconciliation of tax expense and the accounting profit multiplied by Seed Co Limited's domestic tax rate for 2019 and 2018:

|  |
|--|
| Accounting profit before income tax                                      |
| Less share of profit from associate already taxed                        |
| Accounting profit before income tax and share of profit from associate   |
| At Seed Co Limited's statutory income tax rate of 25.75% (2018: 25.75%)  |
| Effect of income that is exempt from tax                                 |
| Effect of expenses that are not deductible in determining taxable profit |
| At the effective income tax rate of 22% (2018: 29%)                      |

|                  | GROUP            |                  | COMPANY      |              |
|------------------|------------------|------------------|--------------|--------------|
|                  | 2019<br>US\$     | 2018<br>US\$     | 2019<br>US\$ | 2018<br>US\$ |
| 27,624,093       | 24,108,400       | 24,666,062       | 9,912,520    | -            |
| (2,493,293)      | (1,250,527)      | -                | -            | -            |
| 25,130,800       | 22,857,873       | 24,666,062       | 9,912,520    | -            |
| 6,472,249        | 5,885,902        | 6,351,511        | 2,552,474    | -            |
| (637,742)        | (710,391)        | (637,742)        | (2,552,474)  | -            |
| 298,147          | 1,818,014        | 298,147          | -            | -            |
| <b>6,132,654</b> | <b>6,993,525</b> | <b>6,011,916</b> | -            | -            |

5.3

|   |
|---|
| Deferred tax expense/(income) relates to the following: |
| Accelerated depreciation for tax purposes               |
| Prepayments   |
| Provisions  |
| Tax losses carried forward                              |
| Unrealised profit in inventory                          |
| <b>Deferred tax expense/(benefit)</b>                   |

|               | GROUP         |                 | COMPANY      |              |
|---------------|---------------|-----------------|--------------|--------------|
|               | 2019<br>US\$  | 2018<br>US\$    | 2019<br>US\$ | 2018<br>US\$ |
| 175,018       | 399,170       | 175,018         | -            | -            |
| (99,055)      | 43,617        | (99,055)        | -            | -            |
| (125,928)     | (138,933)     | (125,928)       | -            | -            |
| -             | (125,854)     | -               | -            | -            |
| 120,738       | (120,739)     | -               | -            | -            |
| <b>70,773</b> | <b>57,261</b> | <b>(49,965)</b> | -            | -            |

5.4 Deferred tax relates to the following:

|   |
|---|
| Revaluation                               |
| Accelerated depreciation for tax purposes |
| Prepayments                               |
| Provisions                                |
| Tax losses carried forward                |
| Unrealised profit in inventory            |
| Share based payments                      |
| <b>Deferred tax liabilities, net</b>      |

|                  | GROUP            |                  | COMPANY          |              |
|------------------|------------------|------------------|------------------|--------------|
|                  | 2019<br>US\$     | 2018<br>US\$     | 2019<br>US\$     | 2018<br>US\$ |
| 4,303,578        | -                | 4,303,578        | -                | -            |
| 2,306,268        | 6,533,209        | 2,306,268        | 6,472,609        | -            |
| (45,076)         | 137,753          | (45,076)         | 129,909          | -            |
| (404,399)        | (950,282)        | (404,399)        | (879,603)        | -            |
| -                | (450,878)        | -                | -                | -            |
| -                | (120,739)        | -                | -                | -            |
| 108,060          | 325,260          | 108,060          | 325,260          | -            |
| <b>6,268,431</b> | <b>5,474,323</b> | <b>6,268,431</b> | <b>6,048,175</b> | -            |

Reflected in the statement of financial position as follows:

|                                      |
|--------------------------------------|
| Deferred tax assets                  |
| Deferred tax liabilities:            |
| <b>Deferred tax liabilities, net</b> |

|                  | GROUP            |                  | COMPANY          |              |
|------------------|------------------|------------------|------------------|--------------|
|                  | 2019<br>US\$     | 2018<br>US\$     | 2019<br>US\$     | 2018<br>US\$ |
| -                | (573,852)        | -                | -                | -            |
| 6,268,431        | 6,048,175        | 6,268,431        | 6,048,175        | -            |
| <b>6,268,431</b> | <b>5,474,323</b> | <b>6,268,431</b> | <b>6,048,175</b> | -            |

5.5 Reconciliation of deferred tax liabilities, net

|   |
|---|
| <b>As of 1 April</b>  |
| Continuing operations tax expense/(income) during the year recognised in profit or loss   |
| Discontinued operations tax (income)/expense during the year recognised in profit or loss |
| Tax expense during the period recognised in other comprehensive income                    |
| Transfer to assets held for distribution  |
| Transfer to liabilities directly associated with assets held for distribution             |
| Transfer to joint venture   |
| Deferred tax on restructuring   |
| Exchange differences  |
| <b>As at 31 March</b>   |

|                  | GROUP            |                  | COMPANY          |              |
|------------------|------------------|------------------|------------------|--------------|
|                  | 2019<br>US\$     | 2018<br>US\$     | 2019<br>US\$     | 2018<br>US\$ |
| <b>5,474,323</b> | <b>6,732,860</b> | <b>6,048,175</b> | <b>325,260</b>   | -            |
| 70,773           | 57,261           | (49,965)         | -                | -            |
| -                | (684,529)        | -                | -                | -            |
| 4,303,578        | 347,823          | 4,303,578        | -                | -            |
| -                | 1,070,009        | -                | -                | -            |
| -                | (2,049,101)      | -                | -                | -            |
| 453,114          | -                | -                | -                | -            |
| -                | -                | -                | 5,722,915        | -            |
| (4,033,357)      | -                | (4,033,357)      | -                | -            |
| <b>6,268,431</b> | <b>5,474,323</b> | <b>6,268,431</b> | <b>6,048,175</b> | -            |

5.6 The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

5.7 There are no income tax consequences attached to the payment of dividends in either 2019 or 2018 by the Group to its shareholders.

## Notes to the Financial Statements cont...

### 6 DISCONTINUED OPERATIONS

In June 2017, the Board of Directors of Seed Co Limited approved the decision by management to partially unbundle Seed Co International Limited. Critical regulatory approvals were obtained in February 2018. The partial unbundling of the 71% interest in Seed Co International Limited through a dividend-in-specie was completed in August 2018 following the formal shareholders' ratification of the Board's decision with support from the majority of shareholders having been obtained by management in April 2018. The effective date of distribution was the 1st of April 2018 and as Seed Co International had not been operational no results are included in the note below. Seed Co International previously

6.1 The results of the discontinued operations for the year are presented below:

|   | Note | GROUP             |                  |
|---|------|-------------------|------------------|
|   |      | 2019<br>US\$      | 2018<br>US\$     |
| Revenue   |      | -                 | 65,118,853       |
| Cost of sales   |      | -                 | (32,444,194)     |
| Gain on deconsolidation / other income                  |      | 69,221,035        | 2,049,905        |
| Operating expenses                                      |      | -                 | (26,957,849)     |
| Net finance costs                                       |      | -                 | (2,306,552)      |
| <b>Profit before tax</b>                                |      | <b>69,221,035</b> | <b>5,460,163</b> |
| Income tax  |      | -                 | (1,143,259)      |
| <b>Profit for the year from discontinued operations</b> |      | <b>69,221,035</b> | <b>4,316,904</b> |

6.2 The major classes of assets and liabilities classified as held for distribution to equity holders of the parent as at 31 March are, as follows:

|  |      | 2019<br>US\$ | 2018<br>US\$        |
|--|------|--------------|---------------------|
| <b>Assets</b>  |      |              |                     |
| Property, plant and equipment  | 9    | -            | 42,154,328          |
| Deferred tax asset   | 5.5  | -            | 1,070,009           |
| Inventories  | 14.2 | -            | 13,699,075          |
| Biological assets  | 15   | -            | 645,508             |
| Trade and other receivables  |      | -            | 37,355,025          |
| Cash and cash equivalents  | 18.1 | -            | 16,896,773          |
| <b>Assets held for distribution</b>  |      | <b>-</b>     | <b>111,820,718</b>  |
| <b>Liabilities</b>   |      |              |                     |
| Interest-bearing loans and borrowings  | 20.1 | -            | 29,191,140          |
| Deferred tax liability   | 5.5  | -            | 2,049,101           |
| Trade and other payables   |      | -            | 4,335,366           |
| Income tax payable   |      | -            | 12,242              |
| Provisions   | 23   | -            | 1,825,776           |
| <b>Liabilities directly associated with the assets held for distribution</b> |      | <b>-</b>     | <b>37,413,625</b>   |
| <b>Net assets directly associated with disposal group</b>                    |      | <b>-</b>     | <b>74,407,093</b>   |
| <b>Reserves of a disposal group held for distribution</b>                    |      |              |                     |
|  |      | <b>-</b>     | <b>(16,992,540)</b> |

6.3 The net cash flows generated are as follows

|   | 2019<br>US\$ | 2018<br>US\$     |
|---|--------------|------------------|
| Operating   | -            | 16,259,388       |
| Investing   | -            | (5,565,653)      |
| Financing   | -            | (1,529,061)      |
| <b>Net cash inflow</b>                                    | <b>-</b>     | <b>9,164,674</b> |
| <b>Earnings per share</b>                                 |              |                  |
| Basic, profit for the year from discontinued operations   | 28.56        | 1.80             |
| Diluted, profit for the year from discontinued operations | 28.56        | 1.79             |

6.4 The current year profit from discontinued operations for the Group was computed as follows:

|   |            | Seed Co<br>International | Prime Seed Co<br>Zimbabwe | Total             |
|---|------------|--------------------------|---------------------------|-------------------|
| Deemed proceeds through dividend in specie at fair value                      | 24.3       | 122,830,000              | -                         | 122,830,000       |
| Value of investment retained  | 11.3       | 50,170,000               | 1,912,500                 | 52,082,500        |
| Non-controlling interests   | 29.3       | 1,098,972                | 1,391,626                 | 2,490,598         |
| Net assets  | 6.2 & 28.1 | (74,407,093)             | (2,840,053)               | (77,247,146)      |
| Recycling of foreign currency translation reserve                             |            | (30,985,921)             | -                         | (30,985,921)      |
| Recycling of changes in ownership reserve                                     |            | 190,277                  | 372,041                   | 562,318           |
| Deemed disposal on issue of shares to a third party through private placement | 11.3       | (5,017,000)              | -                         | (5,017,000)       |
| Share of third party net capital contribution in associate                    | 11.3       | 4,505,686                | -                         | 4,505,686         |
|   |            | <b>68,384,921</b>        | <b>836,114</b>            | <b>69,221,035</b> |

## Notes to the Financial Statements cont...

### 7 EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS computations:

|   | 2019<br>US\$       | 2018<br>US\$       |
|---|--------------------|--------------------|
| Profit attributable to ordinary equity holders of the parent:   |                    |                    |
| Continuing operations   | 21,491,439         | 17,199,156         |
| Discontinued operations   | 69,221,035         | 4,316,904          |
| <b>Profit attributable to ordinary equity holders of the parent for basic earnings</b>                  | <b>90,712,474</b>  | <b>21,516,060</b>  |
| <b>Profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution</b> | <b>90,712,474</b>  | <b>21,516,060</b>  |
| <b>Weighted average number of ordinary shares for basic EPS</b>   | <b>242,390,875</b> | <b>239,329,966</b> |
| Effects of dilution from:   |                    |                    |
| Share options   | -                  | 1,357,502          |
| <b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>                   | <b>242,390,875</b> | <b>240,687,468</b> |
| Basic earnings per share - cents  | 37.42              | 8.99               |
| Diluted earnings per share - cents  | 37.42              | 8.94               |

7.1 There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

7.2 Share options did not have a dilutive impact in the current year as their average exercise price exceeded the market value of the shares.



## Notes to the Financial Statements cont...

### 8 FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Group's and Company's assets.

#### Fair value measurement hierarchy for assets as at 31 March 2019:

|                                       | Fair value measurement using                       |  |  |            |
|---------------------------------------|--|--|--|------------|
|                                       | Quoted prices<br>in active<br>markets<br>(Level 1) | Significant<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) |            |
| Total                                 | US\$   | US\$   | US\$   | US\$       |
| <b>Assets measured at fair value:</b> |  |  |  |            |
| Property, plant and equipment         |  |  |  |            |
| Land and buildings                    | 21,789,841   | -  | -  | 21,789,841 |
| Plant and equipment                   | 2,305,568  | -  | -  | 2,305,568  |
| Motor vehicles                        | 2,784,963  | -  | -  | 2,784,963  |
| Office furniture and equipment        | 520,601  | -  | -  | 520,601    |

There were no transfers between Level 1 and Level 2 during 2019.

#### Fair value measurement hierarchy for assets as at 31 March 2018:

|                                       | Fair value measurement using                       |  |  |            |
|---------------------------------------|--|--|--|------------|
|                                       | Quoted prices<br>in active<br>markets<br>(Level 1) | Significant<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) |            |
| Total                                 | US\$   | US\$   | US\$   | US\$       |
| <b>Assets measured at fair value:</b> |  |  |  |            |
| Property, plant and equipment         |  |  |  |            |
| Land and buildings                    | 24,540,927   | -  | -  | 24,540,927 |
| Plant and equipment                   | 2,780,849  | -  | -  | 2,780,849  |
| Motor vehicles                        | 2,998,743  | -  | -  | 2,998,743  |
| Office furniture and equipment        | 997,584  | -  | -  | 997,584    |

There were no transfers between Level 1 and Level 2 during 2018.

#### Freehold land and buildings

Fair value was determined using the market comparable method. The valuations were based on proprietary databases of prices of transactions for properties of similar nature, location and condition. Other significant valuation inputs considered were price per square metre, rentals per square metre and prime yield.

| Significant unobservable valuation input: | Range               |                     |
|---|---------------------|---------------------|
|   | 2019                | 2018                |
| Price per square metre (sqm)              | US\$ 450-US\$ 1,200 | US\$ 450-US\$ 1,200 |
| Rentals per square metre (sqm)            | US\$10-US\$12       | US\$10-US\$12       |
| Prime yield                               | 8%-12%              | 8%-12%              |

Significant increase/decrease in price per sqm and rental per sqm would result in an increase/ decrease in fair value while significant increase/decrease in prime yield would results in a decrease/increase in fair value.

#### Plant and machinery

Fair value was determined using the cost approach. Fair value assumptions remain the same from previous years as shown below.

| Significant unobservable valuation input: | Range      |            |
|---|------------|------------|
|   | 2019       | 2018       |
| Adjustments for obsolescence              | -          | -          |
| Cost of replacing the asset               | -          | -          |
| Estimated remaining life                  | 5-20 years | 5-20 years |

Significant increase/decrease in the cost of replacing the asset would result in an increase/ decrease in fair value.

#### Motor vehicles

Fair value was determined using the cost approach. Fair value assumptions remain the same from previous years as shown below.

| Significant unobservable valuation input: | Range    |          |
|---|----------|----------|
|   | 2019     | 2018     |
| Adjustments for obsolescence              | -        | -        |
| Cost of replacing the asset               | -        | -        |
| Estimated remaining life                  | 1-5years | 1-5years |

Significant increase/decrease in the cost of replacing the asset would result in an increase/ decrease in fair value.

## Notes to the Financial Statements cont...

### 9 PROPERTY, PLANT AND EQUIPMENT

| GROUP                                 | Note | Freehold land and buildings | Plant and machinery | Motor vehicles   | Office furniture and equipment | Total             |
|---------------------------------------|------|-----------------------------|---------------------|------------------|--------------------------------|-------------------|
| Cost or valuation                     |      | US\$                        | US\$                | US\$             | US\$                           | US\$              |
| At 1 April 2017                       |      | 67,263,227                  | 16,599,560          | 11,582,766       | 3,229,666                      | 98,675,219        |
| Additions                             |      | 2,031,386                   | 1,653,217           | 3,298,577        | 964,140                        | 7,947,320         |
| Revaluation                           | 19.3 | 3,478,228                   | -                   | -                | -                              | 3,478,228         |
| Depreciation adjustment - revaluation |      | (1,502,039)                 | -                   | -                | -                              | (1,502,039)       |
| Disposals                             |      | -                           | (18,685)            | (1,219,864)      | (26,990)                       | (1,265,539)       |
| Assets held for distribution          | 6.2  | (46,547,499)                | (13,301,993)        | (9,125,430)      | (2,762,173)                    | (71,737,095)      |
| Exchange adjustment                   |      | 364,926                     | 70,721              | 253,083          | 18,608                         | 707,338           |
| <b>At 31 March 2018</b>               |      | <b>25,088,229</b>           | <b>5,002,820</b>    | <b>4,789,132</b> | <b>1,423,251</b>               | <b>36,303,432</b> |
| Additions                             |      | 1,006,168                   | 431,025             | 1,335,565        | 461,794                        | 3,234,552         |
| Revaluation                           | 19.3 | 13,361,635                  | 1,205,124           | 1,703,381        | 440,804                        | 16,710,944        |
| Disposals                             |      | -                           | -                   | (97,465)         | -                              | (97,465)          |
| Transferred to joint venture          |      | (371,661)                   | (460,460)           | (411,249)        | (151,903)                      | (1,395,273)       |
| Exchange adjustment                   |      | (17,043,566)                | (3,080,458)         | (3,774,087)      | (1,476,076)                    | (25,374,187)      |
| <b>At 31 March 2019</b>               |      | <b>22,040,805</b>           | <b>3,098,051</b>    | <b>3,545,277</b> | <b>697,870</b>                 | <b>29,382,003</b> |
| <b>Depreciation and impairment</b>    |      |                             |                     |                  |                                |                   |
| At 1 April 2017                       |      | 18,799,276                  | 5,816,083           | 6,782,200        | 1,709,060                      | 33,106,619        |
| Depreciation charge for the year      |      | 708,196                     | 933,203             | 1,748,978        | 167,026                        | 3,557,403         |
| Depreciation adjustment - revaluation |      | (1,502,039)                 | -                   | -                | -                              | (1,502,039)       |
| Disposals                             |      | -                           | (12,021)            | (813,770)        | (15,492)                       | (841,283)         |
| Assets held for distribution          | 6.2  | (17,522,359)                | (4,588,330)         | (5,990,478)      | (1,481,602)                    | (29,582,769)      |
| Exchange adjustment                   |      | 64,228                      | 73,036              | 63,459           | 46,675                         | 247,398           |
| <b>At 31 March 2018</b>               |      | <b>547,302</b>              | <b>2,221,971</b>    | <b>1,790,389</b> | <b>425,667</b>                 | <b>4,985,329</b>  |
| Depreciation charge for the year      |      | 221,515                     | 371,122             | 683,756          | 159,572                        | 1,435,965         |
| Disposals                             |      | -                           | -                   | (60,178)         | -                              | (60,178)          |
| Transferred to joint venture          |      | (25,718)                    | (160,129)           | (167,773)        | (63,034)                       | (416,654)         |
| Exchange adjustment                   |      | (492,135)                   | (1,640,481)         | (1,485,880)      | (344,936)                      | (3,963,432)       |
| <b>At 31 March 2019</b>               |      | <b>250,964</b>              | <b>792,483</b>      | <b>760,314</b>   | <b>177,269</b>                 | <b>1,981,030</b>  |
| <b>Net book value</b>                 |      |                             |                     |                  |                                |                   |
| At 31 March 2019                      |      | <b>21,789,841</b>           | <b>2,305,568</b>    | <b>2,784,963</b> | <b>520,601</b>                 | <b>27,400,973</b> |
| At 31 March 2018                      |      | <b>24,540,927</b>           | <b>2,780,849</b>    | <b>2,998,743</b> | <b>997,584</b>                 | <b>31,318,103</b> |
| <b>COMPANY</b>                        |      |                             |                     |                  |                                |                   |
| Cost or valuation                     |      | US\$                        | US\$                | US\$             | US\$                           | US\$              |
| At 1 April 2017                       |      | -                           | -                   | -                | -                              | -                 |
| Transfers from subsidiary             | 33   | 24,716,568                  | 4,542,360           | 3,572,709        | 1,271,348                      | 34,102,985        |
| <b>At 31 March 2018</b>               |      | <b>24,716,568</b>           | <b>4,542,360</b>    | <b>3,572,709</b> | <b>1,271,348</b>               | <b>34,102,985</b> |
| Additions                             |      | 1,006,168                   | 431,025             | 1,335,565        | 461,794                        | 3,234,552         |
| Revaluation                           | 19.3 | 13,361,635                  | 1,205,124           | 1,703,381        | 440,804                        | 16,710,944        |
| Disposals                             |      | -                           | -                   | (97,465)         | -                              | (97,465)          |
| Exchange adjustment                   |      | (17,043,566)                | (3,080,458)         | (2,968,913)      | (1,476,076)                    | (24,569,013)      |
| <b>At 31 March 2019</b>               |      | <b>22,040,805</b>           | <b>3,098,051</b>    | <b>3,545,277</b> | <b>697,870</b>                 | <b>29,382,003</b> |
| <b>Depreciation and impairment</b>    |      |                             |                     |                  |                                |                   |
| At 31 March 2017                      |      | -                           | -                   | -                | -                              | -                 |
| Transfers from subsidiary             | 33   | 521,583                     | 2,061,842           | 1,622,616        | 362,634                        | 4,568,675         |
| <b>At 31 March 2018</b>               |      | <b>521,583</b>              | <b>2,061,842</b>    | <b>1,622,616</b> | <b>362,634</b>                 | <b>4,568,675</b>  |
| Depreciation charge for the year      |      | 221,515                     | 371,122             | 683,756          | 159,572                        | 1,435,965         |
| Disposals                             |      | -                           | -                   | (60,178)         | -                              | (60,178)          |
| Exchange adjustment                   |      | (492,135)                   | (1,640,481)         | (1,485,880)      | (344,936)                      | (3,963,432)       |
| <b>At 31 March 2019</b>               |      | <b>250,963</b>              | <b>792,483</b>      | <b>760,314</b>   | <b>177,269</b>                 | <b>1,981,030</b>  |
| <b>Net book value</b>                 |      |                             |                     |                  |                                |                   |
| At 31 March 2019                      |      | <b>21,789,842</b>           | <b>2,305,568</b>    | <b>2,784,963</b> | <b>520,601</b>                 | <b>27,400,973</b> |
| <b>Net book value</b>                 |      |                             |                     |                  |                                |                   |
| At 31 March 2018                      |      | <b>24,194,985</b>           | <b>2,480,518</b>    | <b>1,950,093</b> | <b>908,714</b>                 | <b>29,534,310</b> |

9.1 The effective revaluation date was 31 March 2019. There were no assets pledged as securities.

9.2 Had the assets of the Group and the Company been measured at cost, the net carrying amount would have been US\$ 5,652,346.

## Notes to the Financial Statements cont...

### 10 INVESTMENTS IN SUBSIDIARIES

|   | COMPANY  |                   |
|---|----------|-------------------|
|   | 2019     | 2018              |
|   | US\$     | US\$              |
| Seed Co International Limited                                     | -        | 18,584,875        |
| Niculata Investments (Private) Limited t/a Prime Seed Co Zimbabwe | -        | 1,912,500         |
| Quton Seed Company  | -        | 274,704           |
| Seed Co Zambia International Limited                              | -        | 16                |
|   | <b>-</b> | <b>20,772,095</b> |

10.1 All these investments are held as unquoted shares at cost.

10.2 Seed Co International was partially unbundled as described in note 6. The Company's investment was therefore reallocated to investment in associates. Both investments are disclosed in note 11.4.

10.3 Prime Seed Co Zimbabwe is now classified as a joint venture following the Company's partnership with HM Clause in the investee. The investment was reclassified to investment in joint venture also disclosed on note 11.4.

10.4 The investment in Seed Co Zambia relates to a 1% shareholding in Seed Co Zambia which has now been written off.

### 11 INVESTMENT IN ASSOCIATES AND JOINT VENTURE

11.1 The Group holds 40% and 27.45% equity interests in associate companies Quton Zimbabwe (Pvt) Ltd and Seed Co International Limited respectively and a 51% interest in joint venture Prime Seed Co International

11.2 The following table illustrates the summarised financial information of the Group's investments in these companies:

| Group's equity interest   | ASSOCIATES                         |                          | JOINT VENTURE      | GROUP               |
|---|------------------------------------|--------------------------|--------------------|---------------------|
|   | 27.45%<br>Seed Co<br>International | 40.00%<br>Quton Zimbabwe | 51.00%<br>Zimbabwe |                     |
|   | US\$                               | US\$                     | US\$               | US\$                |
| <b>Summarised income statement for 2019:</b>                    |                                    |                          |                    |                     |
| Revenue   | 60,136,380                         | 12,638,585               | 8,899,319          |                     |
| Cost of sales   | (30,255,451)                       | (7,349,739)              | (4,304,143)        |                     |
| Net operating expenses  | (22,837,472)                       | (2,273,404)              | (3,287,741)        |                     |
| Net finance costs   | (1,804,276)                        | 168,110                  | (72,294)           |                     |
| Share of loss from joint venture                                | (85,041)                           | -                        | -                  |                     |
| Income tax  | (1,375,906)                        | (926,389)                | (150,205)          |                     |
| <b>Profit for the year</b>                                      | <b>3,778,234</b>                   | <b>2,257,163</b>         | <b>1,084,936</b>   |                     |
| Other comprehensive income                                      | (14,802,613)                       | (10,445,295)             | (4,172,512)        |                     |
| <b>Total comprehensive income</b>                               | <b>(11,024,379)</b>                | <b>(8,188,132)</b>       | <b>(3,087,576)</b> |                     |
| <b>Group's share of profit for the year</b>                     | <b>1,037,110</b>                   | <b>902,865</b>           | <b>553,318</b>     | <b>2,493,293</b>    |
| <b>Group's share of other comprehensive income for the year</b> | <b>(4,063,258)</b>                 | <b>(4,178,118)</b>       | <b>(2,127,981)</b> | <b>(10,369,357)</b> |

## Notes to the Financial Statements cont...

|  | ASSOCIATES                         |                             | JOINT VENTURE             |                     |
|--|------------------------------------|-----------------------------|---------------------------|---------------------|
|  | 27.45%<br>Seed Co<br>International | 40.00%<br>Quton<br>Zimbabwe | 51.00%<br>Zimbabwe        | GROUP               |
| <b>Summarised income statement for 2018:</b>                                   |                                    |                             |                           |                     |
| Revenue  | -                                  | 14,337,424                  | -                         |                     |
| Cost of sales  | -                                  | (7,356,796)                 | -                         |                     |
| Net operating expenses   | -                                  | (2,791,207)                 | -                         |                     |
| Net finance costs  | -                                  | 204,681                     | -                         |                     |
| Income tax   | -                                  | (1,267,784)                 | -                         |                     |
| <b>Profit for the year</b>   | -                                  | <b>3,126,318</b>            | -                         |                     |
| Other comprehensive income   | -                                  | -                           | -                         |                     |
| <b>Total comprehensive income</b>  | -                                  | <b>3,126,318</b>            | -                         |                     |
| <b>Group's share of profit for the year</b>                                    | -                                  | <b>1,250,527</b>            | -                         | <b>1,250,527</b>    |
| <b>Group's share of other comprehensive income for the year</b>                | -                                  | -                           | -                         | -                   |
| <b>Summarised statement of financial position as at 31 March 2019:</b>         |                                    |                             |                           |                     |
| Non-current assets   | 40,586,361                         | 735,797                     | 947,409                   |                     |
| Current assets   | 93,477,152                         | 4,485,352                   | 2,981,708                 |                     |
| Non-current liabilities  | (4,168,843)                        | -                           | -                         |                     |
| Current liabilities  | (47,160,688)                       | (2,394,741)                 | (3,266,691)               |                     |
| <b>Total equity</b>  | <b>82,733,982</b>                  | <b>2,826,408</b>            | <b>662,426</b>            |                     |
| Fair value adjustment  | 24,959,156                         | -                           | -                         |                     |
| <b>Group's share of net assets</b>   | <b>47,669,302</b>                  | <b>1,130,563</b>            | <b>337,837</b>            | <b>49,137,702</b>   |
| <b>Summarised statement of financial position as at 31 March 2018:</b>         |                                    |                             |                           |                     |
| Non-current assets   | -                                  | 2,864,348                   | -                         |                     |
| Current assets   | -                                  | 11,328,580                  | -                         |                     |
| Non-current liabilities  | -                                  | -                           | -                         |                     |
| Current liabilities  | -                                  | (2,719,788)                 | -                         |                     |
| <b>Total equity</b>  | -                                  | <b>11,473,140</b>           | -                         |                     |
| <b>Group's carrying amount of the investment</b>                               | -                                  | <b>4,589,256</b>            | -                         | <b>4,589,256</b>    |
| <b>11.3 Reconciliation of the investments in associates and joint ventures</b> |                                    |                             |                           |                     |
|  | Seed Co<br>International           | Quton Zimbabwe              | Prime Seed Co<br>Zimbabwe | GROUP               |
|  | US\$                               | US\$                        | US\$                      | US\$                |
| <b>At 1 April 2017</b>   | -                                  | 3,738,728                   | -                         | <b>3,738,728</b>    |
| Dividends received from associate  | -                                  | (400,000)                   | -                         | <b>(400,000)</b>    |
| Share of profit from associates and joint venture                              | -                                  | 1,250,528                   | -                         | <b>1,250,528</b>    |
| <b>At 31 March 2018</b>  | -                                  | <b>4,589,256</b>            | -                         | <b>4,589,256</b>    |
| Investment retained on partial unbundling/formation of joint venture           | 50,170,000                         | -                           | 1,912,500                 | <b>52,082,500</b>   |
| Deemed disposal on issue of shares to a third party through private placement  | (5,017,000)                        | -                           | -                         | <b>(5,017,000)</b>  |
| Share of third party net capital contribution in associate                     | 4,505,686                          | -                           | -                         | <b>4,505,686</b>    |
| Additional investment  | 3,120,660                          | -                           | -                         | <b>3,120,660</b>    |
| Exchange difference  | (2,083,896)                        | (183,440)                   | -                         | <b>(2,267,336)</b>  |
| Share of profit from associates and joint venture                              | 1,037,110                          | 902,865                     | 553,318                   | <b>2,493,293</b>    |
| Share of other comprehensive loss from associates and joint venture            | (4,063,258)                        | (4,178,118)                 | (2,127,981)               | <b>(10,369,357)</b> |
|  | <b>47,669,302</b>                  | <b>1,130,563</b>            | <b>337,837</b>            | <b>49,137,702</b>   |

The following table illustrates the investments in associates and joint venture at cost in

|                              |               |                |               |           |
|------------------------------|---------------|----------------|---------------|-----------|
| <b>11.4 Company's books:</b> | Seed Co       | Quton Zimbabwe | Prime Seed Co | Company   |
|                              | International |                | Zimbabwe      |           |
|                              | US\$          | US\$           | US\$          | US\$      |
| Investment in associates     | 7,211,141     | 91,264         | 635,382       | 7,937,787 |

## 12 GOODWILL

|                              | Note | GROUP     |                |
|------------------------------|------|-----------|----------------|
|                              |      | 2019      | 2018           |
|                              |      | US\$      | US\$           |
| Balance at 1 April           |      | 264,472   | 264,472        |
| Transferred to joint venture | 28.1 | (264,472) | -              |
| Balance at 31 March          |      | -         | <b>264,472</b> |

The goodwill arose on acquisition of Prime Seed Co Zimbabwe. The goodwill was derecognised in the Group on the change of status of Prime Seed Co Zimbabwe from subsidiary to joint venture.



## Notes to the Financial Statements cont...

### 13 OTHER FINANCIAL ASSETS

The group's financial assets are classified at initial recognition, and subsequently measured at amortised costs. The carrying value may be affected by changes in the credit risk of the counterparties.

|                                      |      | GROUP             |                   | COMPANY           |                   |
|--------------------------------------|------|-------------------|-------------------|-------------------|-------------------|
|                                      |      | 2019              | 2018              | 2019              | 2018              |
|                                      |      | US\$              | US\$              | US\$              | US\$              |
| Government savings bonds             | 13.1 | 5,489,701         | -                 | 5,489,701         | -                 |
| Treasury bills                       | 13.2 | 2,688,386         | 48,001,167        | 2,688,386         | 48,001,167        |
| Long term receivables                | 13.3 | 3,047,888         | 3,455,102         | 3,047,888         | 3,455,102         |
| ZB Bank                              | 13.4 | 318,898           | 921,915           | 318,898           | 921,915           |
| Stanbic Bank                         | 13.4 | 199,960           | 468,721           | 199,960           | 468,721           |
| FBC Bank                             | 13.4 | 58,790            | 165,705           | 58,790            | 165,705           |
|                                      |      | <b>11,803,623</b> | <b>53,012,610</b> | <b>11,803,623</b> | <b>53,012,610</b> |
| Allowance for expected credit losses |      | (991,386)         | -                 | (991,386)         | -                 |
|                                      |      | <b>10,812,237</b> | <b>53,012,610</b> | <b>10,812,237</b> | <b>53,012,610</b> |
| Total current                        |      | <b>4,983,389</b>  | <b>40,757,278</b> | <b>4,983,389</b>  | <b>40,757,278</b> |
| Total non-current                    |      | <b>5,828,848</b>  | <b>12,255,332</b> | <b>5,828,848</b>  | <b>12,255,332</b> |

13.1 Government savings bonds are a fixed deposit with the Reserve Bank of Zimbabwe earning interest at 7% per annum with a one year tenure. The savings bonds mature in October 2019.

13.2 Treasury bills were issued by the government of Zimbabwe as settlement for amounts owed. Treasury bills attract interest at 5% per annum and their maturities fall within the next three years.

13.3 Other long term receivables relate to loans advanced to growers to acquire irrigation equipment for their farms and these mature over a three year period. Other long term receivables attract interest at 8.5% per annum.

13.4 ZB Bank, Stanbic Bank and FBC Bank relate to investments held with these counterparties attracting interest at 8% per annum with a ten-year tenure.

#### 13.5 Allowance for expected credit losses reconciliation

|  | GROUP          |          | COMPANY        |          |
|--|----------------|----------|----------------|----------|
|  | 2019           | 2018     | 2019           | 2018     |
|  | US\$           | US\$     | US\$           | US\$     |
| Balance at beginning of the year           | -              | -        | -              | -        |
| Charge for the year through equity         | 844,086        | -        | 844,086        | -        |
| Charge for the year through profit or loss | 147,300        | -        | 147,300        | -        |
| Utilised during the year                   | -              | -        | -              | -        |
|  | <b>991,386</b> | <b>-</b> | <b>991,386</b> | <b>-</b> |

All financial assets are in stage 1 and there were no transfers between stages during the year. Movement in the current year relate to the estimated credit losses for the financial assets acquired during the year.

#### 13.6 Provisioning matrices

##### GROUP

##### At 31 March 2019

|                           | Other financial assets |           |           |                   |
|---------------------------|------------------------|-----------|-----------|-------------------|
|                           | Days past due          |           |           | Total             |
|                           | Current                | < 60 days | > 60 days |                   |
| Expected credit loss rate | 8%                     | 0%        | 0%        |                   |
| Gross carrying amount     | 11,803,623             | -         | -         | <b>11,803,623</b> |
| Expected credit loss      | 991,386                | -         | -         | <b>991,386</b>    |

##### At 31 March 2018

|                           | Trade receivables |           |           |                   |
|---------------------------|-------------------|-----------|-----------|-------------------|
|                           | Days past due     |           |           | Total             |
|                           | Current           | < 60 days | > 60 days |                   |
| Expected credit loss rate | 0%                | 0%        | 0%        |                   |
| Gross carrying amount     | 53,012,610        | -         | -         | <b>53,012,610</b> |
| Expected credit loss      | -                 | -         | -         | <b>-</b>          |

##### COMPANY

##### At 31 March 2019

|                           | Trade receivables |           |           |                   |
|---------------------------|-------------------|-----------|-----------|-------------------|
|                           | Days past due     |           |           | Total             |
|                           | Current           | < 60 days | > 60 days |                   |
| Expected credit loss rate | 8%                | 0%        | 0%        |                   |
| Gross carrying amount     | 11,803,623        | -         | -         | <b>11,803,623</b> |
| Expected credit loss      | 991,386           | -         | -         | <b>991,386</b>    |

##### At 31 March 2018

|                           | Trade receivables |           |           |                   |
|---------------------------|-------------------|-----------|-----------|-------------------|
|                           | Days past due     |           |           | Total             |
|                           | Current           | < 60 days | > 60 days |                   |
| Expected credit loss rate | 0%                | 0%        | 0%        |                   |
| Gross carrying amount     | 53,012,610        | -         | -         | <b>53,012,610</b> |
| Expected credit loss      | -                 | -         | -         | <b>-</b>          |

## Notes to the Financial Statements cont...

| 14 INVENTORIES                 | Note | GROUP            |                   | COMPANY          |                   |
|--------------------------------|------|------------------|-------------------|------------------|-------------------|
|                                |      | 2019<br>US\$     | 2018<br>US\$      | 2019<br>US\$     | 2018<br>US\$      |
| Parent and commercial seed     |      | 4,642,694        | 11,086,230        | 4,642,694        | 8,592,484         |
| Spares and general consumables |      | 2,815,032        | 5,941,137         | 2,815,032        | 5,514,408         |
|                                |      | <b>7,457,726</b> | <b>17,027,367</b> | <b>7,457,726</b> | <b>14,106,892</b> |

14.1 Inventories are measured at the lower of cost and net realisable value.

**14.2 Inventory recognized as an expense during the year:**

|  |      |                   |                   |                   |              |
|--|------|-------------------|-------------------|-------------------|--------------|
| Opening balance of inventory               |      | 17,027,367        | 24,997,633        | 14,106,892        | -            |
| Transfers from subsidiary on restructuring | 33   | -                 | -                 | -                 | 14,106,892   |
| Purchases, production and value-addition   |      | 26,964,213        | 32,443,213        | 26,964,214        | -            |
| Assets held for distribution               | 6.2  | -                 | (13,699,075)      | -                 | -            |
| Transfer to joint venture                  | 28.1 | (3,385,212)       | -                 | -                 | -            |
| Closing balance of inventory               |      | (7,457,726)       | (17,027,367)      | (7,457,726)       | (14,106,892) |
|  |      | <b>33,148,642</b> | <b>26,714,404</b> | <b>33,613,380</b> | <b>-</b>     |

**15 BIOLOGICAL ASSETS**

|   | Note | GROUP        |              |
|---|------|--------------|--------------|
|   |      | 2019<br>US\$ | 2018<br>US\$ |
| At 1 April                                  |      | -            | 250,022      |
| Increases due to new plantings              |      | -            | 645,508      |
| Harvested plants transferred to inventories |      | -            | (250,022)    |
| Assets held for distribution                | 6.2  | -            | (645,508)    |
| <b>At 31 March</b>                          |      | <b>-</b>     | <b>-</b>     |

The Group's biological assets comprise of plants not yet harvested that are used to produce parent seeds. The parent seeds are used to produce hybrid seeds which are sold to the market. The Group's biological assets were part of Seed Co International Limited's assets which was discontinued.

**16 TRADE AND OTHER RECEIVABLES**

|                                      | Note | GROUP            |                   | COMPANY          |                   |
|--------------------------------------|------|------------------|-------------------|------------------|-------------------|
|                                      |      | 2019<br>US\$     | 2018<br>US\$      | 2019<br>US\$     | 2018<br>US\$      |
| Gross trade receivables              |      | 5,141,410        | 3,252,740         | 5,141,410        | 2,227,811         |
| Allowance for expected credit losses | 16.1 | (541,178)        | (2,333,050)       | (541,178)        | (2,227,811)       |
| Net trade receivables                | 16.2 | <b>4,600,232</b> | <b>919,690</b>    | <b>4,600,232</b> | <b>-</b>          |
| Prepayments                          | 16.3 | 443,749          | 6,236,638         | 443,749          | 6,186,122         |
| Seed grower advances                 | 16.3 | 1,271,105        | 9,155,163         | 1,271,105        | 9,048,090         |
| Other receivables                    | 16.4 | 1,541,447        | 2,703,156         | 1,541,447        | 1,906,728         |
|                                      |      | <b>7,856,533</b> | <b>19,014,647</b> | <b>7,856,533</b> | <b>17,140,940</b> |

**16.1 Allowance for expected credit losses reconciliation**

|  |                |                  |                |                  |
|--|----------------|------------------|----------------|------------------|
| Balance at beginning of the year           | 2,333,050      | 7,831,695        | 2,227,811      | -                |
| Charge for the year through equity         | 6,749          | 2,500,832        | 6,749          | -                |
| Charge for the year through profit or loss | 70,839         | -                | 70,839         | -                |
| Transfer from subsidiary on restructuring  | -              | -                | -              | 2,227,811        |
| Assets held for distribution               | -              | (7,756,002)      | -              | -                |
| Transferred to joint venture               | (105,239)      | -                | -              | -                |
| Utilised during the year                   | (276,549)      | (243,475)        | (276,549)      | -                |
| Exchange differences                       | (1,487,672)    | -                | (1,487,672)    | -                |
|  | <b>541,178</b> | <b>2,333,050</b> | <b>541,178</b> | <b>2,227,811</b> |

## Notes to the Financial Statements cont...

|  | GROUP            |                | COMPANY          |              |
|--|------------------|----------------|------------------|--------------|
|  | 2019<br>US\$     | 2018<br>US\$   | 2019<br>US\$     | 2018<br>US\$ |
| <b>16.2 Analysis of trade receivables ageing</b> |                  |                |                  |              |
| Past due < 60 days                               | 196,700          | 283,411        | 196,700          | -            |
| Past due 60 days - 90 days                       | 3,230,554        | 235,908        | 3,230,554        | -            |
| Past due > 90 days                               | 1,094,800        | 400,371        | 1,094,800        | -            |
| <b>Past due but not impaired</b>                 | <b>4,522,054</b> | <b>919,690</b> | <b>4,522,054</b> | -            |
| Neither past due nor impaired                    | 78,178           | -              | 78,178           | -            |
|  | <b>4,600,232</b> | <b>919,690</b> | <b>4,600,232</b> | -            |

**16.3** Prepayments and seed grower advances relate to amounts paid or advanced for which the related goods will be received within twelve months.

**16.4** Items included in other receivables include sundry debtors, staff loans and VAT claims outstanding.

**16.5** The gross carrying amount of trade receivables during the period contributed to the changes in the loss allowance through new receivables, repayments made during the year from current receivables and amounts written off.

### 16.6 Provisioning matrices

#### GROUP

At 31 March 2019

|                           | Trade receivables |           |           |           |
|---------------------------|-------------------|-----------|-----------|-----------|
|                           | Days past due     |           |           |           |
|                           | Current           | < 60 days | > 60 days | Total     |
| Expected credit loss rate | 0%                | 0%        | 11%       |           |
| Gross carrying amount     | 78,178            | 196,700   | 4,866,532 | 5,141,410 |
| Expected credit loss      | -                 | -         | 541,178   | 541,178   |

#### COMPANY

At 31 March 2019

|                           | Trade receivables |           |           |           |
|---------------------------|-------------------|-----------|-----------|-----------|
|                           | Days past due     |           |           |           |
|                           | Current           | < 60 days | > 60 days | Total     |
| Expected credit loss rate | 0%                | 0%        | 11%       |           |
| Gross carrying amount     | 78,178            | 196,700   | 4,866,532 | 5,141,410 |
| Expected credit loss      | -                 | -         | 541,178   | 541,178   |

The estimated credit losses for the Group have been computed using the simplified approach and these are lifetime credit losses. There were no transfers between stages during the period.

### 17 AMOUNTS OWED BY RELATED ENTITIES

|                        | GROUP            |              | COMPANY          |                  |
|------------------------|------------------|--------------|------------------|------------------|
|                        | 2019<br>US\$     | 2018<br>US\$ | 2019<br>US\$     | 2018<br>US\$     |
| Seed Co Botswana       | 1,318,205        | -            | 1,318,205        | 3,625,134        |
| Seed Co Malawi         | 34,038           | -            | 34,038           | 418,669          |
| Agri Seed Co Kenya     | 201,442          | -            | 201,442          | 38,164           |
| Seed Co Tanzania       | 27,188           | -            | 27,188           | 423,463          |
| Seed Co Zambia         | 907,575          | -            | 907,575          | 1,700,750        |
| Seed Co South Africa   | (6,012)          | -            | (6,012)          | -                |
| Prime Seed Co Zimbabwe | 574,239          | -            | 574,239          | 2,036,584        |
|                        | <b>3,056,675</b> | <b>-</b>     | <b>3,056,675</b> | <b>8,242,764</b> |

**17.1** Amounts owed by group companies are generally on a short term basis and repayable within six months.

### 18 CASH AND CASH EQUIVALENTS

| Note                      | GROUP            |                   | COMPANY          |                   |
|---------------------------|------------------|-------------------|------------------|-------------------|
|                           | 2019<br>US\$     | 2018<br>US\$      | 2019<br>US\$     | 2018<br>US\$      |
| Cash at banks and on hand | 4,014,173        | 12,048,606        | 4,014,173        | 11,949,032        |
| Short-term deposits       | 182,748          | -                 | 182,748          | -                 |
|                           | <b>4,196,921</b> | <b>12,048,606</b> | <b>4,196,921</b> | <b>11,949,032</b> |

## Notes to the Financial Statements cont...

|             |   | GROUP            |                    | COMPANY          |                   |
|-------------|---|------------------|--------------------|------------------|-------------------|
|             |   | 2019             | 2018               | 2019             | 2018              |
| <b>18.1</b> | For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 March: |                  |                    |                  |                   |
|             | <b>Note</b>   |                  |                    |                  |                   |
|             | Cash at banks and on hand   | 4,196,921        | 12,048,606         | 4,196,921        | 11,949,032        |
|             | Short-term deposits   | -                | -                  | -                | -                 |
|             | Cash at banks and short-term deposits attributable to discontinued operations                                 | 6.2              | 16,896,773         | -                | -                 |
|             |   | <b>4,196,921</b> | <b>28,945,379</b>  | <b>4,196,921</b> | <b>11,949,032</b> |
|             | Bank overdrafts and short term loans  | -                | (906,651)          | -                | (500,000)         |
|             | Bank overdrafts and short term loans attributable to discontinued operations                                  | 6.2              | (29,191,140)       | -                | -                 |
|             |   | <b>4,196,921</b> | <b>(1,152,412)</b> | <b>4,196,921</b> | <b>11,449,032</b> |
|             | <b>Cash and cash equivalents</b>  |                  |                    |                  |                   |

**18.2** Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

### 19 ISSUED CAPITAL AND RESERVES

|             |   | GROUP AND COMPANY  |                    |                |                |
|-------------|---|--------------------|--------------------|----------------|----------------|
|             |   | 2019               | 2018               | 2019           | 2018           |
| <b>19.1</b> | <b>AUTHORISED SHARE CAPITAL</b>         | <b>Number</b>      | <b>Number</b>      | <b>US\$</b>    | <b>US\$</b>    |
|             | Ordinary shares of \$0,001 each         | 500,000,000        | 500,000,000        | 500,000        | 500,000        |
| <b>19.2</b> | <b>ISSUED AND FULLY PAID UP CAPITAL</b> | <b>Number</b>      | <b>Number</b>      | <b>US\$</b>    | <b>US\$</b>    |
|             | At 1 April                              | 241,883,340        | 236,232,566        | 241,883        | 236,233        |
|             | Scrip issue                             | 19.3               | 3,637,574          | -              | 3,637          |
|             | Share options exercised                 | 19.3               | 2,013,200          | 730            | 2,013          |
|             | At 31 March                             | <b>242,612,640</b> | <b>241,883,340</b> | <b>242,613</b> | <b>241,883</b> |

The Board declared a dividend payable to shareholders in the register of the Company as at 23 June 2017. Shareholders were given an option to elect either cash or scrip dividend. 585 shareholders opted for scrip resulting in 3,637,574 shares being issued. The newly issued shares were listed on the Zimbabwe Stock Exchange (ZSE) on 2 August 2017.

### 19.3 NON-DISTRIBUTABLE RESERVES

| GROUP          |   | Share premium reserve | Share based payments reserve | Foreign currency translation reserve | Asset revaluation reserve | Total               |
|----------------|---|-----------------------|------------------------------|--------------------------------------|---------------------------|---------------------|
|                |   | US\$                  | US\$                         | US\$                                 | US\$                      | US\$                |
|                | At 1 April 2017   | 41,789,866            | 1,106,442                    | (31,783,507)                         | 14,647,189                | 25,759,990          |
|                | Issue of share capital  | 5,212,644             | -                            | -                                    | -                         | 5,212,644           |
|                | Exercise of share options   | 1,449,271             | -                            | -                                    | -                         | 1,449,271           |
|                | Exchange differences on translation of foreign operations         | -                     | -                            | 797,586                              | -                         | 797,586             |
|                | Revaluation   | -                     | -                            | -                                    | 3,478,228                 | 3,478,228           |
|                | Deferred tax on revaluation                                       | -                     | -                            | -                                    | (347,823)                 | (347,823)           |
|                | Realisation of revaluation reserve through use                    | -                     | -                            | -                                    | (158,029)                 | (158,029)           |
|                | Realisation of revaluation reserve through disposal               | -                     | -                            | -                                    | (805,174)                 | (805,174)           |
|                | Discontinued operations   | 6.2                   | -                            | 30,985,921                           | (13,993,380)              | 16,992,541          |
|                | <b>At 31 March 2018</b>   | <b>48,451,781</b>     | <b>1,106,442</b>             | <b>-</b>                             | <b>2,821,011</b>          | <b>52,379,234</b>   |
|                | Exercise of share options   | 302,246               | -                            | -                                    | -                         | 302,246             |
|                | Share based payments  | 25                    | 185,884                      | -                                    | -                         | 185,884             |
|                | Exchange differences on translation from functional currency      | -                     | -                            | (79,809,643)                         | -                         | (79,809,643)        |
|                | Share of other comprehensive loss of associates and joint venture | -                     | -                            | (10,369,357)                         | -                         | (10,369,357)        |
|                | Revaluation   | 9                     | -                            | -                                    | 16,710,944                | 16,710,944          |
|                | Deferred tax on revaluation                                       | 5.5                   | -                            | -                                    | (4,303,578)               | (4,303,578)         |
|                | <b>At 31 March 2019</b>   | <b>48,754,027</b>     | <b>1,292,326</b>             | <b>(90,179,000)</b>                  | <b>15,228,377</b>         | <b>(24,904,270)</b> |
| <b>COMPANY</b> |   |                       |                              |                                      |                           |                     |
|                | At 1 April 2017   | 41,789,866            | 1,106,442                    | -                                    | -                         | 42,896,308          |
|                | Issue of share capital  | 5,212,644             | -                            | -                                    | -                         | 5,212,644           |
|                | Exercise of share options   | 1,449,271             | -                            | -                                    | -                         | 1,449,271           |
|                | Transfer from subsidiary on restructuring                         | 33                    | -                            | -                                    | 2,821,011                 | 2,821,011           |
|                | <b>At 31 March 2018</b>   | <b>48,451,781</b>     | <b>1,106,442</b>             | <b>-</b>                             | <b>2,821,011</b>          | <b>52,379,234</b>   |
|                | Exercise of share options   | 302,246               | -                            | -                                    | -                         | 302,246             |
|                | Share based payments  | -                     | 185,884                      | -                                    | -                         | 185,884             |
|                | Exchange differences on translation from functional currency      | -                     | -                            | (94,258,342)                         | -                         | (94,258,342)        |
|                | Revaluation   | -                     | -                            | -                                    | 16,710,944                | 16,710,944          |
|                | Deferred tax on revaluation                                       | -                     | -                            | -                                    | (4,303,578)               | (4,303,578)         |
|                | <b>At 31 March 2019</b>   | <b>48,754,027</b>     | <b>1,292,326</b>             | <b>(94,258,342)</b>                  | <b>15,228,377</b>         | <b>(28,983,612)</b> |



## Notes to the Financial Statements cont...

### 19.4 Nature and purpose of reserves

#### Share premium

Share premium is the excess of the price at which shares are issued above the nominal value.

#### Share based payments reserve

Share based payments reserve is used to recognise the value of equity-settled share based payment transactions provided to employees, including key personnel as apart of their remuneration.

#### Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements from functional currency to presentation currency.

#### Asset revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of property, plant and equipment and decreases to the extent that such decreases relates to an increase on the same asset previously recognised in equity.

#### Change in ownership reserve

This relates to the differences between the purchase price and carrying amount of non-controlling interest on acquisitions of non-controlling interests' share in subsidiaries of the Group. This is disclosed on the face of the statement of changes in equity.

### 20 BORROWINGS

|   | Note | GROUP             |                   | COMPANY           |                   |
|---|------|-------------------|-------------------|-------------------|-------------------|
|   |      | 2019<br>US\$      | 2018<br>US\$      | 2019<br>US\$      | 2018<br>US\$      |
| Short term loan                           |      | -                 | 500,000           | -                 | 500,000           |
| Bank overdraft                            |      | -                 | 406,651           | -                 | -                 |
|   |      | -                 | <b>906,651</b>    | -                 | <b>500,000</b>    |
| Total current                             |      | -                 | <b>906,651</b>    | -                 | <b>500,000</b>    |
| Total non-current                         |      | -                 | -                 | -                 | -                 |
| <b>20.1 Borrowings reconciliation:</b>    |      |                   |                   |                   |                   |
| At 1 April                                |      | 906,651           | 37,431,811        | 500,000           | -                 |
| Proceeds from borrowings                  |      | -                 | 28,386,797        | -                 | -                 |
| Repayments of borrowings                  |      | (233,511)         | (35,720,817)      | (233,511)         | -                 |
| Transfer from subsidiary on restructuring |      | -                 | -                 | -                 | 500,000           |
| Assets held for distribution              | 6.2  | -                 | (29,191,140)      | -                 | -                 |
| Transfer to joint venture                 | 28.1 | (406,651)         | -                 | -                 | -                 |
| Exchange difference                       |      | (266,489)         | -                 | (266,489)         | -                 |
| At 31 March                               |      | -                 | <b>906,651</b>    | -                 | <b>500,000</b>    |
| <b>20.2 Unutilised borrowing capacity</b> |      |                   |                   |                   |                   |
| Total facilities available                |      | 15,000,000        | 16,000,000        | 15,000,000        | 15,000,000        |
| Facilities utilised at year end           |      | -                 | (906,651)         | -                 | (500,000)         |
|   |      | <b>15,000,000</b> | <b>15,093,349</b> | <b>15,000,000</b> | <b>14,500,000</b> |

### 21 TRADE AND OTHER PAYABLES

|                              | GROUP          |                   | COMPANY        |                  |
|------------------------------|----------------|-------------------|----------------|------------------|
|                              | 2019<br>US\$   | 2018<br>US\$      | 2019<br>US\$   | 2018<br>US\$     |
| Trade payables               | 106,690        | 1,894,161         | 106,690        | 1,269,605        |
| Accruals and other creditors | 324,567        | 9,261,913         | 324,567        | 867,423          |
|                              | <b>431,257</b> | <b>11,156,074</b> | <b>431,257</b> | <b>2,137,028</b> |

**21.1** Trade payables are non-interest bearing and are normally settled on 60-day terms.

**21.2** Accruals and other creditors are non-interest bearing and have an average term of 3 months.

## Notes to the Financial Statements cont...

### 22 AMOUNTS OWED TO RELATED ENTITIES

|                       | GROUP            |              | COMPANY          |                   |
|-----------------------|------------------|--------------|------------------|-------------------|
|                       | 2019<br>US\$     | 2018<br>US\$ | 2019<br>US\$     | 2018<br>US\$      |
| Vilmorin              | 11,066           | -            | 11,066           | -                 |
| Agri Seed Co Kenya    | 21,079           | -            | 21,079           | 29,100            |
| Seed Co International | 3,135,073        | -            | 3,135,073        | 3,546,689         |
| Seed Co Malawi        | 880,767          | -            | 880,767          | 2,692,035         |
| Seed Co Tanzania      | 87,208           | -            | 87,208           | 262,498           |
| Seed Co Zambia        | 2,184,357        | -            | 2,184,357        | 5,578,955         |
|                       | <b>6,319,550</b> | <b>-</b>     | <b>6,319,550</b> | <b>12,109,277</b> |

22.1 Amounts owed to related entities are generally on a short term basis and repayable within six months.  
Defaults attract interest at 5% per annum.

### 23 PROVISIONS

|                  | Note   | GROUP            |                  | COMPANY          |                  |
|------------------|--------|------------------|------------------|------------------|------------------|
|                  |        | 2019<br>US\$     | 2018<br>US\$     | 2019<br>US\$     | 2018<br>US\$     |
| Leave pay        | 23.3.1 | 121,676          | 715,205          | 121,676          | 619,138          |
| Bonus            | 23.3.2 | 629,042          | 2,844,076        | 629,042          | 2,844,076        |
| Audit fees       | 23.3.3 | 22,252           | 172,478          | 22,252           | 158,928          |
| Depot commission | 23.3.4 | 56,031           | 67,546           | 56,031           | 61,043           |
| Foundation seed  | 23.3.5 | 291,934          | 781,754          | 291,934          | 781,754          |
| Other            | 23.3.6 | 38,323           | 128,954          | 38,323           | 23,371           |
|                  |        | <b>1,159,258</b> | <b>4,710,013</b> | <b>1,159,258</b> | <b>4,488,310</b> |

23.1 The above provisions are expected to be utilised in the next 12 months.

23.2 Detailed movements in total provisions is shown below:

|   |      |                  |                  |                  |                  |
|---|------|------------------|------------------|------------------|------------------|
| At 1 April                                |      | 4,710,013        | 6,212,608        | 4,488,310        | -                |
| Arising during the year                   |      | 1,340,813        | 4,710,013        | 1,340,813        | -                |
| Utilised                                  |      | (1,672,688)      | (4,386,832)      | (1,672,688)      | -                |
| Transfer from subsidiary on restructuring | 33   | -                | -                | -                | 4,488,310        |
| Held for distribution                     | 6.2  | -                | (1,825,776)      | -                | -                |
| Transfer to joint venture                 | 28.1 | (221,703)        | -                | -                | -                |
| Exchange differences                      |      | (2,997,177)      | -                | (2,997,177)      | -                |
| <b>At 31 March</b>                        |      | <b>1,159,258</b> | <b>4,710,013</b> | <b>1,159,258</b> | <b>4,488,310</b> |

23.3 Detailed movements in each provision class are shown below

#### 23.3.1 Leave pay

|   |  |                |                |                |                |
|---|--|----------------|----------------|----------------|----------------|
| At 1 April                                |  | 715,205        | 1,046,842      | 619,138        | -              |
| Arising during the year                   |  | 146,988        | 715,205        | 146,988        | -              |
| Utilised                                  |  | (231,005)      | (586,263)      | (231,005)      | -              |
| Transfer from subsidiary on restructuring |  | -              | -              | -              | 619,138        |
| Held for distribution                     |  | -              | (460,579)      | -              | -              |
| Transfer to joint venture                 |  | (96,067)       | -              | -              | -              |
| Exchange differences                      |  | (413,445)      | -              | (413,445)      | -              |
| <b>At 31 March</b>                        |  | <b>121,676</b> | <b>715,205</b> | <b>121,676</b> | <b>619,138</b> |

#### 23.3.2 Bonus

|   |  |                |                  |                |                  |
|---|--|----------------|------------------|----------------|------------------|
| At 1 April                                |  | 2,844,076      | 3,382,204        | 2,844,076      | -                |
| Arising during the year                   |  | 740,487        | 2,844,076        | 740,487        | -                |
| Utilised                                  |  | (1,056,321)    | (2,701,785)      | (1,056,321)    | -                |
| Transfer from subsidiary on restructuring |  | -              | -                | -              | 2,844,076        |
| Held for distribution                     |  | -              | (680,419)        | -              | -                |
| Transfer to joint venture                 |  | -              | -                | -              | -                |
| Exchange differences                      |  | (1,899,200)    | -                | (1,899,200)    | -                |
| <b>At 31 March</b>                        |  | <b>629,042</b> | <b>2,844,076</b> | <b>629,042</b> | <b>2,844,076</b> |

#### 23.3.3 Audit fees

|   |  |               |                |               |                |
|---|--|---------------|----------------|---------------|----------------|
| At 1 April                                |  | 172,478       | 516,324        | 158,928       | -              |
| Arising during the year                   |  | 82,176        | 172,478        | 82,176        | -              |
| Utilised                                  |  | (112,724)     | (275,339)      | (112,724)     | -              |
| Transfer from subsidiary on restructuring |  | -             | -              | -             | 158,928        |
| Held for distribution                     |  | -             | (240,985)      | -             | -              |
| Transfer to joint venture                 |  | (13,550)      | -              | -             | -              |
| Exchange differences                      |  | (106,128)     | -              | (106,128)     | -              |
| <b>At 31 March</b>                        |  | <b>22,252</b> | <b>172,478</b> | <b>22,252</b> | <b>158,928</b> |

## Notes to the Financial Statements cont...

|   | GROUP          |                | COMPANY        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2019<br>US\$   | 2018<br>US\$   | 2019<br>US\$   | 2018<br>US\$   |
| <b>23.3.4 Depot commission</b>            |                |                |                |                |
| At 1 April                                | 67,546         | 531,407        | 61,043         | -              |
| Arising during the year                   | 212,324        | 67,546         | 212,324        | -              |
| Utilised                                  | (176,573)      | (531,407)      | (176,573)      | -              |
| Transfer from subsidiary on restructuring | -              | -              | -              | 61,043         |
| Held for distribution                     | -              | -              | -              | -              |
| Transfer to joint venture                 | (6,503)        | -              | -              | -              |
| Exchange differences                      | (40,763)       | -              | (40,763)       | -              |
| <b>At 31 March</b>                        | <b>56,031</b>  | <b>67,546</b>  | <b>56,031</b>  | <b>61,043</b>  |
| <b>23.3.5 Foundation seed</b>             |                |                |                |                |
| At 1 April                                | 781,754        | 260,893        | 781,754        | -              |
| Arising during the year                   | 120,515        | 781,754        | 120,515        | -              |
| Utilised                                  | (88,301)       | (260,893)      | (88,301)       | -              |
| Transfer from subsidiary on restructuring | -              | -              | -              | 781,754        |
| Held for distribution                     | -              | -              | -              | -              |
| Transfer to joint venture                 | -              | -              | -              | -              |
| Exchange differences                      | (522,034)      | -              | (522,034)      | -              |
| <b>At 31 March</b>                        | <b>291,934</b> | <b>781,754</b> | <b>291,934</b> | <b>781,754</b> |
| <b>23.3.6 Other</b>                       |                |                |                |                |
| At 1 April                                | 128,954        | 474,938        | 23,371         | -              |
| Arising during the year                   | 38,323         | 128,954        | 38,323         | -              |
| Utilised                                  | (7,764)        | (31,145)       | (7,764)        | -              |
| Transfer from subsidiary on restructuring | -              | -              | -              | 23,371         |
| Held for distribution                     | -              | (443,793)      | -              | -              |
| Transfer to joint venture                 | (105,583)      | -              | -              | -              |
| Exchange differences                      | (15,607)       | -              | (15,607)       | -              |
| <b>At 31 March</b>                        | <b>38,323</b>  | <b>128,954</b> | <b>38,323</b>  | <b>23,371</b>  |

### 24 DISTRIBUTIONS MADE AND PROPOSED

|   | GROUP AND COMPANY |                   |
|---|-------------------|-------------------|
|   | 2019<br>US\$      | 2018<br>US\$      |
| <b>24.1 Dividends on ordinary shares declared and paid:</b>                 |                   |                   |
| Cash dividend   | 10,734,485        | 5,144,871         |
| Scrip dividend  | -                 | 5,216,282         |
| Final dividend for 2019: 4.44 cents per share (2018: 4.39 cents per share)  | <b>10,734,485</b> | <b>10,361,153</b> |
| <b>24.2 Proposed dividends on ordinary shares:</b>                          |                   |                   |
| Normal dividend: 0.44 cents per share (2018: 2.95 cents per share)          | 1,074,572         | 7,143,926         |
| Once-off special dividend: nil cents per share (2018: 1.48 cents per share) | -                 | 3,571,963         |
| Final dividend for 2019: 0.44 cents per share (2018: 4.43 cents per share)  | <b>1,074,572</b>  | <b>10,715,889</b> |

Proposed dividends on ordinary shares are subject to approval at the annual general meeting to be held before the end of September 2018 and are not recognised as a liability as at 31 March.

### 24.3 Dividend-in-specie

Following the approval by the shareholders of the Group, Seed Co International Limited shares were distributed to the equity holders of the parent of the Group as mentioned in note 6. This non-cash distribution amounted to US\$122,830,000 measured at the fair value of the net assets distributed.

### 24.4 Dividend policy

The Group's dividend policy dictates that one third of the Group's profits be declared from the prior year profit annually. This however, is solely at the discretion of the Board, after taking into consideration the liquidity situation of the Group. The dividends may therefore be varied as mentioned in note 32.

## Notes to the Financial Statements cont...

### 25 SHARE BASED PAYMENTS

Under the Senior Management Plan (SMP), share options of the parent are granted to executive directors and senior management of the parent at the discretion of the Remuneration Committee. The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The share options vest if the beneficiary beneficiary remains employed within the Group at least three years after the grant date (service condition) and the market value of the shares on that date exceeds the exercise price (market condition).

The fair value of the share options is estimated at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions on which the share options were granted. However, the above market condition is only considered in determining the number of instruments that will ultimately vest.

The share options can be exercised up to seven years after the three-year vesting period and therefore, the contractual term of each option granted is ten years. There is no history of cash settlement alternatives even though the Board can exercise its discretion to do so in exceptional circumstances. The Group accounts for the SMP as an equity-settled plan.

The carrying amount of the share based payment reserve relating to the SARs at 31 March 2019 was US\$1,292,326 (2018: US\$1,106,442). The expense recognised for employee services received during the year was US\$ 185,884 (2018: US\$ nil).

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, SARs for the Group and Company:

|                         | 2019             |           | 2018             |           |
|-------------------------|------------------|-----------|------------------|-----------|
|                         | Number           | WAEP (\$) | Number           | WAEP (\$) |
| At 1 April              | 2,967,900        | 0.79      | 4,981,100        | 0.76      |
| Options exercised       | (729,300)        | 0.42      | (2,013,200)      | 0.72      |
| Options forfeited       | (295,000)        | 0.77      | -                | -         |
| New options granted     | 2,189,161        | 1.95      | -                | -         |
| At 31 March             | <b>4,132,761</b> | 1.47      | <b>2,967,900</b> | 0.79      |
| Exercisable at 31 March | 809,200          | 0.71      | <b>2,550,900</b> | 0.79      |

The following tables list the inputs to the models used for the share options:

|  | 2019  | 2018  |
|--|-------|-------|
| Weighted average fair values at the measurement date | 1.95  | 0.95  |
| Dividend yield (%)                                   | 2.74% | 0.00% |
| Expected volatility (%)                              | 29%   | 9%    |
| Risk-free interest rate (%)                          | 4.45% | 0.54% |
| Expected life of SARs (years)                        | 3.03  | 3.00  |
| Weighted average share price (US\$)                  | 1.21  | 1.00  |



## Notes to the Financial Statements cont...

### 26 GROUP INFORMATION

#### 26.1 The holding company

Seed Co Limited is listed on the Zimbabwe Stock Exchange and has multiple shareholders. There is no individual or entity with ultimate control over Seed Co Limited.

#### 26.2 Entity with significant influence over the Group

Vilmorin & Cie owns 29.36% of the ordinary shares in Seed Co Limited (2018: 29.45%).

#### 26.3 Subsidiaries, associates and joint ventures

The consolidated financial statements of the Group include:

| Name  | Principal Activities | Country of Incorporation | % of equity interest |      |
|---|----------------------|--------------------------|----------------------|------|
|   |                      |                          | 2019                 | 2018 |
| Seed Co International Limited                             | Field seeds          | Botswana                 | 27%                  | 100% |
| Niculata Investments (Pvt) Ltd t/a Prime Seed Co Zimbabwe | Vegetable seeds      | Zimbabwe                 | 51%                  | 51%  |
| Quton Seed Company (Pvt) Ltd t/a Quton Zimbabwe           | Cotton seeds         | Zimbabwe                 | 40%                  | 40%  |

Former subsidiaries Seed Co International Limited and Prime Seed Co Zimbabwe were equity accounted for as associate and joint venture from the beginning of the current financial year.

#### 26.4 Related parties

Related parties comprise the following entities and persons:

##### 26.4.1 Related entities

| Name   | Nature of relationship                 | Country of incorporation and principal place of business                                |
|--|--|---|
| Vilmorin & Cie                                     | Shareholder with significant influence | France  |
| Mahyco   | Co-shareholder in associate companies  | India   |
| HM Clause  | Joint venture partner                  | France  |
| Seed Co International Limited and its subsidiaries | Associate                              | Zambia, Malawi, Tanzania, Kenya, Botswana, South Africa, Rwanda, Nigeria, Ghana and DRC |
| Quton Zimbabwe                                     | Associate                              | Zimbabwe  |
| Prime Seed Co Zimbabwe                             | Joint venture                          | Zimbabwe  |

##### 26.4.2 Related persons

| Name              | Nature of relationship        |
|-------------------|-------------------------------|
| A. G. Barron      | Non-Executive Director        |
| R. C. D. Chitengu | Non-Executive Director        |
| A. Colombo        | Non-Executive Director        |
| Dr D. Garwe       | Non-Executive Director        |
| P. Gowero         | Non-Executive Director        |
| D. Jacquemond     | Non-Executive Director        |
| C. Kabaghe        | Non-Executive Director        |
| D. E. B. Long     | Non-Executive Chairman        |
| J. Matorofa       | Group Finance Director        |
| M. S. Ngoro       | Non-Executive Director        |
| M. Nzwere         | Group Chief Executive Officer |
| F. Ruwende        | Non-Executive Director        |
| F. Savin          | Non-Executive Director        |

##### 26.4.3 Related parties transactions and balances are disclosed in note 27.

## Notes to the Financial Statements cont...

### 27 RELATED PARTIES' TRANSACTIONS AND BALANCES

During the reporting period, the Group and Company entered into transactions with some of these associate companies. These transactions and period-end balances are summarized below:

|  |             | GROUP            |                  | COMPANY          |                   |
|--|-------------|------------------|------------------|------------------|-------------------|
|  |             | 2019             | 2018             | 2019             | 2018              |
|  |             | US\$             | US\$             | US\$             | US\$              |
| <b>27.1 Related party transactions</b> | <b>Note</b> |                  |                  |                  |                   |
| <b>27.1.1 Sales of goods</b>           |             |                  |                  |                  |                   |
| Seed Co Malawi                         |             | 809,162          | -                | 809,162          | -                 |
| Seed Co Zambia                         |             | 546,211          | -                | 546,211          | -                 |
| Seed Co Tanzania                       |             | 139,500          | -                | 139,500          | -                 |
| Agri-Seed Co Kenya                     |             | 491,189          | -                | 491,189          | -                 |
| Agri-Seed Co Nigeria                   |             | 23,041           | -                | 23,041           | -                 |
| Seed Co Botswana                       |             | 99,601           | -                | 99,601           | -                 |
|  |             | <b>2,108,704</b> | <b>-</b>         | <b>2,108,704</b> | <b>-</b>          |
| <b>27.1.2 Purchase of goods</b>        |             |                  |                  |                  |                   |
| Seed Co Malawi                         |             | 1,065,960        | -                | 1,065,960        | -                 |
| Seed Co Zambia                         |             | 28,650           | -                | 28,650           | -                 |
|  |             | <b>1,094,610</b> | <b>-</b>         | <b>1,094,610</b> | <b>-</b>          |
| <b>27.1.3 Dividend income</b>          |             |                  |                  |                  |                   |
| Seed Co Zimbabwe                       |             | -                | -                | -                | 10,000,000        |
| Seed Co Zambia                         |             | 93,124           | -                | 93,124           | 19,975            |
| Quton Zimbabwe                         |             | -                | -                | -                | 400,000           |
|  |             | <b>93,124</b>    | <b>-</b>         | <b>93,124</b>    | <b>10,419,975</b> |
| <b>27.1.4 Management fee expense</b>   |             |                  |                  |                  |                   |
| Seed Co International                  |             | <b>719,780</b>   | <b>-</b>         | <b>719,780</b>   | <b>-</b>          |
| <b>27.1.5 Research recoveries</b>      |             |                  |                  |                  |                   |
| Zambia                                 |             | 636,169          | -                | 636,169          | -                 |
| Malawi                                 |             | 518,311          | -                | 518,311          | -                 |
| Tanzania                               |             | 419,438          | -                | 419,438          | -                 |
| Kenya                                  |             | 20,067           | -                | 20,067           | -                 |
| Seed Co International                  |             | 14,926           | -                | 14,926           | -                 |
|  |             | <b>1,608,911</b> | <b>-</b>         | <b>1,608,911</b> | <b>-</b>          |
| <b>27.1.6 Interest expense</b>         |             |                  |                  |                  |                   |
| Seed Co International                  |             | 323,656          | -                | 323,656          | -                 |
| Seed Co Zambia                         |             | 296,364          | -                | 296,364          | -                 |
|  |             | <b>620,020</b>   | <b>-</b>         | <b>620,020</b>   | <b>-</b>          |
| <b>27.1.7 Directors' emoluments</b>    |             |                  |                  |                  |                   |
| Short term benefits                    |             | 205,998          | 355,663          | 205,998          | -                 |
| Directors' fees                        |             | 54,999           | 1,095,283        | 54,999           | -                 |
|  |             | <b>260,997</b>   | <b>1,450,946</b> | <b>260,997</b>   | <b>-</b>          |
| <b>27.2 Related party balances</b>     |             |                  |                  |                  |                   |
| <b>27.2.1 Due from related parties</b> |             |                  |                  |                  |                   |
| Due from related entities              | 17          | 3,056,675        | -                | 3,056,675        | 8,242,764         |
| Due from related persons               |             | -                | 304,050          | -                | -                 |
|  |             | <b>3,056,675</b> | <b>304,050</b>   | <b>3,056,675</b> | <b>8,242,764</b>  |
| <b>27.2.2 Due to related parties</b>   |             |                  |                  |                  |                   |
| Due to related entities                | 22          | <b>6,319,550</b> | <b>-</b>         | <b>6,319,550</b> | <b>12,109,277</b> |

## Notes to the Financial Statements cont...

### 28 INVESTMENTS IN NEW SUBSIDIARIES AND PARTIAL DISPOSAL OF INTEREST IN EXISTING SUBSIDIARY

#### 28.1 Partial disposal of investment in Prime Seed Co Zimbabwe

On 1 April 2017, the Group disposed of 49% of the voting shares of Niculata Investments (Pvt) Ltd t/a Prime Seed Co Zimbabwe an unlisted company based in Zimbabwe to Vilmorin Singapore. The Group disposed of its 49% stake in Prime Seed Co Zimbabwe

Zimbabwe because it required the equity partner's technical expertise.

The cash consideration received amounted to \$1,837,500 equivalent to the total fair value of the net assets disposed of.

Below is a schedule of the impact of the disposal on equity attributable to shareholders of the parent:

|   | GROUP |                |
|---|-------|----------------|
|   | 2019  | 2018           |
|   | US\$  | US\$           |
| Cash consideration received from non-controlling shareholders | -     | 1,837,500      |
| Carrying value of interest disposed                           | -     | (1,465,459)    |
| Difference recognised in equity                               | -     | <b>372,041</b> |

Following the partial disposal of Prime Seed Co Zimbabwe, the Group entered into a joint venture agreement with HM Clause (related to Vilmorin Singapore) to jointly run Prime Seed Co Zimbabwe. On consummation of the joint venture agreement and fulfilment of all conditions precedent, Prime Seed Co Zimbabwe was equity accounted as an associate with effect from 1 April 2018.

The major classes of assets and liabilities of Prime Seed Co Zimbabwe transferred to the joint venture at 1 April are as follows:

|                                       |     | GROUP            |      |
|---------------------------------------|-----|------------------|------|
|                                       |     | 2019             | 2018 |
|                                       |     | US\$             | US\$ |
| <b>Assets</b>                         |     |                  |      |
| Property, plant and equipment         | 9   | 978,619          | -    |
| Goodwill                              | 12  | 264,472          | -    |
| Deferred tax asset                    | 5.5 | 453,114          | -    |
| Inventories                           | 14  | 3,385,212        | -    |
| Trade and other receivables           |     | 2,021,769        | -    |
| Cash and cash equivalents             |     | 99,575           | -    |
|                                       |     | <b>7,202,761</b> | -    |
| <b>Liabilities</b>                    |     |                  |      |
| Interest-bearing loans and borrowings | 20  | 406,651          | -    |
| Trade and other payables              |     | 3,734,355        | -    |
| Provisions                            | 23  | 221,703          | -    |
|                                       |     | <b>4,362,709</b> | -    |
| <b>Net assets</b>                     |     | <b>2,840,052</b> | -    |

Prime Seed Co Zimbabwe was part of the Zimbabwe operating segment of the Group until 31 March 2018.

#### 28.2 Investment in Prime Seed Co International

On 1 October 2017, the Group, through the now discontinued Seed Co International made a greenfield cash investment of \$1,165,018 for 51% of the voting shares of Prime Seed Co International Limited, an unlisted company in Botswana set up to invest in vegetable seed companies in Zambia, Malawi, Tanzania and Kenya. The Group invested in Prime Seed Co International because it significantly enlarges the Group's market reach. The remaining 49% capital contribution amounting to \$1,119,336 was made by Vilmorin Singapore which was part of non-controlling interests then.

### 29 MATERIAL PARTLY OWNED SUBSIDIARIES

Financial information of the Group's subsidiaries that had material non-controlling interests is provided below:

#### 29.1 Proportion of equity interest held by non-controlling interests:

| Name  | Country of Incorporation | 2019        | 2018        |
|---|--------------------------|-------------|-------------|
| Niculata Investments (Pvt) Ltd t/a Prime Seed Co Zimbabwe         | Zimbabwe                 | nil         | 49%         |
| Prime Seed Co International Ltd                                   | Botswana                 | nil         | 49%         |
|   |                          | <b>2019</b> | <b>2018</b> |
|   |                          | US\$        | US\$        |
| <b>Accumulated balances of material non-controlling interest:</b> |                          |             |             |
| Niculata Investments (Pvt) Ltd t/a Prime Seed Co Zimbabwe         |                          | -           | 1,391,625   |
| Prime Seed Co International Ltd                                   |                          | -           | 1,098,972   |
| <b>Profit allocated to material non-controlling interest:</b>     |                          |             |             |
| Niculata Investments (Pvt) Ltd t/a Prime Seed Co Zimbabwe         |                          | -           | (73,834)    |
| Prime Seed Co International Ltd                                   |                          | -           | (10,447)    |

## Notes to the Financial Statements cont...

**29.2** The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

### Summarised income statement for 2018:

|   | Niculata<br>Investments | Prime Seed Co<br>International |
|---|-------------------------|--------------------------------|
|   | US\$                    | US\$                           |
| Revenue                                     | 5,684,823               | 738,707                        |
| Cost of sales                               | (3,688,590)             | (480,609)                      |
| Net operating expenses                      | (2,130,996)             | (263,259)                      |
| Net finance costs                           | (157,190)               | 124                            |
| Income tax                                  | 141,272                 | (16,285)                       |
| <b>Profit for the year</b>                  | <b>(150,681)</b>        | <b>(21,322)</b>                |
| Other comprehensive income                  | -                       | (20,238)                       |
| <b>Total comprehensive income</b>           | <b>(150,681)</b>        | <b>(41,560)</b>                |
| Attributable to non-controlling interests   | (73,834)                | (20,364)                       |
| Dividends paid to non-controlling interests | -                       | -                              |

### Summarised statement of financial position as at 31 March 2018:

|                              | Niculata<br>Investments | Prime Seed Co<br>International |
|------------------------------|-------------------------|--------------------------------|
|                              | US\$                    | US\$                           |
| Non-current assets           | 1,696,205               | 303,365                        |
| Current assets               | 5,506,556               | 3,096,659                      |
| Non-current liabilities      | -                       | (8,953)                        |
| Current liabilities          | (4,362,708)             | (1,148,272)                    |
| <b>Total equity</b>          | <b>2,840,053</b>        | <b>2,242,799</b>               |
| Attributable to:             |                         |                                |
| Equity holders of the parent | 1,448,427               | 1,143,827                      |
| Non-controlling interest     | 1,391,626               | 1,098,972                      |

### Summarised cash flow information for year ended 31 March 2018:

|   | Niculata<br>Investments | Prime Seed Co<br>International |
|---|-------------------------|--------------------------------|
|   | US\$                    | US\$                           |
| Operating   | 211,894                 | (1,441,403)                    |
| Investing   | (218,538)               | (327,211)                      |
| Financing   | (174,785)               | 2,284,359                      |
| <b>Net (decrease)/increase in cash and cash equivalents</b> | <b>(181,429)</b>        | <b>515,745</b>                 |

### 29.3 Reconciliation of material non-controlling interests

|   | Niculata<br>Investments | Prime Seed Co<br>International |
|---|-------------------------|--------------------------------|
|   | US\$                    | US\$                           |
| At 1 April 2017   | -                       | -                              |
| Investment by non-controlling interest                                      | 1,465,460               | 1,119,336                      |
| Comprehensive income for the year attributable to non-controlling interests | (73,834)                | (20,364)                       |
| <b>At 31 March 2018</b>   | <b>1,391,626</b>        | <b>1,098,972</b>               |
| Transfer to joint venture   | (1,391,626)             | -                              |
| Transfer to discontinued operations   | -                       | (1,098,972)                    |
| <b>At 31 March 2019</b>   | <b>-</b>                | <b>-</b>                       |

## 30 COMMITMENTS AND CONTINGENCIES

|  | GROUP            |                   | COMPANY          |          |
|--|------------------|-------------------|------------------|----------|
|  | 2019             | 2018              | 2019             | 2018     |
|  | US\$             | US\$              | US\$             | US\$     |
| <b>30.1 Commitments for capital expenditure</b>      |                  |                   |                  |          |
| Approved by the directors but not yet contracted for | <b>4,477,928</b> | <b>22,526,102</b> | <b>4,477,928</b> | <b>-</b> |

### 30.2 Contingent liabilities

There were no contingent liabilities as at 31 March 2019 and 31 March 2018

## Notes to the Financial Statements cont...

### 31 FINANCIAL INSTRUMENTS

#### 31.1 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings (note 20) and trade and other payables (note 21). The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include financial assets at amortised costs (note 13), trade and other receivables (note 16), and cash and short-term deposits (note 18) that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Audit Committee reviews and agrees policies for managing each of these risks which are summarised below:

#### 31.2 FAIR VALUES

The carrying amount of all financial instruments shown on the financial statements approximate their fair values.

#### 31.3 MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include financial assets at amortised costs, interest bearing borrowings and cash and cash equivalents.

The sensitivity analyses in the following sections relate to the position as at 31 March in 2019 and 2018.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2019 and 2018.
- There is no direct impact on equity.

##### 31.3.1 INTEREST RATE RISK

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The Group manages its interest rate risk by having the majority of its loans and borrowings at fixed rates of interest whenever applicable. Currently, the Group is not subject to significant interest rate risk as it has no borrowings.

##### *Interest rate sensitivity*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

|             | Increase/<br>decrease in<br>basis points | Effect on profit<br>before tax<br>US\$ |
|-------------|--|--|
| <b>2019</b> |  |  |
| US dollar   | +50                                      | -                                      |
|             | -50                                      | -                                      |
|             | Increase/<br>decrease in<br>basis points | Effect on profit<br>before tax<br>US\$ |
| <b>US\$</b> |  |  |
| US dollar   | +50                                      | (4,533)                                |
|             | -50                                      | 4,533                                  |

Changes in interest rates have no direct impact on equity.



## Notes to the Financial Statements cont...

### 31.3.2 FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's foreign denominated assets and liabilities.

The Group manages its foreign currency risk by managing its foreign denominated exports, assets and liabilities. The Group treasury which meets on a monthly basis reviews the performance against set benchmarks and passes recommendations in order to manage any losses.

Any shortfalls relating to legacy foreign denominated debts will be settled at historical exchange rates as assured by the central bank.

#### Foreign currency rate sensitivity

The table below demonstrates the sensitivity to a reasonably possible change in US dollar exchange rate against the RTGS \$, with all other variables held constant, on the Group's and Company's profit before tax profit before tax. A 100% change is considered as a reasonably possible change in US\$ exchange rate against the RTGS \$ by the Group Board. The impact on the Group's/Company's profit before tax is due to changes in the value of monetary assets and liabilities induced by exchange rate movements.

|   | GROUP               |         | COMPANY             |         |
|---|---------------------|---------|---------------------|---------|
|   | 2019                | 2018    | 2019                | 2018    |
|   | RTGS \$             | RTGS \$ | RTGS \$             | RTGS \$ |
| <b>100% appreciation of US\$ against RTGS\$</b> |                     |         |                     |         |
| Foreign denominated receivables                 | 7,472,132           | -       | 7,472,132           | -       |
| Foreign denominated payables                    | (19,021,846)        | -       | (19,021,846)        | -       |
| Foreign denominated cash and cash equivalents   | 822,606             | -       | 822,606             | -       |
| Impact on profit before tax                     | <b>(10,727,108)</b> | -       | <b>(10,727,108)</b> | -       |
|   |                     |         |                     |         |
|   | GROUP               |         | COMPANY             |         |
|   | 2019                | 2018    | 2019                | 2018    |
|   | RTGS \$             | RTGS \$ | RTGS \$             | RTGS \$ |
| <b>100% depreciation of US\$ against RTGS\$</b> |                     |         |                     |         |
| Foreign denominated receivables                 | (3,736,066)         | -       | (3,736,066)         | -       |
| Foreign denominated payables                    | 9,510,923           | -       | 9,510,923           | -       |
| Foreign denominated cash and cash equivalents   | (411,303)           | -       | (411,303)           | -       |
| Impact on profit before tax                     | <b>5,363,554</b>    | -       | <b>5,363,554</b>    | -       |

There is no impact on comparatives as the Group/Company's functional and reporting currency were in US\$

## Notes to the Financial Statements cont...

### 31.4 CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

#### *Trade and other receivables*

Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. The maximum exposure to credit risk is equal to the carrying amount as per the Statement Of Financial Position.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., geographical region and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product, inflation and interest rates) are expected to deteriorate over the next year which can lead to an increased number of defaults in the agricultural sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Generally, trade receivables are written-off of past due for more than 2 years except for intercompany debtors and sovereign Government debt.

The Group evaluates the concentration of risk with respect to trade receivables as relatively high due to the majority of its recent past credit sales have been to the government of Zimbabwe. This risk is mitigated by insisting on cash-on-delivery terms or payment in treasury bills issued by the Reserve Bank of Zimbabwe considered to be risk-free sovereign debt.

The Group evaluates the concentration of risk with respect to trade receivables as relatively high due to the majority of its recent past credit sales have been to the government of Zimbabwe. This risk is mitigated by insisting on cash-on-delivery terms or payment in treasury bills issued by the Reserve Bank of Zimbabwe considered to be risk-free sovereign debt.

#### *Cash and cash equivalents*

Credit risk from balances with the government and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Audit Committee on an annual basis. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group evaluates the concentration of risk with respect to loans as low as bank balances are spread across multiple financial institutions. The maximum exposure to credit risk is equal to the carrying amount as per the Statement Of Financial Position.

The financial institutions holding investments have the following external credit ratings:

|              | Rating | 2019<br>US\$ | 2018<br>US\$ |
|--------------|--------|--------------|--------------|
| ZB Bank      | BB     | 318,898      | 921,915      |
| Stanbic Bank | AA-    | 199,960      | 468,721      |
| FBC Bank     | BBB+   | 58,790       | 165,705      |

Trade receivables are assessed using internal credit risk ratings and the Government is assessed using Country Default Spread and risk premiums by Answath Damadaran.

## Notes to the Financial Statements cont...

### 31.5 LIQUIDITY RISK

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Group's policy is that borrowing terms should be renegotiable on their expiry if necessary. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

The Group's operations in Zimbabwe are experiencing difficulties in making payments to foreign suppliers and delays in making such payments are experienced regularly due to foreign currency shortages.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

#### GROUP

|                                 | On<br>demand | Less than<br>3 months | 3 to 12<br>months | 1 to 5<br>years | Total            |
|---------------------------------|--------------|-----------------------|-------------------|-----------------|------------------|
|                                 | US\$         | US\$                  | US\$              | US\$            | US\$             |
| <b>Year ended 31 March 2019</b> |              |                       |                   |                 |                  |
| Trade and other payables        | -            | 431,257               | -                 | -               | 431,257          |
| Amounts due to related entities | -            | -                     | 6,319,550         | -               | 6,319,550        |
|                                 | -            | <b>431,257</b>        | <b>6,319,550</b>  | -               | <b>6,750,807</b> |

|                                       | On<br>demand   | Less than<br>3 months | 3 to 12<br>months | 1 to 5<br>years | Total             |
|---------------------------------------|----------------|-----------------------|-------------------|-----------------|-------------------|
|                                       | US\$           | US\$                  | US\$              | US\$            | US\$              |
| <b>Year ended 31 March 2018</b>       |                |                       |                   |                 |                   |
| Interest bearing loans and borrowings | 500,000        | -                     | 406,651           | -               | 906,651           |
| Trade and other payables              | 26,194         | 1,432,467             | 9,697,413         | -               | 11,156,074        |
|                                       | <b>526,194</b> | <b>1,432,467</b>      | <b>10,104,064</b> | -               | <b>12,062,725</b> |

#### COMPANY

|                                 | On<br>demand | Less than<br>3 months | 3 to 12<br>months | 1 to 5<br>years | Total            |
|---------------------------------|--------------|-----------------------|-------------------|-----------------|------------------|
|                                 | US\$         | US\$                  | US\$              | US\$            | US\$             |
| <b>Year ended 31 March 2019</b> |              |                       |                   |                 |                  |
| Trade and other payables        | -            | 431,257               | -                 | -               | 431,257          |
| Amounts due to related entities | -            | -                     | 6,319,550         | -               | 6,319,550        |
|                                 | -            | <b>431,257</b>        | <b>6,319,550</b>  | -               | <b>6,750,807</b> |

|                                       | On<br>demand   | less than<br>3 months | 3 to 12<br>months | 1 to 5<br>years | Total             |
|---------------------------------------|----------------|-----------------------|-------------------|-----------------|-------------------|
|                                       | US\$           | US\$                  | US\$              | US\$            | US\$              |
| <b>Year ended 31 March 2018</b>       |                |                       |                   |                 |                   |
| Interest bearing loans and borrowings | 500,000        | -                     | -                 | -               | 500,000           |
| Trade and other payables              | -              | 1,436,604             | 700,424           | -               | 2,137,028         |
| Amounts due to related entities       | -              | -                     | 12,109,277        | -               | 12,109,277        |
|                                       | <b>500,000</b> | <b>1,436,604</b>      | <b>12,809,701</b> | -               | <b>14,746,305</b> |

## Notes to the Financial Statements cont...

### 32 CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group's policy is to keep the gearing ratio below 50%. The Group includes within net debt, interest bearing loans and borrowings, less cash and short-term deposits, excluding discontinued operations.

|                                       | 2019<br>US\$       | 2018<br>US\$        |
|---------------------------------------|--------------------|---------------------|
| Interest bearing loans and borrowings | -                  | 906,651             |
| Less cash and short term deposits     | (4,196,921)        | (12,048,606)        |
| Net debt                              | <b>(4,196,921)</b> | <b>(11,141,955)</b> |
| Capital                               | <b>95,154,788</b>  | <b>185,716,806</b>  |

Due to its net cash position, the Group is ungeared

### 33 RESTRUCTURING

At 31 March 2018, Seed Co Zimbabwe (Private) Limited was collapsed into a division of Seed Co Limited. The net assets of Seed Co Zimbabwe (Private) Limited were therefore transferred to Seed Co Limited as at that date.

The Company accounted for the net assets as well as the reserves received at their carrying amount as recorded in Seed Co Zimbabwe (Private) Limited's accounting records. The difference between the net assets and the reserves received and the value of the investment in Seed Co Zimbabwe (Private) Limited was recognised in retained earnings.

The major classes of assets, liabilities and reserves of Seed Co International Limited adopted by Seed Co Limited as at 31 March are as follows:

|                                       | Note | COMPANY<br>2019<br>US\$ | 2018<br>US\$       |
|---------------------------------------|------|-------------------------|--------------------|
| <b>Assets</b>                         |      |                         |                    |
| Property, plant and equipment         | 9    | -                       | 29,534,310         |
| Non-current financial assets          | 13   | -                       | 12,255,332         |
| Inventories                           | 14   | -                       | 14,106,892         |
| Trade and other receivables           |      | -                       | 12,641,352         |
| Amount owed by group companies        |      | -                       | 8,372,601          |
| Other current financial assets        | 13   | -                       | 40,757,278         |
| Cash and cash equivalents             | 18   | -                       | 11,949,032         |
|                                       |      | <b>-</b>                | <b>129,616,797</b> |
| <b>Reserves and liabilities</b>       |      |                         |                    |
| Revaluation reserve                   | 19.3 | -                       | 2,821,013          |
| Retained earnings                     |      | -                       | 58,069,466         |
| Deferred tax liability                | 5.5  | -                       | 5,722,915          |
| Trade and other payables              |      | -                       | 2,110,834          |
| Amount owed to group companies        |      | -                       | 19,993,284         |
| Interest-bearing loans and borrowings | 20   | -                       | 500,000            |
| Income tax payable                    |      | -                       | 1,227,690          |
| Provisions                            | 23   | -                       | 4,488,310          |
|                                       |      | <b>-</b>                | <b>94,933,512</b>  |

The impact on Seed Co Limited's cash flow statement was the transfer, from Seed Co Zimbabwe (Private) Limited of cash and cash equivalents net the short term borrowings amounting to US\$ nil (2018: US\$ 11,449,032) classified under financing activities.

## Notes to the Financial Statements cont...

### 34 SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on their geographical locations. In prior year the two reportable operating segments were as follows:

The regional segment operated in countries outside Zimbabwe but within Africa namely Zambia, Malawi, Botswana, Kenya, South Africa, Tanzania, Nigeria and Rwanda. The regional segment is treated as a discontinued operation on the face of the income statement at year end date with more information on this segment's income statement available on note 6.

The Zimbabwe segment is made up of Seed Co Limited. The rest of the information on the face of the income statement and balance sheet (excluding discontinued operations) relates to this segment.

Segment performance is evaluated based on operating profit or loss.

#### INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from one customer amounts to US\$43,001,081 (2018: US\$46,749,256). This revenue is reported under the Zimbabwe operating segment. The customer contributed 58% (2018: 74%) of the total revenue.

#### INFORMATION ABOUT PRODUCTS

Refer to note 36.1.

### 35 EFFECT OF ADOPTING NEW STANDARDS

#### 35.1 EFFECT OF ADOPTING IFRS 15

The adoption of IFRS 15 did not have a material impact on the Group's and Company's profit or loss, other comprehensive income or the operating, investing and financing cash flows.

#### 35.2 EFFECT OF ADOPTING IFRS 9

The effect the adjustments of adopting IFRS 9 as at 1 April 2018 was, as follows:

|                                     | GROUP<br>2019<br>US\$ | COMPANY<br>2019<br>US\$ |
|-------------------------------------|-----------------------|-------------------------|
| <b>Assets</b>                       |                       |                         |
| Trade receivables                   | (6,749)               | (6,749)                 |
| Other financial assets              | (844,086)             | (844,086)               |
| <b>Total assets</b>                 | <b>(850,835)</b>      | <b>(850,835)</b>        |
| <b>Equity</b>                       |                       |                         |
| Retained earnings                   | (850,835)             | (850,835)               |
| <b>Total equity and liabilities</b> | <b>(850,835)</b>      | <b>(850,835)</b>        |

##### 35.2.1 Classification and measurement

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Group. The Group continued measuring at amortised cost all financial assets previously held at amortised cost under IAS 39.

##### 35.2.2 Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of IFRS 9 the Group recognised additional impairment on the Group's trade receivables of US\$850,835 which resulted in a decrease in retained earnings by the same amount as at 1 April 2018.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9.

|   | Allowance for<br>impairment<br>under IAS 39<br>as at 31<br>March 2018<br>US\$ | Remeasurement | ECL under IFRS<br>9 as at 1 April<br>2018<br>US\$ |
|---|---|---------------|---|
| Loans and receivables under IAS 39/Financial assets at<br>amortised cost under IFRS 9 and contract assets | (2,227,811)   | (850,835)     | (3,078,646)                                       |



## Notes to the Financial Statements cont...

### 36 REVENUE FROM CONTRACTS WITH CUSTOMERS

|   | Note | GROUP             |                   | COMPANY           |              |
|---|------|-------------------|-------------------|-------------------|--------------|
|   |      | 2019<br>US\$      | 2018<br>US\$      | 2019<br>US\$      | 2018<br>US\$ |
| <b>36.1 Product</b>                       |      |                   |                   |                   |              |
| Maize seed                                |      | 53,448,080        | 48,906,320        | 53,448,080        | -            |
| Soybean seed                              |      | 10,406,137        | 7,924,047         | 10,406,137        | -            |
| Wheat seed                                |      | 7,266,213         | 5,712,535         | 7,266,213         | -            |
| Sorghum seed                              |      | 976,302           | 85,487            | 976,302           | -            |
| Other seeds                               |      | 1,312,132         | 735,784           | 1,312,132         | -            |
|   |      | <b>73,408,864</b> | <b>63,364,173</b> | <b>73,408,864</b> | <b>-</b>     |
| <b>36.2 Timing of revenue recognition</b> |      |                   |                   |                   |              |
| Goods transferred at a point in time      |      | 73,408,864        | 63,364,173        | 73,408,864        | -            |
| Services transferred over time            |      | -                 | -                 | -                 | -            |
|   |      | <b>73,408,864</b> | <b>63,364,173</b> | <b>73,408,864</b> | <b>-</b>     |

**36.3** The Group's and Company's contract balances consist of trade receivables disclosed in note 16

**36.4** The Group's performance obligation is satisfied upon seed delivery to or collection by customers and payment is generally due within 30 to 90 days from delivery or collection.

### 37 EVENTS AFTER THE REPORTING DATE

The Board approved a dividend of 0.40 US cents per share to be paid in August 2019. Refer to note 24.2

## Group Administration

### DIRECTORS

D.E.B Long (Chairman)  
 M Nzwere (Group Chief Executive Officer)  
 J Matorofa (Group Finance Director)  
 A.G Barron  
 R.C.D Chitengu  
 A Colombo  
 Dr D Garwe  
 P Gowero  
 D Jacquemond  
 C Kabaghe  
 M S Ndoro  
 F Ruwende  
 F Savin

### BOARD COMMITTEES

#### Audit Committee

M.S Ndoro (Chairman)  
 R.C.D Chitengu  
 D Jacquemond

#### Remuneration Committee

P Gowero (Chairman)  
 D.E.B Long  
 M.S Ndoro

#### Advisory and Production Committee

M.S Ndoro (Chairman)  
 C Davenport  
 K Mafukidze  
 J.P Mutizwa  
 C Mutunhu

### COMPANY SECRETARY

T.N Chimanya

### SENIOR MANAGEMENT

D Zaranyika - Regional Managing Director - Southern Cluster  
 F Ndawi - CFO  
 W Chigodora - Commercial  
 T.N Chimanya - Legal and Corporate Affairs/Group Company Secretary  
 J Derera - Research  
 C Fambisayi - Business Development  
 C Murandu - Marketing  
 P Mutandwa - Human Resources  
 D Ncube - Internal Audit  
 E Rupende - Production and Processing  
 S Ruwisi - Treasury

### QUTON

1st Floor SAZ Building ,  
 Northend Close Northridge Park,  
 Borrowdale, Harare, Zimbabwe

Dr E Mhandu - Managing Director

### PRIME SEED CO ZIMBABWE

Shamwari Road, Stapleford, Zimbabwe, P O Box WGT  
 64, Westgate, Harare, Zimbabwe  
 Tel: +263 4 882485/851962  
 Email: beauty.magiya@seedcogroup.com  
 Website:www.seedcogroup.com

### AUDITORS

Ernst & Young, P O Box 702, Harare, Zimbabwe

### TRANSFER SECRETARIES

Corpserve, P O Box 2208, Harare, Zimbabwe  
 Tel: +263 4 758551

### REGISTERED OFFICE

Shamwari Road, Stapleford, Zimbabwe, P O Box WGT  
 64, Westgate, Harare, Zimbabwe  
 Tel: +263 4 882485/851962  
 Email: seedco@seedco.co.zw  
 Website:www.seedcogroup.com

## Notice to Shareholders

Notice is hereby given that the **24th Annual General Meeting** of Members of Seed Co Limited ("the Company") will be held in the Standards Association of Zimbabwe Auditorium No.1 Northend Close, Northridge Park Borrowdale Harare Zimbabwe on Thursday, 15th of August 2019, at 12:00 hours. Members will be asked to consider, and if deemed fit, to pass with or without modification, the resolutions set out below : -

### ORDINARY BUSINESS: -

#### As ordinary resolutions:

#### 1. Approval of Financial Statements and Reports

To receive, consider and adopt the Annual Financial Statements and Reports of the Directors and Auditors for the year ended 31 March 2019.

#### 2. Appointment of Directors

To note the resignation of Mr A Colombo from the Board on the 18th of March 2019.

In accordance with Articles 97 and 98 of the Company's Articles of Association Messrs. D.E.B Long, C Kabaghe and M.S Ndoro retire by rotation. All these retiring Directors offer themselves for re-election.

#### 3. Approval of Directors' fees

Approval of Directors' fees for the year ended 31 March 2019.

#### 4. Auditors

To approve the remuneration of the auditors for the past audit and re-appoint Ernst & Young, Chartered Accountants (Zimbabwe) as auditors for the current year.

#### 5. Dividend

To ratify the dividend of 0.40 cents per share payable in cash and scrip.

### Special Business

"That, in terms of the new currency regime brought about by the Statutory Instrument 142/2019, the authorized share capital of the Company be and is hereby re-denominated from 500,000,000 (five hundred million) ordinary shares of US\$0,001 (zero comma zero zero one United States dollars) nominal value each to 500,000,000 (five hundred million) ordinary shares of ZWL0.01 (zero comma zero one Zimbabwean dollars) nominal value each, and that the Directors be authorized to process any translation effects through the capital reserves of the Company and that the Articles of the Company be amended accordingly."

By Order of the Board



T N Chimanya  
Group Secretary

5 July 2019

### Notes

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend, vote and speak in their stead. The proxy need not be a member of the company.

To be effective, the form of the proxy must be lodged at the company's office at least 48 hours before the meeting.

[illegible]

[illegible]



## This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

# SEED CO LIMITED

## TWENTY-FOURTH ANNUAL GENERAL MEETING FORM OF PROXY

To be held in the Standards Association of Zimbabwe Auditorium  
No.1 Northend Close, Northridge Park Borrowdale Harare Zimbabwe  
on Thursday, 15th of August 2019, at 12:00 hours

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member of Seed Co Limited hereby appoint

of \_\_\_\_\_

or failing him/ her \_\_\_\_\_

of \_\_\_\_\_

or failing him/ her, the chairman of the company, or failing him, the chairman of the meeting  
as my/ our proxy to vote for me/ us on my/ our behalf at the Annual General Meeting of the  
Company to be held on Thursday 15 August 2019 and at any adjournment thereof.

Signed on this \_\_\_\_\_ day of \_\_\_\_\_ 2019

Signature of member

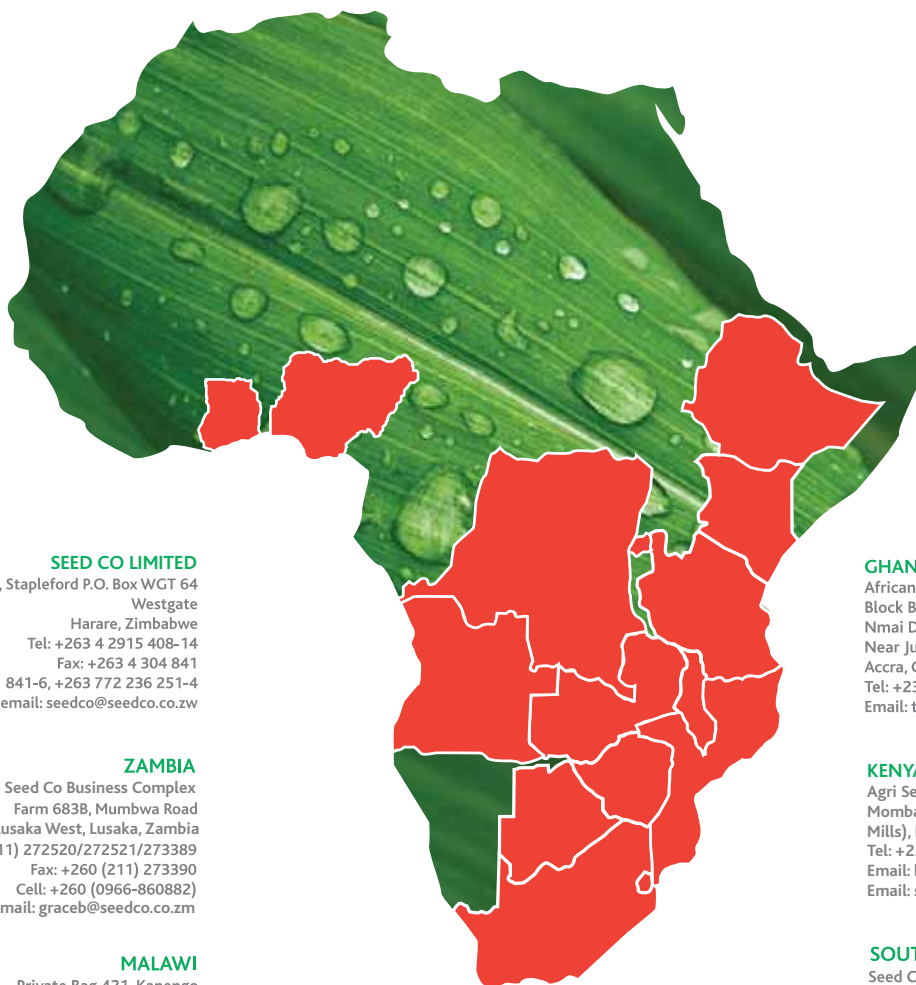
Notes

1. A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint one person as his proxy (who need not be a member of the company) to attend and speak, and on a poll to vote in the place of the shareholder.
2. The proxy form should be lodged at the registered office of the company at least forty-eight hours before the time appointed for holding the meeting.



The African Seed Company





#### SEED CO LIMITED

Shamwari Road, Stapleford P.O. Box WGT 64  
Westgate  
Harare, Zimbabwe  
Tel: +263 4 2915 408-14  
Fax: +263 4 304 841  
Cell: +263 772 231 841-6, +263 772 236 251-4  
email: seedco@seedco.co.zw

#### ZAMBIA

Seed Co Business Complex  
Farm 683B, Mumbwa Road  
P.O. Box 35310, Lusaka West, Lusaka, Zambia  
Tel: +260 (211) 272520/272521/273389  
Fax: +260 (211) 273390  
Cell: +260 (0966-860882)  
Email: graceb@seedco.co.zm

#### MALAWI

Private Bag 421, Kanengo  
Opposite Lilongwe Teachers College  
Kaunda Road, Area 51  
Lilongwe  
Email: boyd.luwe@seedcogroup.com

#### BOTSWANA

Plot 70713, Unit 1, Phakalane  
Postal Address: P.O. Box 47143  
Phakalane, Gaborone, Botswana  
Cell: + (267) 72899717  
Tel/Fax: + (267) 3190743 (Direct), 3911906-7  
Skype: sam.ruwisi  
Email: samson@seedcogroup.com

#### TANZANIA

1st Floor Block DD Plot No. 582  
Sable Square  
Ngaramtoni Yachini  
Arusha, Tanzania  
Tel: +255 736 210 909  
Email: clivem@seedco.co.tz

#### NIGERIA

Seed Co Nigeria Limited  
Doctor's Quarters  
Ungwan Rimi  
No. 3 Ribadu Road  
Kaduna  
Nigeria  
Email: tundefa@seedcogroup.com

#### GHANA

African Seed Company Ghana Ltd  
Block B, Cnr Kingspark and  
Nmai Dzorn Adjiringano Road  
Near Justice by Grace Hotel  
Accra, Ghana  
Tel: +233 202194749/ +233558273967  
Email: takemore.chagomoka@seedcogroup.com

#### KENYA

Agri Seed Co Limited  
Mombasa Road (Next to Mabati Rolling  
Mills), P.O. Box 616 - 0021, Nairobi  
Tel: +254 20 804 358, +254 733 414 627  
Email: kassim.owino@agriseed.co.ke  
Email: seeds@agriseed.co.ke

#### SOUTH AFRICA

Seed Co South Africa (Pty) Limited  
P.O. Box 61  
Mooi River 3300  
South Africa  
Mobile: (+27-84) 5190 132  
Office: (+27-33) 2632 802  
Email: bruce@seedco.co.za

#### SWAZILAND

C/O Etsala Seed Company  
Mdutjane prison road Luyengo  
Malkerns  
P.O. Box 137  
Malkerns  
Email: samson@seedcogroup.com  
Email: jeanne.volschenk@farmchem.co.sz

#### PRIME SEED CO

No. 1 Shamwari Road, Stapleford,  
Zimbabwe  
+263 333 262 / +263 335 279 /  
+263 307 619  
Email: willie@primeseed.co.zw

#### QUTON SEED COMPANY

1st Floor SAZ Building, Northend Close  
Northridge Park, Borrowdale, Harare  
Zimbabwe  
Tel: +2634886953/0731777740  
/0864477740  
Email: quton@qutonafrica.com  
edwardmh@qutonafrica.com



# SEED CO



[www.seedcogroup.com](http://www.seedcogroup.com)