

## COMMENTARY

### Income statement

#### Revenue

Turnover remained unchanged at \$17.7m as the increase in maize seed sales volumes in Malawi, Tanzania and Zambia were neutralised by unfavourable currency movements and the delayed start to the planting season in Kenya due to late arrival of rains.

#### Gross margin

The improvement in margin is attributable to the product sales mix.

#### Other income

Non-core income declined to \$1.3m on account of reduced exchange gains on foreign-currency denominated receivables in Zambia as the Zambia Kwacha's rate of depreciation decelerated.

#### Operating expenses

At \$11.6m, overheads were marginally higher than prior year but well within the regional inflation range due to cost containment efforts by management.

#### Finance costs

Interest costs rose to \$1.6m on the back of increased borrowings with working capital tied up in receivables and inventories.

#### Loss for the period

The Group's loss for the period widened to \$2.5m because of the decrease in exchange gains and increased finance costs.

#### Statement of financial position

##### Property, plant and equipment

Fixed assets increased to \$39.2m resulting from capital expenditure partially offset by depreciation and exchange adjustments. The bulk of the capital investment went towards the purchase of a farm for seed production in Mkushi in Zambia.

#### Investment in joint venture

The Group injected additional capital into Prime Seed Co International in Botswana for acquisition of an 80% stake in Alliance Seeds – a South African based vegetable seed company.

#### Inventories

The growth in stock value to \$30.3m arose from current year's production in preparation of the main selling season in the second half of the financial year. The current stock position is therefore expected to unwind as the year progresses.

#### Trade and other receivables

The receivables balance nudged up to \$54.2m as collections of outstanding balances from customers were negated by current year's credit sales to date. Management is engaging major Group debtors with overdue balances.

#### Cash and cash equivalents

Bank balances decreased to \$13.0m after payments for seed production, capital expenditure and the dividend to shareholders.

#### Equity

The movement in equity from \$82.7m at the last financial year end to \$71.7m at the reporting date consisted of loss for the period (\$2.5m), exchange differences on translation of foreign operations (\$7.3m) and the dividend paid to shareholders (\$1.3m).

#### Bank borrowings

At reporting date, current Group borrowings amounted to \$46.8m to cover the working capital gap created by the current high levels of inventories and receivables.

#### Trade and other payables

Seed deliveries by growers which were received just before the reporting date had not yet been paid for then hence the increase in trade and other payables to \$16.8m.

#### Research and development

During the period under review, the following maize seed varieties were officially released in the respective markets:

- SC 441 resistant to the Maize Lethal Necrosis Disease (MLND) and SC 661 in Kenya;
- SC 649 in Ghana; and
- SC 733 in Zambia.

The changing weather patterns have a potentially significant impact on the Group's future financial performance. With the emerging risks of global warming and erratic rainfall; the Group's research and development is increasingly focussing on breeding more drought tolerant varieties.

### Outlook

Management is forecasting strong growth in full year earnings from prior year. This will be driven by:

- Likely increase in revenue following recovery of demand in Kenya and Tanzania with normal to above normal rainfall forecast after the drought experienced in that region in the last financial year;
- Anticipated improvement in margins; and
- Planned operating cost control initiatives.

### Directorate

Patrick Spadin replaced Antoine Colombo during the period under review. All regulatory requirements regarding this change were fully satisfied.

### Dividend

No dividends were declared during the first six months as per Group policy.

By Order of the Board

E.M. Kalaote  
Secretary

Registered Office  
Plot 70713  
Phakalane  
Gaborone  
Botswana

Transfer Secretaries  
Corpserve Botswana  
Second Floor, Unit 206 Showgrounds Close  
Plot 64516, Fairgrounds  
Gaborone  
Botswana

**Directors:** D E B Long (Chairman), M Nzwere\*, N Armstrong, F Azanza, A G Barron, R C D Chitungu, P Gowero, D P F Jacquemond, C Kabaghe, J Matorofa\*, M S Ndoro, S Ruwisi\*, F Savin, P Spadin.

\*Executive

## SUPPLEMENTARY INFORMATION

### 1. Corporate information

- Seed Co International Limited is a company which is incorporated and domiciled in Botswana and listed on the Botswana Stock Exchange and the Zimbabwe Stock Exchange.
- Seed Co International Limited has subsidiaries located in Botswana, Ghana, Kenya, Malawi, Nigeria, Rwanda, South Africa, Tanzania, and Zambia.
- These financial statements are presented in United States Dollars (US\$).

### 2. Accounting policies

- The principal accounting policies of the Group has been consistently followed in all material respects from prior year. Adoption of IFRS 16 – *Leases* and IFRIC 23 – *Uncertainty over Income Tax Treatments* is work-in-progress. Management does not expect a material impact from the implementation of IFRS 16 and are not aware of any tax-related contingencies arising from IFRIC 23.

### 3. Basis of preparation

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

### 4. Capital expenditure

- Capital expenditure for the period was US\$3,775,255 (Sept 2018:US\$2,881,359).

### 5. Commitments for capital expenditure

- Authorised by directors but not contracted was US\$3,404,041 (Sept 2018:US\$6,546,893).
- The capital expenditure will be financed out of the Group's existing cash resources and borrowing facilities.

### 6. Depreciation

- Depreciation for the period was US\$1,201,571 (Sept 2018:US\$1,283,423).

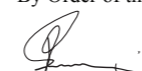
### 7. Contingent liabilities


- There were no contingent liabilities as at 30 September 2019 (Sept 2018: nil).

### 8. Approval of financial statements

- These abridged financial statements were approved by the Board on 14 November 2019 and duly signed by the Chairman and Chief Executive Officer on behalf of the Board.

By Order of the Board

  
D. E. B. Long  
Chairman

  
M. Nzwere  
Chief Executive Officer

## ABRIDGED UNAUDITED GROUP INCOME STATEMENT

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2019

	Unaudited half year ended September 2019	Unaudited half year ended September 2018	Audited full year ended March 2019
	US\$	US\$	US\$
Revenue	17,749,609	17,666,246	60,136,380
Cost of sales	(8,411,046)	(8,838,118)	(30,255,451)
<b>Gross profit</b>	<b>9,338,563</b>	<b>8,828,128</b>	<b>29,880,929</b>
Other income	1,329,166	2,983,189	4,488,537
Operating expenses	(11,648,318)	(11,541,304)	(27,326,009)
<b>Operating (loss)/profit</b>	<b>(980,589)</b>	<b>270,013</b>	<b>7,043,457</b>
Finance income	138,140	24,761	783,735
Finance cost	(1,552,696)	(948,030)	(2,588,011)
Share of loss from joint venture	(195,183)	(59,196)	(85,041)
<b>(Loss)/profit before tax</b>	<b>(2,590,328)</b>	<b>(712,452)</b>	<b>5,154,140</b>
Income tax credit/(expense)	89,018	(829,381)	(1,375,906)
<b>(Loss)/profit for the period</b>	<b>(2,501,310)</b>	<b>(1,541,833)</b>	<b>3,778,234</b>
<b>Attributable to:</b>			
Equity holders of the parent	(2,493,244)	(1,601,695)	3,778,030
Non-controlling interest	(8,066)	59,862	204
	<b>(2,501,310)</b>	<b>(1,541,833)</b>	<b>3,778,234</b>
<b>Earnings per share</b>			
Basic (loss)/earnings per share	(0.66)	(0.41)	1.75
Diluted (loss)/earnings per share	(0.66)	(0.41)	1.74

## ABRIDGED UNAUDITED GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2019

	Unaudited half year ended September 2019	Unaudited half year ended September 2018	Audited full year ended March 2019
	US\$	US\$	US\$
<b>(Loss)/profit for the period</b>	<b>(2,501,310)</b>	<b>(1,541,833)</b>	<b>3,778,234</b>
<b>Other comprehensive income</b>			
Net exchange difference on translation of foreign operations	(7,270,550)	(15,470,697)	(14,909,043)
Share of other comprehensive loss of a joint venture	(28,674)	-	(28,350)
Revaluation, net of deferred tax	-	-	134,780
<b>Total comprehensive loss for the year, net of tax</b>	<b>(9,800,534)</b>	<b>(17,012,530)</b>	<b>(11,024,379)</b>
<b>Attributable to:</b>			
Equity holders of the parent	(9,792,468)	(17,012,530)	(11,024,583)
Non-controlling interest	(8,066)	-	204
	<b>(9,800,534)</b>	<b>(17,012,530)</b>	<b>(11,024,379)</b>

## ABRIDGED UNAUDITED GROUP STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

	Unaudited as at September 2019 US\$	Unaudited as at September 2018 US\$	Audited as at March 2019 US\$
<b>ASSETS</b>			
Property, plant and equipment	39,172,594	38,135,572	38,473,312
Investment in joint venture	1,462,397	1,084,632	1,030,437
Inventories and biological assets	30,309,820	19,772,811	18,013,810
Trade and other receivables	54,231,916	53,292,469	50,689,745
Other financial assets	-	1,800,114	295,564
Cash and cash equivalents	13,038,428	25,432,676	24,478,033
<b>Total assets</b>	<b>138,215,155</b>	<b>139,518,274</b>	<b>132,980,901</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	35,848,041	37,226,931	35,848,041
Non-distributable reserves	(31,159,832)	(24,364,801)	(23,782,173)
Retained earnings	66,301,271	68,880,931	69,967,873
<b>Equity attributable to equity holders of the parent</b>	<b>70,989,480</b>	<b>81,743,061</b>	<b>82,033,741</b>
Non-controlling interest	692,175	124,919	700,241
<b>Total equity</b>	<b>71,681,655</b>	<b>81,867,980</b>	<b>82,733,982</b>
<b>Liabilities</b>			
Deferred tax liability - net	868,293	617,346	752,898
Non-current bank borrowings	2,000,000	-	2,333,333
Current bank borrowings	46,816,328	37,509,385	33,303,685
Trade and other payables	16,848,879	19,523,563	13,857,003
<b>Total liabilities</b>	<b>66,533,500</b>	<b>57,650,294</b>	<b>50,246,919</b>
<b>Total equity and liabilities</b>	<b>138,215,155</b>	<b>139,518,274</b>	<b>132,980,901</b>

## ABRIDGED UNAUDITED GROUP STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2019

	Unaudited half year ended September 2019 US\$	Unaudited half year ended September 2018 US\$	Audited full year ended March 2019 US\$
<b>Operating activities</b>			
(Loss)/profit before tax	(2,590,328)	(712,452)	5,154,140
Non-cash adjustment to reconcile profit before tax to net cash flows	2,779,849	(1,541,526)	2,891,061
Working capital adjustments and tax paid	(18,021,963)	(12,089,931)	(19,468,003)
<b>Net cash flows utilised in operating activities</b>	<b>(17,832,442)</b>	<b>(14,343,909)</b>	<b>(11,422,802)</b>
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment	85,161	303,756	386,425
Purchase of property, plant and equipment	(3,775,255)	(2,881,359)	(4,337,509)
Investment in joint venture	(655,817)	-	-
Interest received	138,140	24,761	783,735
<b>Net cash flows utilised in investing activities</b>	<b>(4,207,771)</b>	<b>(2,552,842)</b>	<b>(3,167,349)</b>
<b>Financing activities</b>			
Proceeds from issue of share capital net of transaction costs	-	18,642,056	17,263,166
Dividend paid	(1,251,793)	(93,123)	(93,124)
Introduction of equity by non-controlling interest	-	-	1,333,975
Net repayment/(proceeds from) of non-current borrowings	(333,333)	-	2,684,881
Interest paid	(1,552,696)	(948,030)	(2,588,011)
<b>Net cash flows (utilised in)/generated from financing activities</b>	<b>(3,137,822)</b>	<b>17,600,903</b>	<b>18,600,887</b>
Net (decrease)/increase in cash and cash equivalents	(25,178,035)	704,152	4,010,736
Effects of exchange rate changes on cash and cash equivalents	225,787	(3,118)	(58,645)
Cash and cash equivalents at beginning of period	(8,825,652)	(12,777,743)	(12,777,743)
<b>Cash and cash equivalents at end of period</b>	<b>(33,777,900)</b>	<b>(12,076,709)</b>	<b>(8,825,652)</b>

## ABRIDGED UNAUDITED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2019

	Attributable to owners of the parent				Non-controlling interest US\$	Total equity US\$
	Share capital US\$	Non-distributable reserves US\$	Retained earnings US\$	Total US\$		
<b>As at 31 March 2018</b>	18,584,875	(8,795,970)	70,417,753	80,206,658	65,057	80,271,715
IFRS 9 transition adjustment	-	-	(5,348,075)	(5,348,075)	-	(5,348,075)
<b>Restated at 1 April 2018</b>	18,584,875	(8,795,970)	65,069,678	74,858,583	65,057	74,923,640
Profit for the year	-	-	3,778,030	3,778,030	204	3,778,234
Other comprehensive income	-	(14,802,613)	-	(14,802,613)	-	(14,802,613)
Total comprehensive income	-	(14,802,613)	3,778,030	(11,024,583)	204	(11,024,379)
Issue of share capital net of transaction costs	17,263,166	-	-	17,263,166	-	17,263,166
Share based payments	-	330,704	-	330,704	-	330,704
Realisation of revaluation reserve through use	-	(514,294)	514,294	-	-	-
Dividend	-	-	(93,124)	(93,124)	-	(93,124)
Non-controlling equity interest	-	-	698,995	698,995	634,980	1,333,975
<b>As at 31 March 2019</b>	<b>35,848,041</b>	<b>(23,782,173)</b>	<b>69,967,873</b>	<b>82,033,741</b>	<b>700,241</b>	<b>82,733,982</b>
Profit for the year	-	-	(2,493,244)	(2,493,244)	(8,066)	(2,501,310)
Other comprehensive income	-	(7,299,224)	-	(7,299,224)	-	(7,299,224)
Total comprehensive income	-	(7,299,224)	(2,493,244)	(9,792,468)	(8,066)	(9,800,534)
Realisation of revaluation reserve through use	-	(78,435)	78,435	-	-	-
Dividend	-	-	(1,251,793)	(1,251,793)	-	(1,251,793)
<b>As at 30 September 2019</b>	<b>35,848,041</b>	<b>(31,159,832)</b>	<b>66,301,271</b>	<b>70,989,480</b>	<b>692,175</b>	<b>71,681,655</b>

# SEED CO INTERNATIONAL LIMITED

## ABRIDGED GROUP UNAUDITED RESULTS

### FOR THE HALF YEAR ENDED 30 SEPTEMBER 2019



The African Seed Company



THE HOME OF BUMPER HARVESTS

