

COMMENTARY

HIGHLIGHTS

	Maize seed	Wheat seed
Sales volumes		
	Inflation adjusted	Historical cost
Revenue	 ZWL\$ 975m	 ZWL\$ 752m
EBITDA	 ZWL\$ 588m	 ZWL\$ 338m

OVERVIEW

The first half of the Group's financial year saw the government implementing lockdown measures on a rolling basis to contain the spread of Covid-19. The Group's operations were not significantly impacted due to its classification as an essential business.

The macro economic environment was characterised by hyperinflation, high interest rates, tight liquidity and accelerated local currency depreciation following the introduction of the foreign currency auction system by the central bank. However, the period subsequent to the reporting date witnessed both inflation and exchange rate stability though interest rates remained elevated.

INCOME STATEMENT

The Group's profit performance was underpinned by the strong sales volume growth and selling price increases effected in response to the inflation induced rise in operating costs.

Increased focus on local wheat production to reduce import dependence and improved irrigation capacity due to better electricity supply drove the increase in wheat seed sales volumes. In addition, there was increased uptake of maize seed on the back of a Lowveld winter grain production initiative targeted to enhance food security in the Masvingo province in the wake of recent devastating droughts in that area.

The Group's half year results were enhanced by a combination of the positive contribution from the foreign associate on account of early maize seed demand across the region and an encouraging out-turn from the local cotton seed associate and the vegetable seed joint venture.

BALANCE SHEET

Capital expenditure (CAPEX) was mainly directed towards the artificial seed dryer project whose completion was unfortunately delayed by a combination of foreign currency shortages, liquidity challenges and Covid-19 restrictions.

Inventory levels increased due to seed deliveries from contracted seed growers for processing in preparation of the main selling season in the second half.

Both CAPEX and seed production were financed by expensive local borrowings which are expected to unwind in the second half when the main selling period commences. The average cost of existing borrowing facilities is 45% and these borrowings are unsecured.

Meanwhile, foreign denominated payables were successfully registered under the central bank legacy debt framework though settlement modalities are yet to be determined.

OUTLOOK

The prevailing macro-economic stability and relaxation of lockdown restrictions augurs well for local operations for the remainder of the financial period. With initial weather forecasts indicating normal to above normal rainfall, seed demand is expected to remain strong though the prolonged dry spell may push back the anticipated start to the planting season which could impact the Group's varietal sales mix.

The regional business is poised to benefit from a major food security drive across the continent amidst the Covid-19 pandemic.

DIRECTORATE

There were no changes to the directorate during the period under review.

DIVIDENDS

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

By Order of the Board
T.N. Chimanya
Group Secretary

Directors: D E B Long (Chairman), M Nzwere*, R C D Chitengu, D Garwe, P Gowero, D Jacquemond, J Matorofa*, M S Ndoro, F Ruwende, F Savin, P Spadin.

*Executive

SUPPLEMENTARY INFORMATION

1. Corporate information

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

2. Basis of preparation

- These abridged financial statements are presented in Zimbabwe Dollars (ZWL\$). The basis of preparation of these financial statements is International Financial Reporting Standards (IFRS) with the exception of IAS 8 and IAS 21 as documented in the audit report for the year ended 31 March 2020. Inflation adjusted financial statements have been drawn up using the conversion factors derived from the Consumer Price Index (CPI) prepared by the Zimbabwe Central Statistical Office. The conversion factors used to restate the financial statements are as follows:

Closing as at:	Index	Conversion Factor
30 September 2020	2,205.24	1.00
31 March 2020	810.40	2.72
30 September 2019	290.40	7.59
31 March 2019	104.40	21.12
Average for the six (6) months to:		
30 September 2020	1,630.69	1.50
30 September 2019	192.10	12.95

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

3. Accounting policies

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

	REVIEWED INFLATION ADJUSTED 30 September 2020	30 September 2020	UNAUDITED HISTORICAL COST 30 September 2020	30 September 2019
	(ZWL\$'000)			
4. Capital expenditure	112,554	237,239	65,741	37,652
5. Depreciation	182,311	13,223	66,418	1,905
6. Contingent liabilities	-	-	-	-

7. Approval of financial statements

- These abridged financial statements were approved by the Board on 27 November 2020.

8. External auditors' review conclusion

Following their review, with the exception of the non-compliance with IAS 8 and IAS 21, Ernst & Young indicated that the interim financial statements were prepared in accordance with the requirements of IAS 34 and nothing came to their attention that causes them to believe there were any material misstatements therein.

ABRIDGED AUDITED GROUP INCOME STATEMENT

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2020

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	30 SEPTEMBER 2020 (Reviewed)	30 SEPTEMBER 2019 (Unaudited)	30 SEPTEMBER 2020	30 SEPTEMBER 2019
	ZWL\$'000			
Revenue	975 264	627 350	751 648	61 856
Cost of sales	(265 698)	(207 276)	(258 809)	(19 227)
Gross profit	709 566	420 074	492 839	42 629
Other income	172 970	159 622	148 101	16 443
Operating expenses	(476 672)	(248 965)	(369 265)	(32 547)
Operating profit	405 864	330 731	271 675	26 525
Finance income	24 702	8 894	266	836
Finance cost	(35 325)	(46 191)	(89 877)	(5 527)
Net monetary gain	1 895 543	325 220	-	-
Share of profit from associates and joint venture (JV)	106 271	44 804	124 974	1 265
Profit before tax	2 397 055	663 458	307 038	23 099
Income tax expense	(188 932)	(6 731)	(12 838)	(6 731)
Profit for the period	2 208 123	656 727	294 200	16 368
Attributable to:				
Equity holders of the parent	2 208 123	656 727	294 200	16 368
Earnings per share				
Basic earnings per share	893.30	269.65	119.02	6.72
Diluted earnings per share	873.95	268.09	116.44	6.68
Headline earnings per share	892.24	268.10	118.75	6.70

ABRIDGED GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2020

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	30 SEPTEMBER 2020 (Reviewed)	30 SEPTEMBER 2019 (Unaudited)	30 SEPTEMBER 2020	30 SEPTEMBER 2019
	ZWL\$'000			
Profit for the period	2 208 123	656 727	294 200	16 368
Other comprehensive (loss)/income				
Share of other comprehensive loss from associates and joint venture	(107 767)	(137 799)	(107 768)	(18 146)
Revaluation of property, plant and equipment, net of tax	-	2 816 095	-	370 841
Total comprehensive income for the period, net of tax	2 100 356	3 335 023	186 432	369 063
Attributable to:				
Equity holders of the parent	2 100 356	3 335 023	186 432	369 063

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	30 SEPTEMBER 2020 (Reviewed)	30 SEPTEMBER 2019 (Unaudited)	30 SEPTEMBER 2020	31 MARCH 2020
	ZWL\$'000			
ASSETS				
PPE	2 762 694	2 805 381	1 027 932	1 030 946
Investment in associates and JV	250 349	251 845	109 756	92 550
Other financial assets	5 788	13 918	5 787	5 115
Inventories	1 482 623	411 698	1 131 117	151 294
Trade and other receivables	781 286	611 970	705 191	224 892
Cash and cash equivalents	67 565	92 056	67 565	33 830
Total assets	5 350 305	4 186 868	3 047 348	1 538 627
EQUITY AND LIABILITIES				
Equity				
Share capital	6 727	6 727	2 472	2 472
Non-distributable reserves	(127 478)	1 993 240	624 725	732 493
Retained earnings	3 413 041	1 128 022	708 735	414 535
Total equity	3 292 290	3 127 989	1 335 932	1 149 500
Liabilities				
Deferred tax liability	517 236	551 868	170 637	202 805
Bank borrowings	894 119	176 069	894 119	64 703
Trade and other payables	646 660	330 942	646 660	121 619
Total liabilities	2 058 015	1 058 879	1 711 416	389 127
Total equity and liabilities	5 350 305	4 186 868	3 047 348	1 538 627

ABRIDGED GROUP STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2020

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	30 SEPTEMBER 2020 (Reviewed)	30 SEPTEMBER 2019 (Unaudited)	30 SEPTEMBER 2020	30 SEPTEMBER 2019
	ZWL\$'000			
Operating activities				
Operating profit	405 864	330 731	271 675	26 525
Non-cash adjustments	179 668	9 454	64 149	1 844
Working capital adjustments	(875 571)	(794 076)	(933 452)	(109 767)
Tax paid	(46 633)	(203 434)	(46 633)	(1 385)
Operating cash flows	(336 672)	(657 325)	(644 261)	(82 783)
Investing activities				
Proceeds from sale of PPE	3 289	4 586	3 008	79
Purchase of PPE	(112 554)	(237 239)	(65 741)	(37 652)
Loans and receivables net (advances)/receipts	(673)	21 183	(673)	5 565
Dividends received	1 597	57 317	1 597	4 307
Interest received	24 702	8 894	266	836
Investing cash flows	(83 639)	(145 259)	(61 543)	(26 865)
Financing activities				
Dividend paid	-	(10 466)	-	(1 378)
Net proceeds from borrowings	894 119	176 069	829 416	107 818
Interest paid	(35 325)	(46 191)	(89 877)	(5 527)
Financing cash flows	858 794	119 412	739 539	100 913
Movement in cash and cash equivalents	438 483	(683 172)	33 735	(8 735)
Effects of net monetary movement on cash and cash equivalents	(462 974)	445 929	-	-
Cash and cash equivalents at beginning of period	92 056	266 842	33 830	12 633
Cash and cash equivalents at end of period	67 565	29 599	67 565	3 898

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2020

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	30 SEPTEMBER 2020 (Reviewed)	30 SEPTEMBER 2019 (Unaudited)	30 SEPTEMBER 2020	30 SEPTEMBER 2019
	ZWL\$'000			
Opening shareholders' equity	1 191 934	1 586 531	1 149 500	208 924
Profit for the period	2 208 123	656 727	294 200	16 368
Other comprehensive (loss)/income	(107 767)	2 678 296	(107 768)	352 695
Dividend - cash	-	(10 466)	-	(1 378)
Closing shareholders' equity	3 292 290	4 911 088	1 335 932	576 609



SEED CO LIMITED

ABRIDGED GROUP REVIEWED RESULTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2020



THE HOME OF BUMPER HARVESTS



It starts with the right seed



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To the Members of Seed Co Limited

Introduction

We have reviewed the accompanying interim financial information of Seed Co Limited as set out on pages 4 to 18 that comprise the consolidated statement of financial position as at 30 September 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six month period then ended, the notes to the consolidated financial information which include a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards (IFRS). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Adverse Conclusion

Non-compliance with International Financial Reporting Standards IAS 21- The Effects of Changes in Foreign Exchange Rates

Historical functional currency date of application

As explained in the prior year annual report, the Group changed its functional currency from the United States Dollar (US\$) to Zimbabwe Dollars (ZWL) on 23 February 2019 in order to comply with Statutory Instrument 33 of 2019 issued on the same date. We however believe that the change in currency occurred prior to that date. The consolidated review financial information is presented in ZWL.

We however believe that the change occurred on 1 October 2018 in terms of IAS 21 given the significant monetary and exchange control policy changes witnessed in Zimbabwe from 2016 through to 2019. Our audit report for the year ended 31 March 2020 was therefore modified as management applied the change in functional currency from USD to ZWL from 23 February 2019, which we disagreed with.

The matter continues to impact the following amounts on the inflation adjusted consolidated statement of financial position which still comprise of material amounts from opening balances: Investments in associates and joint ventures of ZWL 250 348 779, Inventory of ZWL 1 482 622 896 and Deferred tax liability of ZWL 517 235 687. The impact on the inflation adjusted consolidated statements of profit or loss and other comprehensive income, changes in equity and cashflows has not been discussed here due to further matters below which result in virtually all amounts on these statements being materially impacted.

Valuation of Property, plant and equipment

The Group's Property, plant and equipment (PPE) were revalued as at 31 March 2020 per Group policy. The PPE was valued using inputs denominated in the United States Dollar currency and converted to local currency using the interbank rate as per Note 7 to the inflation adjusted financial information. We however believe that applying a conversion rate to a USD valuation to calculate ZWL values may not be an accurate reflection of market dynamics, as risks associated with currency trading do not always reflect the risks associated with property trading. There is a unique disconnect between the currency in which the rentals are being paid (ZWL) and the currency in which the properties are being valued (USD). Our prior year audit report was therefore modified as we disagreed with management on the inputs used in the valuation. We were unable to determine the appropriate correct inputs and therefore could not quantify the possible impact. As the prior year matter has not been resolved, property, plant and equipment stated at ZWL516 304 304, non-distributable reserves stated at ZWL55 956 701 on the inflation adjusted interim condensed statement of financial position, and depreciation of ZWL66 417 918 included in other expenses stated at ZWL476 671 712 are misstated.

Accounting for blocked funds

Included in total liabilities for Group of ZWL 2 058 014 253 as disclosed on Note 9 to the consolidated inflation adjusted financial information for the half year ended 30 September 2020 are foreign balances denominated in the Group's functional currency at a rate of 1:1 as a result of local balances amounting to ZWL9 559 170 which are held with the central bank. This is in contravention of IAS 21 which requires all foreign denominated balances to be translated to the functional currency at the closing rate. Our prior year audit report was also modified for this matter. Had the correct rate been used, amounts due to related parties on the statement of financial position and other income on the statement of comprehensive income would have been materially different.

Exchange rates used in current year

In the current half year period, the Group translated foreign denominated transactions and balances to ZWL using the interbank exchange rates and the average auction foreign exchange rates. As in the prior year, we concluded that the exchange rates used did not meet the definition of a spot exchange rate as per IAS 21, as they were not available for immediate delivery. Consequently, ZWL688 246 959 included in Trade and other receivables and ZWL 478 542 788 including in Trade and other payables is materially impacted. The impact on the inflation adjusted consolidated statements of profit or loss and other comprehensive income, changes in equity and cashflows has not been discussed here due to further matters below which result in virtually all amounts on these statements being materially impacted. Our prior year audit report was therefore modified accordingly. The impact can however not be quantified.

Consolidating Associate and Joint Venture with underlying matters

The Investment in Associates amount as disclosed on note 8.2 to the consolidated inflation adjusted Statement of Financial Position of ZWL250 348 779 (2020: ZWL251 845 345) includes ZWL280 944 083 (2020: ZWL214 629 692) relating to the local associate and local joint venture. The local associate and local joint venture also contribute ZWL 66 314 391 on the consolidated inflation adjusted Statement of Profit or Loss and Comprehensive Income. These amounts arose from equity accounting as required by IFRS.

The underlying accounting records used to equity account the amounts contain the following elements in all the associates:

- Non-compliance with IAS 8 in not correcting the start date of the change in functional currency which has a further pervasive impact to the results of the associates.
- Use of exchange rates which are not in compliance with IAS 21 as they do not meet the definition of spot exchange rates which have a further pervasive impact to the results of the associates.

The above matters arose in the prior year and contributed to our adverse opinion in the prior period. The above matters continue to impact the amounts recognised in the financial information (as noted above) in the current period in respect of these associates and the impact cannot be determined. Our review conclusion on the current period's consolidated inflation adjusted financial information is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

Consolidating Foreign Associate using inappropriate exchange rates

Further to the issue noted above in respect of exchange rates, management have also used the same exchange rates referred to in the consolidated inflation adjusted financial information, to translate the foreign associate to group reporting currency on consolidation. The impact is misstatement of elements to the carrying amounts of the following accounts on the consolidated inflation adjusted Statement of Financial Position of the Group: (ZWL30 595 687) included in Investment in Associates of ZWL 250 348 779, Foreign Currency Translation Reserve of ZWL 281 730 691 and Distributable Reserves of ZWL 3 413 040 768. This matter also arose in the prior year and contributed to our adverse opinion in the prior period. Our review conclusion on the current period's financial information is therefore also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

Consequential impact of the above matters on IAS 29 (Financial Reporting in Hyperinflationary Economies) accounting

Furthermore, notwithstanding that IAS 29 - *Financial Reporting in Hyperinflationary Economies* been applied from 1 April 2019, it is noted that its application was based on prior and current periods' financial information which has been misstated as a result of matters described above. Had the correct base numbers and start date been used, virtually all elements of the financial statements would have been different.

The above matters which gave rise to the adverse opinion in the prior year have not been corrected as required by IAS 8, we will therefore modify our review conclusion on the inflation adjusted consolidated financial information for the period ended 30 September 2020 for the following reasons;

- Virtually all corresponding numbers are misstated on the inflation adjusted Statement of Financial Position Cash Flows Profit or Loss and Changes in Equity, this also impacts comparability of the current period's figures
- As opening balances enter into the determination of cash flows and performance, our half year conclusion is modified in respect of the impact of this matter on the Statement of Cash Flows, Statement of Profit or Loss and Statement of Changes in Equity.

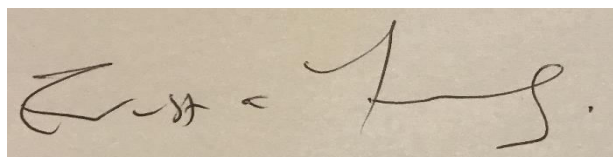
In addition to the impacts on the corresponding numbers, half year performance and cash-flows the matter continues to impact the balances on the inflation adjusted Statement of Financial Position as many of these still comprise of amounts from opening balances.

The effects of the above departures from IFRS are material and pervasive to the interim condensed consolidated financial information.

Adverse Conclusion

Based on our review, due to the significance of the matters discussed in the Basis for Adverse Conclusion paragraph, the interim financial information does not present fairly the consolidated financial position of Seed Co Limited as at 30 September 2020, and their consolidated financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards.

The engagement partner on the review resulting in this independent review conclusion is David Marange (PAAB Practicing Certificate Number 0436).



ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
REGISTERED PUBLIC AUDITORS

HARARE

18 December 2020