



The African Seed Company



# SEED CO LIMITED

## UNAUDITED ABRIDGED GROUP RESULTS

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2022





## SUSTAINABILITY COMMITMENT REAFFIRMATION

Seed Co is committed to sustainable ethical business practices, the protection of the environment, and economic development while improving the livelihoods of all its stakeholders, including but not limited to employees, farmers, consumers, and communities. To this end, the DNA of our seed-to-feed business is to innovate and make available climate-smart high-yielding seed solutions, agronomic support, and training for the efficient utilization of arable land and other farming inputs to sustainably make both small and large-scale farming profitable enterprises that feed both people and livestock with catalytic effects on critical economic value chains.

## ABRIDGED GROUP INCOME STATEMENT

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2022

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	30 SEPTEMBER 2022 (Reviewed)	30 SEPTEMBER 2021 (Unaudited)	30 SEPTEMBER 2022	30 SEPTEMBER 2021
	ZWL\$'000			
Revenue	8,439,095	8,062,908	5,917,864	1,965,283
Cost of sales	(6,154,058)	(5,901,776)	(2,720,226)	(1,098,710)
<b>Gross profit</b>	<b>2,285,037</b>	<b>2,161,132</b>	<b>3,197,638</b>	<b>866,573</b>
Other income	20,454,863	2,084,536	16,813,323	442,769
Operating expenses	(4,632,567)	(3,456,445)	(3,742,880)	(853,712)
Sales and marketing costs	(1,031,666)	(489,396)	(535,955)	(132,847)
General and administrative costs	(1,919,467)	(1,935,974)	(1,938,237)	(470,983)
Research costs	(1,308,395)	(1,031,075)	(1,035,186)	(249,882)
Movement in expected credit losses	(373,039)	-	(233,502)	-
<b>Operating profit</b>	<b>18,107,333</b>	<b>789,223</b>	<b>16,268,081</b>	<b>455,630</b>
Finance income	1,816	1,106	1,291	271
Finance cost	(3,902,880)	(1,212,390)	(3,403,701)	(294,354)
Net monetary gain/(loss)	(8,418,295)	(3,845,820)	-	-
Share of profit from associates and joint venture (JV)	(1,163,988)	(275,929)	(591,109)	52,686
<b>Profit/(Loss) before tax</b>	<b>4,624,006</b>	<b>(4,543,810)</b>	<b>12,274,562</b>	<b>214,233</b>
Income tax expense	(2,017,440)	(2,886,709)	(6,246,466)	(137,788)
<b>Profit/(Loss) for the period</b>	<b>2,606,566</b>	<b>(7,430,519)</b>	<b>6,028,096</b>	<b>76,445</b>
<b>Attributable to:</b>				
Equity holders of the parent	<b>2,606,566</b>	<b>(7,430,519)</b>	<b>6,028,096</b>	<b>76,445</b>
<b>Earnings per share</b>				
Basic earnings per share	712.98	(1,126.31)	2,438.80	30.91
Diluted earnings per share	697.25	(1,124.97)	2,438.80	30.91
Headline earnings per share	716.02	(1,124.88)	2,443.30	32.34

## ABRIDGED GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2022

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	30 SEPTEMBER 2022 (Reviewed)	30 SEPTEMBER 2021 (Unaudited)	30 SEPTEMBER 2022	30 SEPTEMBER 2021
	ZWL\$'000			
Profit/(loss) for the period	2,606,566	(7,430,519)	6,028,096	76,445
<b>Other comprehensive (loss)/income</b>				
Share of other comprehensive income/(loss) from associates	(40,655)	787,400	(40,654)	295,193,251
<b>Total comprehensive income/(loss) for the period, net of tax</b>	<b>2,565,911</b>	<b>(6,643,119)</b>	<b>5,987,442</b>	<b>295,269,696</b>
<b>Attributable to:</b>				
Equity holders of the parent	<b>2,565,911</b>	<b>(6,643,119)</b>	<b>5,987,442</b>	<b>295,269,696</b>

## ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2022

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	30 SEPTEMBER 2022 (Reviewed)	30 SEPTEMBER 2021 (Unaudited)	30 SEPTEMBER 2022	30 SEPTEMBER 2021
	ZWL\$'000			
Opening shareholders' equity	29,564,081	30,488,306	12,807,727	6,345,103
Profit for the period	2,606,566	(7,430,519)	6,028,095	76,445
Other comprehensive (loss)/income	(40,655)	787,400	(40,654)	295,193
Dividend - cash	-	(6,338)	-	(2,376)
<b>Closing shareholders' equity</b>	<b>32,129,992</b>	<b>23,838,849</b>	<b>18,795,168</b>	<b>6,714,365</b>

## ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2022

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	30 SEPTEMBER 2022 (Reviewed)	31 MARCH 2022 (Audited)	30 SEPTEMBER 2022	31 MARCH 2022
	ZWL\$'000			
<b>ASSETS</b>				
PPE	16,533,886	16,863,434	6,254,961	6,322,021
Investment in associates and JV	6,017,675	12,075,989	3,812,519	4,444,283
Other financial assets	31,192	84,940	32,235	31,843
Inventories	13,242,689	8,833,882	12,439,548	2,431,420
Trade and other receivables	26,035,747	12,591,626	25,480,183	4,709,989
Cash and cash equivalents	1,118,005	691,900	1,118,005	259,391
<b>Total assets</b>	<b>62,979,194</b>	<b>51,141,771</b>	<b>49,137,451</b>	<b>18,198,947</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	126,700	126,700	2,472	2,472
Non-distributable reserves	30,716,510	30,757,165	7,856,333	7,896,988
Retained earnings	1,286,782	3,534,953	10,936,363	4,908,268
<b>Total equity</b>	<b>32,129,992</b>	<b>34,418,818</b>	<b>18,795,168</b>	<b>12,807,728</b>
<b>Liabilities</b>				
Deferred tax liability	5,008,494	6,171,446	4,501,575	1,435,501
Bank borrowings	18,762,294	8,238,446	18,762,294	3,088,560
Trade and other payables	7,078,415	2,313,061	7,078,414	867,158
<b>Total liabilities</b>	<b>30,849,203</b>	<b>16,722,953</b>	<b>30,342,283</b>	<b>5,391,219</b>
<b>Total equity and liabilities</b>	<b>62,979,195</b>	<b>51,141,771</b>	<b>49,137,451</b>	<b>18,198,947</b>

## ABRIDGED GROUP STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2022

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	30 SEPTEMBER 2022 (Reviewed)	30 SEPTEMBER 2021 (Unaudited)	30 SEPTEMBER 2022	30 SEPTEMBER 2021
	ZWL\$'000			
<b>Operating activities</b>				
Profit/(Loss) before tax	4,624,006	(4,543,810)	12,274,562	214,233
Non-cash adjustments	5,526,038	14,693,854	4,309,995	350,263
Working capital adjustments	(15,695,322)	(8,792,465)	(27,562,530)	(2,989,745)
Tax paid	(610,216)	(2,321,276)	(113,087)	1,266,992
<b>Operating cash flows</b>	<b>(6,155,494)</b>	<b>(963,697)</b>	<b>(11,091,060)</b>	<b>(1,158,257)</b>
<b>Investing activities</b>				
Proceeds from sale of PPE	7,170	19,124	3,751	6,468
Purchase of PPE	(274,411)	(349,516)	(238,385)	(201,388)
Loans and receivables net (advances)/receipts	(580)	(84,271)	(391)	(22,785)
Dividends received	-	-	-	632
Interest received	1,816	775	1,291	271
<b>Investing cash flows</b>	<b>(266,005)</b>	<b>(413,888)</b>	<b>(233,734)</b>	<b>(216,802)</b>
<b>Financing activities</b>				
Dividend paid	-	-	-	-
Net cash flows from investing activity	13,255,875	6,378,690	8,962,352	1,272,689
Interest paid	(3,902,880)	(4,605,528)	(3,403,702)	(294,354)
<b>Financing cash flows</b>	<b>9,352,995</b>	<b>1,773,162</b>	<b>5,558,650</b>	<b>978,335</b>
<b>Movement in cash and cash equivalents</b>	<b>2,931,496</b>	<b>395,577</b>	<b>(5,766,144)</b>	<b>(396,724)</b>
Effects of net monetary movement on cash and cash equivalents	(14,282,797)	4,344,042	-	-
Effects of exchange rate on forex	10,006,345	95,637	6,711,381	34,818
Cash and cash equivalents at beginning of period	2,462,961	(2,372,296)	172,768	534,673
<b>Cash and cash equivalents at end of period</b>	<b>1,118,005</b>	<b>2,462,960</b>	<b>1,118,005</b>	<b>172,767</b>



## 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 30 September. Inflation adjusted financial statements have been drawn up using the conversion factors derived from the Consumer Price Index (CPI) prepared by the Zimbabwe Central Statistic Office. The conversion factors used to restate the financial statements are as follows:

	Index	Conversion Factor
30 September 2022	12,713.12	1.00
31 March 2022	4,766.10	2.67
30 September 2021	3,342.02	3.80
31 March 2021	2,759.83	4.61
<b>Average for the six (6) months to:</b>		
30 September 2022	9,468.14	1.48
30 September 2021	3,043.50	4.19

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. Application of accounting policies**

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

**4. CAPEX**

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	30 SEPT 2022 (Reviewed)	30 SEPT 2021 (Unaudited)	30 SEPT 2022	30 SEPT 2021
	ZWL\$'000			
<b>Capital expenditure</b>	274,411	349,516	238,385	201,388
<b>5. Depreciation</b>	551,901	304,855	290,580	60,454
<b>6. Contingent liabilities</b>	Nil	Nil	Nil	Nil

There were no contingent liabilities in the period under review.

**7. Approval of financial statements**

These abridged financial statements were approved by the Board on 12 December 2022.

**8. External auditors' review conclusion**

The abridged Group results for the half year ended 30 September 2022, should be read in conjunction with the interim condensed consolidated inflation adjusted financial statements for the six months ended 30 September 2022, from which they have been extracted.

The interim condensed consolidated inflation adjusted financial statements for the six months ended 30 September 2022 have been reviewed by KPMG Chartered Accountants (Zimbabwe) and a qualified review conclusion issued thereon.

The auditors' review conclusion is qualified in respect of non-compliance with IFRS 13, *Fair Value Measurement*, in relation to the valuation of land and buildings, IAS 21, *The Effects of Changes in Foreign Exchange Rates*, in respect of accounting for blocked funds, IAS 28, *Investments in Associates and Joint Ventures*, in relation to applying inconsistent accounting policies and non-compliance with IAS 21 and IFRS 13 within the associates and joint ventures, IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* due to these areas of non-compliance remaining uncorrected in the comparative periods and the consequential impact of these items on IAS 29, *Financial Reporting in Hyperinflationary Economies*.

The independent auditors review conclusion has been made available to management and those charged with governance of Seed Co Limited. The engagement partner responsible for this review is Vinay Ramabhai (PAAB Practising Certificate Number 0569). The auditors' review conclusion is available for inspection at the Company's registered office.

D. E. B. Long  
Chairman  
12 December 2022

M. Nzwere  
CEO  
12 December 2022

## COMMENTARY

**Overview**

The first half of the year was an increasingly difficult operating environment in Zimbabwe with constant policy interventions. Liquidity crunch, foreign currency shortages and prohibitive borrowing costs were among the major obstacles encountered in the period. During the period under review, the cost of key agricultural inputs continued to rise and thereby threaten achievement of food security. On the global scale, the unending geopolitical dispute in Eastern Europe has had a massive impact on international supply chains compounding the challenges of fragile regional economies.

**Financial Performance**

Record local winter and barley sales were achieved during the first half i.e., a growth of 30% from prior year to 6,320mt. Overall, winter sales were 8% lower in the absence of repeat export sales. Last year 2,000mt of wheat was exported to Nigeria. On the other hand, maize seed sales began on a lower note as farmers did not pre-stock as they did in prior year given the liquidity crunch in the economy. The rollout of Government programmes was also delayed this year. This saw maize sales volumes declining by 45% from same prior year period.

On the export front, the business registered a notable 88% volume growth satisfying the shortage in the regional caused by drought in prior year particularly in East Africa.

On the local market, selling prices were regularly adjusted in line with inflationary pressures and exchange rate movements resulting in inflation-adjusted turnover being 5% higher than prior year.

Gross margins were stable in inflation-adjusted terms owing to inflation tracking price adjustments and the relatively lower carrying value of wheat stock carried over from prior year.

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

A loss was absorbed from associates mainly contributed by Seed Co International whose first half performance was subdued with notable early sales reduction in Malawi and drop in revenue in Nigeria due to product unavailability and in East Africa due to drought.

**Financial Position**

The carrying value of property, plant and equipment was relatively stable compared to last year end with no major capital expenditure during the period under review.

The business is still taking deliveries of raw seed and by the end of the first half 15,500mt tonnes of maize seed was in stock across all varieties. The business will have adequate seed available for this summer selling season.

The carrying value of debtors quadrupled from the closing position last year end and this is attributable to winter cereal credit sales as well as the revaluation of grower debts that were advanced denominated in USD. Nearly half of the debtors' book related to grower advances whose balances are being recovered with the delivery of raw seed.

Short-term borrowings increased in line with the borrowing cycle of the business, characterised with the intake of seed from growers as well as processing. The increase is also due to inflation-induced increase in working capital requirements as well as the need to fund delayed settlement of Government related debtors.

**Research and Development**

Research and Development remains the key pillar of the competitive advantage for the business. Various innovative research projects are underway to produce seed solutions in both existing product portfolio and new crops that are adaptable to the constantly evolving climate and disease regiment. The business has progressed well in crop diversification with remarkable work on rice and potato seeds having been recorded.

**Dividend**

No interim dividend was declared.

**Outlook**

Despite the harsh and uncertain operating environment, the Board and management will focus on defending the leading market position and stakeholder value enhancement by harnessing hard currency local sales as well as exploiting regional export opportunities. The business has adequate seed and is prepared for the main summer selling season which is now underway. The regional business is also well prepared for the season on the back of adequate stocks out of Zambia also serving the East African markets, improving economic environment in Zambia, stability in Tanzania and continued business growth in Mozambique. The Group has optimal varietal mix of seed to match the mixed rainfall forecasts with most parts of Southern Africa expecting normal to above normal rains and East Africa anticipating normal to below normal rains.

T. Chatiza  
Group Secretary

12 December 2022

## Directors

D E B Long (Group Chairman), P Gowero (Group Deputy Chairman), M Nzwere (Group CEO)\*, J Matorofa (Group CFO)\*, R C D Chitengu, Dr D Garwe, R Fournier, M S Ndoro, F Savin, P Spadin. \*Executive



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## **Independent auditor's report on review of interim condensed consolidated inflation adjusted financial statements**

***To the shareholders of Seed Co Ltd***

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### **Introduction**

We have reviewed the accompanying interim consolidated inflation adjusted statement of financial position of Seed Co Ltd and its subsidiaries (“the Group”) as at 30 September 2022, the consolidated inflation adjusted income statement, consolidated inflation adjusted statement of other comprehensive income, consolidated inflation adjusted statement of changes in equity and consolidated inflation adjusted statement of cash flows for the six month period then ended, and notes to the interim condensed consolidated inflation adjusted financial statements. Management is responsible for the preparation and presentation of these interim condensed consolidated inflation adjusted financial statements in accordance with IAS 34, Interim Financial Reporting. Our responsibility is to express a conclusion on these interim condensed consolidated inflation adjusted financial statements based on our review.

### **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent 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 Qualified Conclusion**

#### ***Matter 1: Valuation of land and buildings (IFRS 13, Fair Value Measurement (“IFRS 13”))***

The Group’s property, plant and equipment (“PPE”) which is carried at ZWL 16 533 886 250, as disclosed in note 7 includes land and buildings, plant and machinery, equipment and motor vehicles. The PPE balances were revalued as at 31 March 2022 and as at 31 March 2021, using inputs which were not in accordance with IFRS 13. The prior year audit opinion for the year ended 31 March 2022, and review conclusion for the six-month period ended 30 September 2021, issued by the predecessor auditor, were also modified due to these matters. Accordingly, these matters impact the comparable periods presented.



Values as at 30 September 2022 were determined by applying the change in CPI from 31 March 2022 to 30 September 2022. As the prior period matters were not addressed, the misstatements continued in the current period, however, could not be quantified, as alternative appropriate inputs were not determined.

Consequently, the following line items are impacted in the current and prior period: Property, plant and equipment, asset revaluation reserve, and deferred tax liability in the consolidated inflation adjusted Statement of Financial Position, and the associated depreciation charges included in cost of sales and operating expenses and deferred tax charges in the interim condensed consolidated inflation adjusted Income Statement.

***Matter 2: Equity accounting for joint ventures and associates due to inconsistent accounting policies applied to the Group and underlying equity accounted amounts not being correct due to modified audit opinions***

The investments in associate and joint venture is disclosed in note 8.2. The share of loss from associates and joint venture is stated as ZWL 789 779 189, and the investment in associates and joint venture balance is stated at ZWL 6 727 712 176. These balances are misstated due to the following matters:

- a) In respect of the associate company, Quton Seed Company (Private) Limited, property, plant and equipment (PPE) is recorded on the cost model, which is not consistent with the Group's annual revaluation policy. The Group has not made any adjustments at a consolidation level as required by IAS 28, *Investments in Associates and Joint Ventures*.
- b) While the Group's share of foreign creditors related to blocked funds in Quton Seed Company (Private) Limited are correctly stated as at 30 September 2022, after conversion at auction rate, the comparative foreign creditor balances and the associated exchange losses were not recorded at an appropriate exchange rate in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates* ("IAS 21"), and have not been corrected in terms of IAS 8, *Accounting policies, Changes in accounting Estimates and Errors*.
- c) The ZWL valuation inputs used to revalue the PPE amounts for Prime Seed Co (Private) Limited, an associate company, were not considered to be appropriate in determining fair values in accordance with IFRS 13, *Fair Values*.

These are prior period errors which have not been corrected in terms of IAS 8 and are continuing in the current interim period.

The impact of these matters is considered to be material, however, cannot be quantified in respect of the share of loss from associates and joint ventures and the investment in associates and joint venture. The prior year audit opinion for the year ended 31 March 2022 and review conclusion for the six-month period ended 30 September 2021, issued by the predecessor auditor, were also modified due to these matters.

***Matter 3: Accounting for foreign currency denominated payables related to Blocked Funds***

Foreign currency denominated payables were incorrectly translated at an exchange rate of ZWL\$1: US\$1 for the year ended 31 March 2021 and the six-month period ended 30 September 2021, which was not in accordance with IAS 21. As a result, exchange gains and losses (within other income) in the comparative consolidated inflation adjusted Income Statement of ZWL 2 084 535 613 remains materially misstated.



***Matter 4: Consequential impact of matters 1 and 3 on accounting for IAS 29, Financial Reporting in Hyperinflationary Economies (“IAS 29”)***

Furthermore, notwithstanding that IAS 29 has 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, the amounts specified on matters 1 to 3 above as per the condensed consolidated inflation adjusted financial statements would have been materially different.

Consequently, the monetary loss of ZWL 8 418 294 931 on the consolidated inflation adjusted Income Statement are impacted. The prior year audit opinion for the year ended 31 March 2022 and review conclusion for the six-month period ended 30 September 2021, issued by the predecessor auditor were also modified due to this matter.

**Qualified Conclusion**

Except for the adjustments to the interim condensed consolidated inflation adjusted financial statements that we might have become aware of had it not been for the matters described in the Basis for Qualified Conclusion paragraph above, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated inflation adjusted financial statements as at 30 September 2022 is not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting.

**Other Matter - Comparative Information Audited by Another Auditor**

The reviewed interim condensed consolidated inflation adjusted financial statements of Seed Co Limited and its subsidiaries as at and for the six-month period ended 30 September 2021 and the audited financial statements as at and for the year ended 31 March 2022 were reviewed and audited by another auditor who expressed an adverse review conclusion and an adverse audit opinion, respectively, on those consolidated inflation adjusted financial statements on 20 December 2021 and 7 July 2022, respectively, due to non-compliance with IFRS 13, IAS 28, IAS 8 and the resulting impact on IAS 29 as noted above.

**Other Information**

The Directors are responsible for the other information included in the interim condensed consolidated inflation adjusted financial statements for the six-month period ended 30 September 2022. The other information comprises Corporate Information and the Directors Responsibility Statement and the financial information in the interim condensed consolidated inflation adjusted financial statements titled “Unaudited Historical Cost” but does not include the interim condensed consolidated inflation adjusted financial statements.

Our conclusion on the interim condensed consolidated inflation financial statements does not cover the other information and we do not express a conclusion or any form of assurance conclusion thereon.

In connection with our review of the interim condensed consolidated inflation financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the interim condensed consolidated inflation financial statements or our knowledge obtained in the review, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that



there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

KPMG

Vinay Ramabhai  
Chartered Accountant Zimbabwe  
Registered Auditor  
PAAB Practicing Certificate Number 0569

13 December 2022

For and on behalf of, KPMG Chartered Accountants (Zimbabwe), Reporting Auditors

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