

ABRIDGED GROUP AUDITED RESULTS

FOR THE YEAR ENDED 31 MARCH 2013



The African Seed Company



COMMENTARY

Overview

The financial year ended 31 March 2013 was a challenging one, as reported during the interim results, particularly in Zimbabwe where the whole market's aggregate seed uptake shrunk by close to 45% on the back of:

- Reduced Zimbabwe Government and related input programmes. The seed intake by these programmes came down by almost 47% compared to prior year. Over the last decade these institutions have been the major customers for seed.
- Very late rains which only started falling just before Christmas which was already too late for any effective planting. Rains are always a major catalyst in terms of the small scale farmers buying their seed requirements.
- Tight liquidity challenges facing the small scale farmers compounded by the absence of agricultural funding at concessionary rates.
- Carryover seed stocks in the GMB depots and households from last year's input programme.
- Price wars in the cotton industry which severely affected the seed uptake of most of the small scale farmers.
- The Malawi Government order which significantly pushed up cotton seed sales last year did not occur this year.

Winter cereal sales volumes are 41% down from prior year, again due to the perennial electricity shortages and liquidity challenges.

The other major markets of Zambia, Malawi, Tanzania and Kenya recorded steady growth contributing to over 60% to Group turnover.

Financial Results

Revenue:

Revenue for the period at \$111m was 6% lower than prior year while the overall sales volumes were 10% lower than the comparative period mainly due to the reasons above.

Margins

Gross margins at 46% were marginally higher than prior year of 45%. This was 3% lower than expected due to the 134% devaluation of the Malawi kwacha which significantly eroded the seed selling price.

Overheads

Overheads were 5% higher than prior year due to the \$2m retrenchment costs across the Group as we right sized to increase efficiency and agility.

Finance Charges

Finance charges have increased by 72% as compared to the same period last year due to carryover borrowings used to finance stocks. The receipts from Government and related institutions have also been slower than agreed consequently leading to higher than anticipated interest cost on carry over borrowings.

Profit After tax

The Group achieved a profit after tax of \$12.6 m with 70% of this amount coming from the region outside Zimbabwe.

Statement of financial position

Current assets at \$116 million were 3% higher than prior year while inventories reduced by 16%. Slow performance of Government debt especially in Zimbabwe resulted in accounts receivable increasing by 41% as compared to prior year. Borrowings remained at almost the same levels as prior year although they are now at much lower interest rates.

Seed Supply

The Group will continue to rationalize its production levels in the various markets in order to ensure that the markets are adequately served.

Research and Technology

During the period, the Group released a total of 16 new products in various markets, of which 7 were maize, 5 soya bean, 3 wheat and 1 cotton. Independent product trials still indicate the Group's products are performing significantly better than competitors.

Outlook

The Group looks forward to a year of steady growth underpinned by:

- Better support for agriculture after the impending elections in Zimbabwe.
- Continued growth in East Africa with further gains in market share in Tanzania and entry into the highland market in Kenya with our recently released varieties.
- Increased subsidy and Presidential Input Initiatives program in Malawi with elections less than a year away
- Coming of age of the new cotton seed businesses in Tanzania and Malawi, with all the plants now fully installed and operational.
- Introduction of the e-voucher system in Zambia which will give the farmers choice in terms of the seed they buy.
- Lower finance charges with cash tied in inventories reduced.
- Increased cooperation with other leading world seed houses which is expected to enhance the Group's access to latest technologies in its seed breeding efforts.
- Business development work in West Africa which continues to be intensified.
- Further release of new products.

DIRECTORATE

There were no changes to the Directorate during the period.

DIVIDEND

In order to allow the business to balance its working capital, the Group will not declare a dividend this year. By Order of the Board

J. Matorofa
SECRETARY

Registered Office

Shamwari Road
Stapleford

Transfer Secretaries

Corpserve (Pvt) Ltd
4th Floor Intermarket Centre
Corner First Street/Nkwame
Nkrumah Avenue, Harare

Directors: B L Nkomo (Chairman); P St. L. Devenish; C. Kabaghe; D E B Long; J Matorofa (Group Finance Director); M.S. Ndoro; B Mudzimurema; M Nzwere (Group Chief Executive); J P Rooney; Dr C.B.M Utete; Dr D Garwe.

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. It is a holding company for a Group of companies domiciled in Botswana, Kenya, Malawi, Tanzania, Zambia and Zimbabwe whose principal activities are the processing of agricultural seed on a commercial basis.

-The financial statements are presented in the United States dollars being the currency of primary economic environment, in which the Group operates.

2. Accounting Policies

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

3. Basis of Preparation

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

4. Capital Expenditure

-Capital expenditure for the period was US\$9,651,033 (2012:US\$9,801,838).

5. Commitments for Capital Expenditure

-Authorised by directors but not contracted was US\$11,445,623 (2012:US\$9,850,000)

-The capital expenditure will be financed out of the Group's own resources and existing facilities.

6. Depreciation

-Depreciation for the year was US\$3,605,500 (2012:US\$2,970,188)

7. Approval of financial statements

-The underlying financial statements to these results were approved by the Board on 21 May 2013.

8. Audit opinion

-The Group auditors, Ernst & Young have issued an unmodified opinion on the consolidated financial results of the Group. The signed audit opinion is available for inspection at the registered office of Seed Co Limited at Shamwari Road, Stapleford, Harare.

ABRIDGED GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013

	Group	
	2013	2012
	US\$	US\$
Revenue	110,641,877	117,708,460
Cost of sales	(59,768,861)	(64,672,558)
Gross profit	50,873,016	53,035,902
Other income	2,762,370	3,163,006
Operating expenses	(30,900,273)	(29,345,292)
Operating profit	22,735,113	26,853,616
Finance income	217,431	891,143
Finance costs	(7,418,190)	(4,288,507)
Profit before taxation	15,534,354	23,456,252
Income tax expense	(2,912,599)	(4,370,769)
Profit for the year	12,621,755	19,085,483
Attributable to:		
Equity Holders of the parent	12,609,819	19,159,285
Non-Controlling Interest	11,936	(73,802)
Profit/(loss) attributable to shareholders	12,621,755	19,085,483
Earnings per share		
Basic EPS	6.49	9.90
Diluted EPS	6.30	9.76

ABRIDGED GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2013

	Group	
	2013	2012
	US\$	US\$
Profit for the year	12,621,755	19,085,483
Other comprehensive income		
Net exchange difference on translation	(7,407,889)	(2,991,887)
Total comprehensive income for the year, net of tax	5,213,866	16,093,596
Attributable to:		
Equity Holders of the parent	5,201,930	16,167,398
Non controlling interest	11,936	(73,802)
	5,213,866	16,093,596

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2013

	Attributable to owners of the parent			Changes of ownership Reserve	Total	Non-controlling interest	Total equity
	Share capital	Non-distributable reserves	Retained earnings				
	US\$	US\$	US\$		US\$	US\$	US\$
As at 31 March 2011	193,008	16,796,733	52,832,157	192,777	70,014,675	-	70,014,675
Profit for the year	-	-	19,159,285	-	19,159,285	(73,802)	19,085,483
Other comprehensive income	-	(2,991,887)	-	-	(2,991,887)	-	(2,991,887)
Total comprehensive income	193,008	13,804,846	71,991,442	192,777	86,182,073	(73,802)	86,108,271
Dividends	-	-	(4,637,746)	-	(4,637,746)	-	(4,637,746)
Share options exercised	1,145	143,692	-	-	144,837	-	144,837
Depreciation transfer for property, plant and equipment	-	(471,638)	471,638	-	-	-	-
Share based payments	-	302,514	-	-	302,514	-	302,514
Change of ownership	-	-	31,629	(2,500)	29,129	(29,129)	-
As at 31 March 2012	194,153	13,775,610	67,860,767	190,277	82,020,807	(102,931)	81,917,876
Profit for the year	-	-	12,609,819	-	12,609,819	11,936	12,621,755
Other comprehensive income	-	(7,407,889)	-	-	(7,407,889)	-	(7,407,889)
Dividends	-	-	(3,183,983)	-	(3,183,983)	-	(3,183,983)
Realisation of revaluation reserve	-	(17,916)	17,916	-	-	-	-
Share options exercised	220	21,180	-	-	21,400	-	21,400
Depreciation charged against revaluation	-	(471,638)	471,638	-	-	-	-
Share based payments	-	64,538	-	-	64,538	-	64,537
As at 31 March 2013	194,373	5,963,885	77,776,157	190,277	84,124,692	(90,995)	84,033,697

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2013

	2013	2012
	US\$	US\$
ASSETS		
Property, plant and equipment	43,120,223	42,565,292
Investment property	332,234	331,947
Other non-current assets	921,212	897,931
Current assets	116,539,883	113,610,733
Total assets	160,913,552	157,405,903
EQUITY AND LIABILITIES		
Equity		
Share capital	194,373	194,153
Non-distributable reserves	6,154,162	13,965,887
Retained earnings	77,776,157	67,860,767
Equity attributable to equity holders of the parent	84,124,692	82,020,807
Non-controlling interest	(90,995)	(102,931)
Total equity	84,033,697	81,917,876
Liabilities		
Other non-current liabilities	1,446,936	65,790
Deferred tax liability	9,525,648	10,409,164
Bank borrowings	45,594,266	44,471,044
Current liabilities	20,313,005	20,542,029
Total liabilities	76,879,855	75,488,027
Total equity and liabilities	160,913,552	157,405,903

ABRIDGED GROUP STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 MARCH 2013

	2013	2012
	US\$	US\$
Operating activities		
Profit before tax	15,534,354	23,456,252
Non-cash adjustment to reconcile profit before tax to net cashflows	12,178,026	3,583,021
Working capital adjustments	(16,102,912)	(23,774,145)
Net cash flows from operating activities	11,609,468	3,265,128
Investing activities		
Proceeds from sale of property, plant and equipment	123,563	470,788
Purchase of property, plant and equipment	(8,433,357)	(9,801,838)
Purchase of other non-current financial assets	(95,529)	(185,000)
Increase/ (decrease) in biological assets	17,978	(129,982)
Sale of other non-current financial assets	-	79,704
Interest received	217,431	891,143
Net cash flows used in investing activities	(8,170,104)	(8,675,185)
Financing activities		
Dividend paid	(3,183,983)	(4,637,746)
Proceeds from issue of share capital	21,400	144,837
Short term loan paid	(1,516,905)	(750,000)
Long term loan received	1,189,484	-
Finance lease liabilities repaid	(65,809)	(486,620)
Interest paid	(7,418,190)	(4,288,507)
Net cash flows used in financing activities	(10,974,003)	(10,018,036)
Net decrease in cash and cash equivalents	(7,534,639)	(15,428,093)
Effects of exchange rate changes	(700,855)	614,310
Cash and cash equivalents at beginning of year	(32,734,049)	(17,920,266)
Cash and cash equivalents at end of year	(40,969,543)	(32,734,049)