

ABRIDGED GROUP AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2014



The African Seed Company

Partnership for growth

COMMENTARY

Highlights

- Earnings**
- Group revenue increased by 9% to \$120m.
 - Maize volumes increased by 16%.
 - Winter cereal sales increased by 21%.
 - Cotton and soya bean seed volumes disappointing.
 - Regional businesses earnings contributed 72% of the Group earnings as compared to 70% in prior year.

Research and Development

- Construction of the Research Technology Laboratory nearing completion.
- Five maize hybrids, four soya bean varieties and two sugar bean varieties were released during the year.

Capitalisation

- First phase of Equity partnership with Limagrain concluded.
- Construction of the seed processing factory in Malawi almost complete.

Financial Results

- Revenue:** Group revenue at \$120m was 9% higher than prior year. This was driven largely by a 31% increase in winter cereals and 16% increase in seed maize.

Developing businesses in Tanzania and Kenya continue to grow.

Margins

Margins remained flat at 4% due to stock write-downs which were done to ensure quality is maintained on all seed, as well as re-handling costs related to the changeover to a new fungicide and packaging.

Overheads

Overheads were 4% higher than prior year before exceptional items of \$3m being impairment of deposit receivable from a Zimbabwean financial institution currently under curatorship, and a \$2m general provision for bad debts across the Group to take account of slow moving retail debtors from previous years.

Finance Charges

Finance charges are higher than prior year due to delayed receipts from Government and quasi-Government institutions that have been slower on their payments than agreed, and, consequently placing a significant strain on the cash flows.

Finance Income

The increase is from interest charged on overdue debts from Governments.

Profit After tax

The Group after tax profit was reduced by the impairments.

Statement of financial position

The Statement of financial position has grown by 6% to \$170m.

Non-Current Assets

The non-current assets have grown by 11% to \$48.7m due to a \$7.7m factory construction in Malawi that is nearing completion.

Current Assets

The current assets at \$121 million were 4% higher than prior year in spite of 24% reduction in inventories.

Trade receivables have gone up 23% to \$75m. Almost half of this is due from Zimbabwe Government and related institutions. This debt is fully acknowledged but the liquidity challenges the Government's making it difficult to profit when this amount will be received. The relevant authorities are being constantly engaged.

The Zambia Government was able to clear all the amounts owed for current year seed purchases before financial year end.

In Malawi, the \$6.8m DFID coupon redemption programme is in progress and the payments are now coming straight from the donors.

In Tanzania, the Cotton Development Fund owes Quton Tanzania \$4m dollars and while the Government has committed to pay, the payment are coming in very slowly. In Seed Co Tanzania, the selling season ends in early April and payments are expected after year end.

Borrowings

Borrowings have been reduced by 23% to \$35.8m due to early payment by the Zambia Government as well as capital injection from issue of shares to the new equity partner.

Seed Supply

The Group's stocks are now at optimum levels.

Research and Technology

During the period, the Group released 11 new products as mentioned above. The Group's products performance continue to dominate independent product trials in the various countries we operate.

The Technology Laboratory for stepping up Double Haploid line generation and initiating of electrophoretic fingerprinting is nearing completion in Harare. Laboratory equipment is currently being procured.

The strategic alliance between Limagrain and Seed Co is bearing fruit having set up a Research and Development strategic committee to spearhead the key projects. The Group is already benefiting from the R&D technical expertise of Limagrain.

We continue to increase collaboration with other International research institutions.

Corporate Social Responsibility

We are cognisant of the plight of small scale farmers in the rural communities we operate in. In order to improve their livelihoods, Seed Co has partnered with rural communities in Zomba district in Malawi and constructed a bridge linking some communities to enable them to have access to markets for their produce as well as to key facilities like hospitals and schools.

In Zambia, Seed Co constructed a school block and teachers' houses in a very under developed rural area in Mukushi and this has enabled the school children in this rural community to have access to basic education.

Outlook

The Group looks forward to the future with optimism arising from:

- Continued growth in East Africa with further gains in market share in Tanzania and entry into the highland variety market in Kenya.
- Continuation of the subsidy programme in Malawi and improved product pricing in this market.
- The recently released 300 early maturing hybrid series should also increase uptake by commercial farmers in drier areas due to the earliness of the varieties.
- The strategic technical equity partnership with Limagrain is expected to enhance the Group's access to latest technologies in its seed breeding and germplasm exchange in addition to technology transfer through training and development and expertise in joint research strategies and activities. The fresh capital will finance growth in new existing markets and enable the Company to sustain its dominant position in seed business in Africa.
- New seed packaging which is expected to re-energise our brands in all markets.
- Business development work in West Africa which continue to be intensified with incremental investment which will bear fruit in the next few years.

Directorate

Messrs Bokithemba Nkomo, Patrick St L Devenish and Benard Mudzimurema resigned from the board on 28 February 2014. The Board once again wishes to thank them for their sterling contribution that these gentlemen made to the company and wish them success going forward.

The Board welcomes the appointment of Messrs Bruno Carrette and Jean-Christophe Juilliard who joined the Board on 3 December 2013.

The Board also welcomes the appointment of Mr. P Gowero who joined the Board on 5 June 2014.

Dividend

The Board is recommending that no dividends be declared this year in order to allow stabilization of the business and expansion into new markets.

By Order of the Board

J. Matorofa
SECRETARY
5 June 2014

Registered Office
Shamwari Road
Stapleford

Transfer Secretaries
Compserve (Pvt) Ltd
4th Floor Intermarket Centre
Corner First Street/Newname
Nkumali Avenue, Harare

Directors: J P Rooney (Chairman); M Nzwere (Group Chief Executive); B Carrette; Dr D Garwe; P Gowero; J C Juilliard; C. Kabaghe; D E B Long; J Matorofa (Group Finance Director); M S Ndoro; Dr C.B.M Utete.

ABRIDGED GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2014

	2014 US\$	2013 US\$
Revenue	120,187,885	110,641,877
Cost of sales	(66,476,141)	(59,768,861)
Gross profit	53,711,744	50,873,016
Other income	2,722,995	2,762,370
Operating expenses	(37,841,301)	(31,067,753)
Operating profit	18,593,438	22,567,633
Finance income	4,912,611	217,431
Finance costs	(7,948,152)	(7,418,190)
Profit before taxation	15,557,897	15,366,874
Income tax expense	(3,724,466)	(2,912,599)
Profit for the year	11,833,431	12,454,275
Attributable to:		
Equity holders of the parent	11,795,957	12,442,339
Non-controlling interest	37,474	11,936
	11,833,431	12,454,275

Earnings per share

	2014	2013
Earnings per share – basic, for profit for the year attributable to equity holders of the parent – cents	5.89	6.40
Diluted earnings per share, for profit for the year attributable to equity holders of the parent – cents	5.89	6.23

ABRIDGED GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014

	2014 US\$	2013 US\$
Profit for the year	11,833,431	12,454,275
Other comprehensive income		
Net exchange difference on translation	(6,748,766)	(7,407,889)
Total comprehensive income for the year, net of tax	5,084,665	5,046,386
Attributable to:		
Equity Holders of the parent	5,070,346	5,034,450
Non-Controlling Interest	14,319	11,936
	5,084,665	5,046,386

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 2014

	2014 US\$	2013 US\$	1 April 2012 US\$
ASSETS			
Property, plant and equipment	47,126,710	43,120,223	42,565,292
Investment property	342,200	332,234	331,947
Other non-current assets	1,653,495	921,212	897,931
Inventories	32,567,929	43,034,343	51,449,829
Trade receivables	75,020,642	61,121,070	49,879,209
Other current assets	13,600,893	12,384,470	12,281,695
Total assets	170,311,869	160,913,552	157,405,903
EQUITY AND LIABILITIES			
Equity			
Share capital	206,026	194,373	194,153
Non-distributable reserves	12,296,723	6,154,162	13,965,887
Retained earnings	89,356,965	77,283,760	67,535,850
Equity attributable to equity holders of the parent	101,859,714	83,632,295	81,695,890
Non-controlling interest	(76,676)	(90,995)	(102,931)
Total equity	101,783,038	83,541,300	81,592,959
Liabilities			
Deferred tax liability	8,586,951	8,441,727	9,426,454
Bank borrowings – non-current	4,164,979	1,446,936	65,790
Bank borrowings – current	31,702,278	45,594,266	44,471,044
Current liabilities	24,074,623	21,889,323	21,849,656
Total liabilities	68,528,831	77,372,252	75,812,944
Total equity and liabilities	170,311,869	160,913,552	157,405,903

ABRIDGED GROUP STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 MARCH 2014

	2014 US\$	2013 US\$
Operating activities		
Profit before tax	15,557,897	15,366,874
Adjustment to reconcile profit before tax to net cashflows	5,160,889	12,178,026
Working capital adjustments	(911,781)	(10,605,860)
Income tax paid	(4,267,539)	(5,329,572)
Net cash flows from operating activities	15,539,466	11,609,468
Investing activities		
Proceeds from sale of property, plant and equipment	387,143	123,563
Purchase of property, plant and equipment	(8,972,676)	(8,433,547)
Purchase of held-for-trading investments	(739,372)	(95,529)
(Increase)/decrease in biological assets	(356,628)	17,978
Interest received	171,994	217,431
Net cash flows used in investing activities	(9,590,539)	(8,170,104)
Financing activities		
Dividend paid	-	(3,183,983)
Proceeds from issue of share capital	13,080,535	21,400
Short term loan paid	(32,595)	(1,516,905)
Long term loan received	2,813,265	1,189,484
Finance lease liabilities paid	(669,201)	(65,809)
Interest paid	(7,948,152)	(7,418,190)
Net cash flows used in financing activities	7,243,882	(10,974,003)
Net decrease in cash and cash equivalents	13,273,779	(7,534,639)
Effects of exchange rate changes	20,100	(700,855)
Cash and cash equivalents at beginning of year	(40,969,543)	(32,734,049)
Cash and cash equivalents at end of year	(27,675,664)	(40,969,543)

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2014

	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\$	US\$
As at 31 March 2012	194,153	13,775,610	68,443,975	190,277	82,604,015	(102,931)	82,501,084
Adjustment of retained earnings	-	-	(908,125)	-	(908,125)	-	(908,125)
As at 31 March 2013	194,153	13,775,610	67,535,850	190,277	81,695,890	(102,931)	81,592,959
Profit for the year	-	-	12,442,339	-	12,442,339	11,936	12,454,275
Other comprehensive income	-	(7,407,889)	-	-	(7,407,889)	-	(7,407,889)
Total comprehensive income	-	-	12,442,339	-	12,442,339	11,936	12,454,275
Dividends	-	-	(3,183,983)	-	(3,183,983)	-	(3,183,983)
Realisation of revaluation reserve on disposal	-	(17,916)	17,916	-	-	-	-
Share options exercised	220	21,180	-	-	21,400	-	21,400
Realisation of revaluation reserve through use of Share based payments	-	(471,638)	471,638	-	-	-	-
Share based payments	-	64,538	-	-	64,538	-	64,538
As at 31 March 2013	194,373	5,963,885	77,283,760	190,277	83,632,295	(90,995)	83,541,300
Profit for the year	-	-	11,795,957	-	11,795,957	37,474	11,833,431
Other comprehensive income	-	(6,725,611)	-	-	(6,725,611)	(23,155)	(6,748,766)
Total comprehensive income	-	-	11,795,957	-	11,795,957	14,319	11,833,431
Issue of share capital	10,273	(6,725,611)	-	-	(6,715,338)	-	(6,715,338)
Realisation of revaluation reserve on disposal	-	(40,827)	40,827	-	-	-	-
Share options exercised	1,652	304,348	-	-	306,000	-	306,000
Realisation of revaluation reserve through use of Share based payments	-	(236,421)	236,421	-	-	-	-
Share based payments	-	76,538	-	-	76,538	-	76,538
As at 31 March 2014	206,298	12,106,174	89,356,965	190,277	101,859,714	(76,676)	101,783,038

SUPPLEMENTARY INFORMATION

1. Corporate Information

Seed Co Limited is a Pan African Company incorporated 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.

These 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 for the underlying financial statements is International Financial Reporting Standards.

4. Capital Expenditure

Capital expenditure for the period was US\$8,972,676 (2013:US\$8,433,547).

5. Commitments for Capital Expenditure

Authorised by directors but not contracted was US\$8,274,547 (2013:\$11,445,623).

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

6. Depreciation

Depreciation for the year was US\$3,958,352 (2013:US\$3,605,500).

7. Prior period adjustment

The restatement relate to an error in the treatment of grower advances in the computation of income tax in the years 2010, 2011, 2012 and 2013 in one of the SBUs.

8. Approval of financial statements

The underlying financial statements to these results were approved by the Board on 5 June 2014

9. 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.

Directors: J P Rooney (Chairman); M Nzwere (Group Chief Executive); B Carrette; Dr D Garwe; P Gowero; J C Juilliard; C. Kabaghe; D E B Long; J Matorofa (Group Finance Director); M S Ndoro; Dr C.B.M Utete.