

ABRIDGED GROUP AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2015



The African Seed Company

75 years of helping Africa achieve food security



COMMENTARY

Highlights

- PAT up 27% to \$15m
- Basic and Diluted EPS up 17% to 6.9 cents and 6.8 cents respectively
- Operating costs down by 11%

Research and Development

- Construction of the Research Technology Laboratory complete.
- Five maize, four soya bean, and two sugar bean varieties released.

Capitalisation

- Second phase of Equity partnership with Limagrain concluded.
- Disposal of the 60% stake in the Quton business to a technical partner completed.
- New factory and seed conditioning plant commissioned in Malawi.

Financial Results

Group turnover reduced by 11% to \$95m due to maize seed product shortages as demand shifted to the medium to short season varieties due to poor rains, and subdued input programs across the region.

Margins

Margins remained at prior year levels.

Other Income

Other Income increased due to exchange gains and non-seed sales.

Overheads

Operating costs at \$31.2m were contained at 11% below prior year, with major emphasis being placed on increased investment in research and development, expansion of the distribution network in the new markets and brand building activities in all markets with launch of new packaging. Reduced credit sales and tight credit risk management significantly reduced impairments.

Finance Charges

Finance charges reduced by 56% benefitting from aggressive debt collection and injection of new capital from the technical partner.

Earnings

Profit After Tax from continuing operations increased by 19% to \$14.9m.

Discontinued operations

The loss for the year from cotton seed businesses of \$2.4m was offset with the profit on disposal of the 60% stake of \$2.6m.

Statement of financial position

Non-current assets went up by 81% due to the inclusion of treasury bills worth \$23.7m issued by the government of Zimbabwe, in the Held to Maturity Investments category.

The increase in property, plant and equipment was mainly due to the capitalization of the Malawi factory, warehouse and new office complex which was commissioned in November 2014 and revaluation of land and buildings at year end.

The Investment in Associate of \$3.5m represents the 40% remaining stake in Quton Seed Company.

Current Assets

The current assets at \$98 million were 19% lower than prior year mainly due to the concerted efforts on debt collection and management of inventories downwards.

Accounts Receivable

• Accounts receivable reduced by 41% to \$44m due to more aggressive debt collections and the conversion of \$23.9m due from Zimbabwe Government to 3-5 year treasury bills at an average interest rate of 5% per annum.
• Out of the \$44m trade receivables, various Governments across the region owed the Group \$20m, of which \$7.8m was collected after year end
• The Group also collected \$10.6m from retail debtors after year end.

Inventory Levels

Inventories were reduced by 35% to \$21.3m as the Group entered its last phase of clearing all the carry over stocks. The stock re-balancing exercise aimed at substantially reducing inventory levels across all SBUs which was embarked on some two seasons ago was completed and with the Group experiencing a stock out position in the early and medium maturing varieties in most markets, we have started ramping up production to meet demand in the coming season.

Other Current assets

These have doubled to \$32.4m due to \$14m short term funds at year end deposited with reputable banks at favourable interest rates. Included in other current assets are prepayments of \$6m for seed to be delivered after year end (prior year \$1.6), grower inputs and advances & \$7.1m (prior year \$6.9) all to be deducted from seed deliveries, cash and cash equivalents \$6.1m (prior year \$4m).

Borrowings

Intensified debt collection, increased sales on near cash terms and the second tranche of the capital injection from the Limagrain transaction reduced the net debt position of the Group from \$28m last year to \$5m at year end.

Seed Supply

With stock outs at almost all the business units, production has been increased to ensure enough product to meet demand in the coming season with more emphasis on and short to medium season varieties.

Research and Technology

The Maize Lethal Necrosis Disease (MLND) is still a great concern in East Africa and we are continuing collaboration with CIMMYT and Limagrain to develop MLND resistant products. The newly completed Technology Laboratory at Rattray Arnold Research Station is now functional.

New Business Development

Efforts are continuing to develop the business in Nigeria amid challenges of securing production contracts with competent growers as well as instability from political extremists in that country.

In Ethiopia, difficulties of securing a business licence continue to hamper progress, and we have approached the Secretariat for the Common Markets for East and Central Africa for assistance.

DRC continues to be an exciting market and more resources are being channelled towards developing this promising business.

Outlook

- The Group is optimistic of future growth coming from:
 - The strategic technical equity partnership with Limagrain, which has enabled the Group's R&D efforts to access the latest technologies in seed breeding, as well as broadening genomic diversity through germplasm exchange and technology transfer aided by the use of the recently commissioned Technology Laboratory.
 - The acquisition of Zimbabwe's leading vegetable seed distribution company and leveraging on the expertise of Limagrain in this new line of business in all our markets.
 - Increasing market share in East Africa with Kenya, Tanzania and DRC all continuing on an impressive growth project.
 - Continued Government and donor-funded input programs in Zambia and Malawi
 - Breaking into the West African market with high performing proprietary and licensed products as we continue to intensify our bulking of released products in this market.
 - Increasing demand of ultra early maize seed varieties released by research and development activities of the Group.

Directorate

Mr Michel Debrand was appointed to the Board with effect from 7 November 2014.

Dividend

The board is recommending that a dividend of 1.00 cent per share be declared to shareholders in the register as at 26 June 2015. The dividend will be paid to shareholders on or about 29 July 2015.

By Order of the Board

Registered Office

Transfer Secretaries

J. Matorofa

Shamwari Road

Corpserve (Pvt) Ltd

SECRETARY

Stapleford

4th Floor Intermarket Centre

Corner First Street/Nkwame

Nkrumah Avenue, Harare

Directors: J.P. Rooney (Chairman), M.Nzwere (Group Chief Executive), B. Carrette, M. Debrand, Dr. D. Garwe, P. Gowero, J.C. Juilliard (alt G. Longour), C. Kabaghe, D.E.B. Long, J. Matorofa (Group Finance Director), M.S. Ndoro, Dr. C.B.M. Ute.

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

2. Accounting Policies

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

3. Basis of Preparation

The abridged financial statements have been extracted from the annual financial statements which have been prepared in conformity with International Financial Reporting Standards.

4. Capital Expenditure

- Capital expenditure for the period was US\$8,544,904 (2014:US\$8,972,626).

5. Commitments for Capital Expenditure

- Authorised by directors but not contracted was US\$8,144,927 (2014:US\$8,274,547)
- The capital expenditure will be financed out of the group's own resources and existing facilities.

6. Depreciation

- Depreciation for the year was US\$3,253,637 (2014:US\$3,958,352)

7. Discontinued Operations

- Following the conclusion of negotiations with a technical partner in the cotton seed business, the Group disposed of a 60% stake. The performance results to the date of disposal of all the cotton seed businesses have been disclosed under the discontinued operations line. For further details of the transaction refer to our annual report.

8. Approval of financial statements

- The underlying financial statements to these results were approved by the Board on 10 June 2015

9. Audit opinion

- The Group auditors, Ernst & Young have issued an unqualified 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 2015

	2015 US\$	2014 US\$
Revenue	94,659,536	106,534,790
Cost of sales	(51,072,978)	(56,804,925)
Gross profit	43,586,558	49,729,865
Other income	4,319,623	3,663,003
Operating expenses	(31,246,348)	(35,034,046)
Operating profit	16,659,833	18,358,822
Finance income	2,846,750	4,802,027
Finance costs	(3,183,978)	(7,239,099)
Share of loss from associates	(124,529)	-
Profit before taxation	16,198,076	15,921,750
Income tax expense	(1,341,246)	(3,454,610)
Profit from continuing operations	14,856,830	12,467,140
Discontinued operations		
Profit/ (loss) for the period from discontinued operations	152,911	(633,709)
Profit for the period	15,009,741	11,833,431
Attributable to:		
Equity holders of the parent	15,240,587	11,795,957
Non-controlling interest	(230,846)	37,474
Profit attributable to shareholders	15,009,741	11,833,431
- Prior year comparatives have been restated to account for discontinued operations		
Earnings per share		
Earnings per share - basic, for profit for the year attributable to equity holders of the parent - Cents	6.92	5.89
Diluted earnings per share for profit for the year attributable to equity holders of the parent - cents	6.89	5.89

ABRIDGED GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2015

	2015 US\$	2014 US\$
Profit for the year	15,009,741	11,833,431
Other comprehensive income		
Net exchange difference on translation of foreign operations	(7,905,310)	(6,748,766)
Recycling of translation reserve to profit and loss	390,506	-
Revaluation of property, plant and equipment	10,870,466	-
Total comprehensive income for the period, net of tax	18,365,403	5,084,665
Attributable to:		
Equity holders of the parent	18,596,249	5,070,346
Non-controlling interest	(230,846)	14,319
18,365,403	5,084,665	

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2015

	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 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	-	(6,725,611)	11,795,957	-	5,070,346	14,319	5,084,665
Issue of share capital	10,273	12,764,262	-	-	12,774,535	-	12,774,535
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	-	(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
Profit for the year	-	-	15,240,587	-	15,240,587	(230,846)	15,009,741
Other comprehensive income	-	3,355,662	-	-	3,355,662	-	3,355,662
Total comprehensive income	-	3,355,662	15,240,587	-	18,596,249	(230,846)	18,365,403
Issue of share capital	27,389	26,572,557	-	-	26,599,946	-	26,599,946
Realisation of revaluation reserve on disposal	-	(1,375,680)	1,375,680	-	-	-	-
Share options exercised	762	669,595	-	-	670,357	-	670,357
Realisation of revaluation reserve through use	-	(195,981)	195,981	-	-	-	-
Derecognition of non-controlling interest	-	-	-	-	-	307,522	307,522
Share based payments	-	76,538	-	-	76,538	-	76,538
As at 31 March 2015	234,449	41,208,865	106,169,213	190,277	147,802,804	-	147,802,804

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2015

	2015 US\$	2014 US\$
ASSETS		
Property, plant and equipment	58,357,840	47,126,710
Investment property	304,720	342,200
Held-to-maturity investments	24,685,744	-
Other non-current assets	5,661,510	1,653,495
Inventories	21,300,795	32,567,929
Trade receivables	44,314,450	75,020,642
Other current assets	32,352,045	13,600,893
Total assets	186,977,114	170,311,869
EQUITY AND LIABILITIES		
Equity		
Share capital	234,449	206,298
Non-distributable reserves	41,399,142	12,296,451
Retained earnings	106,169,213	89,356,965
Equity attributable to equity holders of the parent	147,802,804	101,859,714
Non-controlling interest	-	(76,676)
Total equity	147,802,804	101,783,038
Liabilities		
Deferred tax liability	6,368,351	8,586,951
Bank borrowings - non-current	2,239,629	4,164,979
Bank borrowings - current	11,743,272	31,702,278
Current liabilities	18,823,058	24,074,623
Total liabilities	39,174,310	68,528,831
Total equity and liabilities	186,977,114	170,311,869

ABRIDGED GROUP STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 MARCH 2015

	2015 US\$	2014 US\$
Operating activities		
Profit before tax from continuing operations	16,198,076	15,921,750
Loss before tax from discontinued operations	(350,502)	(363,853)
Profit before tax	15,847,574	15,557,897
Non-cash adjustment to reconcile profit before tax to net cashflows	(1,394,856)	5,160,889
Working capital adjustments	2,783,500	(5,179,320)
Net cash flows from operating activities	17,236,218	15,539,466
Investing activities		
Proceeds from sale of property	240,790	387,143
Purchase of property, plant and equipment	(8,544,904)	(8,972,676)
Purchase of other non-current financial assets	-	(739,372)
Sale of a subsidiary net of cash required	4,911,611	37,474
Decrease/ (increase) in biological assets	158,861	(356,628)
Interest received	778,620	171,994
Net cash flows used in investing activities	(2,455,022)	(9,509,539)
Financing activities		
Proceeds from issue of share capital	27,270,303	13,080,535
Short term loan repaid	-	(32,595)
Long term loan received	-	2,813,265
Long term loan repaid	(1,763,120)	-
Finance lease liabilities repaid	(548,285)	(669,201)
Interest paid	(3,489,284)	(7,948,152)
Net cash flows generated from/ (used in) financing activities	21,469,614	7,243,852
Net increase in cash and cash equivalents	36,250,810	13,273,779
Effects of exchange rate changes on cash and cash equivalents	(62,922)	20,100
Cash and cash equivalents at beginning of year	(27,675,664)	(40,969,543)
Cash and cash equivalents at end of year	8,512,224	(27,675,664)