

SEED CO LIMITED ABRIDGED GROUP AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2019



The African Seed Company

THE HOME OF BUMPER HARVESTS

COMMENTARY

Overview

The Group opted to maintain its presentation currency as the USD following the change in functional currency on 22 February 2019 to RTGSS. The translation to USD was done as practically possible in the extenuating circumstances based on the prevailing legal statutes. This was however deemed to be non-compliant and in conflict with IAS 21 by the Group's external auditors hence an adverse opinion was issued on the Group's financial statements.

Income statement

Revenue

Turnover increased to \$73.4m mainly due to upward price adjustments necessitated by the inflationary environment prevailing in the country.

Gross margin

Gross margin shed 3 percentage points due to the increase in the seed production costs.

Operating expenses

Overheads were 5% higher than prior year despite huge inflationary pressures due to cost reduction measures across the value chain.

Net finance income

Finance income rose because of interest received from the investments in the government savings bonds.

Share of profit from associates and joint venture

This mainly relates to profit from unbundled foreign operations now accounted for as an associate entity. In addition, the local vegetable and cotton seed businesses achieved a solid set of results.

Profit from continuing operations

The Group's profit from continuing operations was up resulting from:

- increase in revenue;
- interest from government savings bonds; and
- share of profit from associates and joint venture.

Profit from discontinued operations

The profit arose from the partial unbundling of a former foreign subsidiary.

Statement of financial position

Property, plant and equipment

The \$3.9m decrease in property, plant and equipment resulted from the local currency devaluation. This was partly offset by the subsequent revaluation of fixed assets.

Other financial assets

The majority of the treasury bills matured and were settled during the period with part of the proceeds reinvested in government savings bonds.

Inventories

The book value of stock is substantially lower than at the previous year end following the conversion of local currency values to USD.

Trade and other receivables

Trade and other receivables also declined due to the currency redenomination. The balance outstanding from government was settled post year end.

Cash and cash equivalents

The decrease was mainly due to translation from RTGS to USD.

Equity

The decrease in equity resulted from the dividends (cash and in-specie) and exchange differences on translation of the Group's financial statements from RTGS to USD negating the profit for the year and asset revaluations carried out during the year.

Liabilities

The Group paid off most of its local creditors and bank borrowings. However, remittances for foreign obligations remained lodged with the bankers pending repatriation on availability of the required foreign currency.

Seed Supply

Despite the inflationary challenges experienced by growers and the dry spell experienced during the production season, the Group has adequate stocks to meet anticipated demand for the forthcoming season.

Research and Development

A total of 3 new maize hybrids in the medium to late series were officially released with the Seed Services in Zimbabwe while an additional 11 varieties are in their final stages of observation pending release.

One new Soyabean variety was released and registered for commercialisation.

Significant progress is being made on the rice varieties being developed.

Outlook

It is difficult at this stage to estimate the impact of exchange rate changes on future financial performance but the Group expects that:

- it will maintain its market dominance with new products expected to spur growth;
- the vegetable business will maintain its upward growth trajectory;
- the new seed drying facilities currently under installation will enhance the early availability of seed for sale post-harvest; and
- the currency dynamics will continue to present product pricing challenges.

Directorate

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

Dividend

The board declared a dividend of 0.40 USD cents per share payable to shareholders in RTGS at the ruling interbank rate on 13 June 2019, the analysts briefing date. The dividend is payable either in cash or scrip at the rate of 1.35 new shares for every 100 existing and held as of 12 July 2019 depending on the option selected by each Shareholder. Shares will trade cum-div until 9 July 2019 and ex-div from 10 July 2019. The payment date is 7 August 2019.

By Order of the Board

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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.

- These financial statements are presented in United States dollars.

2. Accounting policies

- The principal accounting policies of the Group have been consistently followed in all material respects from prior year except for the adoption of IFRS 9 and IFRS 15.

3. Basis of preparation

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

4. Translation of financial statements

-Following the change in the Group's functional currency from USD to RTGS on 22 February 2019, the Group maintained its presentation currency as USD.

The income statement balances for the full year are the sum of the Group's Zimbabwe division RTGS balances on the legal date of change of functional currency converted at 1:1 and all the transactions thereafter translated at the average daily interbank rate during that period. Share of profit from the local associate and joint venture were equity accounted in a similar manner while the foreign associate was equity accounted at 1:1 for the entire period.

With the exception of equity balances which were translated from RTGS to USD at cost, all assets and liabilities were converted at the closing interbank rate. The differences arising from use of different rates between the income statement and the balance sheet were accounted for through the foreign currency translation reserve within equity.

5. Capital expenditure

- Capital expenditure for the period was US\$3,234,552 (2018:US\$7,947,320).

6. Commitments for capital expenditure

- Authorised by directors but not contracted was US\$4,477,928 (2018:\$12,733,147)
- The dryer project worth \$10m approved in the last financial year is still work in progress and is expected to be commissioned in February 2020.
- The capital expenditure will be financed out of the Group's own resources and banking facilities.

7. Depreciation

- Depreciation for the period was US\$1,435,965 (2018:US\$3,557,403).

8. Contingent liabilities

- There were no contingent liabilities as at 31 March 2019 (2018: nil).

9. Approval of financial statements

- The underlying financial statements to these results were approved by the Board on the 24th of May 2019.

10. Auditor's statement

These financial results should be read in conjunction with the full set of financial statements for the year ended 31 March 2019, which have been audited by Ernst & Young. An adverse opinion was issued thereon because of non-compliance with International Accounting Standard 21 (The Effects of Changes in Foreign Exchange Rates). The auditor's report on these financial statements is available for inspection at the Company's registered office. There were no key audit matters.

ABRIDGED GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

	2019 US\$	2018 US\$
Continuing operations		
Revenue	73,408,864	63,364,173
Cost of sales	(33,148,642)	(26,714,404)
Gross profit	40,260,222	36,649,769
Other income	2,360,725	2,401,075
Operating expenses	(18,664,646)	(17,496,334)
Operating profit	23,956,301	21,554,510
Finance income	1,686,935	1,435,213
Finance cost	(512,436)	(131,850)
Share of profit from associates and joint venture	2,493,293	1,250,527
Profit before taxation	27,624,093	24,108,400
Income tax expense	(6,132,654)	(6,993,525)
Profit from continuing operations	21,491,439	17,114,875
Profit from discontinued operations	69,221,035	4,316,904
Profit for the year	90,712,474	21,431,779
Attributable to:		
Equity holders of the parent	90,712,474	21,516,060
Non-controlling interest	-	(84,281)
	90,712,474	21,431,779

Earnings per share		
Basic earnings per share - cents	37.42	8.99
Diluted earnings per share - cents	37.42	8.94
Headline earnings per share - cents	8.87	8.99
Earnings per share - continuing operations		
Basic earnings per share - cents	8.87	7.19
Diluted earnings per share - cents	8.87	7.15
Headline earnings per share - cents	8.87	7.19

ABRIDGED GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	2019 US\$	2018 US\$
Profit for the period	90,712,474	21,431,779
Other comprehensive income		
Net exchange differences	(79,809,643)	797,586
Share of other comprehensive loss of associates and joint venture	(10,369,357)	-
Revaluation of property, plant and equipment	16,710,944	3,478,228
Deferred tax on revaluation of property, plant and equipment	(4,303,578)	(347,823)
Total comprehensive income for the year, net of tax	12,940,840	25,359,770
Attributable to:		
Equity holders of the parent	12,940,840	25,453,968
Non-controlling interest	-	(94,198)
	12,940,840	25,359,770

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Attributable to the equity holders of the parent					Non controlling interests	Total equity
	Issued share capital	distributable reserves	Retained earnings	Changes of ownership reserve	Reserves of a disposal group held for distribution		
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
As at 31 March 2017	236,233	25,759,991	137,407,801	190,277	-	-	163,594,302
Profit for the year	-	-	21,516,060	-	-	(84,281)	21,431,779
Other comprehensive income	-	3,927,991	-	-	-	(9,917)	3,918,074
Total comprehensive income	-	3,927,991	21,516,060	-	-	(94,198)	25,349,853
Dividends	-	-	(10,361,153)	-	-	-	(10,361,153)
Issue of share capital	3,638	5,212,644	-	-	-	-	5,216,282
Exercise of share options	2,012	1,449,271	-	-	-	-	1,451,283
Realisation of revaluation reserve through use	-	(158,029)	158,029	-	-	-	-
Realisation of revaluation reserve through disposal	-	(805,174)	805,174	-	-	-	-
Discontinued operations	-	16,992,540	-	-	(16,992,540)	-	-
Partial disposal of interest in subsidiary	-	-	-	372,041	-	372,041	1,465,459
Issue of shares to non-controlling interest	-	-	-	-	-	1,119,336	1,119,336
As at 31 March 2018	241,883	52,379,234	149,525,911	562,318	(16,992,540)	2,490,597	188,207,403
Impact of adopting IFRS 9	-	-	(850,835)	-	-	-	(850,835)
As at 31 March 2018 - restated	241,883	52,379,234	148,675,076	562,318	(16,992,540)	2,490,597	187,356,568
Profit for the year	-	-	90,712,474	-	-	-	90,712,474
Other comprehensive income	-	(77,771,634)	-	-	-	-	(77,771,634)
Total comprehensive income	-	(77,771,634)	90,691,548	-	-	-	12,940,840
Dividends - cash	-	-	(10,734,485)	-	-	-	(10,734,485)
Dividends - in specie	-	-	(122,830,000)	-	-	-	(122,830,000)
Exercise of share options	729	302,246	-	-	-	-	302,976
Share based payments	-	185,884	-	-	-	-	185,884
Realisation of revaluation reserve through disposal	-	-	13,993,380	-	(13,993,380)	-	-
Recycling of foreign currency translation reserve on disposal	-	-	-	-	30,985,920	-	30,985,920
Derecognition of change in ownership interest	-	-	-	(562,318)	-	(562,318)	(562,318)
Derecognition of non-controlling interest	-	-	-	-	-	(2,490,597)	(2,490,597)
As at 31 March 2019	242,612	(24,904,270)	119,816,445	-	-	95,154,788	95,154,788