

COMMENTARY

Preamble

The accompanying financial results were restated to account for inflation in accordance with the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies per the guidance issued by the Public Accountants and Auditors Board (PAAB) and the Institute of Chartered Accountants of Zimbabwe (ICAZ) on 11 October 2019 and 20 November 2019 respectively.

The Consumer Price Indices (CPI) used to restate the historical numbers were sourced from the Zimbabwe Statistical Office (ZIMSTATS) through the Reserve Bank of Zimbabwe (RBZ) website. Management deems these rates highly subjective on the basis of comparative prices being denominated in a different currency (US\$) to the current ones which are denominated in ZWL\$. This results in a blanket comparison of dissimilar items. In addition, actual price increases on the ground seem to be much higher than suggested by the CPI. Therefore, management advises stakeholders and the investing public to exercise caution in making any decisions on the basis of these inflation-adjusted financial statements due to the relative subjectivity of the CPI used in their compilation.

The financial commentary below is based on the historical cost numbers.

Overview

This was a difficult season for the business due to a combination of

- below average rainfall experienced in Southern Africa
- and high inflation compounded by severe depreciation of the local currency.

This resulted in weak product demand with most businesses and consumers embarking on survival strategies.

Income Statement Revenue

Revenue was up compared to prior year mainly due to alignment of selling prices with inflation. Maize volumes were down by 36% due to a combination of poor rainfall and reduced disposable incomes. Low dam levels and inconsistent electricity supply resulted in 13% reduction in wheat offtake.

Other income

Increase in other income was due to sale of chemicals, consumables and other non seed items.

Operating expenses

Hyperinflation resulted in operating costs increasing by 628% as compared to prior year.

Finance costs

The finance costs were significantly higher than prior year due to rising interest rates in the country in line with the deteriorating macroeconomic environment increasing risk and attendant inflation making banking facilities more expensive.

Associate and joint venture operations

The increase in the contribution from associates and joint venture was mainly driven by Seed Co International Limited’s 61% profit growth compared to prior year.

Profit for the year

The increase in profit was driven by the contribution from associates and joint venture as well as the inflationary increase in selling prices.

Statement of Financial Position

Non-current assets

The increase in non-current assets was due to the revaluation of property, plant and equipment as at year end.

Inventories

The increase in inventories was mainly due to advance purchases of chemicals, fertilizers, packaging and other consumables to hedge against price increases and prepare for the upcoming selling season.

Trade and other receivables

These are mainly prepayments for critical inputs and amounts due from growers which will be offset against seed deliveries.

Equity

The increase in equity is due to profit for the year and revaluation of property, plant and equipment.

Seed supply

Erratic rainfall during the production season significantly reduced the expected yield levels. However the healthy inventory carry over position added to expected deliveries puts the company in good stead to meet all market requirements in the coming selling season. All inputs required for the next production season have been acquired in advance to protect value of cash received, and the business should not have any significant challenges in seed production.

Research & development

The following new maize products which are more cob rot tolerant than the current varieties were released in Zimbabwe.

- SC437 which is higher yielding than the current short season varieties.
- SC547 and SC555 higher yielding than SC513 and more adapted to drought and low soil fertility conditions.
- SC659 much more higher yielding than current SC637 and SC627.
- SC729 higher yielding and more adapted to the small holder marginal environments than the current products like SC719.

The Group’s Research and Development product pipeline is full of many exciting products expected to be released in the coming years to address farmer needs in terms of yield, climate changes and emerging diseases.

Outlook

- The Group has designed a robust plan to ensure business continuity amid the challenges being brought about by COVID-19 whose full effects on the business will be felt in the new financial year.
- The completion of the seed drying facilities was delayed by the challenges emanating from the global lockdowns and consequent slowdown of supply chains due to the COVID-19 pandemic. It is now expected that the project will be completed before the next production season harvest comes in.

•Being at the forefront of all farming activities the business is poised to continue playing the globally important role of ensuring quality seeds are provided to farmers to feed a growing population affected by a debilitating pandemic and other economic challenges. It is important to note that agriculture has been listed as an essential and critical industry in all the markets we operate and hence our operations have been less affected by the lockdowns. The effect on consumer spending patterns emanating from the pandemic however remains unknown at this stage

•The Group expects to remain resilient in the difficult environment given the position it occupies in the food value chain.

Directorate

In the period under review, Mr Patrick Spadin joined the Board on 6 September 2019 while Messrs Andrew Barron, Antoine Colombo and Chance Kabaghe resigned from the Board.

Dividend

Due to uncertainties presented by COVID-19 and the need to retain capital in the business, the Board has resolved not to propose any dividend on the results of this past year.

By Order of the Board

Terrence Chimanya
Group Secretary

Registered Office	Transfer Secretaries
Shamwari Road	Corpserve
Stapleford	Fourth Floor Intermarket Centre
Harare	Corner First Street/Kwame Nkrumah Avenue
Zimbabwe	Harare
	Zimbabwe

Directors: D E B Long (Chairman), M Nzwere(Group CEO)*, R C D Chitengu, D Garwe, P Gowero, D P F Jacquemond, J Matorofa (Group CFO)*, M S Ndoro, F Ruwende, F Savin, P Spadin, D Zaranyika^, L Mutunga^.

*Executive ^Alternate

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).

- These abridged financial statements are presented in Zimbabwe Dollars (ZWL\$).

2. Accounting policies

- The principal accounting policies of the Group have been consistently followed in all material respects with the exception of the change in presentation currency from United States Dollars (USD) to ZWL\$ and restatements of historical numbers per the requirements of IAS 29. In addition, IFRS 16 and IFRIC 23 were issued by the International Accounting Standards Board (IASB) and adopted in the current financial year.

Update to IAS 29 accounting policy:

IAS 29 discourages publication of historical financial statements as a supplement to inflation adjusted accounts. However, historical cost financial statements have been published to allow comparability during the transitional phase in applying the Standard. Historical cost financial statements have not been audited either in the primary statements or notes to the financial statements and are for information purposes only.

Indices used for the restatement of historical cost information were as follows:

	Index	Conversion Factor
At 31 March 2019	104.4	7.76
At 31 March 2020	810.4	1.00
Average for the year to 31 March 2020	382.9	3.12

3. Basis of preparation

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

4. Capital expenditure

-Capital expenditure for the period in inflation adjusted terms was ZWL\$196,821,378 (2019:ZWL\$33,101,555)

-Capital expenditure for the period in historical cost terms was ZWL\$87,182,571 (2019:ZWL\$4,264,307)

5. Commitments for capital expenditure

- Authorised by directors but not contracted for was US\$3,855,242 (2019:US\$4,477,928).

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

6. Depreciation

-Depreciation for the period in inflation adjusted terms was ZWL\$27,930,087 (2019:ZWL\$11,854,840)

-Depreciation for the period in historical cost terms was ZWL\$4,859,270 (2019:ZWL\$1,527,198)

7. Contingent liabilities

The Group had not contingent liabilities as at 31 March 2020 and 31 March 2019.

8. Audit opinion

- The Group auditors, Ernst & Young issued an adverse opinion on the consolidated inflation adjusted financial statements of the Group.

- The basis of the adverse opinion is non-compliance with IAS 8, IAS 21 and IAS 29.

- The signed audit opinion is available for inspection at the registered office of Seed Co Limited.

9. Approval of financial statements

- The underlying financial statements to these results were approved by the Board on the 12th of June 2020.

D. E. B. Long
Chairman

M. Nzwere
Chief Executive Officer

ABRIDGED AUDITED GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

INFLATION ADJUSTED		HISTORICAL COST	
2020	Restated 2019	2020	2019
ZWL\$	ZWL\$	ZWL\$	ZWL\$
1,076,267,591	563,446,797	536,934,153	72,586,008
(378,007,031)	(255,826,041)	(197,284,029)	(32,956,778)
698,260,560	307,620,756	339,650,124	39,629,230
Other income	22,648,619	156,491,065	2,917,707
(274,583,312)	(168,283,340)	(157,888,126)	(21,679,094)
642,564,920	161,986,035	338,253,063	20,867,843
Net finance (cost)/income	8,697,854	(28,205,689)	1,120,500
(695,999,351)	-	-	-
94,561,426	19,778,676	71,461,409	2,547,987
10,351,621	190,462,565	381,508,783	24,536,330
(130,735,210)	(36,891,486)	(68,416,516)	(4,752,544)
(120,383,589)	153,571,079	313,092,267	19,783,786
-	537,326,290	-	69,221,035
(120,383,589)	690,897,369	313,092,267	89,004,821

Attributable to:

Equity holders of the parent

Earnings per share

Basic earnings per share - cents (49.19) 285.03 127.92 36.72

Diluted earnings per share - cents (48.78) 285.03 126.86 36.72

Headline earnings per share - cents (52.09) 63.38 125.18 8.17

ABRIDGED AUDITED GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

INFLATION ADJUSTED		HISTORICAL COST	
2020	Restated 2019	2020	2019
ZWL\$	ZWL\$	ZWL\$	ZWL\$
(120,383,589)	690,897,369	313,092,267	89,004,821
Revaluation of property, plant and equipment	390,451,847	866,486,464	50,299,942
(165,215,411)	(100,553,254)	(195,175,514)	(12,953,768)
(38,900,310)	(28,862,335)	(31,953,519)	(3,718,189)
343,847,823	951,933,627	952,449,698	122,632,806
343,847,823	951,933,627	952,449,698	122,632,806

Attributable to:

Equity holders of the parent

ABRIDGED AUDITED GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

INFLATION ADJUSTED		HISTORICAL COST	
2020	Restated 2019	2020	2019
ZWL\$	ZWL\$	ZWL\$	ZWL\$
ASSETS			
Non-current assets	1,221,592,352	1,128,610,617	157,371,581
Inventories	174,250,064	151,294,156	22,447,757
Trade and other receivables	183,568,184	215,410,254	23,648,163
Other financial assets	116,437,068	-	15,000,000
Cash and cash equivalents	98,061,225	33,829,569	12,632,733
33,829,569	98,061,225	33,829,569	12,632,733
2,401,852,368	1,793,908,893	1,529,144,596	231,100,234
EQUITY AND LIABILITIES			
Equity			
Share capital	1,882,974	2,472,027	242,574
Non-distributable reserves	356,147,047	732,493,119	86,868,974
Retained earnings	1,162,337,237	414,535,211	108,749,695
1,862,255,386	1,520,367,258	1,149,500,357	195,861,243
Liabilities			
Deferred tax liability	146,462,131	202,805,230	18,867,977
Borrowings	-	64,703,192	-
Trade, other payables and provisions	50,842,297	111,915,108	6,549,759
Amounts due to related entities - net	76,237,207	220,709	9,821,255
220,709	76,237,207	220,709	9,821,255
539,596,982	273,541,635	379,644,239	35,238,991
2,401,852,368	1,793,908,893	1,529,144,596	231,100,234

ABRIDGED AUDITED GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

Operating activities

Operating profit	642,564,920	161,986,035	338,253,063	20,867,843
Non-cash adjustment to reconcile operating profit to net cash flows	(668,315,673)	16,263,310	5,010,251	2,095,119
Working capital adjustments and tax paid	(472,531,524)	(263,454,382)	(289,498,470)	120,218
Net cash flows (utilised in)/generated from operating activities	(498,282,277)	(84,205,037)	53,764,844	23,083,180

Investing activities

Proceeds from sale of property, plant and equipment	1,976,488	667,728	1,726,013	86,020
Capital expenditure	(196,821,378)	(33,101,555)	(87,182,571)	(4,264,307)
Investment in associate	-	(24,224,030)	-	(3,120,659)
Loans and receivables receipts/(advances)	131,076,607	(2,879,291)	12,430,295	(5,289,485)
Dividends received	21,063,412	-	4,307,404	-
Interest received	4,142,172	13,697,294	1,481,269	1,764,553
Net cash flows utilised in investing activities	(38,562,699)	(45,839,854)	(67,237,590)	(10,823,878)

Financing activities

Proceeds from exercise of share options	1,031,533	4,348,544	1,031,533	302,937
Net proceeds from/(repayments of) borrowings	64,703,192	(500,000)	64,703,192	(500,000)
Dividend paid	(4,527,295)	(83,326,134)	(1,378,185)	(10,734,485)
Interest paid	(34,917,546)	(4,999,440)	(29,686,958)	(644,053)
Net cash flows generated from/(utilised in) financing activities	26,289,884	(84,477,030)	34,669,582	(11,575,601)

Net (decrease)/increase in cash and cash equivalents	(510,555,092)	(215,521,921)	21,196,836	683,701
Effects of monetary gains/(losses)	446,323,436	(91,666,831)	-	-
Cash and cash equivalents at beginning of period	98,061,225	405,249,977	12,632,733	11,949,032
Cash and cash equivalents at end of period	33,829,569	98,061,225	33,829,569	12,632,733

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWLS	Restated 2019 ZWLS	2020 ZWLS	2019 ZWLS
Operating profit	642,564,920	161,986,035	338,253,063	20,867,843
Non-cash adjustment to reconcile operating profit to net cash flows	(668,315,673)	16,263,310	5,010,251	2,095,119
Working capital adjustments and tax paid	(472,531,524)	(263,454,382)	(289,498,470)	120,218
Net cash flows (utilised in)/generated from operating activities	(498,282,277)	(84,205,037)	53,764,844	23,083,180
Proceeds from sale of property, plant and equipment	1,976,488	667,728	1,726,013	86,020
Capital expenditure	(196,821,378)	(33,101,555)	(87,182,571)	(4,264,307)
Investment in associate	-	(24,224,030)	-	(3,120,659)
Loans and receivables receipts/(advances)	131,076,607	(2,879,291)	12,430,295	(5,289,485)
Dividends received	21,063,412	-	4,307,404	-
Interest received	4,142,172	13,697,294	1,481,269	1,764,553
Net cash flows utilised in investing activities	(38,562,699)	(45,839,854)	(67,237,590)	(10,823,878)
Proceeds from exercise of share options	1,031,533	4,348,544	1,031,533	302,937
Net proceeds from/(repayments of) borrowings	64,703,192	(500,000)	64,703,192	(500,000)
Dividend paid	(4,527,295)	(83,326,134)	(1,378,185)	(10,734,485)
Interest paid	(34,917,546)	(4,999,440)	(29,686,958)	(644,053)
Net cash flows generated from/(utilised in) financing activities	26,289,884	(84,477,030)	34,669,582	(11,575,601)
Net (decrease)/increase in cash and cash equivalents	(510,555,092)	(215,521,921)	21,196,836	683,701
Effects of monetary gains/(losses)	446,323,436	(91,666,831)	-	-
Cash and cash equivalents at beginning of period	98,061,225	405,249,977	12,632,733	11,949,032
Cash and cash equivalents at end of period	33,829,569	98,061,225	33,829,569	12,632,733

ABRIDGED AUDITED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

INFLATION ADJUSTED

	Attributable to owners of the parent		Non-controlling interest	Total
	Share capital ZWLS	Other reserves ZWLS	Retained earnings ZWLS	Total ZWLS
As at 1 April 2018	1,877,610	257,155,140	1,103,334,282	1,362,367,032
Profit for the year	-	-	690,897,382	690,897,382
Other comprehensive income	-	(35,236,574)	296,272,831	261,036,257
Total comprehensive income	-	(35,236,574)	987,170,213	951,933,639
Exercise of share options	5,364	2,346,176	-	2,351,540
Share based payments	-	4,343,180	-	4,343,180
Dividend - in specie	-	-	(953,464,336)	(953,464,336)
Dividend - cash	-	-	(83,326,131)	(83,326,131)
Realisation of revaluation reserve through disposal	-	(108,623,209)	-	-
Derecognition of change in ownership interest	-	(4,364,977)	-	(4,364,977)
Recycling of foreign currency translation reserve on disposal	-	240,527,311	-	240,527,311
Derecognition of change in ownership interest	-	-	-	(19,333,187)
As at 31 March 2019	1,882,974	356,147,047	1,162,337,237	1,520,367,258
Loss for the year	-	-	(120,383,589)	(120,383,589)
Other comprehensive income	-	464,231,412	-	464,231,412
Total comprehensive income	-	464,231,412	(120,383,589)	343,847,823
Exercise of share options	17,198	1,014,335	-	1,031,533
Capital redenomination	6,166,626	(6,166,626)	-	-
Share based payments	-	1,536,068	-	1,536,068
Dividend - scrip	9,706	22,989,444	(22,999,150)	-
Dividend - cash	-	-	(4,527,296)	(4,527,296)
As at 31 March 2020	8,076,504	839,751,680	1,014,427,202	1,862,255,386

HISTORICAL COST

	Attributable to owners of the parent		Non-controlling interest	Total
	Share capital ZWLS	Other reserves ZWLS	Retained earnings ZWLS	Total ZWLS
As at 1 April 2018	241,883	35,949,012	139,315,976	175,506,871
Profit for the year	-	-	89,004,824	89,004,824
Other comprehensive income	-	33,627,984	-	33,627,984
Total comprehensive income	-	33,627,984	89,004,824	122,632,808
Exercise of share options	691	302,246	-	302,937
Share based payments	-	559,510	-	559,510
Dividend - in specie	-	-	(122,830,000)	(122,830,000)
Dividend - cash	-	-	(10,734,485)	(10,734,485)
Realisation of revaluation reserve through disposal	-	(13,993,380)	13,993,380	-
Derecognition of change in ownership interest	-	(562,318)	-	(562,318)
Recycling of foreign currency translation reserve on disposal	-	30,985,920	-	30,985,920
Derecognition of change in ownership interest	-	-	-	(2,490,597)
As at 31 March 2019	242,574	86,868,974	108,749,695	195,861,243
Profit for the year	-	-	313,092,268	313,092,268
Other comprehensive income	-	639,357,430	-	639,357,430
Total comprehensive income	-	639,357,430	313,092,268	952,449,698
Exercise of share options	17,198	1,014,335	-	1,031,533
Capital redenomination	2,209,753	(2,209,753)	-	-
Share based payments	-	1,536,068	-	1,536,068
Dividend - scrip	2,502	5,926,065	(5,928,567)	-
Dividend - cash	-	-	(1,378,185)	(1,378,185)
As at 31 March 2020	2,472,027	732,493,119	414,535,211	1,149,500,357



SEED CO LIMITED

ABRIDGED GROUP AUDITED RESULTS

FOR THE YEAR ENDED 31 MARCH 2020



THE HOME OF BUMPER HARVESTS



It starts with the right seed