







COMMENTARY

HIGHLIGHTS

	Maize seed	Wheat seed
Sales volumes		
	Inflation adjusted	Historical cost
Revenue	 ZWL\$ 975m	 ZWL\$ 752m
EBITDA	 ZWL\$ 588m	 ZWL\$ 338m

OVERVIEW

The first half of the Group’s financial year saw the government implementing lockdown measures on a rolling basis to contain the spread of Covid-19. The Group’s operations were not significantly impacted due to its classification as an essential business.

The macro economic environment was characterised by hyperinflation, high interest rates, tight liquidity and accelerated local currency depreciation following the introduction of the foreign currency auction system by the central bank. However, the period subsequent to the reporting date witnessed both inflation and exchange rate stability though interest rates remained elevated.

INCOME STATEMENT

The Group’s profit performance was underpinned by the strong sales volume growth and selling price increases effected in response to the inflation induced rise in operating costs.

Increased focus on local wheat production to reduce import dependence and improved irrigation capacity due to better electricity supply drove the increase in wheat seed sales volumes. In addition, there was increased uptake of maize seed on the back of a Lowveld winter grain production initiative targeted to enhance food security in the Masvingo province in the wake of recent devastating droughts in that area.

The Group’s half year results were enhanced by a combination of the positive contribution from the foreign associate on account of early maize seed demand across the region and an encouraging out-turn from the local cotton seed associate and the vegetable seed joint venture.

BALANCE SHEET

Capital expenditure (CAPEX) was mainly directed towards the artificial seed dryer project whose completion was unfortunately delayed by a combination of foreign currency shortages, liquidity challenges and Covid-19 restrictions.

Inventory levels increased due to seed deliveries from contracted seed growers for processing in preparation of the main selling season in the second half.

Both CAPEX and seed production were financed by expensive local borrowings which are expected to unwind in the second half when the main selling period commences. The average cost of existing borrowing facilities is 45% and these borrowings are unsecured.

Meanwhile, foreign denominated payables were successfully registered under the central bank legacy debt framework though settlement modalities are yet to be determined.

OUTLOOK

The prevailing macro-economic stability and relaxation of lockdown restrictions augurs well for local operations for the remainder of the financial period. With initial weather forecasts indicating normal to above normal rainfall, seed demand is expected to remain strong though the prolonged dry spell may push back the anticipated start to the planting season which could impact the Group’s varietal sales mix.

The regional business is poised to benefit from a major food security drive across the continent amidst the Covid-19 pandemic.

DIRECTORATE

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

DIVIDENDS

No dividends were declared during the first six months as per Group policy.



By Order of the Board
T.N. Chimanya
Group Secretary

Directors: D E B Long (Chairman), M Nzwere*, R C D Chitengu, D Garwe, P Gowero, D Jacquemond, J Matorofa*, M S Ndoro, F Ruwende, F Savin, P Spadin.
*Executive

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).

2. Basis of preparation

- These abridged financial statements are presented in Zimbabwe Dollars (ZWL\$). The basis of preparation of these financial statements is International Financial Reporting Standards (IFRS) with the exception of IAS 8 and IAS 21 as documented in the audit report for the year ended 31 March 2020. Inflation adjusted financial statements have been drawn up using the conversion factors derived from the Consumer Price Index (CPI) prepared by the Zimbabwe Central Statistical Office. The conversion factors used to restate the financial statements are as follows:

	Conversion	
Closing as at:	Index	Factor
30 September 2020	2,205.24	1.00
31 March 2020	810.40	2.72
30 September 2019	290.40	7.59
31 March 2019	104.40	21.12
Average for the six (6) months to:		
30 September 2020	1,630.69	1.50
30 September 2019	192.10	12.95

IAS 29 discourages the publication of historical cost financial statements as the inflation adjusted results are the primary records. However, the historical cost results are included as supplementary information to allow for comparability during the transitional phase of applying the Standard and to meet most user requirements.

3. Accounting policies

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

	REVIEWED INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	30 September 2020	30 September 2020	30 September 2020	30 September 2019
		(ZWL\$'000)		
4. Capital expenditure	112,554	237,239	65,741	37,652
5. Depreciation	182,311	13,223	66,418	1,905
6. Contingent liabilities	-	-	-	-

7. Approval of financial statements

- These abridged financial statements were approved by the Board on 27 November 2020.

8. External auditors' review conclusion

The Group’s inflation adjusted interim financial statements from which these abridged results have been extracted have been reviewed by the Group’s external auditors, Ernst & Young Chartered Accountants (Zimbabwe), who have issued an adverse review conclusion as a result of the impact of the following prior year matters: non-compliance with International Accounting Standard 21, “The Effects of Changes in Foreign Exchange Rates” and International Accounting Standard 8, “Accounting Policies, Changes in Accounting Estimates and Errors” accounting for blocked funds, consolidation of associates and joint ventures with underlying matters, consolidation of a foreign associate using inappropriate exchange rates; the consequential impact on the inflation-adjusted amounts determined in terms of IAS 29 , and valuation of Property ,plant and equipment, due to lack of market evidence to support property valuation inputs. The auditor’s review conclusion on the Group’s inflation adjusted interim financial statements is available for inspection at the Company’s registered office. The engagement partner for this review is Mr David Marange (PAAAB Practicing Certificate Number 0436).

ABRIDGED GROUP INCOME STATEMENT

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2020

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	30 SEPTEMBER 2020 (Reviewed)	30 SEPTEMBER 2019 (Unaudited)	30 SEPTEMBER 2020	30 SEPTEMBER 2019
	ZWL\$'000			
Revenue	975 264	627 350	751 648	61 856
Cost of sales	(265 698)	(207 276)	(258 809)	(19 227)
Gross profit	709 566	420 074	492 839	42 629
Other income	172 970	159 622	148 101	16 443
Operating expenses	(476 672)	(248 965)	(369 265)	(32 547)
Operating profit	405 864	330 731	271 675	26 525
Finance income	24 702	8 894	266	836
Finance cost	(35 325)	(46 191)	(89 877)	(5 527)
Net monetary gain	1 895 543	325 220	-	-
Share of profit from associates and joint venture (JV)	106 271	44 804	124 974	1 265
Profit before tax	2 397 055	663 458	307 038	23 099
Income tax expense	(188 932)	(6 731)	(12 838)	(6 731)
Profit for the period	2 208 123	656 727	294 200	16 368
Attributable to:				
Equity holders of the parent				
Earnings per share				
Basic earnings per share	893.30	269.65	119.02	6.72
Diluted earnings per share	873.95	268.09	116.44	6.68
Headline earnings per share	892.24	268.10	118.75	6.70

ABRIDGED GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2020

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	30 SEPTEMBER 2020 (Reviewed)	30 SEPTEMBER 2019 (Unaudited)	30 SEPTEMBER 2020	30 SEPTEMBER 2019
	ZWL\$'000			
Profit for the period	2 208 123	656 727	294 200	16 368
Other comprehensive (loss)/income				
Share of other comprehensive loss from associates and joint venture	(107 767)	(137 799)	(107 768)	(18 146)
Revaluation of property, plant and equipment, net of tax	-	2 816 095	-	370 841
Total comprehensive income for the period, net of tax	2 100 356	3 335 023	186 432	369 063
Attributable to:				
Equity holders of the parent	2 100 356	3 335 023	186 432	369 063

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	30 SEPTEMBER 2020 (Reviewed)	30 SEPTEMBER 2019 (Unaudited)	30 SEPTEMBER 2020	31 MARCH 2020
	ZWL\$'000			
ASSETS				
PPE	2 762 694	2 805 381	1 027 932	1 030 946
Investment in associates and JV	250 349	251 845	109 756	92 550
Other financial assets	5 788	13 918	5 787	5 115
Inventories	1 482 623	411 698	1 131 117	151 294
Trade and other receivables	781 286	611 970	705 191	224 892
Cash and cash equivalents	67 565	92 056	67 565	33 830
Total assets	5 350 305	4 186 868	3 047 348	1 538 627
EQUITY AND LIABILITIES				
Equity				
Share capital	6 727	6 727	2 472	2 472
Non-distributable reserves	(127 478)	1 993 240	624 725	732 493
Retained earnings	3 413 041	1 128 022	708 735	414 535
Total equity	3 292 290	3 127 989	1 335 932	1 149 500
Liabilities				
Deferred tax liability	517 236	551 868	170 637	202 805
Bank borrowings	894 119	176 069	894 119	64 703
Trade and other payables	646 660	330 942	646 660	121 619
Total liabilities	2 058 015	1 058 879	1 711 416	389 127
Total equity and liabilities	5 350 305	4 186 868	3 047 348	1 538 627

ABRIDGED GROUP STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2020

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	30 SEPTEMBER 2020 (Reviewed)	30 SEPTEMBER 2019 (Unaudited)	30 SEPTEMBER 2020	30 SEPTEMBER 2019
	ZWLS'000			
Operating activities				
Operating profit	405 864	330 731	271 675	26 525
Non-cash adjustments	179 668	9 454	64 149	1 844
Working capital adjustments	(875 571)	(794 076)	(933 452)	(109 767)
Tax paid	(46 633)	(203 434)	(46 633)	(1 385)
Operating cash flows	(336 672)	(657 325)	(644 261)	(82 783)
Investing activities				
Proceeds from sale of PPE	3 289	4 586	3 008	79
Purchase of PPE	(112 554)	(237 239)	(65 741)	(37 652)
Loans and receivables net (advances)/receipts	(673)	21 183	(673)	5 565
Dividends received	1 597	57 317	1 597	4 307
Interest received	24 702	8 894	266	836
Investing cash flows	(83 639)	(145 259)	(61 543)	(26 865)
Financing activities				
Dividend paid	-	(10 466)	-	(1 378)
Net proceeds from borrowings	894 119	176 069	829 416	107 818
Interest paid	(35 325)	(46 191)	(89 877)	(5 527)
Financing cash flows	858 794	119 412	739 539	100 913
Movement in cash and cash equivalents	438 483	(683 172)	33 735	(8 735)
Effects of net monetary movement on cash and cash equivalents	(462 974)	445 929	-	-
Cash and cash equivalents at beginning of period	92 056	266 842	33 830	12 633
Cash and cash equivalents at end of period	67 565	29 599	67 565	3 898

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2020

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	30 SEPTEMBER 2020 (Reviewed)	30 SEPTEMBER 2019 (Unaudited)	30 SEPTEMBER 2020	30 SEPTEMBER 2019
	ZWLS'000			
Opening shareholders' equity	1 191 934	1 586 531	1 149 500	208 924
Profit for the period	2 208 123	656 727	294 200	16 368
Other comprehensive (loss)/income	(107 767)	2 678 296	(107 768)	352 695
Dividend - cash	-	(10 466)	-	(1 378)
Closing shareholders' equity	3 292 290	4 911 088	1 335 932	576 609



SEED CO LIMITED

ABRIDGED GROUP REVIEWED RESULTS

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2020



THE HOME OF BUMPER HARVESTS



It starts with the right seed