



The African Seed Company

SEED CO LIMITED

REVIEWED ABRIDGED GROUP RESULTS

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2021



It starts with the right seed

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THE HOME OF BUMPER HARVESTS



HIGHLIGHTS

	INFLATION ADJUSTED		HISTORICAL COST	
MAIZE SEED SALE VOLUMES	↑	46%	↑	46%
REVENUE	↑	43%	↑	161%
EBITDA	↓	-50%	↑	66%
NET DEBT	↑	96%	↑	96%

ABRIDGED GROUP INCOME STATEMENT

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST*	
	30 SEPT 2021 (Reviewed)	RESTATED 30 SEPT 2020 (Reviewed)	30 SEPT 2021 (Reviewed)	30 SEPT 2020 (Reviewed)
	ZWL\$'000			
Revenue	2,119,575	1,478,001	1,965,283	751,648
Cost of sales	(1,551,457)	(402,662)	(1,098,710)	(258,809)
Gross profit	568,118	1,075,339	866,573	492,839
Other income	547,982	262,134	442,769	148,101
Operating expenses	(908,630)	(727,220)	(853,713)	(369,265)
Operating profit	207,470	610,253	455,629	271,675
Finance income	291	594	271	266
Finance cost	(318,713)	(161,503)	(294,354)	(89,877)
Net monetary (loss)/gain	(1,010,988)	2,858,993	-	-
Share of (loss)/profit from associates and joint venture (JV)	(72,536)	161,053	52,687	124,974
(Loss)/Profit before tax	(1,194,476)	3,469,390	214,233	307,038
Income tax expense	(758,857)	(286,324)	(137,788)	(12,838)
(Loss)/Profit for the period	(1,953,333)	3,183,066	76,445	294,200
Attributable to:				
Equity holders of the parent	(1,953,333)	3,183,066	76,445	294,200
	cents			
Basic (loss)/gain per share	(789.77)	1,287.72	30.91	119.02
Diluted earnings per share	(789.77)	1,259.82	30.91	119.02
Headline earnings per share	(789.77)	1,292.07	32.34	118.75
Diluted headline earnings per share	(789.77)	1,264.07	32.27	116.18

ABRIDGED GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST*	
	30 SEPT 2021 (Reviewed)	RESTATED 30 SEPT 2020 (Reviewed)	30 SEPT 2021 (Reviewed)	30 SEPT 2020 (Reviewed)
	ZWL\$'000			
Profit/(loss) for the period	(1,953,333)	3,183,066	76,445	294,200
Other comprehensive (loss)/income				
Share of other comprehensive income/(loss) from associates and	295,193	(163,321)	295,193	(107,768)
Total comprehensive income/(loss) for the period, net of tax	(1,658,140)	3,019,745	371,638	186,432
Attributable to:				
Equity holders of the parent	(1,658,140)	3,019,745	371,638	186,432

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST*	
	30 SEPT 2021 (Reviewed)	RESTATED 30 SEPT 2020 (Reviewed)	30 SEPT 2021 (Reviewed)	30 SEPT 2020 (Reviewed)
	ZWL\$'000			
Opening shareholders' equity	11,429,944	1,806,363	6,345,103	1,149,500
Profit for the period	(1,953,333)	3,292,702	76,445	294,200
Other comprehensive (loss)/income	295,193	(163,321)	295,193	(107,768)
Decrease in investment in associate	(2,376)	-	(2,376)	-
Closing shareholders' equity	9,769,428	4,935,743	6,714,365	1,335,932

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST*	
	30 SEPT 2021 (Reviewed)	30 MAR 2021 (Audited)	30 SEPT 2021 (Reviewed)	30 MAR 2021 (Reviewed)
	ZWL\$'000			
ASSETS				
PPE	3,337,972	3,324,052	2,831,046	2,744,993
Investment in associates and joint venture	5,903,592	5,683,311	2,590,034	2,244,530
Other financial assets	23,835	2,037	23,835	1,682
Inventories	2,457,031	1,944,962	2,268,857	778,594
Trade and other receivables	3,624,455	4,558,078	3,612,367	3,752,477
Cash and cash equivalents	172,768	647,463	172,768	534,673
Total assets	15,519,653	16,159,903	11,498,907	10,056,949
EQUITY AND LIABILITIES				
Equity				
Share capital	33,307	33,307	2,472	2,472
Non-distributable reserves	6,504,118	6,208,925	3,908,404	3,613,211
Retained earnings	3,232,003	5,187,712	2,803,489	2,729,420
Total equity	9,769,428	11,429,944	6,714,365	6,345,103
Liabilities				
Deferred tax liability	1,561,213	863,780	595,530	519,166
Bank borrowings	3,579,205	2,750,915	3,579,205	2,271,698
Trade and other payables	609,807	1,115,264	609,807	920,982
Total liabilities	5,750,225	4,729,959	4,784,542	3,711,846
Total equity and liabilities	15,519,653	16,159,903	11,498,907	10,056,949

ABRIDGED GROUP STATEMENT OF CASH FLOWS

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST*	
	30 SEPT 2021 (Reviewed)	RESTATED 30 SEPT 2020 (Reviewed)	30 SEPT 2021 (Reviewed)	30 SEPT 2020 (Reviewed)
	ZWL\$'000			
Operating activities				
Profit before tax	(1,194,476)	3,469,389	214,233	307,038
Non-cash adjustments	510,381	591,828	350,263	278,736
Working capital adjustments	1,467,418	(2,074,152)	(1,116,283)	(1,148,037)
Tax paid	(610,216)	(325,659)	(606,470)	(46,633)
Operating cash flows	173,106	1,661,407	(1,158,257)	(608,896)
Investing activities				
Proceeds from sale of PPE	7,170	4,984	6,468	3,008
Purchase of PPE	(203,411)	(170,574)	(201,388)	(65,741)
Loans and receivables net (advances)/receipts	(23,835)	(1,020)	(22,153)	(673)
Dividends received	-	2,420	-	1,597
Interest received	291	37,436	271	266
Investing cash flows	(219,786)	(126,754)	(216,802)	(61,544)
Financing activities				
Financing activities	1,607,577	894,119	1,272,689	829,416
Interest paid	(318,713)	(53,534)	(294,354)	(89,877)
Financing cash flows	1,288,865	840,585	978,335	739,539
Movement in cash and cash equivalents				
Net cash flows during the year	1,242,185	2,375,237	(396,723)	69,098
Effects of net monetary movement on cash and cash equivalents	(1,207,666)	(2,358,761)	-	-
Effects of exchange rate on forex	35,854	(53,592)	34,818	(35,363)
Cash and cash equivalents at beginning of period	102,395	139,510	534,673	33,830
Cash and cash equivalents at end of period	172,768	102,395	172,768	67,565

SUPPLEMENTARY INFORMATION

COMMENTARY

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 30 September. 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:

Closing as at:	Index	Conversion Factor
30 September 2021	3,342.02	11.00
31 March 2021	2,759.83	1.21
30 September 2020	2,205.24	1.52
31 March 2020	104.40	32.01
Average for the six (6) months to:		
30 September 2021	3,342.02	1.00
30 September 2020	810.40	4.12

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.

* The historical cost numbers are shown as supplementary information. This information does not comply with International Financial Reporting Standards as it has not taken into account the requirements of International Accounting Standard 29: Financial Reporting for Hyperinflationary Economies. As a result, the auditors have not issued a review conclusion on the historical cost financial information.

3. Accounting policies

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

	INFLATION ADJUSTED		HISTORICAL COST	
	SEPT 2021 (Reviewed) ZWL\$'000	SEPT 2020 (Unaudited) ZWL\$'000	SEPT 2021 (Reviewed) ZWL\$'000	SEPT 2020 (Unaudited) ZWL\$'000
4. Capital expenditure	203,411	170,574	201,388	65,741
5. Depreciation on property, plant and equipment (PPE)	114,289	182,311	105,331	66,418
6. Contingent liabilities	-	-	-	-

7. Approval of financial statements

These abridged financial statements were approved by the Board on 18 November 2021.

8. External auditors' review conclusion

The Company condensed inflation adjusted interim financial statements from which these abridged results have been extracted, should be read in conjunction with the complete set of the interim condensed inflation adjusted financial statements for the half year ended 30 September 2021 which have been reviewed by the Company's external auditors, Ernst & Young Chartered Accountants (Zimbabwe). The auditors have issued an adverse review conclusion with respect to prior year and current year matters: non-compliance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates", including historical errors not adjusted in terms of international Accounting Standards 8 "Accounting Policies, Changes in Accounting Estimates and Errors", equity accounting of associates and joint ventures with underlying matters; associate property, plant and equipment accounting policy unadjusted to conform with the group accounting policy and valuation of property, plant and equipment, due to lack of market evidence to support property valuation inputs; and the consequential impact on the inflation adjusted amounts determined in terms of IAS 29 "Financial Reporting in Hyper inflationary Economies".

The independent auditors review conclusion on the condensed inflation adjusted interim financial statements is available for inspection at the registered office of the company.

The engagement partner responsible for this review is Fungai Kuipa (PAAB Practising Certificate Number 335).



D. E. B. Long
Group Chairman
18 November 2021



M. Nzwere
Group CEO
18 November 2021



T. N. Chimanya
Group Secretary
18 November 2021

Overview

The period under review was characterised by a harsh operating environment where effects of the COVID-19 pandemic, hyperinflationary pressures, liquidity challenges, acute foreign currency shortages and the widening disparity between the auction and alternative market exchange rates had a negative impact on business operations.

Despite the foregoing adverse conditions, the economy is still earmarked to grow by at least 5% in 2021 buttressed by the agricultural sector which bodes well for the Group's operations.

Financial Performance

The Group's revenue was buoyed by strong demand for winter cereals and early maize seed sales during the period.

Gross margin dropped because of a huge increase in the cost of raw seed driven by the depreciating local currency.

Operating expenses rose on the back of inflationary pressures and resumption of some activities which had been suspended last year due to COVID-19 containment measures.

Net finance costs surged owing to the high interest rate environment further compounded by the rising debt levels. The Group's average rate of borrowing is 41%.

Financial Position

Non-current assets went up mainly because of the capital expenditure incurred to complete the installation of the artificial seed dryer which was commissioned in September 2021. Furthermore, the investment in the foreign associate increased due to foreign currency gains on translation.

Accounts receivables mainly arose from winter cereals sales most of which were settled after the reporting date. The business will target to do summer sales on a cash basis to preserve value.

Increase in borrowings was due to delayed receipts from debtors and the increase in seed purchase costs. The Group is aiming to use inflows from the main summer selling season to substantially reduce borrowings by year end.

Seed Supply

The Group's field seed stock quantities delivered by growers were negatively affected by unfavourable weather at the tail end of the production season. In addition, most vegetable seed's supply chain was disrupted by COVID-19 related logistical constraints. In spite of these challenges, the Group has sufficient stock to satisfy projected demand.

Research and development

Scientists' effort to develop a solution to fall army worm tolerant germplasm continues unabated. Progress is being made on breeding of new sugar and soya bean varieties. The molecular laboratory is now being fully utilised in assisting in breeding efforts.

Outlook

The significant disparity between the official exchange rate which is the benchmark of the Company's selling prices and the parallel exchange rate which is the benchmark of most of the Company's operating costs, including the cost of raw seed from growers, has put significant stress on margins and business model viability. This mismatch is now further compounded by the increase in finance costs following the policy rate hike from 40% to 60% by the Reserve Bank of Zimbabwe announced on 28 October 2021.

Whilst the Board and Management are alive to the structural challenges, there is little headroom to invoke strategies to mitigate the adverse impact of these largely exogenous economic headwinds. Nevertheless, the Company continues striving to preserve the balance sheet, through among other things, tangible capital expenditure and price adjustments to the extent possible, in anticipation of an improvement in the operating environment.