

# SEED CO INTERNATIONAL 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 successfully listed on the Botswana Stock Exchange in October 2018 as the first and only agro-counter so far.

Performance during the period under review was adversely affected by the subdued demand in East Africa due to the severe drought experienced there. In addition, the adoption of IFRS 9 resulted in a \$1.7m impairment charge on the income statement.

Development of the vegetable business is ongoing with the finalisation of the acquisition of Alliance Seeds in South Africa subsequent to the financial year end date.

### Income statement

#### Revenue

Turnover decreased to \$60.1m mainly due to the drought-induced suppressed demand in Tanzania and Kenya. The entire second season was lost as the rains only came after the reporting date.

#### Other income

Other income surged on account of exchange gains on foreign denominated assets in Zambia as the Kwacha depreciated.

#### Operating expenses

Overheads were kept under control despite the credit losses resulting from the IFRS 9 adoption.

#### Finance costs

In spite of increases in LIBOR, finance costs were contained through prudent treasury management.

#### Profit for the year

The Group's profit for the year was down resulting from:

- drop in revenue due to drought in East Africa; and
- IFRS 9 doubtful debts provision.

#### Statement of financial position

##### Property, plant and equipment

The \$3.4m decrease in property, plant and equipment largely resulted from the Zambian Kwacha and Tanzanian Shilling depreciation resulting in depressed US dollar values on conversion.

##### Inventories and biological assets

The reduction in seed offtake in both Southern Africa and East Africa due to drought increased the closing seed stocks which puts the Group in a better position to supply the market in the coming season.

##### Trade and other receivables

Trade and other receivables grew on the back of delayed settlement by some regional governments. Continued engagement by management is expected to yield results.

##### Equity

The increase in equity resulted from the capital injection and profit for the year partially offset by net exchange differences on translation of foreign operations and restatements arising from the adoption of IFRS 9.

##### Net debt

The net debt was \$1.6m lower on account of the proceeds from the capital injection being offset by some cash resources tied in working capital.

##### Seed supply

The Group is adequately stocked to meet anticipated demand in the ensuing season.

##### Research & development

4 new maize seed hybrids for the South African market were approved for internal release.

The breeding pipeline for the Maize Lethal Necrosis Disease (MLND) is now in shape and testing of the hybrids in adaptation trials in territories outside the MLND endemic area of East Africa is being done. MLND tolerant and highland varieties were licensed in Kenya.

Collaboration with global research partners HM Clause has facilitated the sourcing of starter germplasm for commencement of breeding work on vegetables.

Chokwe research station in Mozambique for breeding of lowland varieties is now operational.

##### Outlook

The Group expects earnings to rebound due to:

- increase in anticipated demand due to expected grain shortages caused by drought in East Africa and floods in Malawi and Mozambique;
- adequate stocks on site in all major markets; and
- contribution from Alliance Seeds.

##### Directorate

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

##### Dividend

The Board declared a dividend of 0.33 USD cents per share payable to Shareholders in the register of the Company as at 28 June 2019. The dividend is payable in cash. Shares will trade cum-div until 25 June 2019 and ex-div from 26 June 2019. The payment date is 10 July 2019.

By Order of the Board

E. Kalaote  
Secretary

Transfer Secretaries  
Corpserve  
Second Floor, Unit 206 Showgrounds Close  
Plot 64516, Fairgrounds  
Gaborone  
Botswana

Registered Office  
Plot 70713  
Phakalane  
Gaborone  
Botswana

## SUPPLEMENTARY INFORMATION

### 1. Corporate information

- Seed Co International Limited is a company which is incorporated and domiciled in Botswana and listed on the Botswana Stock Exchange and the Zimbabwe Stock Exchange.
- Seed Co International Limited has subsidiaries located in Botswana, Ghana, Kenya, Malawi, Nigeria, Rwanda, South Africa, Tanzania, and Zambia.
- 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. Capital expenditure

Capital expenditure for the period was US\$4,337,509 (2018:US\$5,578,018).

### 5. Commitments for capital expenditure

Authorised by directors but not contracted was US\$7,179,296 (2018:US\$7,534,295).

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

### 6. Depreciation

Depreciation for the period was US\$2,740,213 (2018: US\$2,463,716).

### 7. Contingent liabilities

Contingent liabilities amounted to \$465,439 (2018: US\$531,000)

### 8. 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 International Limited.

### 9. Approval of financial statements

The underlying financial statements to these results were approved by the Board on the 24th of May 2019 and duly signed by the Chairman and Chief Executive Officer on behalf of the Board.

By Order of the Board

D. E. B. Long  
Chairman

M. Nzwere  
Chief Executive Officer

## ABRIDGED GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

	2019 US\$	2018 US\$
Revenue	60,136,380	64,380,146
Cost of sales	(30,255,451)	(31,697,439)
<b>Gross profit</b>	<b>29,880,929</b>	<b>32,682,707</b>
Other income	4,488,537	1,602,608
Operating expenses	(27,326,009)	(26,921,752)
<b>Operating profit</b>	<b>7,043,457</b>	<b>7,363,563</b>
Finance income	783,735	554,190
Finance cost	(2,588,011)	(2,631,459)
Share of loss from joint venture	(85,041)	(10,874)
<b>Profit before taxation</b>	<b>5,154,140</b>	<b>5,275,420</b>
Income tax expense	(1,375,906)	(784,131)
<b>Profit for the period</b>	<b>3,778,234</b>	<b>4,491,289</b>
<b>Attributable to:</b>		
Equity holders of the parent	3,778,030	4,488,446
Non-controlling interest	204	2,843
	<b>3,778,234</b>	<b>4,491,289</b>

### Earnings per share

Basic earnings per share - cents	1.75	294.517
Diluted earnings per share - cents	1.74	294.517

The basic and diluted earnings per share would have both been 2.08 cents and 2.07 cents respectively if the same weighted average number of shares in the current year were applied in the prior year computation.

## ABRIDGED GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	2019 US\$	2018 US\$
<b>Profit for the period</b>	<b>3,778,234</b>	<b>4,491,289</b>
<b>Other comprehensive income</b>		
Net exchange difference on translation of foreign operations	(14,909,043)	1,144,081
Share of other comprehensive loss of a joint venture	(28,350)	(10,321)
Revaluation of property, plant and equipment	168,807	3,478,228
Deferred tax on revaluation of property, plant and equipment	(34,027)	(347,823)
<b>Total comprehensive (loss)/income for the year, net of tax</b>	<b>(11,024,379)</b>	<b>8,755,454</b>
<b>Attributable to:</b>		
Equity holders of the parent	(11,024,583)	8,762,932
Non-controlling interest	204	(7,478)
	<b>(11,024,379)</b>	<b>8,755,454</b>

## ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

Stated capital	Attributable to owners of the parent			Non-controlling interest	Total
	Non-distributable reserves	Retained earnings	Total		
US\$	US\$	US\$	US\$	US\$	US\$
As at 31 March 2017	18,584,875	(12,912,427)	65,146,807	-	70,819,255
Profit for the year	-	-	4,488,446	2,843	4,491,289
Other comprehensive income	-	4,274,486	-	(10,321)	4,264,165
Total comprehensive income	-	4,274,486	4,488,446	(7,478)	8,755,454
Transferred to non-controlling interest	-	-	624,471	(624,471)	-
Non-controlling equity interest	-	-	-	697,006	697,006
Realisation of revaluation reserve through use	-	(158,029)	158,029	-	-
As at 31 March 2018	18,584,875	(8,795,970)	70,417,753	65,057	80,271,715
Impact of adopting IFRS 9	-	-	(5,348,075)	-	(5,348,075)
As at 1 April 2018 - restated	18,584,875	(8,795,970)	65,069,678	65,057	74,923,640
Profit for the year	-	-	3,778,030	204	3,778,234
Other comprehensive income	-	(14,802,613)	-	-	(14,802,613)
Total comprehensive income	-	(14,802,613)	3,778,030	204	(11,024,379)
Issue of share capital net of transaction costs	17,263,166	-	-	-	17,263,166
Share based payments	-	330,704	-	-	330,704
Realisation of revaluation reserve through use	-	(514,294)	514,294	-	-
Dividends	-	-	(93,124)	-	(93,124)
Non-controlling equity interest	-	-	698,995	634,980	1,333,975
As at 31 March 2019	35,848,041	(23,782,173)	69,967,873	700,241	82,733,982

## ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	2019 US\$	2018 US\$
<b>ASSETS</b>		
Property, plant and equipment	38,473,312	41,850,963
Investment in joint venture	1,030,437	1,143,828
Inventories and biological assets	18,013,810	13,324,910
Trade and other receivables	50,689,745	45,542,457
Other financial assets	295,564	1,304,954
Cash and cash equivalents	24,478,033	16,413,398
<b>Total assets</b>	<b>132,980,901</b>	<b>119,580,510</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Stated capital	35,848,041	18,584,875
Non-distributable reserves	(23,782,173)	(8,795,970)
Retained earnings	69,967,873	70,417,753
<b>Equity attributable to equity holders of the parent</b>	<b>82,033,741</b>	<b>80,206,658</b>
Non-controlling interest	700,241	65,057
<b>Total equity</b>	<b>82,733,982</b>	<b>80,271,715</b>
<b>Liabilities</b>		
Deferred tax liability - net	752,898	1,052,374
Borrowings	35,637,018	29,191,141
Trade and other payables	13,857,003	9,065,280
<b>Total liabilities</b>	<b>50,246,919</b>	<b>39,308,795</b>
<b>Total equity and liabilities</b>	<b>132,980,901</b>	<b>119,580,510</b>

## ABRIDGED GROUP STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 MARCH 2019

	2019 US\$	2018 US\$
<b>Operating activities</b>		
Profit before tax	5,154,140	5,275,420
Non-cash adjustment to reconcile profit before tax to net cash flows	2,891,061	6,731,168
Working capital adjustments and tax paid	(19,468,003)	(1,369,071)
<b>Net cash flows from operating activities</b>	<b>(11,422,802)</b>	<b>10,637,517</b>
<b>Investing activities</b>		
Proceeds from sale of property, plant and equipment	386,425	269,950
Purchase of property, plant and equipment	(4,337,509)	(5,578,018)
Investment in joint venture	-	(1,165,023)
Interest received	783,735	554,190
<b>Net cash flows utilised in investing activities</b>	<b>(3,167,349)</b>	<b>(5,918,901)</b>
<b>Financing activities</b>		
Proceeds from issue of share capital net of transaction costs	17,263,166	-
Net proceeds/(repayments) from borrowings	6,797,425	(8,220,817)
Introduction of equity by non-controlling interest	1,333,975	697,006
Dividend paid	(93,124)	-
Interest paid	(2,588,011)	(2,631,459)
<b>Net cash flows generated from/(used in) financing activities</b>	<b>22,713,431</b>	<b>(10,155,270)</b>
Net increase/(decrease) in cash and cash equivalents	8,123,280	(5,436,654)
Effects of exchange rate changes on cash and cash equivalents	(58,645)	540,537
Cash and cash equivalents at beginning of period	16,413,398	21,309,515
<b>Cash and cash equivalents at end of period</b>	<b>24,478,033</b>	<b>16,413,398</b>