

COMMENTARY

TRADING UPDATE

Preamble

The accompanying financial results were restated to account for inflation in accordance with the requirements 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.

Income statement

Total volumes were 46% below prior year because of:

- non-recurrence of early maize seed sales made in the comparative period;
- reduced open-market demand due to squeeze on customer disposable income; and
- lower wheat seed acreage planted resulting from limited irrigation capacity caused by electricity and water shortages.

In spite of the decline in volumes; revenue more than doubled from the previous year due to alignment of selling prices with inflation to enable inventory replacement.

The margin increase is largely due to the mismatch between valuation of stock sold at the respective cost incurred at the time of production and processing and the selling prices at the time of despatch to customers.

Operating expenses were three and half times the prior year level which is lower than the implied year-on-year inflation for the year to date due to concrete cost control initiatives by management during the period under review.

Finance costs surged riding on the increased borrowings.

Associated companies had a mixed set of results. The International field seeds business recorded an increased loss from prior year caused by decreasing exchange gains on account of adverse exchange rate movements. Meanwhile, Zimbabwean based vegetable and cotton seed business achieved better than last year results driven by selling price increases.

Net profit for the period rose by 175% driven by:

- selling price adjustments;
- cost control; and
- increased contribution from local associate and joint venture.

Statement of financial position

Fixed assets were revalued to current market values hence the huge increase in property, plant and equipment; equity and deferred tax liability from prior year end. In addition, the Group continues its capital investment in the seed dryer project which is expected to be commissioned sometime in 2020.

Other financial assets consist of RBZ savings bonds; Grower Transformation Initiative (GTI) receivables and fixed deposits. The savings bonds matured in October 2019 with the proceeds received then and the process to deposit these with the RBZ in lieu of legacy foreign debts is in progress.

The inventory balance soared on the back of seed receipts from growers at current costs. The stock comprises of commercial seed; other production and processing inputs i.e. fertilisers, chemicals and packaging and foundation seed.

Trade and other receivables mainly relate to current credit sales; prepayments to suppliers including inputs advanced to growers and VAT receivable.

Borrowings and payables grew to fund capital expenditure and the working capital gap created by the decimation of monetary asset values in the wake of the liberalisation of the exchange rates in February 2019.

Outlook

The prevailing operating environment remains unpredictable characterised by continuous local currency depreciation and hyperinflation. Management's focus is therefore geared towards:

- initiatives to retain value and protect the balance sheet
- pricing to enable restocking
- ensuring the majority of the Group's stakeholders (shareholders, growers, employees etc.) are not prejudiced.

Directorate

Patrick Spadin joined the Board while Andrew Barron, Antoine Colombo and Chance Kabaghe resigned from the Board during the period under review. All regulatory requirements regarding these changes were fully satisfied.

Dividend

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

By Order of the Board

T.N. Chimanya
Secretary

Registered Office
Shamwari Road
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Harare
Zimbabwe

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

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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 (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 – *Leases* and IFRIC 23 – *Uncertainty over Income Tax Treatments* were issued by the International Accounting Standards Board (IASB) for adoption in the current financial year. Management does not expect a material impact from the implementation of IFRS 16 and are not aware of any tax-related contingencies arising from IFRIC 23.

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\$68,395,484 (Sept 2018:ZWL\$1,848,726).
- Capital expenditure for the period in historical cost terms was ZWL\$37,651,624 (Sept 2018:ZWL\$629,271).

5. Hyper inflation

The Public Accountants and Auditors Board through its pronouncement 01/2019 provided guidance to all entities that report based on the International Financial Reporting Standards (IFRSs) on the application of Financial Reporting in Hyperinflationary Economies Standard (IAS 29) in Zimbabwe. The pronouncement requires that companies that prepare and present financial statements for financial periods ended on or after 1 July 2019 apply the requirements of IAS 29 "Financial Reporting in Hyperinflationary economies."

The historical amounts were restated at the end of the reporting period to reflect the general change in purchasing power of the reporting currency (ZWL \$). Professional judgement was used and appropriate adjustments were made to historical financial statements in preparing financial statements which are IAS 29 compliant.

Source of price indices

Indices used were obtained from the Zimbabwe Statistical Office for the period from February 2009 to September 2019.

	Indices	Conversion Factor
CPI as at 31 March 2018	62.6	4.6
CPI as at 30 September 2018	64.1	4.5
CPI as at 31 March 2019	104.4	2.8
CPI as at 30 September 2019	290.4	1.0
Average CPI for the 6 months to:		
30 September 2018	63.1	
30 September 2019	192.1	

6. Commitments for capital expenditure

-The budget authorised by the Directors was denominated in US\$. With the change in currency, new capital expenditure is being approved on a case-by-case basis. Year-to-date September 2018; capital expenditure authorised by Directors but not contracted for amounted to ZWL\$12,103,876.

- The dryer project worth US\$12m approved in the last financial year is still work in progress.
- The capital expenditure will be financed out of the Group's own resources and banking facilities.

7. Depreciation

- Depreciation for the period in inflation adjusted terms was ZWL\$10,470,950 (Sept 2018:ZWL\$2,143,157).
- Depreciation for the period in historical cost terms was ZWL\$1,904,642 (Sept 2018:ZWL\$729,489).

8. Contingent liabilities

- There were no contingent liabilities as at 30 September 2019 (Sept 2018: nil).

9. Approval of financial statements

- These abridged financial statements were approved by the Board on 14 November 2019.

ABRIDGED UNAUDITED GROUP INCOME STATEMENT

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2019

	Half year ended September 2019	Half year ended September 2018	Half year ended September 2019	Half year ended September 2018
	Inflation adjusted ZWL\$		Historical ZWL\$	
Continuing operations				
Revenue	96,767,338	85,210,933	61,855,755	29,004,153
Cost of sales	(35,550,506)	(40,240,394)	(19,226,526)	(13,697,051)
Gross profit	61,216,832	44,970,539	42,629,229	15,307,102
Other income	29,401,490	4,240,535	16,442,920	1,443,396
Operating expenses	(50,602,171)	(27,441,140)	(32,547,251)	(9,340,433)
Operating profit	40,016,151	21,769,934	26,524,898	7,410,065
Finance income	1,487,923	3,401,286	835,900	1,157,732
Finance cost	(6,469,827)	(389,670)	(5,527,474)	(132,636)
Net monetary gain/(loss)	5,295,142	(111,945,783)	-	-
Share of profit/(loss) from associates and joint venture	13,049,886	(3,802,666)	1,265,249	(45,928)
Profit/(loss) before taxation	53,379,275	(90,966,899)	23,098,573	8,389,233
Income tax expense	(18,966,337)	(7,185,323)	(6,731,238)	(2,445,745)
Profit/(loss) from continuing operations	34,412,938	(98,152,222)	16,367,335	5,943,488
Profit from discontinued operations	-	69,030,845	-	63,087,357
Profit/(loss) for the period	34,412,938	(29,121,377)	16,367,335	69,030,845
Attributable to:				
Equity holders of the parent	34,412,938	(29,121,377)	16,367,335	69,030,845
Earnings per share				
Basic earnings per share - cents	14.02	(12.04)	6.67	28.54
Diluted earnings per share - cents	14.02	(12.04)	6.67	28.54

ABRIDGED UNAUDITED GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2019

	Half year ended September 2019	Half year ended September 2018	Half year ended September 2019	Half year ended September 2018
	Inflation adjusted ZWL\$		Historical ZWL\$	
Profit/(loss) for the period	34,412,938	(29,121,377)	16,367,335	69,030,845
Other comprehensive income				
Share of other comprehensive loss of associates and joint venture	(18,146,276)	(4,027,364)	(18,146,273)	-
Revaluation of property, plant and equipment, net of impairment and tax	222,188,947	-	370,840,627	-
Total comprehensive income/(loss) for the period, net of tax	238,455,609	(33,148,741)	369,061,689	69,030,845
Attributable to:				
Equity holders of the parent	238,455,609	(33,148,741)	369,061,689	69,030,845

ABRIDGED UNAUDITED GROUP STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

	Half year ended September 2019	Full year ended March 2019	Half year ended September 2019	Full year ended March 2019
	Inflation adjusted ZWL\$		Historical ZWL\$	
ASSETS				
Property, plant and equipment	617,620,441	242,307,928	617,620,441	82,476,930
Investment in associates and joint venture	73,451,322	82,855,116	49,224,325	70,412,756
Other financial assets	26,980,316	81,997,778	26,980,332	32,544,833
Inventories	281,604,695	65,948,980	150,265,135	22,447,757
Trade and other receivables	59,047,461	110,121,165	56,344,037	32,848,754
Cash and cash equivalents	3,897,685	37,113,546	3,897,685	12,632,733
Total assets	1,062,601,920	620,344,513	904,331,955	253,363,763
EQUITY AND LIABILITIES				
Equity				
Share capital	7,208,535	712,656	2,454,829	242,574
Non-distributable reserves	329,212,813	240,492,877	444,831,485	88,420,819
Retained earnings	389,686,311	248,580,504	129,321,372	120,260,790
Total equity	726,107,659	489,786,037	576,607,686	208,924,183
Liabilities				
Deferred tax liability - net	156,245,999	55,431,992	147,476,006	18,867,977
Bank borrowings	107,817,616	-	107,817,616	-
Trade and other payables	72,430,646	75,126,484	72,430,647	25,571,603
Total liabilities	336,494,261	130,558,476	327,724,269	44,439,580
Total equity and liabilities	1,062,601,920	620,344,513	904,331,955	253,363,763

ABRIDGED UNAUDITED GROUP STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2019

	Half year ended September 2019	Half year ended September 2018	Half year ended September 2019	Half year ended September 2018
	Inflation adjusted ZWLS		Historical ZWLS	
Operating activities				
Profit/(loss) before tax	53,379,275	(90,966,899)	23,098,573	8,389,233
Non-cash adjustment to reconcile profit before tax to net cash flows	2,309,460	(656,545)	8,555,973	(223,476)
Working capital adjustments and tax paid	(148,405,884)	(71,720,108)	(114,436,575)	(24,412,137)
Net cash flows from operating activities	(92,717,149)	(163,343,552)	(82,782,029)	(16,246,380)
Investing activities				
Proceeds from sale of property, plant and equipment	231,633	7,051	78,843	2,400
Purchase of property, plant and equipment	(68,395,484)	(1,848,726)	(37,651,624)	(629,271)
Net proceeds from maturity of non-current financial assets	25,949,152	25,287,567	5,564,501	8,607,399
Dividends received from associates	4,307,404	-	4,307,404	-
Deconsolidation of former subsidiaries	-	37,021,620	-	12,601,443
Interest received	1,487,923	3,401,286	835,900	1,157,732
Net cash flows from investing activities	(36,419,372)	63,868,798	(26,864,976)	21,739,703
Financing activities				
Dividend paid	(2,133,985)	(31,536,709)	(1,378,185)	(10,734,485)
Interest paid	(6,469,827)	(389,670)	(5,527,474)	(132,636)
Net cash flows from financing activities	(8,603,812)	(31,926,379)	(6,905,659)	(10,867,121)
Net movement in cash and cash equivalents	(137,740,333)	(131,401,133)	(116,552,664)	(5,373,798)
Effects of net monetary movement on cash and cash equivalents	(3,293,144)	126,027,335	-	-
Cash and cash equivalents at beginning of period	37,113,546	(1,152,411)	12,632,733	(1,152,411)
Cash and cash equivalents at end of period	(103,919,931)	(6,526,209)	(103,919,931)	(6,526,209)



The African Seed Company

SEED CO LIMITED

ABRIDGED GROUP UNAUDITED RESULTS

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2019

ABRIDGED UNAUDITED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2019

Inflation adjusted ZWLS	Attributable to the equity holders of the parent							
	Issued share capital	Non distributable reserves	Retained earnings	Changes of ownership reserve	Reserves of a disposal group held for distribution	Total	Non controlling interests	Total equity
As at 31 March 2018	241,883	52,379,234	148,675,076	562,318	(16,992,540)	184,865,971	2,490,597	187,356,568
IAS 29 restatement	806,908	174,734,182	150,070,399	1,089,709	(32,929,628)	293,771,570	4,826,496	298,598,066
As at 1 April 2018 - restated	1,048,791	227,113,416	298,745,475	1,652,027	(49,922,168)	478,637,541	7,317,093	485,954,634
Profit for the year	-	-	(29,121,377)	-	-	(29,121,377)	-	(29,121,377)
Other comprehensive income	-	(4,027,364)	-	-	-	(4,027,364)	-	(4,027,364)
Total comprehensive income	-	(4,027,364)	(29,121,377)	-	-	(33,148,741)	-	(33,148,741)
Dividend - in specie	-	-	(360,860,702)	-	-	(360,860,702)	-	(360,860,702)
Dividend - cash	-	-	(31,536,709)	-	-	(31,536,709)	-	(31,536,709)
Realisation of revaluation reserve through disposal	-	-	41,110,974	-	(41,110,974)	-	-	-
Derecognition of change in ownership interest	-	-	-	(1,652,027)	-	(1,652,027)	-	(1,652,027)
Recycling of foreign currency translation reserve on disposal	-	-	-	-	91,033,142	91,033,142	-	91,033,142
Derecognition of non-controlling interest	-	-	-	-	-	-	(7,317,093)	(7,317,093)
As at 30 September 2018	1,048,791	223,086,052	(81,662,339)	-	-	142,472,504	-	142,472,504
As at 31 March 2019	712,656	240,492,878	248,580,504	-	-	489,786,038	-	489,786,038
IAS 29 restatement	-	(118,006,667)	118,006,667	-	-	-	-	-
As at 1 April 2019 - restated	712,656	122,486,211	366,587,171	-	-	489,786,038	-	489,786,038
Profit for the period	-	-	34,412,937	-	-	34,412,937	-	34,412,937
Other comprehensive income	-	204,042,671	-	-	-	204,042,671	-	204,042,671
Total comprehensive income	-	204,042,671	34,412,937	-	-	238,455,608	-	238,455,608
Capital redenomination	6,492,005	(6,492,005)	-	-	-	-	-	-
Dividend - scrip	3,874	9,175,937	(9,179,811)	-	-	-	-	-
Dividends - cash	-	-	(2,133,985)	-	-	(2,133,985)	-	(2,133,985)
As at 30 September 2019	7,208,535	329,212,814	389,686,312	-	-	726,107,661	-	726,107,661

Historical ZWLS

Historical ZWLS	Attributable to the equity holders of the parent							
	Issued share capital	Non distributable reserves	Retained earnings	Changes of ownership reserve	Reserves of a disposal group held for distribution	Total	Non controlling interests	Total equity
As at 1 April 2018	241,883	52,379,234	148,720,737	562,318	(16,992,540)	184,911,632	2,490,597	187,402,229
Profit for the year	-	-	69,030,845	-	-	69,030,845	-	69,030,845
Total comprehensive income	-	-	69,030,845	-	-	69,030,845	-	69,030,845
Dividend - in specie	-	-	(122,830,000)	-	-	(122,830,000)	-	(122,830,000)
Dividend - cash	-	-	(10,734,485)	-	-	(10,734,485)	-	(10,734,485)
Realisation of revaluation reserve through disposal	-	-	13,993,380	-	(13,993,380)	-	-	-
Derecognition of change in ownership interest	-	-	-	(844,174)	-	(844,174)	-	(844,174)
Recycling of foreign currency translation reserve on disposal	-	-	-	-	30,985,920	30,985,920	-	30,985,920
Derecognition of non-controlling interest	-	-	-	-	-	-	(2,490,597)	(2,490,597)
As at 30 September 2018	241,883	52,379,234	98,180,477	(281,856)	-	150,519,738	-	150,519,738
As at 1 April 2019	242,574	88,420,819	120,260,790	-	-	208,924,183	-	208,924,183
Profit for the period	-	-	16,367,334	-	-	16,367,334	-	16,367,334
Other comprehensive income	-	352,694,354	-	-	-	352,694,354	-	352,694,354
Total comprehensive income	-	352,694,354	16,367,334	-	-	369,061,688	-	369,061,688
Capital redenomination	2,209,753	(2,209,753)	-	-	-	-	-	-
Dividend - scrip	2,502	5,926,065	(5,928,567)	-	-	-	-	-
Dividends - cash	-	-	(1,378,185)	-	-	(1,378,185)	-	(1,378,185)
As at 30 September 2019	2,454,829	444,831,485	129,321,372	-	-	576,607,686	-	576,607,686



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