



**The African Seed Company**



**SEED CO LIMITED  
TRADING UPDATE FOR THE 3RD QUARTER  
ENDED 31 DECEMBER 2019**

## SEED CO LIMITED TRADING UPDATE FOR THE 3<sup>RD</sup> QUARTER ENDED 31 DECEMBER 2019

### TRADING ENVIRONMENT

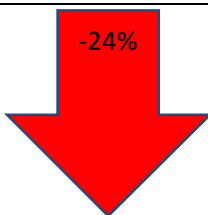
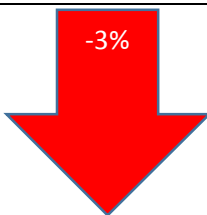
Whilst no major policy changes were experienced during the reporting period, the country continued to face many challenges and the major ones were:

- late onset of the rain season which eventually became pronounced as a drought year
- local currency depreciation largely attributable to a mismatch between local money supply and availability of foreign currency
- Food shortages – putting pressure on the Government’s import bill and exchange rate
- High cost of production driven by exorbitant prices in local currency for critical inputs like fuel, chemicals and packaging
- Energy (electricity and fuel) shortages

The Company continues to implement measures to preserve value in a challenging environment. Amidst the challenges, the Company managed to secure funding to pay for all seed deliveries from growers and funded the processing of the seed in readiness of the selling season. Striking a balance between cost containment and continuing in business (operating and retaining skills) profitably is now part of the Company’s challenging daily routine.

Seed Co is continuing with its major project of constructing a flagship Artificial Maize Seed Drying Plant at the Company’s Stapleford Complex just outside Harare. The construction project is progressing with all equipment having been received from the supplier in Denmark. Construction progress is however at a slower pace than originally anticipated due to funding challenges.

### VOLUME PERFORMANCE AND PROFITABILITY

	Cumulative nine (9) months ended December 2019 Vs. December 2018	Third (3 <sup>rd</sup> ) quarter <u>only</u> ended December 2019 Vs. December 2018
<b>Sales volume performance</b>	-24% 	-3% 
<b>Profit after tax</b>	ZWL 309.0m (2018: USD 23.2m*)	ZWL 292.6m (2018: USD 17.2m)

\* excluding once-off profit from discontinued operations arising from the partial unbundling of Seed Co International Limited

NB: The Group does not report on any operating segments since it operates in a single geographical segment (Zimbabwe) and is a supplier of a single product class (field crops).

The reduction in sales volumes, in both the 3<sup>rd</sup> quarter and 9 months to 31 December 2019, was mainly due to:

- low onset of the season and unfavourable weather forecasts which discouraged farmers from purchasing seed;
- negative impact of low disposable incomes on consumer demand;

- reduced Government uptake of our seed;
- fuel shortages affecting land preparation by farmers for the current summer season; and
- electricity and water shortages incapacitating wheat farmers from growing crop under irrigation last winter.

## OUTLOOK

The outlook remains highly unpredictable due to the current harsh economic environment. The Company's sales volumes are expected to close the current financial year lower than prior year due to challenges mentioned above. However the Company expects to remain profitable despite the following:

- adoption of new standard on leases by the Company this reporting year - IFRS 16
- adoption of IAS 29 – Financial Reporting in Hyperinflationary Economies

Going forward, preserving capital remains a challenge the Board and management is seized with in the Zimbabwean context. The Company will also bank on its regional associate investment, Seed Co International Limited, for real capital preservation and earnings.

On the policy front, the Company welcomed the reduction in Input Tax (VAT) from 15% to 14.5% effective 1 January 2020 as well as the reduction in effective Corporate Income Tax, including 3% Aids Levy, from 25.75% to 24.72%, the positive impacts are at risk of being eroded by inflation. On the other hand, the coming of legislation allowing electricity to be levied in foreign currency for certain players in the economy could improve power supply from imports going forward.

## OTHER

No dividend was declared during the quarter under review.

By Order of the Board

31 January 2020



T.N. Chimanya  
Group Company Secretary

