

COMMENTARY

Highlights



Financial Results

Currencies

The impact of the currencies depreciation was particularly notable on translation of results to the US\$ reporting currency.

Revenue:

Group turnover was maintained despite a very tough environment with the following factors affecting demand:

- Depressed commodity prices, weaker currencies and tight financial conditions
- El Niño induced weather patterns across the region
- Reduction of Government input programs in all the markets the Group operates in

Price adjustments in selected markets and the coming on board of the new vegetable seed business helped offset the effects of the reduction in maize seed volumes.

Margins

Gross margin increased by 7%. This was due to increased efficiency in cost of sales management through reduced inventory write off, as well as value pricing in selected markets and products in short supply.

Other income

Other Income decreased due to reduced exchange gains.

Overheads

Operating costs were up due to the inclusion of the new vegetable business expenses as well as increased market development costs in new markets.

Investment in research and development increased by 29% to \$6.7m in addition to capital expenditure of \$2.2m.

Finance Charges

The finance income decreased by 16% due to reduction in short-term money market deposit interest rates. Finance costs decreased by 39% due to access to cheaper facilities.

Earnings

The PAT of \$15.4m was 3% up due to improved margins.

Statement of financial position

Non Current Assets

The increase in property, plant and equipment was due to a combination of capital expenditure and the fair valuation of assets at the end of the financial year.

Other non current financial assets increased due to the issue of new treasury bills by Zimbabwe Government to settle interest and amounts due from the central bank.

The goodwill is the result of the acquisition of the assets and liabilities of Prime Seeds in Zimbabwe.

Current Assets

Accounts Receivable

Accounts receivable reduced by 10% due to Government business being done through financing structures and improved debt collection efforts.

Out of the \$42.2m trade receivables, the Governments of Zambia, Malawi and Botswana owed the Group \$14m which is expected to be settled before the end of the first half of the year.

Inventory Levels

Inventories increased by 40% due to a combination of increased production and reduced seed uptake during the year owing to the drought effects of El Niño.

Other Current assets

The cash and cash equivalents remained at the same level as prior year.

Equities and Liabilities

Non – distributable reserves reduced by 3% as the effects of currency devaluation on translation of foreign assets and liabilities were offset by the fair valuation of the assets at the end of the year.

The revaluation of assets at year end increased the deferred tax liability.

Borrowings and Trade payables

Bank borrowings increased due to funding obtained to increase seed production during the year.

Seed Supply

The Group has made significant progress in increasing the irrigation capacity of its key seed growers, resulting in improved yields and lower cost of seed. There is now adequate capacity to produce enough seed to meet increased market demand.

Research and Technology

The research function has been strengthened with the appointment of new staff to head research and soyabean breeding programs following retirement of the previous leadership. We continue to invest in new talent across the various sections of our research function. A new research facility has been acquired in Potchefstroom South Africa. Four maize varieties were released.

The new Technology Lab is now fully functional and a pathologist has been appointed to coordinate all green house and lab activities in support of field research.

New Business Development

The new Vegetable business has now been fully integrated into the Group and capitalization of the business has been completed to enable it to grow.

Despite a slow start of seed production in West Africa, the Group is continuing in its efforts to break through in this lucrative underserved market.

Outlook

The steep decrease in commodity prices and the tough economic environment prevailing in sub Saharan Africa is expected to continue in the outlook period.

However the effects of El Niño on the food resources of the region, in th year just ended, are expected to buoy seed demand in the coming season as families are expected to increase planting to restock.

The number of families expected to go without enough food is expected to spur some humanitarian demand for seed, as well as increased government input programs.

The strategic technical equity partnership with Limagrain is expected to accelerate new product release.

The new vegetable seed distribution company is expected to gather traction leveraging on the expertise of Limagrain in all markets.

Market share continues to increase in East Africa namely with Kenya and in Tanzania.

There is increasing demand for our recently released ultra early maize seed varieties with the changing weather patterns and we expect to increase share in most markets.

Directorate

Messrs C Kabaghe, D Long, and M S Ndoro will retire by rotation and being eligible offer themselves for re-election.

Messrs J P Rooney and C B M Utete will retire in terms of Paragraph 96 (g) of the Company's Articles of Association as amended.

During the year Mr G Longour was replaced by Mr D Jacquemond as Mr JC Juillard's alternate on the Board.

Dividend

The board is recommending that a dividend of 2 cents per share be declared for the year ending 31 March 2016 payable to shareholders in the register of the company as at 24th of June 2016.

By Order of the Board	Registered Office Shamwari Road Stapleford	Transfer Secretaries Corpserve (Pvt) Ltd 4th Floor Intermarket Centre Corner First Street/Nkwame, Harare
J. Matorofa SECRETARY		

Directors: J P Rooney (Chairman), M Nzwere (Group Chief Executive), B Carrette; M Debrand, Dr D Garwe, P Gowero, J C Juillard, C. Kabaghe; D E B Long, J Matorofa (Group Finance Director); M.S Ndoro; Dr C.B.M Utete.

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. It is a holding company for a Group of companies domiciled in Botswana, Kenya, Malawi, Nigeria, Rwanda, Tanzania, Zambia and Zimbabwe, whose principal activities are the processing of agricultural seed on a commercial basis.

- These financial statements are presented in the United States dollars being the currency of primary economic environment, in which the Group operates.

2. Accounting Policies

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

3. Basis of Preparation

-The financial statements from which these abridged results have been extracted were prepared in accordance with International Financial Reporting Standards.

4. Capital Expenditure

- Capital expenditure for the period was US\$5,787,968 (2015:US\$8,544,904).

5. Commitments for Capital Expenditure

-Authorised by directors but not contracted was US\$6,876,406 (2015:\$7,338,501)

- The capital expenditure will be financed out of the group's own resources and existing facilities.

6. Depreciation

- Depreciation for the year was US\$2,875,052 (2015:US\$3,253,637)

7. Bank Borrowings

- Bank borrowings for the year were US\$29,821,079 (2015:US\$13,982,901). Bank borrowings are secured by inventories and trade receivables

8. Approval of financial statements

- The underlying financial statements to these results were approved by the Board on 8 June 2016

9. Audit opinion

- The Group auditors, Ernst & Young have issued an unmodified opinion on the consolidated financial results of the Group.

The signed audit opinion is available for inspection at the registered office of Seed Co Limited at Shamwari Road, Stapleford, Harare.

ABRIDGED GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

	2016 US\$	2015 US\$
Revenue	95,956,909	94,659,536
Cost of sales	(45,028,835)	(51,072,978)
Gross profit	50,928,074	43,586,558
Other income	816,110	4,319,623
Operating expenses	(36,123,081)	(31,246,348)
Operating profit	15,621,103	16,659,833
Finance income	2,394,858	2,846,750
Finance costs	(1,937,621)	(3,183,978)
Share of profit/ (loss) from associates	201,581	(124,529)
Profit before taxation	16,279,921	16,198,076
Income tax expense	(862,308)	(1,341,246)
Profit from continuing operations	15,417,613	14,856,830
Discontinued operations		
Profit for the year from discontinued operations	-	152,911
Profit for the year	15,417,613	15,009,741
Atributable to:		
Equity holders of the parent	15,417,613	15,240,587
Non-controlling interest	-	(230,846)
Profit attributable to shareholders	15,417,613	15,009,741

Earnings per share

Earnings per share -basic, for profit for the year attributable to equity holders of the parent - cents

6.58	6.92
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Diluted earnings per share for profit for the year attributable to equity holders of the parent - cents

6.58	6.89
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ABRIDGED GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2016

	2016 US\$	2015 US\$
Profit for the year	15,417,613	15,009,741
Other comprehensive income		
Net exchange difference on translation of foreign operations	(23,706,079)	(7,905,310)
Recycling of translation reserve to profit and loss	-	390,506
Revaluation of property, plant and equipment	7,317,287	10,870,466
Total comprehensive income for the period, net of tax	(16,388,792)	3,355,662
Atributable to:		
Equity holders of the parent	(971,179)	18,596,249
Non-controlling interest	-	(230,846)
	(971,179)	18,365,403

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	2016 US\$	2015 US\$
ASSETS		
Property, plant and equipment	62,145,127	58,357,840
Investment property	-	304,720
Held-to-maturity investments	30,889,336	24,685,744
Other non-current assets	4,347,152	5,661,510
Inventories	29,626,775	21,300,795
Trade receivables	42,175,432	44,314,460
Other current assets	30,209,515	32,352,045
Total assets	199,393,337	186,977,114
EQUITY AND LIABILITIES		
Equity		
Share capital	234,449	234,449
Non-distributable reserves	24,541,177	41,399,142
Retained earnings	119,776,052	106,169,213
Total equity	144,551,678	147,802,804
Liabilities		
Deferred tax liability	5,816,265	6,368,351
Bank borrowings - non-current	1,274,998	2,239,629
Bank borrowings - current	28,546,081	11,743,272
Other current liabilities	19,204,315	18,823,058
Total liabilities	54,841,659	39,174,310
Total equity and liabilities	199,393,337	186,977,114

ABRIDGED GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2016

	2016 US\$	2015 US\$
Operating activities		
Profit before tax from continuing operations	16,279,921	16,198,076
Loss before tax from discontinued operations	-	(350,502)
Profit before tax	16,279,921	15,847,574
Non-cash adjustment to reconcile profit before tax to net cashflows	2,781,371	(1,394,856)
Working capital adjustments	(26,482,770)	2,783,500
Net cash flows from operating activities	(7,421,478)	17,236,218
Investing activities		
Proceeds from sale of property	275,235	240,790
Purchase of property, plant and equipment	(5,787,968)	(8,544,904)
Acquisition of subsidiary, net of cash acquired	(1,796,999)	-
Sale of a subsidiary net of cash disposed of	-	4,911,611
Increase in biological assets	185,879	158,861
Interest received	2,394,858	778,620
Net cash flows used in investing activities	(4,728,995)	(2,455,022)
Financing activities		
Dividend paid	(2,344,485)	-
Proceeds from issue of share capital	-	27,270,303
Long term loan repaid	(964,631)	(1,763,120)
Finance lease liabilities repaid	-	(548,285)
Interest paid	(1,937,621)	(3,489,284)
Net cash flows (utilised in)/ generated from financing activities	(5,246,737)	21,469,614
Net (decrease)/ increase in cash and cash equivalents	(17,397,210)	36,250,810
Effects of exchange rate changes on cash and cash equivalents	(146,196)	(62,922)
Cash and cash equivalents at beginning of year	8,512,224	(27,675,664)
Cash and cash equivalents at end of year	(9,031,182)	8,512,224

SEED CO LIMITED ABRIDGED GROUP AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2016



The African Seed Company



ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2016

	Attributable to owners of the parent					Non-controlling interest	Total equity
	Share capital (note 17)	Non-distributable reserves (note 18)	Retained earnings	Changes of ownership Reserve	Total		
	US\$	US\$	US\$		US\$	US\$	US\$
As at 31 March 2014	206,298	12,106,174	89,356,965	190,277	101,859,714	(76,676)	101,783,038
Profit for the year	-	-	15,240,587	-	15,240,587	(230,846)	15,009,741
Other comprehensive income	-	3,355,662	-	-	3,355,662	-	3,355,662
Total comprehensive income	-	3,355,662	15,240,587	-	18,596,249	(230,846)	18,365,403
Issue of share capital	27,389	26,572,557	-	-	26,599,946	-	26,599,946
Realisation of revaluation reserve on disposal	-	(1,375,680)	1,375,680	-	-	-	-
Share options exercised	762	669,595	-	-	670,357	-	670,357
Realisation of revaluation reserve through use	-	(195,981)	195,981	-	-	-	-
Derecognition of non-controlling interest	-	-	-	-	-	307,522	307,522
Share based payments	-	76,538	-	-	76,538	-	76,538
As at 31 March 2015	234,449	41,208,865	106,169,213	190,277	147,802,804	-	147,802,804
Profit for the year	-	-	15,417,613	-	15,417,613	-	15,417,613
Other comprehensive income	-	(16,388,792)	-	-	(16,388,792)	-	(16,388,792)
Total comprehensive income	-	(16,388,792)	15,417,613	-	(971,179)	-	(971,179)
Dividends	-	-	(2,344,485)	-	(2,344,485)	-	(2,344,485)
Realisation of revaluation reserve through use	-	(533,711)	533,711	-	-	-	-
Share based payments	-	64,538	-	-	64,538	-	64,538
As at 31 March 2016	234,449	24,350,900	119,776,052	190,277	144,551,678	-	144,551,678



"Defending the Core, Stimulating Growth"