

COMMENTARY

Highlights for the period

Earnings



Operating Environment

The business is operating in a very challenging environment with the economies of all our major markets being severely affected by the slowdown in commodity demand linked to the Chinese economy. This has resulted in all the local currencies depreciating significantly against the US dollar, which is our reporting currency, presenting a major challenge in terms of product pricing. The erratic rainfall pattern is also creating further uncertainty, swinging demand towards short season varieties.

Research and Development

- Research Technology function strengthened with new leadership and new scientists.
- Four maize varieties released.

Capacitation

- Installation of Seed drying facilities in Kenya Highlands underway.
- New shops for the new Vegetable business now open.

Financial Results

Revenue:

Group turnover increased by 17% to \$18,8m benefiting from the slight recovery of the winter cereals demand and early maize seed sales in Zimbabwe, Kenya and Botswana as well as Prime Seeds coming on board.

Margins

Gross margins were lower mainly due to higher insurance and depreciation charges on revalued assets in Zambia and in Malawi on completion of the new office block, warehouse and factory, and price adjustments failing to keep up with currency devaluation in most markets outside Zimbabwe.

Overheads

Operating costs were up due to the coming on stream of Prime Seeds. There were also increased payroll costs in research and development as additional experts were hired to boost our capabilities in MLND research as well as doubled haploid work in our new laboratory.

Finance Charges

Finance charges reduced by 44% benefitting from aggressive debt collection and access to more cost effective bank facilities in most markets as well as the strengthened balance sheet with new capital injected in prior year.

Earnings.

The loss after tax for the period was 27% lower than prior year due to a combination of increased volumes, reduced finance charges and positive impact of exchange gains as a result of currency movements.

Statement of financial position

Non Current Assets

The decrease in PPE was due to foreign exchange differences on translation of foreign denominated assets in the various business units.

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

Current Assets

Accounts Receivable

- Out of the \$45m trade receivables, various Governments across the region which owed the Group \$20m at year end now owe \$8,7m, of which \$4m was owed by Reserve Bank of Zimbabwe and has now been cleared in the form of TBs dated 6 November.
- The Group collected \$26m from debtors during the period under review.

Inventory Levels

Intake of seed from contract farmers ahead of the selling season in the second half pushed the stocks up as compared to year end.

Other Current assets

The cash and cash equivalents have come down significantly due to payments to growers and transporters for seed deliveries.

Equities and Liabilities

Non – distributable reserves reduced by 34% to \$27m mainly due to devaluation of all currencies in the region against the US dollar reporting currency.

Borrowings and Trade payables

Bank borrowings increased due to funding of seed deliveries from production. Trade payables increased due to seed deliveries not yet paid.

Seed Supply

The Group is on course to secure adequate levels of seed production for the selling season which occurs in the second half of the year.

Research and Technology

The research function has been strengthened with the appointment of new leadership to head research and soyabean breeding programs. Highly experienced personnel have been deployed to champion breeding and research operations in East Africa. In South Africa, an experienced breeder has been appointed to spearhead breeding programs there.

The new Technology Lab at Rattray AmorId Research Station is now functional and a pathologist has been appointed to coordinate all green house and lab activities and support field research.

Four maize varieties were released during the period.

New Business Development

The vegetable business has now been integrated into the Group and capitalization of the business has been completed to enable it to grow. Work continues in Nigeria, Ethiopia, Ghana and DRC. While progress has been slow, we strongly believe these markets are the source of future growth and we will redouble our efforts to make the projects a success.

Outlook

The current year presents major challenges for the Group mainly coming from weakening of the currencies as well as erratic rainfall in the major markets in which we operate. The Government input programs in Zimbabwe, Zambia and Malawi have been reduced significantly and we are directing our efforts towards the open market, which is however struggling from the severe effects of regional economic crisis.

Positive prospects in the medium to long term are expected to come from:

- Quicker product release due to the strategic technical equity partnership with Limagrain.
- The acquisition of Zimbabwe's leading vegetable seed distribution company and leveraging on the expertise of Limagrain in this new line of business in all our markets.
- Increasing market share in East Africa with Kenya, Tanzania and DRC all continuing on an impressive growth projectile.
- New proprietary product releases in the West African market which are showing promise.
- Increasing demand of our ultra early maize seed varieties particularly SC 301 and SC 303 which mature faster than all our other maize varieties.

Directorate

There were no changes to directorate during the period.

Dividend

No dividends are declared during the half year period as per Group policy.

By Order of the Board

J. Matorofa
SECRETARY

Registered Office
Shamwari Road
Stapleford

Transfer Secretaries
Corpserve (Pvt) Ltd
4th Floor Intermarket Centre
Corner First Street/Nkwame
Nkrumah Avenue, Harare

Directors: J P Rooney (Chairman), M Nzwere (Group Chief Executive), B Carrette, M Debrand, Dr D Garwe, P Gowero, J C Juilliard, 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, is a holding company for a Group of companies domiciled in Botswana, Kenya, Malawi, 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 are consistent with those of the previous reporting period.

3. Basis of Preparation

-The Group's financial statements, from which these abridged financial statements have been extracted, were prepared in accordance with International Financial Reporting Standards (IFRS) and are based on statutory records that are maintained under the historical cost convention.

4. Capital Expenditure

- Capital expenditure for the period was US\$2,507,018 (Sept 2014:US\$4,305,613).

5. Commitments for Capital Expenditure

-Authorised by directors but not contracted was US\$5,202,262 (Sept 2014:\$4,949,290)
-Capital expenditure will be financed out of the Group's own resources and existing facilities. Critical items will be prioritised.

6. Depreciation

-Depreciation for the period was US\$1,553,696 (Sept 2014:US\$1,325,854)

7. Contingent Liabilities

-There were no contingent liabilities as at 30 September 2015

8. Operating Segments

| | Zimbabwe Operations US\$ | Regional Operations US\$ | Total US\$ |
|--------------------------|--------------------------------|--------------------------------|--------------------|
| 30 September 2015 | | | |
| Segment Revenue | 8,067,210 | 14,468,175 | 22,535,385 |
| Inter- segment revenue | - | (3,745,713) | (3,745,713) |
| External Revenue | 8,067,210 | 10,722,462 | 18,789,672 |
| Segment operating loss | (2,344,078) | (2,953,191) | (5,297,269) |
| 30 September 2014 | | | |
| Segment Revenue | 5,485,980 | 16,580,717 | 22,066,697 |
| Inter- segment revenue | - | (6,023,902) | (6,023,902) |
| External Revenue | 5,485,980 | 10,556,815 | 16,042,795 |
| Segment operating loss | (4,286,729) | (1,948,307) | (6,235,036) |

ABRIDGED GROUP INCOME STATEMENT

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2015

| | Unaudited Half year Sept 2015 US\$ | Unaudited Half year Sept 2014 US\$ | Audited year ended March 2015 US\$ |
|--|---|---|---|
| Revenue | 18,789,672 | 16,042,795 | 94,659,536 |
| Cost of sales | (10,498,538) | (7,979,152) | (51,072,978) |
| Gross profit | 8,291,134 | 8,063,643 | 43,586,558 |
| Other income | 2,481,665 | 88,480 | 4,319,623 |
| Operating expenses | (15,686,692) | (12,440,000) | (31,246,348) |
| Operating (loss)/ profit | (4,913,893) | (4,287,877) | 16,659,833 |
| Finance income | 877,844 | 68,398 | 2,846,750 |
| Finance costs | (1,126,067) | (2,015,557) | (3,183,978) |
| Share of loss from associates | (135,155) | - | (124,529) |
| (Loss)/ profit before taxation | (5,297,269) | (6,235,036) | 16,198,076 |
| Income tax expense | (271,918) | (68,451) | (1,341,246) |
| (Loss)/ profit from continuing operations | (5,569,187) | (6,303,487) | 14,856,830 |
| Discontinued operations | | | |
| Loss/ (profit) for the period from discontinued operations | - | (1,326,679) | 152,911 |
| (Loss)/ profit for the period | (5,569,187) | (7,630,166) | 15,009,741 |
| Attributable to: | | | |
| Equity holders of the parent | (5,569,187) | (7,526,778) | 15,240,587 |
| Non-controlling interest | - | (103,388) | (230,846) |
| (Loss)/ profit attributable to shareholders | (5,569,187) | (7,630,166) | 15,009,741 |

Earnings per share

| | | | |
|--|--------|--------|------|
| Earnings per share -basic, for (loss)/ profit for the year attributable to equity holders of the parent -cents | (2.53) | (3.76) | 5.89 |
| Diluted earnings per share for (loss)/ profit for the year attributable to equity holders of the parent -cents | (2.53) | (3.76) | 5.89 |

ABRIDGED GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2015

| | Unaudited Half year Sept 2015 US\$ | Unaudited Half year Sept 2014 US\$ | Audited year ended March 2015 US\$ |
|---|---|---|---|
| (Loss)/ profit for the period | (5,569,187) | (7,630,166) | 15,009,741 |
| Other comprehensive income | | | |
| Net exchange difference on translation of foreign operations | (13,926,992) | 3,797,799 | (7,905,310) |
| Recycling of translation reserve to profit and loss | - | - | 390,506 |
| Revaluation of property, plant and equipment | - | - | 10,870,466 |
| Total comprehensive (loss)/income for the period, net of tax | (19,496,179) | (3,832,367) | 18,365,403 |
| Attributable to: | | | |
| Equity holders of the parent | (19,496,179) | (3,728,979) | 18,596,249 |
| Non-controlling interest | - | (103,388) | (230,846) |
| (19,496,179) | (3,832,367) | 18,365,403 | |

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2015

| | Unaudited Half year ended Sept 2015 US\$ | Audited year ended March 2015 US\$ |
|-------------------------------------|--|---|
| ASSETS | | |
| Property, plant and equipment | 52,421,366 | 58,357,840 |
| Goodwill | 264,472 | - |
| Investment property | 304,720 | 304,720 |
| Held-to-maturity investments | 27,189,511 | 24,685,744 |
| Other non-current assets | 5,077,327 | 5,661,510 |
| Inventories | 39,685,679 | 21,300,794 |
| Trade and other receivables | 44,997,648 | 50,386,863 |
| Other current assets | 11,235,134 | 26,279,643 |
| Total assets | 181,175,857 | 186,977,114 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Share capital | 234,449 | 234,449 |
| Non-distributable reserves | 27,472,150 | 41,399,142 |
| Retained earnings | 98,197,729 | 106,169,213 |
| Total equity | 125,904,328 | 147,802,804 |
| Liabilities | | |
| Deferred tax liability | 5,826,830 | 6,368,351 |
| Bank borrowings - non-current | 1,612,726 | 2,239,629 |
| Bank borrowings - current | 20,672,487 | 11,743,272 |
| Current liabilities | 27,159,486 | 18,823,058 |
| Total liabilities | 55,271,529 | 39,174,310 |
| Total equity and liabilities | 181,175,857 | 186,977,114 |

ABRIDGED GROUP STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2015

| | Unaudited Half year ended Sept 2015 US\$ | Unaudited Half year ended Sept 2014 US\$ | Audited year ended March 2015 US\$ |
|--|--|--|---|
| Operating activities | | | |
| (Loss)/ profit before tax from continuing operations | (5,297,269) | (7,788,242) | 16,198,076 |
| Loss before tax from discontinued operations | - | - | (350,502) |
| (Loss)/ profit before tax | (5,297,269) | (7,788,242) | 15,847,574 |
| <i>Non-cash adjustment to reconcile profit before tax to net cashflows</i> | (791,023) | 4,191,064 | (1,394,856) |
| <i>Working capital adjustments</i> | (9,292,726) | (7,254,032) | 2,783,500 |
| Net cash flows from operating activities | (15,381,018) | (10,851,210) | 17,236,218 |
| Investing activities | | | |
| Proceeds from sale of property, plant and equipment | 174,578 | 177,216 | 240,790 |
| Purchase of property, plant and equipment | (2,508,951) | (4,305,613) | (8,544,904) |
| Purchase of other non-current financial assets | - | (757,857) | - |
| Acquisition of subsidiary | (2,050,000) | - | - |
| Sale of a subsidiary net of cash required | - | - | 4,911,611 |
| (Increase)/ decrease in biological assets | (94,038) | - | 158,861 |
| Interest received | 877,844 | 78,677 | 778,620 |
| Net cash flows used in investing activities | (3,600,567) | (4,807,577) | (2,455,022) |
| Financing activities | | | |
| Dividend paid | (2,402,297) | - | - |
| Proceeds from issue of share capital | - | - | 27,270,303 |
| Short term loan received | - | 151,838 | - |
| Long term loan received | - | 2,824,046 | - |
| Long term loan repaid | (626,904) | - | (1,763,120) |
| Finance lease liabilities repaid | - | (1,217,486) | (548,285) |
| Interest paid | (1,126,067) | (2,150,925) | (3,489,284) |
| Net cash flows (used in) / generated from financing activities | (4,155,268) | (392,527) | 21,469,614 |
| Net (decrease)/ increase in cash and cash equivalents | (23,136,853) | (16,051,312) | 36,250,810 |
| Effects of exchange rate changes on cash and cash equivalents | (52,062) | (404,958) | (62,922) |
| Cash and cash equivalents at beginning of year | 8,512,224 | (27,675,664) | (27,675,664) |
| Cash and cash equivalents at end of year | (14,676,691) | (44,131,934) | 8,512,224 |

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2015

| | Attributable to owners of the parent | | | | Total | Non-controlling interest | Total equity |
|--|--------------------------------------|-------------------------------|----------------------|---------------------------------|---------------------|-----------------------------|---------------------|
| | Share capital | Non-distributable reserves | Retained earnings | Changes of ownership Reserve | | | |
| | 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 |
| Loss for the period | - | - | (5,569,187) | - | (5,569,187) | - | (5,569,187) |
| Other comprehensive income | - | (13,926,992) | - | - | (13,926,992) | - | (13,926,992) |
| Total comprehensive income | - | (13,926,992) | (5,569,187) | - | (19,496,179) | - | (19,496,179) |
| Dividends | - | - | (2,402,297) | - | (2,402,297) | - | (2,402,297) |
| As at 30 September 2015 | 234,449 | 27,281,873 | 98,197,729 | 190,277 | 125,904,328 | - | 125,904,328 |

SEED CO LIMITED UNAUDITED ABRIDGED GROUP RESULTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2015



The African Seed Company



75 years of helping Africa achieve food security