

COMMENTARY

Highlights



Revenue \$71.4m



Maize Seed Sales Volumes



EBITDA \$15,5m



Basic EPS 2,86c

Overview

The past season was mixed, marked by good rainfall in Eastern and Central Africa which drove seed demand, while in Southern Africa the region experienced below average rainfall resulting in subdued performance. Overall, the Group experienced a rebound in product demand following devastating drought experienced in all markets last year.

Depreciating currencies dampened the revenue growth despite impressive volumes performance in both East Africa and Central Africa.

Income Statement Revenue

A combination of normal to above normal rainfall in Tanzania, Malawi and some parts of Zambia together with improved maize commodity prices drove product demand resulting in maize seed sales volumes growing by 37%. Revenue however only increased by 19% due to sharp depreciation of the Zambian Kwacha against the reporting currency.

Net operating expenses

Net operating expenses decreased by a marginal 1% due to the reduction in credit losses and the positive impact of local currencies' depreciation on translation to the Group's US\$ presentation currency.

Finance costs

Delayed settlement of receivables from major Government customers kept our facilities at higher levels resulting in increased finance costs.

Joint Venture Operations

Unfavorable currency movements especially towards the end of the financial year adversely affected the vegetable business in Zambia and South Africa with exchange losses negating the positive trading results that had been achieved.

Profit for the year

The 62% increase in Group profit for the year was driven by strong product demand in all markets.

Statement of financial position

Property, plant and equipment

The increase in non-current assets was due to the acquisition and capitalization of the seed production farms in Zambia, and capitalization of right of use of assets as well as breeding rights.

Inventories and biological assets

A combination of excessive rains in Kenya in the first season and COVID-19 movement restrictions in the second season towards the end of the financial year stalled the sales volumes in this market and this resulted in increased inventories at year end.

Trade and other receivables

A combination of increased revenue growth and slow movement in the regional Government debts increased the receivables at year end. Efforts to get these paid are continuing.

Amounts due from related parties - mainly from Zimbabwe - declined by 25% compared to prior year and initiatives to have these balances settled are ongoing.

Equity

The decrease in equity is due to net exchange differences on translation of foreign operations whose currencies weakened against the reporting currency.

Net debt

The net debt increased due to higher seed production volumes as well as capital expenditure.

Seed supply

Despite the challenges posed by COVID-19 restrictions, the Group is adequately stocked to meet anticipated demand in the ensuing season. Fortunately in all markets, Agriculture has been designated as an essential and critical area and operations have been allowed to continue with limited interruptions.

Research & development

The first proprietary highland maize variety and 2 Maize Lethal Necrosis Disease (MLND) resistant varieties were released in Kenya.

Four new maize products and 3 soyabean varieties were released in Uganda to spearhead market penetration in the Great Lakes region.

The Group continues to improve training of its agro-scientists and increase networking and collaborations with other breeding institutions across the globe.

Outlook

The Group will continue to implement measures to ensure business continuity amid the challenges being brought by COVID-19 whose full effects on the business will be felt in the new financial year.

Market development initiatives will continue in East Africa and the adjacent markets of Angola, DRC and Mozambique.

The Group is expected to remain on a growth trajectory with adequate stocks and competitive product performance in all markets.

Directorate

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

Dividend

Due to the uncertainties presented by the COVID-19 challenges in most of our markets, the Board has recommended that, out of prudence, no dividend be declared this year in order to retain cash in the business.

By Order of the Board

E. Kalaote
Secretary

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Plot 70713
Phakalane
Gaborone
Botswana

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

Directors: D E B Long (Chairman), M Nzwere*, N Armstrong, F Azanza, A G Barron, R C D Chitengu, P Gowero, D Jacquemond, C Kabaghe, J Matorofa*, M S Ndoro, S Ruwisi*, F Savin, P Spadin.
*Executive

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, Democratic Republic of Congo, Ghana, Kenya, Malawi, Nigeria, Rwanda, South Africa, Tanzania, and Zambia. Operations in Angola, Ethiopia, Mozambique and parts of West Africa are at a developmental stage.
- Seed Co Limited, from which the Group was unbundled, is celebrating 80 years of existence this year.
- 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 the adoption of IFRS 16.

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\$7,367,727 (2019:US\$4,337,509).

5. Commitments for capital expenditure

- Authorised by directors but not contracted was US\$7,872,563 (2019:US\$7,179,296).
- The capital expenditure will be financed out of the Group's own resources and banking facilities.

6. Depreciation

- Depreciation for the period was US\$3,245,315 (2019:US\$2,740,213).

7. Contingent liabilities

- Contingent liabilities amounted to \$166,920 (2019: US\$465,439).

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 12th of June 2020 and duly signed by the Chairman and Chief Executive Officer on behalf of the Board.

D. E. B. Long
Chairman

M. Nzwere
Chief Executive Officer

ABRIDGED GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

	2020 US\$	2019 US\$
Revenue	71,357,970	60,136,380
Cost of sales	(36,488,368)	(30,255,451)
Gross profit	34,869,602	29,880,929
Operating expenses - net	(22,582,072)	(22,837,472)
Operating profit	12,287,530	7,043,457
Net finance cost	(2,845,980)	(1,804,276)
Share of loss from joint venture	(495,947)	(85,041)
Profit before taxation	8,945,603	5,154,140
Income tax expense	(2,874,407)	(1,375,906)
Profit for the year	6,071,196	3,778,234

Attributable to:

Equity holders of the parent	6,195,338	3,778,030
Non-controlling interest	(124,142)	204
	6,071,196	3,778,234

Earnings per share

Basic earnings per share - cents	2.86	1.75
Diluted earnings per share - cents	2.86	1.74

ABRIDGED GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	2020 US\$	2019 US\$
Profit for the year	6,071,196	3,778,234
Other comprehensive (loss)/income		
Net exchange difference on translation of foreign operations	(16,211,131)	(14,909,043)
Share of other comprehensive loss of a joint venture	(102,990)	(28,350)
Revaluation of property, plant and equipment	1,340,841	168,807
Deferred tax on revaluation of property, plant and equipment	(134,084)	(34,027)
Total comprehensive loss for the year, net of tax	(9,036,168)	(11,024,379)
Attributable to:		
Equity holders of the parent	(8,687,395)	(11,024,583)
Non-controlling interest	(348,773)	204
	(9,036,168)	(11,024,379)

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	2020 US\$	2019 US\$
ASSETS		
Non-current assets	44,754,460	40,586,361
Inventories and biological assets	19,927,401	18,013,810
Trade and other receivables	52,001,816	50,689,745
Other financial assets	-	295,564
Cash and cash equivalents	11,028,557	24,478,033
Total assets	127,712,234	134,063,513
EQUITY AND LIABILITIES		
Equity		
Stated capital	36,249,970	35,848,041
Non-distributable reserves	(38,740,055)	(23,782,173)
Retained earnings	74,472,860	69,967,873
Equity attributable to equity holders of the parent	71,982,775	82,033,741
Non-controlling interest	1,046,473	700,241
Total equity	73,029,248	82,733,982
Liabilities		
Deferred tax liability	2,102,293	1,835,510
Borrowings and lease liabilities	40,186,183	35,637,018
Trade, other payables and provisions	12,394,510	13,857,003
Total liabilities	54,682,986	51,329,531
Total equity and liabilities	127,712,234	134,063,513

ABRIDGED GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	2020 US\$	2019 US\$
Operating activities		
Operating profit	12,287,530	7,043,457
Non-cash adjustment to reconcile operating profit to net cash flows	4,191,325	4,738,857
Working capital adjustments and tax paid	(21,715,569)	(19,468,003)
Net cash flows utilised in operating activities	(5,236,714)	(7,685,689)
Investing activities		
Proceeds from sale of property, plant and equipment	395,827	386,425
Capital expenditure	(7,367,727)	(4,337,509)
Investment in joint venture	(655,817)	-
Proceeds from disposal of associates	6,000	-
Interest received	570,637	783,735
Net cash flows utilised in investing activities	(7,051,080)	(3,167,349)
Financing activities		
Proceeds from issue of share capital net of transaction costs	-	17,263,166
Share buyback	-	(3,737,113)
Net proceeds from borrowings and lease liabilities	5,029,339	6,797,425
Introduction of equity by non-controlling interest	397,604	1,333,975
Dividend paid	(1,368,376)	(93,124)
Interest paid	(3,416,617)	(2,588,011)
Net cash flows generated from financing activities	641,950	18,976,318
Net (decrease)/increase in cash and cash equivalents	(11,645,844)	8,123,280
Effects of exchange rate changes on cash and cash equivalents	(1,803,632)	(58,645)
Cash and cash equivalents at beginning of period	24,478,033	16,413,398
Cash and cash equivalents at end of period	11,028,557	24,478,033

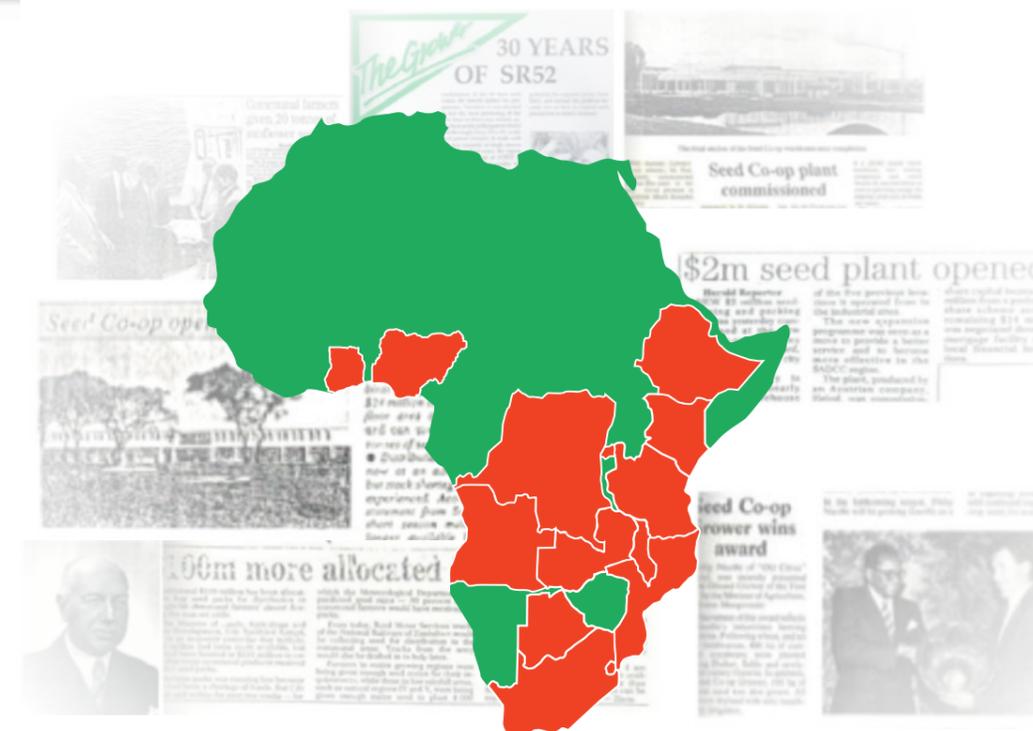
SEED CO INTERNATIONAL LIMITED ABRIDGED GROUP AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2020



ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Attributable to owners of the parent				Non-controlling interest	Total
	Stated capital	Non-distributable reserves	Retained earnings	Total		
	US\$	US\$	US\$	US\$	US\$	US\$
As at 1 April 2018	18,584,875	(8,795,970)	65,069,678	74,858,583	65,057	74,923,640
Profit for the year	-	-	3,778,030	3,778,030	204	3,778,234
Other comprehensive income	-	(14,802,613)	-	(14,802,613)	-	(14,802,613)
Total comprehensive income	-	(14,802,613)	3,778,030	(11,024,583)	204	(11,024,379)
Issue of share capital net of transaction costs	17,263,166	-	-	17,263,166	-	17,263,166
Share based payments	-	330,704	-	330,704	-	330,704
Realisation of revaluation reserve through use	-	(514,294)	514,294	-	-	-
Dividends	-	-	(93,124)	(93,124)	-	(93,124)
Non-controlling equity interest	-	-	698,995	698,995	634,980	1,333,975
As at 31 March 2019	35,848,041	(23,782,173)	69,967,873	82,033,741	700,241	82,733,982
Impact of adoption of IFRS 16	-	-	(90,904)	(90,904)	-	(90,904)
As at 1 April 2019 - restated	35,848,041	(23,782,173)	69,876,969	81,942,837	700,241	82,643,078
Profit for the year	-	-	6,195,338	6,195,338	(124,142)	6,071,196
Other comprehensive income	-	(14,882,733)	-	(14,882,733)	(224,631)	(15,107,364)
Total comprehensive income	-	(14,882,733)	6,195,338	(8,687,395)	(348,773)	(9,036,168)
Exercise of share options	401,929	(401,929)	-	-	-	-
Share based payments	-	393,110	-	393,110	-	393,110
Realisation of revaluation reserve through use	-	(276,861)	276,861	-	-	-
Non-controlling equity interest	-	210,531	(507,932)	(297,401)	695,005	397,604
Dividends	-	-	(1,368,376)	(1,368,376)	-	(1,368,376)
As at 31 March 2020	36,249,970	(38,740,055)	74,472,860	71,982,775	1,046,473	73,029,248



It starts with the right seed

THE HOME OF BUMPER HARVESTS

