PADENGA

HOLDINGS LIMITED

The Directors are pleased to present

The Audited Results for Padenga Holdings Limited

for the year ended 31 December 2018:

FINANCIAL HIGHLIGHTS

All figures in US$	2018 US$	2017 US$
Group Summary		
Revenue	42 479 689	30 276 051
Operating Profit before depreciation, impairment and amortisation	18 117 493	13 944 006
Profit before taxation	17 775 551	16 368 831
Profit attributable to shareholders	13 175 301	13 020 828
Cash generated from operations	15 815 623	8 833 638
Capital expenditure	5 253 399	3 631 466
Net assets	67 930 650	61 703 204
Share Performance		
Basic earnings per share (cents)	2.43	2.40
Diluted earnings per share (cents)	2.43	2.40
Dividend cover (times)	2.0	2.9
Dividends declared and paid since reporting date (cents)	1.20	0.83
Market price per share (cents)	85.00	54.71
Number of shares in issue at reporting date	541 593 440	541 593 440
Market capitalisation (US$)	460 354 424	296 305 771

COMMENTARY

DIRECTORS' RESPONSIBILITY

The Company's Directors are responsible for the preparation and fair presentation of the Group's financial statements, of which this press release represents an extract. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies' Act (Chapter 24:03), except for adherence to International Accounting Standard (IAS) 21 (The Effects of Changes in Foreign Exchange Rates). As explained below, adherence to this standard whilst complying fully with Zimbabwean legislation was not possible this particular year. The principal accounting policies of the Group are consistent with those applied in the previous financial year, except for the effects of adoption of IFRS 9 and IFRS 15. This is further defined within the Notes to the financial statement.

The publication of the financial results was delayed as management was awaiting guidance from the Public Accountants and Auditors Board (PAAB) in respect of the issues pertaining to the functional and presentation currency.

FUNCTIONAL CURRENCY

The Directors, having considered guidance on the matter provided by the PAAB, have chosen to observe the statutory legislation of the country and have therefore adopted the accounting treatment prescribed under Statutory Instrument 33 (SI 33) of 2019 and have used an exchange rate of 1:1 between RTGS$ balances, bond notes; and the US$.

As prescribed under SI 33 of 2019, the Group has adopted the United States Dollar (US$) as the functional and presentation currency notwithstanding the requirements of the IFRSs.

COMPLIANCE WITH IFRSs

The financial statements are prepared with the objective of complying fully with the IFRSs. Complying with IFRSs achieves consistency with the financial reporting framework adopted by the Group since 2009. Using a globally recognized reporting framework also facilitates understandability and comparability with similar businesses and allows consistency in the interpretation of the financial statements.

Whilst full compliance with IFRSs has been possible in previous reporting periods, only partial compliance has been achieved in 2018. Based on International Financial Reporting Standards IAS 21 "The Effects of Changes in Foreign Exchange Rates" ("IAS 21") "If exchangeability between two currencies is temporarily lacking, the rate used is the first subsequent rate at which exchanges could be made". In addition, paragraph 2.12 of the Conceptual Framework for Financial Reporting ("the Conceptual Framework") prescribes that for financial information to be useful, it "must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon." International Accounting Standard 10 "Events after the Reporting Period" ("IAS 10") also requires an entity to adjust the amounts recognised in its financial statements to reflect events after the reporting period that provide evidence of conditions that existed at the end of the reporting period.

In February 2019, the Government of Zimbabwe issued Statutory Instrument 33 of 2019. After careful consideration and consultation on the subject matter, we concluded that, for accounting and other purposes, SI 33 prescribes parity between the US$ and local currency as at and up to the effective date of 22 February 2019, and also prescribes the manner in which certain balances in the financial statements may be treated as a consequence of the recognition of the RTGS$ as a currency in Zimbabwe.

In our opinion, because of the significance of the matter highlighted above, the consolidated financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of IAS21. The requirement to comply with Government legislation (SI 33 of 2019) presented challenges in terms of compliance with IFRSs due to inconsistencies with IAS 21 and this was alluded to by PAAB in their guidance issued on the 21st of March 2019. This has resulted in accounting treatment being adopted in the 2018 financial statements, which is different from that which would have been adopted if the Group had been able to fully comply with IFRSs.

AUDIT STATEMENT

These condensed financial results should be read in conjunction with the complete set of consolidated financial statements for the year ended 31 December 2018, which have been audited by Ernst & Young Chartered Accountants (Zimbabwe). The Auditors have issued an adverse opinion in respect of the functional currency as the requirements of IAS 21 were not fully met.

In all other respects the financial results are consistent with IFRSs. The auditor's independent report on the consolidated financial statements (from which these results were extracted) is available for inspection at the Company's registered office and is posted on the Company's website; www.padenga.com.

FINANCIAL

Consolidated Results

The Group, produced satisfactory results given the rising local input costs due to inflation. This was however, mitigated by a tightening skin market and an increased demand for quality with a consequent impact on skin prices achieved in the period.

The Group recorded an operating profit before depreciation, amortization, impairment and fair valuation adjustments of US$18,117,493 (US$13,944,006 – FY17) from revenue of US$42,479,689 in the twelve months to December 2018. Revenue for the prior period to December 2017 was US$30,276,051. Profit before tax increased by 9% over prior year to US$17,775,551 (US$16,368,831 – FY17).

Cash generated from operations amounted to US$15,815,623. Of this amount, a total of US$5,253,399 was used for capital expenditure, being mainly invested into additional new crocodile grower pens to further reduce stocking densities at strategic periods in the growth cycle as well as a solar farm to reduce recurrent energy costs and minimize the Company's carbon footprint.

Crocodile Operation

The Zimbabwe crocodile operation continued to be the Group's dominant contributor to both revenue and profitability. The operation, in accounting for 92% of the Group's revenue, produced a satisfactory set of financial results. Turnover increased by 38% to US$39,228,344 from US$28,515,119 recorded in the prior period. Volumes were up by 2%. We sold 44,253 skins in FY18, up from 43,313 sold in the previous period. We closed the year with an additional 1,679 skins in stock which were graded and sold subsequent to year-end. Included in turnover is revenue from local trading that contributed a further US$10,460,467. Operating profit and profit before tax increased by 28% and 20% to US$17,886,031 and US$20,409,158 respectively.

Alligator Operation

Although primarily focused on a strategy to produce predominantly medium sized skins, the business initiated the production of some large sized skins in response to prevailing market conditions. As a consequence, only those watchband sized skins which were not suitable for grow-out to either medium or large skins were harvested in 2018. Volumes were up 21% against prior period (13,500 skins vs. 11,190 skins). Buoyed by the increase in volumes, the operation recorded turnover of US$3,251,345, being an 85% increase over prior year (US$1,760,932 – FY17). Although the unit's operating loss was reduced from US$868,385 (FY17) to US$80,454 in FY18, a loss before tax of US$2,621,109 was recorded. (FY17 - loss before tax of US$978,838). This increase in the loss before tax was mainly a consequence of a negative fair valuation on the carryover crop due to skin quality issues recorded in the period under review.

OPERATIONS

Crocodile Operation

In the crocodile operation 43,184 animals were harvested which was below budget by 6%, but in line with prior period. The quality grade of 89% Grade 1 skins achieved at Farm sales was consistent with that achieved in 2017. Notwithstanding this result, skin quality after tanning continued to be negatively impacted by legacy disease issues that arose as a consequence of poor water quality resultant from low Lake water levels in late 2016 and early 2017. Animals were held back in pens for as long as possible to maximize skin quality and consequently harvesting was delayed well into the final quarter of the year with 53% of the of ftake occurring in that period. The intensity of scrutiny by the customer at sales grading increased materially in an effort to try and identify those miniscule defects that might potentially only appear on the finished skin.

We invested significant financial and human capital into revising and strengthening operational processes, systems and oversight in an effort to resolve the quality challenges. This is not a straight forward exercise as many of the micro-defects are neither visible on the live animal nor on the wet salted skin. A stand-alone research trial facility was constructed towards year-end to allow for focused and applicable trials on disease transmission and skin quality. Construction of a research laboratory was initiated which is to be equipped to perform relevant scientific analyses. There is positive improvement evident from these efforts and we anticipate this to be reflected in the finished skin quality grades towards year end.

The average skin size at 34.4cms was consistent with the customer's request for the production year and was a marginal improvement over prior period. (34.3cm – FY17). The size distribution produced varies slightly from year to year at the request of the customer to satisfy specific market dynamics.

We closed the period with a total of 162,672 grower crocodiles on the ground compared to 157,675 at the end of FY17. This number of crocodiles was consistent with our strategy to achieve a sustained annual production of 46,000 skins. A further eighty new grower pens were constructed in the period at Nyanyana Farm to facilitate the earlier movement of stock out of hatchling pens in spring each year. This is a key initiative in terms of further enhancing animal welfare & improving skin quality. Efforts on the northern farms to complete the 330kWp solar energy project that commenced in 2017 continued through 2018 with a change of scope approved to facilitate a connection and feed into the national grid. Simultaneously, construction work began in 2018 on an additional 470kWp solar array extension that will bring installed capacity to 800kWp. Both arrays will be commissioned simultaneously in early 2019 with all relevant regulatory approvals having been obtained including registration as an Independent Power Producer. This not only achieves a reduction in energy overheads but reinforces the Company's commitment to sustainability through the application of alternative and renewable energy solutions.

Amendments to the conditions pertaining to meat exports into the EU necessitated the renegotiation of health certificates with receiving countries. Delays occasioned by the definition of new meat testing protocols and the identification of accredited laboratories to facilitate this, resulted in the volume of meat produced qualifying for export decreasing from 147 tonnes prior year to 65 tonnes in 2018.

Alligator Operation

The operation had a total of 43,770 alligators in pens at the end of the period under review. The 2018 harvest crop was severely impacted by double scale which was an industry wide problem that affected some farms more than others. This is a relatively common skin abnormality that normally occurs at a low incidence. However, a variety of unrelated but simultaneous reasons can result in much higher occurrences. Growth rates were reduced and skin grades realised on the harvested crop were not consistent with expectations. Several aggressive interventions were implemented, at both a strategic and operational level, to address this. Harvesting was deferred on the worst affected stock and carried over into 2019 in an effort to improve the skins before harvest. We now have a more comprehensive knowledge, of the causes and management strategies, to reduce and prevent a recurrence of double scale in the future.

Hatchling procurement was completed in October with a total of 13,193 hatchlings received, this being in line with expectations. An additional total of 10,163 yearling animals were procured for grow-out into both medium and large sized skins to optimize TCR's future revenue earnings. The demand for good quality medium and large sized alligator skins at competitive prices has remained steady throughout the period.

SUSTAINABILITY AND GOOD HUSBANDRY PRACTICES

Padenga is a founder member of the International Crocodilian Farmer's Association, being a grouping of 12 full producer members that has jointly participated in the development of Good Operating Practices governing the intensive production of crocodilians. From these a set of standards has been developed covering all aspects of production including husbandry, animal welfare, best practice, environment, sustainability and social considerations. The Association has appointed a third-party independent entity to develop an audit and certification scheme which members have committed themselves to in order to demonstrate full compliance with the norms expected of first world livestock production systems. The standards for crocodilian production have been developed on evidence-based outcomes and follow the latest approach towards assessing animal welfare, good husbandry and compliance with ethical production systems. Significant investment has been made by Padenga across all its business units to implement the changes necessary to achieve these compliance standards and the business is anticipating being audited and certified under the auspices of this initiative during the course of 2019.

PROSPECTS

The Group is optimistic about further growth prospects within both its business units. The Zimbabwe operation is projecting to sell 46,000 premium quality skins in 2019. The concerted initiatives to address the historical micro-defect issues impacting negatively on skin quality are showing positive results at farm level and are expected to flow through to finished skin grade. Demand for defect free skins remains steady and prices are anticipated to hold as long as the quality expectations of the premium market are satisfied. We forecast this operation will record steady growth in 2019. In the Alligator operation, the 2019 harvest crop is less afflicted by double scale and targeted quality grades are achievable. In addition to the sale of watchband sized skins that were unsuitable for grow-out, we will have a mix of medium and large sized skins for sale in 2019. We anticipate that this operation will continue its progress towards meaningful profitability in FY19.

The Group is considering an investment into an export orientated business. The objective is to enhance and diversify the Group's foreign currency earning capacity and thereby significantly improving profitability. Advisors have been appointed and are currently investigating this prospective transaction. Details of the investment will be announced to shareholders in due course.

DIVIDEND

The Board has declared a final dividend of 1.22 RTGS cents per share, payable in respect of all the ordinary shares of the Company. This dividend is in respect of the financial year ending 31st December 2018 and will be payable in full to all the shareholders of the Company registered at the close of business on Friday 10th May 2019. The payment of this dividend will take place on or about Friday the 17th of May 2019. The shares of the Company will be traded cum – dividend on the Zimbabwe Stock Exchange up to the market day of Tuesday 7th May 2019 and ex – dividend as from Wednesday 8th May 2019. This dividend represents a cash dividend cover of 2 times.

APPRECIATION

I wish to extend my sincere appreciation and that of the Board, to the executive directors, management and staff across the entire Group for their invaluable service and contribution, which has once again, produced a satisfactory set of financial results. I congratulate them on this and commend them for their commitment, passion and foresight in moving the Group forward. My thanks again to the non - executive directors for their guidance, oversight and counsel during this financial year.

T N Sibanda
Chairman
23 April 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the twelve months ended 31 December 2018	Twelve months ended 31 December 2018 audited US$	Twelve months ended 31 December 2017 audited US$
Revenue	42 479 689	30 276 051
Other operating income	972 205	2 219 079
Net operating costs	(25 334 401)	(18 551 124)
Operating Profit before depreciation and amortisation	**18 117 493**	**13 944 006**
Depreciation and amortisation	(2 124 769)	(2 053 600)
Operating Profit before interest and fair value adjustments	**15 992 724**	**11 890 406**
Fair value adjustments on biological assets	1 198 347	4 251 741
Profit before interest and tax	**17 191 071**	**16 142 147**
Interest income	1 735 172	1 668 820
Interest payable	(1 150 692)	(1 442 136)
Profit before tax	**17 775 551**	**16 368 831**
Income tax expense	(5 048 984)	(3 515 580)
Profit for the period	**12 726 567**	**12 853 251**
Other comprehensive income	-	-
Total comprehensive income for the period	**12 726 567**	**12 853 251**
Profit for the period attributable to:		
Equity holders of the parent	13 175 301	13 020 828
Non-controlling interest	(448 734)	(167 577)
	12 726 567	**12 853 251**
Total comprehensive income for the period attributable to:		
Owners of the parent	13 175 301	13 020 828
Non-controlling interest	(448 734)	(167 577)
	12 726 567	**12 853 251**
Earnings per share (cents)		
Basic earnings per share	**2.43**	**2.40**
Diluted earnings per share	**2.43**	**2.40**

Consolidated Statement of Financial Position

For the twelve months ended 31 December 2018	Notes	31 December 2018 audited US$	31 December 2017 audited US$
ASSETS			
Non-current assets			
Property, plant and equipment		21 702 398	18 731 914
Intangible assets		32 378	35 315
Other receivables		536 684	-
Biological assets		5 369 348	4 789 841
		27 640 808	**23 557 070**
Current assets			
Biological assets		35 831 172	30 372 092
Inventories		5 233 434	5 277 246
Tax receivable		-	344 046
Contract asset		288 944	-
Trade and other receivables		13 130 402	13 965 801
Cash and cash equivalents		21 632 695	11 226 163
		76 116 647	**61 185 348**
Total assets		**103 757 455**	**84 742 418**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		54 159	54 159
Share premium		27 004 245	27 004 245
Retained earnings		41 344 888	34 668 708
Change in ownership reserve		(63 863)	(63 863)
Equity attributed to equity holders of the parent		**68 339 429**	**61 663 249**
Non- controlling interest		(408 779)	39 955
Total shareholders' equity		**67 930 650**	**61 703 204**
Non-current liabilities			
Interest bearing borrowings	11.1	7 235 000	8 169 151
Customer deposits	10.1.1	-	159 325
Deferred tax liabilities		7 901 480	6 929 639
		15 136 480	15 258 115
Current liabilities			
Customer deposits	10.1.2	3 125 925	2 234 032
Short-term interest bearing borrowings	11.2	13 337 860	3 294 732
Trade and other payables	10.	3 539 861	1 893 464
Provisions		367 496	358 871
Current tax payable		319 183	-
		20 690 325	**7 781 099**
Total liabilities		**35,826,805**	**23,039,214**
Total equity and liabilities		**103 757 455**	**84 742 418**

Consolidated Statement of Changes in Equity

For the twelve months ended 31 December 2018

For the twelve months ended 31 December 2017

	Notes	Share Capital audited US$	Share Premium audited US$	Change in ownership audited US$	Retained Earnings audited US$	Total US$	Non -Controlling Interest audited US$	TOTAL audited US$
Balance at 1 January 2017		54 159	27 004 245	(236,946)	26 143 106	52 964 564	380 615	**53 345 179**
Profit for the period		-	-	-	13 020 828	13 020 828	(167 577)	**12 853 251**
Acquisition of non-controlling interest		-	-	173 083	-	173 083	(173 083)	-
Dividends paid		-	-	-	(4 495 226)	(4 495 226)	-	**(4 495 226)**
Balance at 31 December 2017		**54 159**	**27 004 245**	**(63 863)**	**34 668 708**	**61 663 249**	**39 955**	**61 703 204**

For the twelve months ended 31 December 2018

	Notes	Share Capital unaudited US$	Share Premium unaudited US$	Change in ownership unaudited US$	Retained Earnings unaudited US$	TOTAL Total US$	Non -Controlling Interest unaudited US$	TOTAL unaudited US$
Balance at 1 January 2018		**54 159**	**27 004 245**	**(63 863)**	**34 668 708**	**61 663 249**	**39 955**	**61 703 204**
Profit for the period		-	-	-	13 175 301	13 175 301	(448 734)	**12 726 567**
Dividends paid		-	-	-	(6 499 121)	(6 499 121)	-	**(6 499 121)**
Balance at 31 December 2018		**54 159**	**27 004 245**	**(63 863)**	**41 344 888**	**68 339 429**	**408 779**	**67 930 650**

Consolidated Statement of Cash Flows

For the twelve months ended 31 December 2018	30 December 2018 audited US$	31 December 2017 audited US$
Cash generated from operating activities	15 815 623	8 833 638
Interest income	1,735,172	1 668 820
Interest paid	(1 005 387)	(814 481)
Taxation paid	(3 413 913)	(2 995 540)
Net cash generated from operations	**13 131 495**	**6 692 437**
Cash flow from investing activities		
Net cash outflow from investing activities	**(5 189 511)**	**(4 051 115)**
- proceeds on disposal of property, plant and equipment	63,888	6 236
- purchase of property, plant and equipment	(5 091 544)	(3 465 427)
- expenditure on non-current biological assets	(153 385)	(157 109)
- purchase of intangible assets	(8 470)	(8,930)
- payment of deferred consideration	-	(425,885)
Net cash flow before financing activities	**7 941 984**	**2 641 322**
Cash flow from financing activities		
Increase in borrowings	**8 963 669**	**2 814 412**
- new loans	10,000,000	11,839,522
- repayments	(1,036,331)	(9,025,110)
Dividends paid	**(6 499 121)**	**(4 495 226)**
by holding company	(6,499,121)	(4,495,226)
Net cash inflow /(outflow) generated from financing activities	**2 464 548**	**(1 680 814)**
Net increase in cash and cash equivalents	**10 406 532**	**960 508**
Cash and cash equivalents at the beginning of the period	11 226 163	10 265 655
Cash and cash equivalents at the end of the period	**21 632 695**	**11 226 163**
CASH AND CASH EQUIVALENTS		
Made up as follows:		
Bank balances and cash (USD)	2 430 710	9 121 723
Bank balances and cash (RTGS/ Bond Notes)	17 141 328	-
Short-term investments	2 060 657	2 104 440
	21 632 695	**11 226 163**

Supplementary Information

1. Corporate Information
Padenga Holdings Limited is a Limited Liability Company incorporated and domiciled in Zimbabwe whose shares are publicly traded on the Zimbabwe Stock exchange. The Group has a 82.88% stake in Tallow Creek Ranch, an unlisted company based in Texas (United States of America) that specialises in alligator farming. The principal activity of the Company and its subsidiaries (the Group) include the production and rearing of crocodiles, alligators and the export of Nile crocodile and alligator skins and meat.

2. Basis of preparation
The full year results are based on the statutory records that are maintained under the historical cost basis, except for biological assets that have been measured at fair value.

3. Statement of compliance
The Group's full year abridged financial results have been prepared in accordance with ZSE listing rules. The financial statements have been prepared in compliance with the Zimbabwe Companies Act (Chapter 24:03).

4. Currency of reporting
As prescribed under Statutory Instrument 33 (SI 33) of 2019, the Group has adopted United States Dollar (USD) as the functional currency notwithstanding requirements of IFRS. Detailed disclosure notes have been included in the annual report.

5. Estimates
When preparing the interim financial results, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, results, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 31 December 2017.

6. Accounting policies
The principal accounting policies of the Group are consistent in all material respects with those applied in the previous financial year except for the effects of adoption of IFRS 9 and IFRS 15. The Group applied the simplified approach for the assessment of expected credit losses. The Group has established a provision matrix that' is based on its historical credit loss experience, adjusting for forward looking factors specific to the debtors and the economic environment. The ECL computation resulted in an ECL amount that was immaterial, no adjustment was processed in the period under review. The Company applied IFRS 15 using the modified retrospective approach which requires the Company to recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity as at January 1, 2018. There were no adjustments related to prior period. The impact of adoption of IFRS 15 on the Group is in 2018 going forward.

7. Operating segments
The following tables present revenue and profit information about the Group's operating segments for the year ended 31 December 2018.

	Crocodiles US$	Alligators US$	Adjustments & Eliminations US$	Total US$
Revenue				
31 December 2018	39 228 344	3 251 345	-	**42 479 689**
31 December 2017	28 515 119	1 760 932	-	**30 276 051**
Segment profit / (loss)				
31 December 2018	14 665 014	(2 621 110)	682 662	**12 726 566**
31 December 2017	13 383 242	(978 838)	448 847	**12 853 251**

There was no inter-segment revenue in the period.

The following tables present assets and liabilities of the Group's operating segments as at 31 December 2018.

	Crocodiles US$	Alligators US$	Adjustments & Eliminations US$	Total US$
Segment assets				
31 December 2018	96 146 502	20 993 391	(13 382 438)	**103 757 455**
31 December 2017	74 776 214	22 368 513	(12 402 309)	**84 742 418**
Segment liabilities				
31 December 2018	24 406 968	19 044 774	(7 624 937)	35 826 805
31 December 2017	11 546 618	17 442 240	(5 949 644)	23 039 214

Classification of the segments is based on the type of biological assets.

Revenue from one customer amounted to $29 501 543 (2017: $29 256 219), arising from sales of the crocodile and alligator skins.

	31 December 2018 US$	31 December 2017 US$
8. Capital expenditure for the year	**5 253 399**	**3 631 466**
Capital expenditure commitment		
Authorized but not yet contracted	5 678 685	5 103 809
	5 678 685	**5 103 809**

The capital expenditure will be financed from the Group's own resources and borrowing facilities.

	31 December 2018 US$	31 December 2017 US$
9. Future lease commitments		
Payable within one year	332 818	319 928
Payable between two and five years	998 454	898 403
Payable after five years	665 636	694 875
	1 996 908	**1 913 206**
10. Trade and other payables		
Trade	713 654	422 598
Accruals	2 480 330	1 429 265
Sundry creditors	345 877	41 601
	3 539 861	**1 893 464**
10.1 Customer deposits		
10.1.1 Non-Current Customer deposits	**-**	**159 325**
10.1.2 Current Customer deposits	**3 125 925**	**2 234 032**

Customer deposits mainly relate to advances received from our main customer for the acquisition of breeders and hatchlings in the foreign operation.

11.Interest bearing loans and borrowings

11.1 Non-Current interest bearing loans and borrowings	**Year repayable**		
Unsecured			
Foreign long term borrowings	**2021**	7 235 000	8 169 151
		7 235 000	**8 169 151**

11.2 Current interest bearing loans and borrowings	**Year repayable (December 2019)**		
Secured			
Local short term borrowings & foreign current portion	**up to -365 days**	**13 337 860**	**3 294 732**
		13 337 860	**3 294 732**

Short term borrowings form part of the core borrowings of the Group and are renewed on maturity in terms of on-going facilities negotiated with the relevant financial institutions. The facility is secured by first charge over certain of the Groups fixed assets, trade receivables and biological assets with a carrying value of $10,000,000. The Group has a short term facility of $21,600,000, rate of interest for local operations is 6%-10% whilst for the foreign operation ranges from 6%-12%.

Borrowing Powers
In terms of the Company's Articles of Association, the Group may, with previous sanction of an ordinary resolution of the company in a general meeting, borrow, on the determination of the Directors, amounts that do not exceed the aggregate total equity.

12. Earnings per share
Basic earnings basis
The calculation is based on the profit attributable to equity holders of the parent and the weighted average number of ordinary shares in issue for the year.

Fully diluted earnings basis
The calculation is based on the profit attributable to equity holders of the parent and the weighted average number of ordinary shares in issue after adjusting to assume conversion of share options not yet exercised and convertible instruments. There were no instruments with a dilutive effect at the end of the period.

13. Contingent liabilities
The Group had no contingent liabilities at 31 December 2018.

14. Events after reporting period
Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

In 2019 the Zimbabwean government adopted the multi-currency system and companies in Zimbabwe adopted the same. The Group determined its functional currency as being the US$ and also adopted US$ as its presentation currency. There were non-adjusting events after the reporting date at the time of issuing this annual report however, on the 20th of February 2019, the Governor of the Reserve Bank of Zimbabwe presented the Monetary Policy Statement which heightened the liberalization of the foreign exchange market. The major highlights following the monetary policy are below:

• Exchange Control Directive RU 28 of 2019 which introduced an interbank market for the RTGS$ and the US$ issued on the 22nd of February 2019;

• Statutory Instrument 33 of 2019 issued on the 22nd of February 2019 which, for accounting and other purposes, deemed all assets and liabilities that were valued in US$ immediately before the 22nd of February 2019 to be valued in RTGS$ at a rate of 1:1; and

• On 21 March 2019, PAAB issued Financial Reporting and Auditing Guidance which prescribed the financial reporting framework for financial periods commencing on 1 January 2018.

The financial effects of the above monetary statement have not been recognised at 31 December 2018. The operating results and assets and liabilities of the Group have been flexed at different exchange rates to determine the financial impact of the change in functional currency as detailed in the Annual Report.

Building a better
working world

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PADENGA HOLDINGS LIMITED

Report on the Audit of the Consolidated Financial Statements

Adverse Opinion

We have audited the consolidated financial statements of Padenga Holdings Limited and its subsidiaries ("the Group") set out on pages 47 to 89 which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated financial statements do not present fairly the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

As explained in note 32 the financial statements are presented in US$ on the basis that the official exchange rate as at 31 December 2018 between the RTGS Dollar (RTGS$) and the United States Dollar (US$) is 1:1.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019.The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks. Specifically, there was a requirement for banks to separate out FCA RTGS Accounts from the FCA Nostro US$ Accounts during October 2018. Although the rate between RTGS and US$ was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS and the US$ amounts. Finally, in February 2019 there was a Monetary Policy statement which introduced the RTGS$ and the interbank foreign exchange market.

These events triggered the need for reporting entities to assess, among other things, whether the exchange rates used by the entity to translate transactions that occurred between 1 October 2018 and 31 December 2018 and closing balances as at 31 December 2018, where different modes of payment were used, were appropriate.

Based on International Financial Reporting Standards IAS 21 *The Effects of Changes in Foreign Exchange Rates* ("IAS 21") *"If exchangeability between two currencies is temporarily lacking, the rate used is the first subsequent rate at which exchanges could be made.* In addition, paragraph 2.12 of the *Conceptual Framework for Financial Reporting* ("the Conceptual Framework") prescribes that for financial information to be useful, it *"must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon."* International Accounting Standard 10 Events after the Reporting Period ("IAS 10") also requires an entity to adjust the amounts recognised in its financial statements to reflect events after the reporting period that provide evidence of conditions that existed at the end of the reporting period.

We believe that transactions in the market indicated a differential rate between the two currencies despite the legal 1:1 RTGS$: US$ exchange rate and that these differential rates already existed prior to the 31 December 2018 year end. This impacts the basis for measuring transactions that occurred between 01 October 2018 and 31 December 2018, the valuation of assets and liabilities at yearend as well as the accounting for foreign exchange differences. We believe that the consolidated financial statements are required to be adjusted for these changes and that it is inappropriate to provide a Note disclosure as a proxy for adjusting the financial statements as this is not in conformity with IAS 10.

The financial statements of the group include balances and transactions denominated in RTGS$ that were not converted at a RTGS$: US$ exchange rate that reflects the economic substance of its value as required by International Financial Reporting Standards ("IFRS"). This is because management applied the legal rate of 1:1 as pronounced by Statutory instrument 133 of 2016, Statutory Instrument 33 of 2019 and the Monetary Policy Statements of the 22nd of February 2018, 1st of October 2018 and 20th of February 2019. Management have provided more information on their approach in Note 32 to the financial statements.

In terms of IAS 21, foreign currency monetary items shall be translated using the closing rate, non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured. Foreign currency transactions shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Therefore, had a different RTGS$: US$ currency rate been determined and applied by management, most of the account balances and the information provided by way of notes to the accompanying financial statements, would have been materially different. Specifically, the line items impacted in Statement of Financial Position include all non-current assets (except for Intangible Assets), all current assets (except for Contract Assets), Deferred Tax non-current liability, all current liabilities (except for Customer deposits) and all line items on the Statement of Profit or Loss and Other Comprehensive Income (except for amortisation of intangible assets).

Since opening and closing balances enter into the determination of the financial performance and cash flows, the statement of profit and loss and other comprehensive income, accumulated losses and the net cash flows from operating activities reported in the statement of cash flows are also impacted.

The effects of the departure from IFRS are therefore pervasive to the financial statements, however the effects have not been quantified.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements of the Group.

We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

Except for the matter described in the Basis for Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our report.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' report but does not include the financial statements and our auditors report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Group did not comply with the requirements of IAS 21 - Effects of Changes in Foreign Exchange Rates. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Directors' Report affected by the failure to comply with the referred standard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies Act (Chapter 24:03).

The engagement partner on the audit resulting in this independent auditor's report is Mr. David Marange (PAAB Practicing Certificate Number 0436).

Ernst & Young

ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
REGISTERED PUBLIC AUDITORS

Harare
25 April 2019