

The Directors are pleased to present the **Audited Financial Results for Padenga Holdings Limited** for the year ended 31 December 2019

Financial Highlights

For the twelve months ended 31 December 2019

	31 Dec 2019 audited US\$	Restated 31 Dec 2018 audited US\$
Group Summary		
Revenue	29 127 509	37 321 141
Operating Profit before depreciation, impairment and amortization	7 035 533	11 412 023
Profit before taxation	8 591 951	11 075 942
Profit attributable to shareholders	6 915 140	7 803 203
Cash generated from operations	8 285 913	9 105 394
Capital expenditure	4 770 423	5 253 399
Net assets	67 203 686	62 558 548
Share Performance		
Basic earnings per share (cents)	1.28	1.44
Diluted earnings per share (cents)	1.28	1.44
Headline earnings per share (cents)	1.25	1.01
Dividends declared and paid since reporting date (cents)	0.38	1.20
Market price per share - (cents)	15.05	34.00
Number of shares in issue at reporting date	541 593 440	541 593 440
Market capitalization (US\$)	81 505 155	184 141 770

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 and Other Business Entities Act (Chapter 24:31). As explained below, the Group has also restated 2018 financial statements to comply with International Accounting Standard (IAS) 21 (The Effects of Changes in Foreign Exchange Rates). 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 16. This is further defined within the Notes to the financial statements.

Functional Currency

The Directors, having considered the macro economic environment and IFRS guidance on the matter provided by the Auditors, have continued to report in US\$ in compliance with (IAS) 21 and have restated 2018 financial statements using the first observable exchange rate of 1:2.5 between RTGS\$ balances, bond notes; and the US\$ for the period October 2018 to December 2018.

The Group's functional currency in terms of IFRS remains the United States Dollar (US\$). The Group has adopted this currency as its presentation currency.

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 2010. 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 was achieved in 2018. In respect of International Financial Reporting Standards IAS 21 "The Effects of Changes in Foreign Exchange Rates" ("IAS 21") "if the primary economic environment in which an entity operates is normally the one in which it primarily generates and expends cash, an entity considers the following factors in determining its functional currency:

- the currency:
 - that mainly influences sales prices for goods and services (this will often be the currency in which sales prices for its goods and services are denominated and settled); and
 - of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services.
- the currency that mainly influences labour, material and other costs of providing goods or services (this will often be the currency in which such costs are denominated and settled).
- the currency in which funds from financing activities (i.e. issuing debt and equity instruments) are generated.
- the currency in which receipts from operating activities are usually retained".

Given the context of the environment, management assessed whether there had been a change in the functional currency used by the Group. The assessment included consideration of whether the various modes of settlement may represent different forms of currency. It was observed that whether cash, bond notes, electronic money transfers or point of sale transactions, the unit of measure across all these payment modes remained US Dollars. Management therefore concluded that the US dollar is still the functional currency and has restated its 2018 financials to reflect the impact of exchange rates between the US dollar and the Local Zimbabwe dollar for the period 1 October 2018 to 31 December 2018.

In the prior year, an exchange rate of 1:1 was applied between the two currencies. Pursuant to the requirements of IFRS, the first observable exchange rate of 1:2.5 between RTGS\$ balances, bond notes; and the US\$ for the period October 2018 to December 2018 was used. The Directors have noted the complications in respect of whether this first observable rate meets the IFRS requirements for a spot rate. This requirement to comply with IFRSs presented challenges in terms of compliance with Government Legislation (SI 33; SI142 of 2019).

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 2019, which have been audited by Ernst & Young Chartered Accountants (Zimbabwe).

The Auditors' independent report is modified for the consequential impact of the use of an exchange rate that does not meet the IFRS requirement for a spot rate. 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's FY19 performance was affected by evolving market conditions impacting on skin prices and increased costs inherent in meeting social license expectations and the implementation of measures to address enhanced skin quality expectations.

The Group recorded an operating profit before depreciation, amortization, impairment and fair valuation adjustments of US\$7,035,533 (US\$11,412,023 - FY18) from revenue of US\$29,127,509 in the twelve months to December 2019. Revenue for the prior period to December 2018 was US\$37,321,141. Profit before tax was down by 22% compared to prior year, US\$8,591,851 against US\$11,075,943 for 2018.

Cash generated from operations amounted to US\$8 285 913. Of this amount, a total of US\$4,770,423 was used for capital expenditure, being mainly invested into a solar farm to reduce recurrent energy costs and minimize the Company's carbon footprint and refurbishing of crocodile grower pen floors to meet the market expectations of enhanced skin quality.

Crocodile Operation

The Zimbabwe crocodile operation continued to be the flagship of the Group. The operation contributed 88% of the Group's revenue. Turnover was down by 25% from US\$34,069,796 to US\$25,530,706 in the period under review. Volumes were down by 6%. We sold 41,450 skins in 2019, compared to 44,253 sold in the previous year. However, we closed the year with 7,729 skins in stock that will be sold in FY20. Operating profit and profit before tax declined by 18% and 30% to US\$10,140,451 and US\$9,591,793 respectively.

Alligator Operation

Significant advances were achieved in understanding the cause and nature of the legacy double scale issue that arose in 2017 and although this continued to impact the quality of skins in 2019 we are working our way out of the problem. The carryover crop from FY18 that was deemed not to meet the required premium quality standards were harvested for the alternative market albeit at depressed margins. Skin volumes were up 27% against prior period (17,176 skins vs. 13,500 skins). In line with this increased volume, the operation recorded turnover of US\$3,596,803, being an increase of 11% over prior year sales of US\$3,251,345. A loss before tax of US\$993,338 was recorded.

Operations

Crocodile Operation

The Group committed significant resources towards producing the quality of skin desired by the principal customer. In the crocodile operation 47,752 animals were harvested which was 4% above budget. This number included skins in +40cm sizes that due to changing market dynamics were surplus to the customer's requirements and consequently have created the opportunity for the sale of Padenga skins into alternative markets. The quality grade of 81% Grade 1 skins achieved was below the 89% that was achieved in FY18. Monthly harvest totals were low at the beginning of the year as the harvestable crop was retained to meet increased quality demands. Some animals in particular size ranges were in fact held over for harvesting in Q1 of FY20 to fulfil the customers' requirements. The scrutiny by customers at sales grading was intensified in an effort to try and identify those minuscule defects that could potentially only appear on the finished skin. These events were a consequence of evolving market dynamics and we have responded with the adoption of further strategies to meet customer expectations.

The Molecular Laboratory facility built on the farm was completed and fully commissioned in the period. The Group is currently collaborating with several globally accredited academic institutions on initiatives to eliminate the viral challenges that contribute to skin quality downgrades. There is positive improvement evident from the proportion of skins selected for premium handbag production and we anticipate this to continue as the FY19 skins delivered are tanned.

The average size of skins delivered to our principal customer was, at 34.4cms, consistent with their size request for the production year. The annual size distribution targeted varies slightly from year to year at the request of customers to satisfy their specific market dynamics.

We closed the period with a total of 156,911 grower crocodiles on the ground compared to 162,672 at the end of 2018. This number of crocodiles was consistent with our strategy to achieve a sustained annual production of 46,000 skins.

A total of 495 pens were resurfaced in the period under review. This is a major part of management initiatives to constantly enhance skin quality, increase growth rates, achieve animal welfare compliance and improve efficiencies.

Alligator Operation

The operation had a total of 25,128 alligators in pens at the end of the period under review. Skin grades achieved on the FY19 harvest crop improved in quality over that of prior year but were still not of sufficient quality for the current market. Growth rates were reduced and production efficiencies compromised. The carryover crop was harvested to reduce costs and these have since been sold to the alternative market albeit at depressed skin prices.

Hatchling procurement was completed in September with a total of 7,867 hatchlings received, this being in line with expectations. An additional total of 5,007 yearling animals were procured for grow-out into both medium and large sized skins to optimize TCR's future revenue earnings. The business has elected not to produce watchband sized skins as a consequence of depressed market prices. Tallow Creek Ranch will focus on the production of medium and large sized skins.

Sustainability and good husbandry practices

The Group is fully committed to and engaged in best practice in respect of sustainability, good corporate governance, observance of and adherence to animal welfare and ethical business practices. These social license expectations have become mandatory for livestock operations supplying product into 1st World markets and therefore constitute an integral part of day-to-day operations across the business units. Compliance necessitates third party verification and certification and the International Crocodilian Farmers Association (ICFA) has promoted the formulation of best practice standards for the Industry and the appointment of an independent audit and certification body to facilitate this. The ICFA standards are evidence based and endorse the latest approach to assessing and evaluating animal welfare compliance. Padenga's efforts and commitment in this regard were recently rewarded with the Zimbabwean Farms achieving certification by ICFA and becoming the first (and only) operation to achieve that certification standard in Africa and one of only four crocodilian farming groups worldwide to do so. This confirmation of Padenga's compliance to social license expectations and obligations will, in combination with continued efforts to improve skin quality, cement the business's credibility as a continued supplier to international top end brands. The Group has a comprehensive Quality Assurance programme to achieve this.

Efforts to commission the second phase (470kWp) of the solar plant are underway. The installation is awaiting ZERA

inspection and then commissioning by ZETDC, which is anticipated to be finalised by the 31st March 2020. These installations form part of the initiative to offset 50% of the Farm's recurrent electricity cost, as well as providing a strategic alternative against prolonged and excessive load shedding. They also reinforce the Group's commitment to sustainability through the application of alternative and renewable energy solutions.

Management have developed a comprehensive Covid-19 strategic response plan that has been applied and includes the monitoring and continual screening of the health status of all staff. This is reinforced by extensive education on reducing exposure and practicing recommended routine disinfection and related activities. The Company's clinics have been stocked with supportive medicines and equipment appropriate to provide a high level of patient care and treatment. Management staff are practicing self-isolation consistent with their responsibilities and skills transfers have been addressed to allow a continuation of operations with a reduced workforce under the national lockdown promulgated. The company Covid-19 response team meets on-line regularly to assess the changing epidemiology nationally and to adjust local policy as necessitated. Details of the company's communications distributed to employees in regard to safeguarding their health and wellness status and the steps being taken to achieve this have been posted on the Padenga website. (www.padenga.com). The stocks of feed, chemicals and other products critical to sustaining operations were increased before the national lockdown and are adequate to withstand a minimum three month disruption in supplies. Operations are continuing under the designation of essential services and there has been no compromise thus far, nor is any anticipated.

Prospects

The Group is anticipating successfully addressing the various quality challenges that have prevailed and is optimistic about further growth prospects within both its business units. The Zimbabwe operation is projecting to sell 55,000 premium quality skins in FY20, further extending its opportunity to expand its customer base. Demand for defect free skins remains strong and prices are anticipated to hold as long as the quality expectations of the premium market are satisfied. Although closed for much of March/April, French tanneries were anticipating to reopen mid-April and product supply has thus far, not been interrupted. Chinese markets for luxury products have reopened after their COV-19 shutdown and European markets are anticipated to follow as full economic recovery begins. We forecast this operation will record growth in FY20.

In the Alligator operation, the FY20 harvest crop continues to improve and targeted quality grades are achievable. The outbreak of the Corona Virus in December 2019 has led to depressed demand for watchband sized and low-grade skins which will continue into 2020. The business has responded to these changes by targeting to only produce medium and large skins. We have reduced volumes and reduced stocking densities to achieve the quality grades demanded. Knowledge gained in the research into double scale has led to changes in feed formulations and monthly monitoring of metabolic enzyme levels as pathology allows us to track physiological health enabling us to adjust mineral/vitamin levels to eliminate double scale going forward.

Shareholders approved the purchase of a 51% stake in the Dallaglio mining group late last year, but one regulatory approval for the acquisition is still awaited. The financials of this group have therefore not been consolidated in the 2019 results. Management are very positive about this investment and once the business comes online it will enhance foreign currency generation and significantly improve the Group's profitability.

The investigation and feasibility study into plantation cropping (Avocados and Macadamias) has been successfully completed and the project has now advanced towards identifying suitable locations that fulfil the multiple variables relevant to successful production. Given the lengthy period before commercially viable crop yields are produced, attention is being given to additional shorter season/cycle export crops that will provide positive liquidity and profits during the developmental phase of the plantations. The objective is to commence operations in early 2021.

Dividend

The Board is considering a dividend for the financial year ending 31 December 2019. Details of this will be released in a separate dividend statement to be issued in due course.

Appreciation

I would like to thank my colleagues on the Board, the executive directors, management and all employees across the entire Group for their hard work throughout FY19. I am appreciative of the patience demonstrated by our stakeholders and customers over the past year as we implemented initiatives to combat disease challenges that had befallen our harvestable crops. I thank you in advance for your continued support as we look forward to a successful FY20.



T N Sibanda
Chairman
14 April 2020

The Directors are pleased to present the **Audited Financial Results for Padenga Holdings Limited** for the year ended 31 December 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the twelve months ended 31 December 2019

	Twelve months ended 31 Dec 2019 audited US\$	Restated Twelve months ended 31 Dec 2018 audited US\$
Revenue	29 127 509	37 321 141
Other operating income	76 224	658 727
Net operating costs	(22 168 200)	(26 567 844)
Operating Profit before depreciation and amortisation	7 035 533	11 412 023
Depreciation and amortisation	(2 370 784)	(2 124 769)
Operating Profit before interest and fair value adjustments	4 664 749	9 287 254
Fair value adjustments on biological assets	5 358 433	1 198 348
Profit before interest and tax	10 023 182	10 485 602
Interest income	69 916	1 681 033
Interest payable - loans	(1 423 532)	(1 090 692)
Interest payable - leases	(77 715)	-
Profit before tax	8 591 851	11 075 943
Income tax expense	(1 847 265)	(3 721 474)
Profit for the period	6 744 586	7 354 469
Other comprehensive income	-	-
Total comprehensive income for the period	6 744 586	7 354 469
Profit for the period attributable to:		
Equity holders of the parent	6 915 140	7 803 203
Non-controlling interest	(170 554)	(448 734)
	6 744 586	7 354 469

Consolidated Statement of Cash Flows

For the twelve months ended 31 December 2019

	31 Dec 2019 audited US\$	Restated 31 Dec 2018 audited US\$
Cash generated from operating activities	8 285 913	9 105 394
Interest income	69 916	1 681 033
Interest paid	(679 429)	(945 385)
Taxation paid	(1 857 802)	(2 198 534)
Net cash generated from operations	5 818 598	7 642 508
Cash flow from investing activities	(4 735 028)	(5 189 512)
Net cash outflow from investing activities		
- proceeds on disposal of property, plant and equipment	35 395	63 888
- purchase of property, plant and equipment	(4 571 497)	(5 091 545)
- expenditure on non-current biological assets	(167 852)	(153 385)
- purchase of intangible assets	(31 074)	(8 470)
Net cash flow before financing activities	1 083 570	2 452 996
Cash flow from financing activities	1 543 585	2 963 669
Increase in borrowings		
- new loans	6 608 854	4 000 000
- repayments	(5 065 269)	(1 036 331)
Dividends paid by holding company	(2 076 375)	(6 499 121)
	(2 076 375)	(6 499 121)
Net cash outflow from financing activities	(532 790)	(3 535 452)
Net increase/(decrease) in cash and cash equivalents	550 780	(1 082 456)
Net foreign exchange difference	(1 327 728)	-
Cash and cash equivalents at the beginning of the period	10 143 707	11 226 163
Cash and cash equivalents at the end of the period	9 366 759	10 143 707
CASH AND CASH EQUIVALENTS		
Made up as follows:		
Bank balances and cash (US\$)	7 334 610	2 429 540
Bank balances and cash (ZWLS)	1 903 009	6 889 904
Short-term investments	129 140	824 263
	9 366 759	10 143 707

Consolidated Statement of Changes in Equity

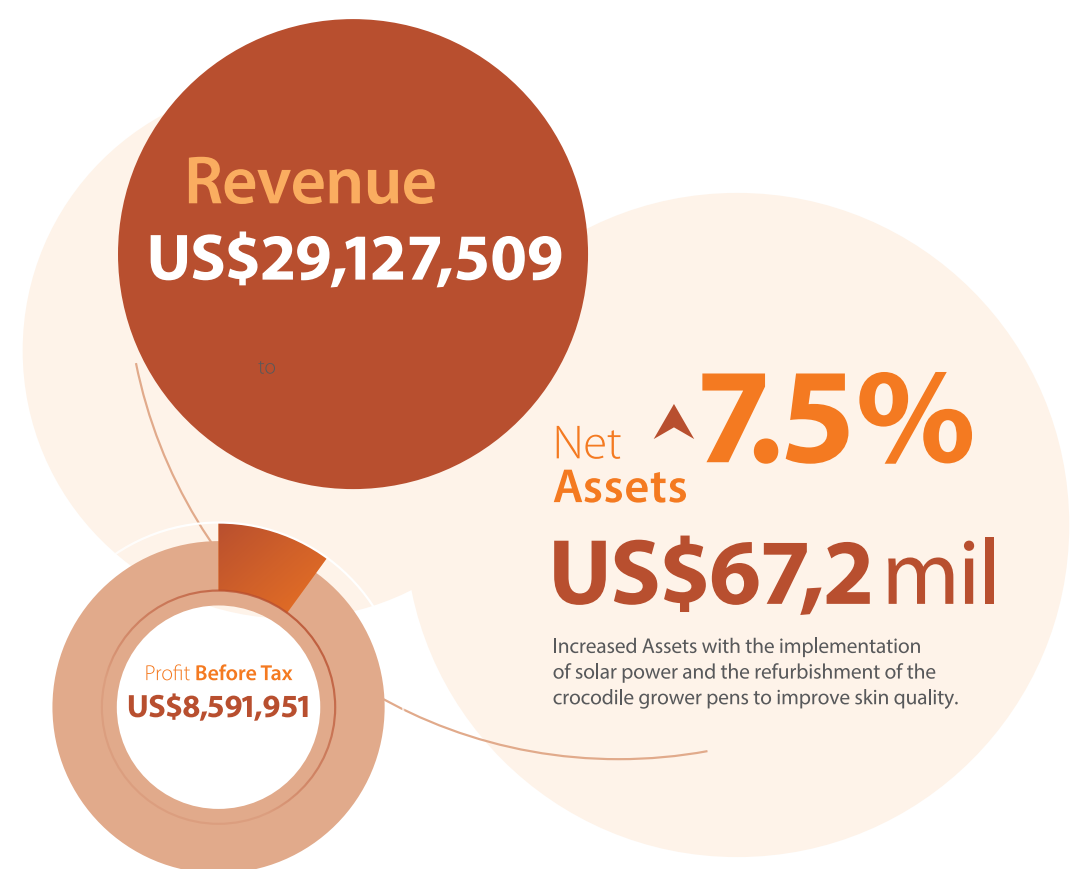
For the twelve months ended 31 December 2019

	Share Capital audited US\$	Share Premium audited US\$	Change in ownership audited US\$	Share based option reserve audited US\$	Retained Earnings audited US\$	Total US\$	Non - Controlling Interest audited US\$	TOTAL audited US\$
For the twelve months ended 31 December 2018								
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	-	-	-	-	7 803 199	7 803 199	(448 734)	7 354 465
Dividends paid	-	-	-	-	(6 499 121)	(6 499 121)	-	(6 499 121)
Balance at 31 December 2018	54 159	27 004 245	(63 863)	-	35 972 786	62 967 327	(408 779)	62 558 548
For the twelve months ended 31 December 2019								
Balance at 1 January 2019	54 159	27 004 245	(63 863)	-	35 972 786	62 967 327	(408 779)	62 558 548
Effect of adoption of IFRS 16 Leases	-	-	-	-	(25 172)	(25 172)	-	(25 172)
Balance at 1 January 2019 (Adjusted)	54 159	27 004 245	(63 863)	-	35 947 614	62 942 155	(408 779)	62 533 376
Profit for the period	-	-	-	-	6 915 140	6 915 140	(170 554)	6 744 586
Dividends paid	-	-	-	-	(2 076 375)	(2 076 375)	-	(2 076 375)
Share based option - charge for the year	-	-	-	2 099	-	2 099	-	2 099
Balance at 31 December 2019	54 159	27 004 245	(63 863)	2 099	40 786 379	67 783 019	(579 333)	67 203 686

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	31 Dec 2019 audited US\$	Restated 31 Dec 2018 audited US\$
ASSETS			
Non-current assets			
Property, plant and equipment		24 088 899	21 702 398
Right of use of assets		1 156 377	-
Intangible assets		51 220	32 378
Other receivables		-	536 684
Biological assets		6 790 778	5 369 348
		32 087 274	27 640 808
Current assets			
Biological assets		32 205 176	35 831 172
Inventories		12 566 854	5 233 428
Contract asset		-	288 944
Trade and other receivables		10 770 978	12 224 701
Cash and cash equivalents		9 366 759	10 143 707
		64 909 767	63 721 952
Total assets		96 997 041	91 362 760
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		54 159	54 159
Share premium		27 004 245	27 004 245
Share based payment reserve		2 099	-
Retained earnings		40 786 379	35 972 786
Change in ownership reserve		(63 863)	(63 863)
Equity attributed to equity holders of the parent		67 783 019	62 967 327
Non-controlling interest		(579 333)	(408 779)
Total shareholders' equity		67 203 686	62 558 548
Non-current liabilities			
Interest bearing borrowings	11.1	6 335 000	7 235 000
Lease liabilities		464 144	-
Deferred tax liabilities		7 259 730	7 789 354
		14 058 874	15 024 354
Current liabilities			
Customer deposits	10.1.2	2 936 325	3 125 925
Short-term interest bearing borrowings	11.2	10 579 610	7 337 860
Trade and other payables	10	1 194 395	2 849 898
Lease liabilities		147 000	-
Provisions		38 885	146 997
Current tax payable		838 266	319 178
		15 734 481	13 779 858
Total liabilities		29 793 355	28 804 212
Total equity and liabilities		96 997 041	91 362 760



The Directors are pleased to present the **Audited Financial Results for Padenga Holdings Limited** for the year ended 31 December 2019

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

The financial statements have been prepared in US\$ after taking into account the considerations for IAS 21. 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 2018.

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 16. The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. The Group recognises a right-of-use-asset and lease liability at the lease commencement date. The right-of-use-asset is initially measured at cost. The right-of-use-asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use-asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined the Group's incremental borrowing rate.

7. Operating segments

The following tables present revenue and profit information about the Group's operating segments for the year ended 31 December 2019.

	Crocodiles US\$	Alligators US\$	Adjustments and Eliminations US\$	Total US\$
Revenue				
31 December 2019	25 530 706	3 596 803	-	29 127 509
31 December 2018	34 069 796	3 251 345	-	37 321 141
Segment profit/(loss)				
31 December 2019	7 483 192	(996 225)	257 619	6 744 586
31 December 2018	9 292 917	(2 621 110)	682 662	7 354 469
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 2019.				
Segment assets				
31 December 2019	87 266 348	24 944 324	(15 213 631)	96 997 041
31 December 2018	83 751 812	20 993 391	(13 382 443)	91 362 760
Segment liabilities				
31 December 2019	15 517 267	24 284 650	(10 008 561)	29 793 355
31 December 2018	17 384 375	19 044 774	(7 624 937)	28 804 212

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

Revenue from one customer amounted to US\$26 636 244 (2018: US\$29 501 543), arising from sales of the crocodile and alligator skins.

8. Capital expenditure for the year

	31 Dec 2019 audited US\$	Restated 31 Dec 2018 audited US\$
Capital expenditure for the year	4 770 423	5 253 399
Capital expenditure commitment		
Authorized but not yet contracted	2 200 000	5 678 685
	2 200 000	5 678 685
The capital expenditure will be financed from the Group's own resources and borrowing facilities.		
9. Future lease commitments		
Payable within one year	147 000	332 818
Payable between two and five years	588 000	998 454
Payable after five years	147 000	665 636
	882 000	1 996 908
10. Trade and other payables		
Trade	44 874	345 877
Accruals	973 844	3 582 471
Sundry creditors	175 677	-
	1 194 395	3 928 348
10.1 Customer deposits		
10.1.1 Non-Current Customer deposits	-	-
10.1.2 Current Customer deposits	2 936 325	3 125 925

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

Supplementary Information (continued)

11. Interest bearing loans and borrowings

	31 Dec 2019 audited US\$	Restated 31 Dec 2018 audited US\$
11.1 Non-Current interest bearing loans and borrowings		
Year repayable		
Unsecured		
Foreign long term borrowings	6 335 000	7 235 000
	6 335 000	7 235 000
11.2 Current interest bearing loans and borrowings		
Year repayable (December 2020)		
Secured		
Local short term borrowings and foreign current portion	10 579 610	7 337 860
	10 579 610	7 337 860

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 Group's fixed assets, trade receivables and biological assets with a carrying value of US\$10,000,000. The Group has a short term facility of US\$5,600,000, 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.

Headline earnings basis

Headline earnings comprise of basic earnings attributable to equity holders of the parent adjusted for profits, losses and items of capital nature that do not form part of the ordinary activities of the Group, net of the respective tax effects and share of non controlling interests, as applicable.

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 2019.

14. Functional Currency

Following the official introduction of the ZWL as a currency in Zimbabwe alongside the basket of existing currencies, businesses faced the prospect of a change in their functional currency to ZWL dollars. The Group concluded that its functional currency is US\$ for the period ending 31 December 2019.

In coming up with the functional currency the Group took into account the following:

- the currency that mainly influences sales prices for goods and services (this will often be the currency in which sales prices for its goods and services are denominated and settled); and
- the currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services.
- the currency that mainly influences labour, material and other costs of providing goods or services (this will often be the currency in which such costs are denominated and settled);
- the currency in which funds from financing activities (issuing debt and equity instruments) are generated; and
- the currency in which receipts from operating activities are usually retained.

Given the context of the environment, management assessed whether there had been a change in the functional currency used by the Group. The assessment included consideration of whether the various modes of settlement may represent different forms of currency. It was observed that whether cash, bond notes, electronic money transfers or point of sale transactions, the unit of measure across all these payment modes remained US Dollars. Management therefore concluded that the US dollar is still the functional currency and has restated its 2018 financials to reflect the impact of exchange rates between the US dollar and the Local Zimbabwe dollar for the period 1 October 2018 to 31 December 2018. In the prior year, an exchange rate of 1:1 was applied between the two currencies. Pursuant to the requirements of IFRS, the first observable exchange rate of 1:2.5 between RTGS balances, bond notes; and the US\$ for the period October 2018 to December 2018 was used. The Directors have noted the concerns raised by the Auditors in respect of whether this first observable rate meets the IFRS requirements for a spot rate. This requirement to comply with IFRSs presented challenges in terms of compliance with Government legislation (SI 33; SI142 of 2019).

15. Restatement of opening balances as at 31 December 2018

The Group adopted the accounting treatments prescribed under IAS 21 and have therefore restated 2018 Financial Statements using the first observable exchange rate of 1:2.5 between ZWL balances, Bond Notes and the US\$ for the period of October 2018 to December 2018.

For purposes of the restatements, the transactions from January 2018 to September 2018 were not converted as the US\$ rate against the RTGS was assumed to be 1:1. Only transactions incurred from October to December 2018 were converted. This was necessitated by the pronouncement of separating the US\$ and RTGS nostros by RBZ.

- ZWL transactions from October to December 2018 were converted to US\$ at a rate of 1:2.5. This was the first adopted rate when the interbank was introduced.
- Closing Statement of Financial Position as at 31st December 2018 ZWL balances such as short-term investments, cash and bank balances, accounts receivables, accounts payables and short-term loans (payables within 12 months) were converted at a rate of 1:2.5 to obtain US\$ balances.
- Non-current assets (Plant & equipment and Biological assets) were assumed to be in US\$ as the figures were accumulated during the US\$ period from 2011. Most of the capital expenditure incurred in 2018 was sourced outside Zimbabwe and are foreign denominated assets. For the local components of capital expenditure transactions, the amounts have been considered to be immaterial so has been taken as US\$ together with the rest of the materials.
- Biological Current assets were assumed to be US\$ as the balance is an accumulation of inputs over the past three years and most of them sourced from outside Zimbabwe such as feed from South Africa and chemicals from India and the transactions are foreign denominated.
- Off shore loan of US\$2.7million and the interest accrued of US\$282k as at 31 December 2018 were not converted as the obligation of yearly repayments is in US\$.
- We have isolated some expenses which were incurred in US\$ from the first of October 2018 to 31 December 2018 and these were recorded as 1:1.

16. 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. There were non-adjusting events after the reporting date at the time of issuing this annual report, however there is the impact of the Corona Virus Covid-19 as outlined below.

Management have developed a comprehensive Covid-19 strategic response plan that has been applied and includes the monitoring and continual screening of the health status of all staff. This is reinforced by extensive education on reducing exposure and practicing recommended routine disinfection and related activities. The Company's clinics have been stocked with supportive medicines and equipment appropriate to provide a high level of patient care and treatment. Management staff are practicing self-isolation consistent with their responsibilities and skills transfers have been addressed to allow a continuation of operations with a reduced workforce under the national lockdown promulgated. The company Covid-19 response team meets on-line regularly to assess the changing epidemiology nationally and to adjust local policy as necessitated. Details of the company's communications distributed to employees in regard to safeguarding their health and wellness status and the steps being taken to achieve this have been posted on the Padenga website. (www.padenga.com). The stocks of feed, chemicals and other product critical to sustaining operations were increased before the national lockdown and are adequate to withstand a minimum three month disruption in supplies. Operations are continuing under the designation of essential services and there has been no compromise thus far, nor is any anticipated.



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Independent Auditor's Report

To the Shareholders 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), as set out on pages 58 to 101, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated financial statements do not present fairly the financial position of the Group as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

1) Non-compliance with International Financial Reporting Standards IAS 21- The Effects of Changes in Foreign Exchange Rates in Prior Period and Inappropriate Application of IAS 8

As explained in note 2.2 to the consolidated financial statements, the Group's functional and presentation currency is the United States Dollar (US\$).

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 during this period. 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 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. In February 2019 there was a Monetary Policy statement which introduced the RTGS Dollar (RTG\$) and the interbank foreign exchange market. Furthermore, Statutory Instrument 142 of 2019 specified that for all domestic transactions, the Zimbabwe Dollar (which comprises RTG\$\$, Bond notes and Bond Coins) was the sole legal tender effective 24 June 2019.

These events triggered the need for the Group to assess whether there was a change in functional currency (from US\$ to RTGS/ZWL\$) and to determine an appropriate spot rate as required by IAS 21.

We believe that events in the market and subsequent promulgation of the ZWL\$ as a formal currency supports that there was a change in functional currency from US\$ to ZWL\$ and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 ZWL\$: US\$ exchange rate and this occurred effective 1 October 2018.

Accordingly, the consolidated financial statements of the Group include balances and transactions denominated in ZWL\$ that were not converted to US\$ at a ZWL\$: US\$ exchange rate that reflects the economic substance of its value as required by IFRS. The directors have provided more information on their approach in Note 3.3 to the consolidated financial statements.

In respect of the above matter we issued an adverse opinion in the prior year as the effects of the departure from IFRS were pervasive to the financial statements but could not be quantified owing to the nature of the matter.

Management's approach in the current year, for reasons explained on Note X, was to effect a retrospective restatement as a prior period error in terms of International Financial Reporting Standards – IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. Pursuant to this, management translated foreign denominated balances and all foreign denominated transaction for the period October 2018 to December 2018 to US\$ at the opening interbank exchange rate of 1:2.5. We do not believe the interbank rate was an appropriate spot rate in terms of International Financial Reporting Standards. Therefore, management has not correctly restated the opening balances to resolve the matters which resulted in the adverse audit report in the prior period and therefore the matter is continuing.

As a result of these matters:

- Corresponding numbers remain misstated on the Statements of Financial Position, Cash Flows Profit or Loss and Changes in Equity, this also impacts comparability of the current period's figures; and
- As opening balances enter into the determination of cash flows and performance, our current year opinion is modified in respect of the impact of this matter on the Statement of Cash Flows, Statement of Profit or Loss and Statement of Changes in Equity.

In addition to the impacts on the corresponding numbers, current year performance and cash-flows; the matter continues to impact the balances on the Statement of Financial Position as many of these still comprise of amounts from opening balances. Whilst this matter might not affect all accounts in the statement of financial position the specific accounts and the portions affected by this matter have not been identified and quantified here. This is due to the further matters requiring modification (which have been discussed below) and which result in virtually all amounts being incorrectly stated.

2) Exchange rates used in the current year (Non-compliance with IAS 21)

As outlined in Note 4 to the consolidated financial statements, for the year ended 31 December 2019, the Group translated foreign denominated transactions and balances using interbank rates. The exchange rates used for the translation do not meet the definition of a spot exchange rate as per IAS 21.

We therefore believe that the exchange rates for transactions and balances between the US\$ and the ZWL used by the Group did not meet the criteria for appropriate exchange rates in terms of IFRS. Had the correct rates been used a number of significant accounts would have been affected in a material manner.

The effects of the above departures from IFRS are material and pervasive to the consolidated financial statements.

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 in Zimbabwe, and we have fulfilled our ethical responsibilities in accordance with these requirements and 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 matters 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 Chairman's Statement, The Chief Executive Officer's Business Report, the Directors' Report and the Statement of Corporate Governance and Responsibility but does not include the consolidated financial statements and our auditor's 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. The Chairman's Statement, The Chief Executive Officer's Business Report, the Directors' Report and the Statement of Corporate Governance and Responsibility is expected to be made available to us after the date of this auditor's report.

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 scepticism 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.

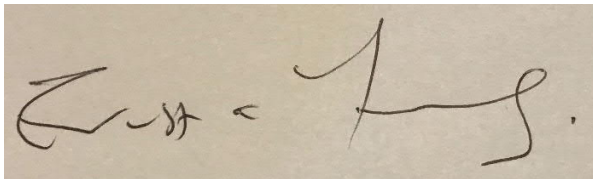
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 David Marange (PAAB Practising Certificate Number 0436).

A handwritten signature in black ink on a light-colored background. The signature is cursive and appears to read 'David Marange'.

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

Harare

Date 28 April 2020