PADENGA
HOLDINGS LIMITED
ANNUAL REPORT 2017

PADENGA
HOLDINGS LIMITED

CONTENTS

Mission Statement

To be the principal and preferred supplier of premium grade Crocodilian skins to the Luxury brand houses of the world

Corporate Information

DIRECTORATE & MANAGEMENT

BOARD

The primary responsibility of the Board is to discharge its fiduciary responsibility to the shareholders and the Group. The Board is accordingly, the highest policy organ of the Group and sets its strategy. Meeting quarterly, the Board receives and acts on key information pertaining to the operations of Padenga.

COMPOSITION

The Board consists of three executive directors and three non-executive directors, comprising a cross-section of professionals and major shareholder representatives.

The non-executive directors of Padenga comprise individuals with proven track records and a wide range of different skills and experience, which they employ for the Group's benefit, and who also provide crucial independence and guidance in the Group's strategic decision-making processes and corporate governance practices.

CORPORATE INFORMATION (CONTINUED)

DETAILS OF DIRECTORS & MANAGEMENT

The full names and positions of the Directors of Padenga as at 31st December 2017 are set out below:

DIRECTORS:	POSITION HELD:
Alexander Kenneth Calder	Non-Executive Chairman
Gary John Sharp	Chief Executive Officer
Oliver Tendai Kamundimu	Chief Financial Officer
Michael John Fowler	Executive Director
Annie Mutsa Mazvita Madzara	Non-Executive Director
Thembinkosi Nkosana Sibanda	Non-Executive Director

(All Directors were appointed in November 2010)

EXECUTIVE MANAGEMENT	POSITION HELD:
Gary John Sharp	Chief Executive Officer
Oliver Tendai Kamundimu	Chief Financial Officer
Michael John Fowler	Executive Director
Charles Boddy	Operations Executive
James Watson	Administration Executive
Jimmyson Kazangarare	General Manager Kariba Crocodile Farm
Prince Chapeyama	General Manager Nyanyana Crocodile Farm
Pierre Steyn	General Manager Ume Crocodile Farm
Jeremiah Hunzwi	Abattoir Manager

COMPANY SECRETARY AND REGISTERED OFFICE:

Andrew Lorimer
121 Borrowdale Road
Gunhill
Harare

P O Box HG 633, Highlands
Harare
Zimbabwe

TRANSFER SECRETARIES:

Corpserve Share Transfer Secretaries
2nd Floor ZB Centre
Corner First Street/Kwame Nkrumah Avenue
Harare

P O Box 2208
Harare
Zimbabwe

AUDITORS:

Ernst & Young
Chartered Accountants (Zimbabwe)Registered Public Auditors
Angwa City
Corner Julius Nyerere/Kwame Nkrumah Avenue

P O Box 702
Harare
Zimbabwe

LEGAL ADVISORS:

Dube, Manikai & Hwacha
Commercial Law Chambers
6th Floor Goldbridge Eastgate Complex
Corner Sam Nujoma/Robert Mugabe Avenue

P O Box 10400
Harare
Zimbabwe

PRINCIPAL BANKERS:

CBZ Bank Limited
Union House
60 Kwame Nkrumah Avenue
Harare

PRINCIPAL BANKERS:

Standard Chartered Bank Zimbabwe Limited
1st Floor, Africa Unity Square Building
Nelson Mandela Avenue
Harare

PRINCIPAL BANKERS

Central African Building Society
Northend Close,
Northridge Park
Harare

FINANCIAL HIGHLIGHTS

	2017 US$	2016 US$
Group Summary		
Revenue	30 276 051	31 272 712
Operating profit before depreciation, impairment, amortisation and fair valuation adjustments	13 944 006	12 615 760
Profit before taxation	16 368 831	11 040 379
Profit attributable to shareholders	13 020 828	8 948 240
Cash generated from operating activities	8 833 638	4 418 998
Capital expenditure	3 631 466	4 284 708
Net assets	61 703 204	53 345 179
Share performance		
Basic earnings per share (cents)	2.40	1.65
Diluted earnings per share (cents)	2.40	1.65
Dividend cover (times)	2.9	4.0
Dividends declared and paid during the year per share (cents)	0.83	0.41
Market price per share (cents)	54.71	16.00
Market capitalisation (US$)	296 305 771	86 654 950
Number of shares in issue at reporting date	541 593 440	541 593 440

CHAIRMAN'S STATEMENT

FINANCIAL

CONSOLIDATED RESULTS

The group, again, produced outstanding financial results which were a consequence of firm prices coupled with improved operational efficiencies and fiscal discipline that resulted in reduced cost of sales.

The group recorded an operating profit before depreciation, amortization, impairment and fair valuation adjustments of $13,944,006 ($12,615,760 – FY16) from revenue of $30,276,051 in the twelve months to December 2017. Revenue for the prior period to December 2016 was $31,272,712. The group benefited from an export incentive of $1,559,811, up from the $1,393,460 received in 2016. Profit before tax increased by 48% over prior year to $16,368,831 ($11,040,379 – FY16).

Cash generated from operating activities doubled from $4,418,998 prior year to $8,833,638 in FY17 in line with increased profitability.

CROCODILE OPERATION

The Zimbabwe crocodile operation, which accounted for 94% of the group's revenue, produced another excellent set of financial results. Turnover increased by 4% to $28,515,119 from $27,527,638 recorded in the prior period although the 43,313 contract skins sold in FY17 represented a decline of 10% over the volume in the previous period. We closed the year with a further 2,725 skins in stock which were graded and sold subsequent to year-end. The increase in turnover is a result of firmer prices achieved during the year under review. Operating profit and profit before tax increased by 8% and 35% to $13,934,470 and $17,008,557 respectively.

ALLIGATOR OPERATION

In line with the strategy to produce predominantly medium sized skins, only those watchband sized skins which were not suitable for grow-out to medium skins were harvested in 2017. Volumes were therefore predictably down 46% against prior period (11,190 skins vs. 20,835 skins). Consequently, the operation recorded turnover of $1,760,932, a 53% decline against prior year ($3,745,074 – FY16). The unit recorded an operating loss of $868,385 and a loss before tax of $978,838 compared to an operating loss of $614,841 and a loss before tax of $1,675,835 in the prior year.

The group increased its shareholding in Tallow Creek Ranch (TCR) from 68.6% to 82.9%.

OPERATIONS

CROCODILE OPERATION

In the crocodile operation 46,035 animals were culled in the period which was in line with budget but represented a decrease of 4% compared to prior period. The skin quality grade achieved declined from 95% 1st Grade in 2016 to 89% in the period under review. Skin quality was negatively impacted by a combination of poor water quality resultant from low Lake water levels in late 2016 and early 2017 and a year of unnaturally low average ambient temperatures for Kariba. Conditions generally were very adverse for premium quality skin production and skins did not finish to the extent and at the rate traditionally experienced. One consequence of this was that culling was delayed well into the final quarter of the year with 52% of the offtake occurring in this period. Although temperature moderation was not feasible because of the scale of the operation, measures have been implemented to counter the impact of poor water quality and we do not expect a repeat going forward. Average skin size achieved of 34.3cms was consistent with the customer's requirements. This was a slight improvement over that achieved in the prior year (34.2cm – FY16). 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 157,675 grower crocodiles on the ground compared to 150,172 at the end of FY16. This number of crocodiles was consistent with the strategy to achieve a sustained annual production of 46,000 skins. Eighty new grower pens were constructed in the period at Nyanyana Farm to facilitate the earlier movement of yearlings from hatchling pens in spring each year. This initiative will further reduce stocking densities as part of an ongoing strategy to both enhance animal welfare & to improve skin quality. A 330kWp solar energy project was commenced for the northern farms and will be commissioned in 2018. This not only provides material cost savings but reinforces the company's commitment to sustainability through the application of alternative and renewable energy solutions.

The demand from Europe for premium crocodile meat cuts increased during the period and export prices firmed as a consequence. Total meat volumes sold increased by 9% to 256 tonnes from 237 tonnes in the prior year. The sales mix shifted towards premium value cuts resulting in average prices received increasing by 45%. Overall, meat turnover increased by 57% over prior year.

ALLIGATOR OPERATION

Yearling animals which were being sold as watchband sized skins in FY17 grew out satisfactorily and the skin grades obtained on this stock were fully consistent with expectations. $3.6m of additional equity was injected into the business in the year under review to enhance working capital and finance the full transition into a medium sized skin production model. A total of 11,800 yearling animals of the requisite skin requirements were purchased in for grow-out into medium sized skins. The selection, transport and induction of these into the TCR pens was conducted seamlessly and the stock has settled well and subsequent growth is to expectation. The operation came through the ravages of Hurricane Harvey with remarkably little impact despite the immediate area around the farm being inundated to a depth of 33 inches of standing water. This was testament to the strategy of constructing the barns on a raised pad 3ft above the local ground level. The demand for good quality medium sized alligator skins at competitive prices has consistently remained strong in contrast to a weak watchband sized skin market.

PROSPECTS

The Zimbabwe operation is expected to sell 46,000 premium quality skins in 2018. Demand for top quality skins remains steady and prices are expected to hold. We expect this operation to maintain the momentum and post another good result. In the Alligator operation, in addition to the watchband sized skins that are not suitable for grow-out, we will have medium sized skins for sale in 2018. We anticipate that this operation will continue to show positive growth in FY2018. Overall the group is anticipating producing another set of good results.

BOARD APPOINTMENT

The Board is delighted to announce the appointment of Mr J.C.P Caraguel as a Non-Executive Director of the Company effective from 14th March 2018. Jerome Caraguel is a French citizen with a Master of Economics degree from the University of Toulouse, France. He has worked in the exotic skins trade his entire career and has recently retired following a thirteen-year period as the Purchasing Director of Exotic Skins for top tier tanneries supplying the premium luxury brands. He serves on the Board of other crocodilian farming operations in both Australia and the USA and brings a wealth of experience about meeting the expectations of the high-end quality skin market. The Board welcomes Mr Caraguel as a Non-Executive Director and looks forward to his positive contribution in the years ahead.

DIVIDEND

The Board has declared a final dividend of 1.20 US 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 2017 and will be payable in full to all the shareholders of the Company registered at the close of business on Friday 13th April 2018. The payment of this dividend will take place on or about Friday the 27th of April 2018. The shares of the Company will be traded cum – dividend on the Zimbabwe Stock Exchange up to the market day of Wednesday 11th April 2018 and ex – dividend as from Thursday 12th April 2018. This dividend represents a cash dividend cover of two times.

APPRECIATION

Notwithstanding the uncertain and challenging economic and physical environment prevailing in our operational areas in 2017, the executive directors, management and staff have, once again, produced an excellent 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.

A K Calder
Chairman
14 March 2018

Corporate Governance Statement

The following statement sets out the governance framework the Board has adopted at Padenga and highlights the work undertaken by the Board and its Committees during the financial year.

APPROACH TO GOVERNANCE

Padenga Holdings Limited is committed to meeting the expectations of shareholders, stakeholders and employees for accountability, transparency, integrity and sustainability through the adoption of the principles and practices of international best practice Codes of Corporate Governance. The Directors endeavour to comply with the key principles of Corporate Governance which emphasise the need for well-balanced effective boards, strong risk management and internal control oversight and sound stakeholder relations. The Board, with the assistance of Board Committees, determines the most appropriate corporate governance practices for Padenga with the understanding that corporate governance is a continual improvement process which takes into account legal requirements, best practice, practicality and affordability. Members of the Board, Management and Staff are responsible for upholding the goals and values to which Padenga aspires, namely: Integrity; Pursuit of Excellence; Respect; Passion; Fairness; Discipline; Humility with Confidence; To be the Best; and Team Spirit.

COMPLIANCE WITH CORPORATE GOVERNANCE CODES

The Directors have adopted, as a guideline, the key principles outlined in the King Governance code, and the Principles for Corporate Governance in Zimbabwe, as laid out in the Manual of Best Practice.

BOARD OF DIRECTORS

The Board comprises three executive Directors and three independent non-executive Directors. The Board meets quarterly to provide input and oversight to the strategic planning process and monitors operational performance. Padenga has adopted a number of practices to regulate the division of responsibilities between the Board and management. Namely:

- Having the same ratio of executive and independent directors on the Board with the Chairman being independent.
- The separation of the roles of the Chairman and the Chief Executive Officer.
- The Board sub-committees are chaired by independent directors and have a majority of independent members.
- The Board and Board Committees have the mandate, if necessary, to seek advice from independent experts to assist them in carrying out their duties.

A comprehensive Board Corporate Governance Manual has been developed which includes the Board Charter detailing its purpose, powers and specific responsibilities, Board annual work plans, and the policies and processes for Board and Director's performance evaluation. Not all aspects of this have been adopted and implemented to date but will be in the future when deemed to be practical and appropriate.

AUDIT COMMITTEE

Padenga has an audit committee that assists the Board in fulfilment of its duties. The committee currently comprises two independent non-executive Directors and one executive Director. An independent non-executive Director chairs the committee. The committee meets three times a year with the internal and external auditors to monitor the appropriateness of accounting policies, the effectiveness of systems of internal control and to consider the findings of the internal and external auditors. The committee's responsibilities include monitoring risk management, internal control, financial reporting and compliance matters. To ensure their independence and objectivity both the internal and external auditors have unrestricted access to the audit committee. The internal audit function is currently outsourced to external service providers and the internal audit Charter and work plans have been adopted and agreed by the committee. The scope of its work is risk based. This is an on-going process.

REMUNERATION COMMITTEE

The remuneration committee comprises two independent non-executive Directors and one executive Director and determines, on behalf of the Board and shareholders, the individual remuneration packages for the executive Directors, non-executive directors and other members of the executive management team. The Chairman of the committee is an independent non-executive director. The remuneration committee makes recommendations to the Board regarding appropriate remuneration policies and practices, and ensures these are implemented. Padenga's policy is to provide remuneration packages that attract, retain and motivate high quality individuals who will contribute significantly to the growth of Padenga. Where necessary external remuneration advisors assists the committee in determining the appropriate remuneration levels and practices.

RISK MANAGEMENT

The management of risk is decentralised to the operating divisions, but in compliance with Group policies on risk, the process is reviewed centrally by the executive committee, which is in turn supervised by the audit committee. Although no formal enterprise risk assessment has been conducted yet, the focus of risk management currently hinges on identifying, assessing, managing and monitoring all known forms of risk across the Group. The Board through its close working relationship with the executive is satisfied that the executive and management has identified the key business risks and taken appropriate measures to mitigate against them. Awareness training on Risk Management has been provided to the Board and senior management of the Group.

CODES OF CONDUCT AND ETHICS

Padenga has developed Codes of Conduct and Ethics which have been adopted by the Board. These Codes provide the employees and Directors with a practical set of guiding principles to help them make decisions in their everyday work. The codes embody honesty, integrity, fairness and trust. Employees and Directors are required to demonstrate these traits as representatives of Padenga.

The key principles underlining these codes are:

- We act in Padenga's best interests and value the Group's reputation
- We act with honesty and integrity
- We commit to ensuring Justice and Fairness in our dealings with staff, customers and the general public
- We seek to build Trust between ourselves and all those with whom we interact
- We treat others with respect, we value differences and maintain a safe working environment
- We identify conflicts of interest, expose them and manage them responsibly
- We respect privacy and confidentiality – our intellectual property is tightly guarded
- We do not make or receive improper payments, benefits or gains
- We report breaches of our Code, the law or Padenga's policies or procedure

Board Of Directors

Alexander Kenneth Calder - Non-Executive Chairman (Appointed November 2010)

Kenneth is a Chartered Accountant by profession and is a retired partner of PWC. He has twenty seven years of experience in the profession of which ten years were in Management Consultancy (Change Management and Human Capital) and seventeen years in Auditing and Risk Management Consultancy. His primary focus in later years was in corporate governance, internal audit, risk management and general consulting, and he was a founding member of the Zimbabwe National Task Force on Corporate Governance. He is currently involved with various business enterprises but still consults in a private capacity.

Gary Sharp - Chief Executive Officer (Appointed November 2010)

Gary completed his tertiary education at the University of Zimbabwe, where he attained a Master of Science (Tropical Resource Ecology) degree in 1982. He served in the Terrestrial Branch of the Department of National Parks and Wildlife Management between 1979 and 1987. Gary's experience in the intensive husbandry of wildlife species dates back to 1988 when he joined the Lonrho Zimbabwe Group. He was engaged as Chief Executive Officer of what was then the Niloticus Division of Innscor in 2000. That entity unbundled from Innscor in November 2010 through a listing on the ZSE to become Padenga Holdings Limited and Gary has continued to serve as Chief Executive Officer since that date.

Oliver Kamundimu - Chief Financial Officer (Appointed November 2010)

Oliver completed his tertiary education at the University of Zimbabwe where he attained a Bachelor of Accountancy Honours degree in 1988. He served his articles of Clerkship with the then Coopers and Lybrand and qualified as a Chartered Accountant in 1992. Since that time he has worked for Lonrho Africa Limited, and Manica Africa, heading up their audit departments. Oliver joined Innscor in 1999 and was tasked with setting up Innscor's internal audit department before leaving to join First Mutual Zimbabwe in 2001. He re-joined Innscor in 2004 as the Financial Director of their Niloticus Division and has continued in a similar position since the Company was separately listed in 2010.

Michael Fowler - Executive Director (Appointed November 2010)

Mike has been involved with the companies that preceded Innscor since 1982 and has held a number of executive positions within the Innscor Group since his appointment as a Director in 1994, including a period during which he served as Group Chief Executive Officer. He currently sits on the Remuneration Committee of Innscor. At various stages he has been a Director of companies that previously constituted the Agro-Processing Division of Innscor (namely Niloticus Division and Colcom Holdings Limited), as well as National Foods Holdings Limited.

Annie Madzara - Non-Executive Director (Appointed November 2010)

Annie is an Environment and Development Professional with over 25 years of experience in the field, 13 of which have been in senior positions. Among her many qualifications, Annie holds a Natural and Aquatic Science qualification at Masters Level, a Masters in Business Administration Degree and a Masters in Development Studies. She has field and managerial experience from Public, Private and NGO sectors including Commercial Director at Parks and Wildlife Management Authority and managing the Environment and Climate Change Programme of the UNDP in Zimbabwe. She is a member of the African Forest Forum and a Fellow with the Leadership for Environment and Development (LEAD International).

Thembinkosi Nkosana Sibanda - Non-Executive Director (Appointed November 2010)

Themba graduated from the University of Zimbabwe in 1978 majoring in Accounting, and subsequently joined Barclays Bank of Botswana at its Head Office in Gaborone. Having returned to Zimbabwe in the early 1980's he completed his articles of clerkship, qualifying as a Chartered Accountant. He has remained in the same profession since, and has worked in compliance and audit for the past 34 years at Schmulian and Sibanda. Themba currently sits on various boards of Stock Exchange listed Companies. He currently chairs the Board of Edgars Stores Zimbabwe Limited. Themba is also a trustee of several organisations.

Sustainable Development Report

1. INTRODUCTION

Welcome to Padenga Holdings Limited's Sustainability Report for the year ended 31 December 2017. Sustainability is being firmly embedded into the group's corporate strategy and organisation. We recognise that sustainability is a significant driver to how we manage operational risks and drive the strategic positioning of the group for long-term business success. The Sustainability Report highlights the economic, environmental and social impacts created by our everyday operational activities. We recognise that we have to manage the various capitals of our business in a sustainable manner. We consider natural, human, intellectual, financial, manufacturing and social relations as capital input into our business model.

Our sustainability strategy is to ensure that we minimise negative impacts and related costs on the business and on our stakeholders. By integrating sustainability in our operational decision-making and business strategy, we are able to identify risks and opportunities. The Sustainability Report is guided by ISO 26000 Guidance on Social Responsibility framework together with the Global Reporting Initiatives (GRI) sustainability reporting guidelines and standards. The standards require us to identify, measure and manage our material impacts wherever they are happening in the group's operations and within our control. We have identified some key performance indicators based on industry and global standards, and also through engagements with various stakeholders such as regulatory authorities like Environmental Management Agency (EMA), Crocodile Farmers Association of Zimbabwe (CFAZ), Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and Zimbabwe Parks & Wildlife Management Authority (ZPWMA).

In 2018 Padenga is going to start work on compiling an Integrated Report (IR) in order to provide a concise communication which combines the findings of our sustainability report with those of the financial statement. The IR will show how Padenga integrates environmental and social thinking into its business strategy. It will focus on how our strategy, governance, performance and prospects lead to the creation of value over the short, medium and long term with a company's business model at the core.

1.1 KEY SUCCESSES AND CHALLENGES

This year has seen another set of significant sustainable developments within the company's business. Here are some examples of our key successes and challenges:

Key Successes:

	80 new pens were constructed across the business.
	An additional 330kWp solar energy plant was installed at the mainland farms and a further 40kWp was added on at Ume Crocodile Farm.
	50 children were supported by Padenga's sponsorship program.
	No staff fatalities were recorded in 2017.

Challenges:

	The phosphate levels within the effluent discharge require further attention.
	Coal usage has seen an increase of 5% in total coal quantity used, requiring additional investment in heat retention mechanisms.
	11% decrease in the number of eggs produced by mature domestic female breeders compared to 2016.

1.2 ABOUT PADENGA HOLDINGS LIMITED

Padenga is a leading Zimbabwean producer of quality crocodilian skins and meat for supply to premium markets worldwide. The company currently has three crocodile farms around Lake Kariba at Kariba, Nyanyana and Ume crocodile farms as well as an alligator farm in Texas, USA, Tallow Creek Ranch. Padenga was listed on the Zimbabwe Stock Exchange in 2010.

Padenga operates on the principle of continuous improvement not only in terms of operational and overall company performance, but also in terms of the individual performance of its employees. The company strives to maximise the quality of the skins that it produces and aims to be the principal supplier of premium graded crocodilian skins to the global market.

Consistent with first world trends, Padenga has embraced the use of technology in furthering its operations and refining its management systems and these continue to give the company a competitive edge within the industry. This initiative has accelerated since the listing of Padenga in 2010, and a significant portion of the annual development budget has been committed to the introduction of technology directed at improving efficiencies, achieving effective data capture, storage, interrogation and reporting, and automating critical control systems and processes. Bespoke software systems are geared towards enhancing efficiency across all operational and administrative activities, with the aim of maximising performance as well as achieving savings in time, effort and cost.

A key factor in achieving these goals has been the development of customised Business Intelligence tools, thereby transforming Padenga into a knowledge-based organisation that not only allows for more accurate prediction and modelling of the outcome of specific operational scenarios, but also facilitates a quicker response to economic, climatic, and related issues that could negatively impact the company's performance. Pen-side capturing of operational information on tablet computers provides real-time data to management and is being used to establish dash-board indicators that highlight immediately where variances exist against predicted targets, allowing for immediate response and correction.

Padenga's Vision

To be the principal and preferred supplier of premium grade crocodilian skins to the luxury brand houses of the world for the manufacture of exclusive, high value handbags, watchbands, clothing and related luxury accessories.

Padenga's Mission Statement

We are producers of quality crocodilian skins and meat for supply to premium markets worldwide.

Padenga's values

- Adherence to the five freedoms of Animal Welfare
- To be the best
- Humility with confidence
- Passion
- Discipline
- Pursuit of excellence
- Integrity
- Respect
- Fairness
- Team Spirit

Best Overall Exporter of 2017

Figure 1 : Location of Padenga's Crocodile Farms

1.Kariba Crocodile Farm, 2. Nyanyana Crocodile Farm, 3. Ume Crocodile Farm

Figure 1.2.1 : Facts on Padenga Crocodile Farm

	Only Nile Crocodiles Crocodylus niloticus are farmed	
	Length of a male crocodile	4.1 - 5m
	Total number of skins produced in 2017	46 035
	Total kg of crocodile meat exported in 2017	146 270kg
	Total number of new pens built during 2016/17	120
	Number of years for a crocodile to reach reproductive maturity	12
	% of the eggs domestically produced	70%

2. OUR APPROACH

2.1 INTRODUCTION FROM THE CEO, MR GARY SHARP

Welcome to Padenga's 2017 Sustainability Report.

In recent years, there has been a measurable shift in the expectation of consumers globally with regards to the sustainable use of natural resources and other aspects of Social Responsibility. These changing expectations have led to an increase in the demand for transparency pertaining to the manner in which businesses manage their operations, and Padenga is no exception to this. With this in mind, the company is committed to not only set the standards for sustainable development within the industry, but to also meet the expectations of the customers and end users of the products produced by Padenga.

To further this commitment the company has engaged a consulting firm to advise on its sustainability reporting and to assist in developing this to the desired standards. Whilst looking to the future is imperative, the company has at the outset identified as a priority the management of the resources that are available to it as well as on minimising its environmental footprint.

This report covers the initiatives relating to the Zimbabwe operations which by nature of their size, location and production volumes, together with the associated environmental, social and sustainability perspectives relating to those, have warranted the main focus by management in the period.

Gary Sharp
Chief Executive Officer

2.2 MATERIAL TOPICS

In Padenga Holdings' Sustainability Report 2017 the following material topics have been identified:

- Produce top quality skins for premium luxury brands
- Produce top quality meat
- Maintain its standing with the local regulatory authorities:
- o Zimbabwe Parks & Wildlife Management Authority (ZPWMA)
- o The Crocodile Farmers Association of Zimbabwe (CFAZ)
- Fulfil expectations of international customers
- Reduce number of animals per pen
- Reduce reliance on wild egg population
- Reduce carbon emissions by reducing fossil fuels consumption
- Reduce level of phosphate in the pen discharge water

Crocodiles at one of the farms

2.3 KEY IMPACTS, RISKS AND OPPORTUNITIES

Padenga has identified the following key environmental impacts, risks and opportunities for its business:

Environmental Impacts

IMPACTS	RISKS	OPPORTUNITIES
Low dam water levels due to drought	• Increase in electricity usage to pump water • Increase in diesel consumption	Solar power Installed an additional 40kWp solar energy plant to augment the 217kWp solar energy plant installed at the Ume farm. Also installed 330kWp array at the two northern farms.
Usage of coal	• Carbon footprint through use of trucks	Reduce carbon footprint by transporting the coal by barge
Number of animals per pen	• Animal welfare • Irreversible damage to the crocodile skin	Reduce number of animals per pen • 40 new pens were built in 2016 • A further 80 new pens were built in 2017 • 2 water reservoirs were built in 2017
Wild Egg Production	• Reducing the wild crocodile population	• Number of domestic eggs produced is above 70% of requirements • CFAZ & ZPWMA carried out an aerial survey of Lake Kariba and Lower Zambesi River which confirmed that the wild population is currently unaffected.
Phosphate level in the pen discharge water is too high	• Pollution of Lake Kariba	To identify a long-term water treatment solution • Preliminary work has been done in 2017 that includes engaging a consultant in this field.

Social Impacts

IMPACTS	RISKS	OPPORTUNITIES
Community Social Incidence and Grievance Handling Mechanism	Purpose is to allow community members affected by Padenga's operations or CSR projects to record, handle and resolve complaints submitted by stakeholders.	The company to provide individuals with access to effective grievances redress mechanisms.
Avoidance of complicity	To avoid potential impacts with human rights implications.	To design preventative management measures to avoid human rights abuses.
Aggregated community social investments	Gaps have been identified that the information on such social investments are not presented in a clear precise manner	To present the information in a clear manner using a recommended table format.

3 ORGANISATIONAL GOVERNANCE

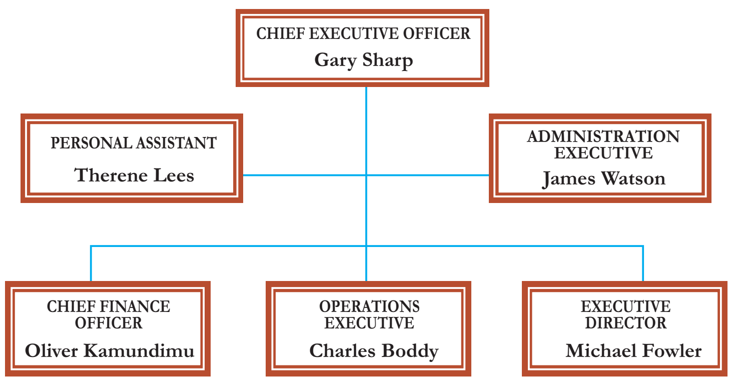
3.1 OVERVIEW

Padenga is committed to a Code of Corporate Practices and Conduct based on the principles laid down in the King Report and the Principles of Corporate Governance in Zimbabwe as laid out in the Manual of Best Practice. The Directors seek to conduct the affairs of the company within the principles of transparency, integrity and accountability to best serve the interests of shareholders, employees and stakeholders. This process gives the company's shareholders the assurance that whilst protecting and adding value to its financial and human resource investments, the company is being managed ethically and with the appropriate attention to risk management in accordance with best international practice.

Professional and ethical conduct and the highest standards of integrity are an integral part of how the company conducts its business affairs. Padenga appreciates that investor and stakeholder perceptions are based on the manner in which the company, its Directors, management and staff conduct themselves in the execution of the business.

Ingrained in the company's culture is the perspective that in order to be successful the operations must not only be managed according to best practice, but must actually set the standards for the same in the industry. These standards are set in written policies and manuals that are mandatory and part of the institutional framework, guided and overseen by the organisation's Management Executive and implemented by its operational management.

The organogram of the Padenga Management Executive is as shown below:



3.2 MANAGEMENT PRINCIPLES

Padenga management is committed to the listed principles for achieving its goals in a dynamic cyclical process with continuous performance improvement:

- Compliance with the law (full observance of all laws and regulations)
- Respect for internationally recognized instruments (treaties, directives)
- Recognition of stakeholders' rights (provision for legitimate stakeholders to be informed)
- Accountability (duty to disclose in a balanced manner)
- Transparency (provision of visibility)
- Sustainable development (meet the needs of the present without compromising the ability of future generations to meet their own needs)
- Ethical conduct (morally sound and honourable management)
- Precautionary approach (prudent foresight)
- Primacy of respect for fundamental human rights.

Throughout its operations there are continued efforts to fulfil the expectations of its international customers, maintain Padenga's standing with the local regulatory authorities ZPWMA and the CFAZ.

3.3 DECISION MAKING: Stakeholder Management Framework

Although management has identified as a priority the management of the resources that are available to it as well as on minimising its environmental impact and footprint, it does consider all core subjects:

- human rights
- labour practices
- the environment
- fair operating practices
- consumer issues
- community involvement and development

The company considers their interdependence whilst at the same time striving to optimize profitability. In focusing on the priorities, management is aware that efforts to address one issue may involve a trade-off with other issues. Particular improvements targeted at a specific issue should not affect other issues adversely or create adverse impacts.

The commitments in the Stakeholder Management Framework and the progress towards implementation of these are managed through an integrated governance process which includes involvement of the company's executive leadership and its Board of Directors. Each of our various business sub-units is responsible for contributing to and implementing the Stakeholder Management Framework.

3.4 STAKEHOLDER MANAGEMENT

The company aspires to have itself recognised by stakeholders as a trustworthy and respectable partner within the crocodile Industry. Stakeholder engagement is an integral part to the long-term value creation and sustainability of the group. With that objective in mind, constant dialogue with and feedback from our stakeholders regarding our activities is important in terms of building a constructive relationship with them.

Our Stakeholders can be categorised into six main groupings:

a. Employees

b. Customers

c. Investors

d. Government Officials and Regulators

e. Community leaders and members and

f. Suppliers and Service Providers.

The stakeholder groupings and how primary engagement occurs is shown in Table 3 below. The table also shows how the stakeholder needs are identified and stakeholder management is undertaken by Padenga.

Table 1 : Stakeholder Engagement

Stakeholder	Primary Engagement	Needs Identified	Stakeholder Management
Employees	• Internal communications • Code of conduct/ethics • Training and development • Safety policy procedures and program • Health and safety reviews • Employee engagement surveys • Employee suggestion initiatives • Grievance reporting procedures • Social Entertainment and Sports facilitation	• Competitive pay and remuneration • Development and career progression • Performance enabling environment • Work/Life balance • Health and Safety • Equal opportunity • Fair treatment • Engagement and inclusion • Regular communication	• We invest in developing our employees in an environment where they are treated with respect, their health and safety assured and their diversity valued. • Development, implementation and monitoring of human resource policy and procedures. • Training • Regular internal communications • Supporting programs like social soccer for staff
Customers	• Market research • Customer satisfaction initiatives	• Upholding customer charter • Customer engagement • Safe and quality product • Products produced in a sustainable manner	• We uphold the rights of our customers in line with our customer charter ensuring that we deliver premium quality products as per their requirements. • Rigorous quality checks on our products • Regular engagements with key customers • Implementing sustainable development programs
Investors	• Integrated annual report • Annual General Meetings • Relationships with intermediaries • Investor presentations • One on One meetings with investors • Website updates	• Comprehensive but concise information on operations and future outlook at regular intervals • Accurate financial reporting • Returns commensurate with risks assumed • Sound governance • Proactive risk management	• We commit to providing a balanced review of our performances and prospects in our communications with investors • Improve profitability and returns year on year. • Improve governance oversight by the board.
Industry, Government & Regulators	• Integrated annual report • Continuous dialogue with government ministries and representatives • Holding meetings, policy trend analyses and industry forums • Attending industry workshops like CFAZ	• Stability and growth of the export sector • Responsible business practices and commitment to animal welfare • Alignment of company's strategy to meet national priorities • Value Addition • Fair competition	• We are committed to meet the economic, social and environmental obligations in line with the country's strategy.
Community	• Local community engagement, media, social events and sponsorship • High degree of participation by local community	• Responsible business practices • Community development and empowerment • Employment, security and stability • Environmental protection	• We engage with local communities to support economic activity providing opportunities and facilitating their socio-economic wellbeing.
Suppliers & Service Providers	• Regular meetings, written communications • Transparent bidding process • Relationship building	• Timely payments • Business growth • Responsible business practices • Strategic partnerships • Transformation in procurement process • Open Communication	• Regular reviews of supplier aged reports • We recognize excellence in service by our suppliers and look to support their growth through mutually rewarding partnerships

4 ENVIRONMENT

4.1 OVERVIEW

Padenga is aware of the responsibility it carries with regards to ensuring the sustainability of its operations. The company endeavours to manage its operations within sustainable levels and to achieve compliance with all relevant local legislation. Entrenched in the company's culture is the perspective that in order to be successful the operations must not only be managed according to best practice, but must actually set the standards for the same in the industry. This section shows how Padenga is complying to legislation and highlights the major successes of environmental aspects undertaken by Padenga and future objectives to reduce its environmental impact further.

4.2 PRINCIPLES

In upholding our responsibility on the environment as natural capital, the company ensures that operations are in compliance with environmental laws, voluntary and international best practices and standards. Throughout its operations there are continued efforts to fulfil the expectations of its international customer, as well as to maintain Padenga's standing with the local regulatory authorities ZPWMA and CFAZ. In addition, Padenga is committed to compliance with the Environmental Management Act (Chapter 20:27) as well as local Town and District Council environmental by-laws. Our strategy is to identify waste and effluent from our operations, evaluate potential risk and take appropriate measures to control or ensure appropriate disposal is undertaken that minimises environmental impacts.

All skins produced and exported are done in full accordance with prevailing CITES provisions, as well as in line with ZPWMA regulations. Meat packaged for export is produced, processed, tested and shipped in accordance with the standards defined by the Public Health and Veterinary Authorities of both Zimbabwe and the receiving countries. This includes mandatory batch testing of meat to meet exacting bacteriology standards as well as full traceability on all meat products produced back to pen of origin. Padenga also adhere to the European Regulations of Slaughter Procedures – Decree 93-119.

4.3 PREVENTION OF POLLUTION

Effluent and solid waste disposal are regulated through the Environmental Management Act Chapter 20:27. Classification criteria are contained in the Third Schedule and Fourth Schedule of the Act and are categorised as follows:

a.	A blue licence in respect of a disposal is considered to be environmentally safe
b.	A green licence in respect of a disposal is considered to present a low environmental hazard
c.	A yellow licence in respect of a disposal is considered to present a medium environmental hazard
d.	A red licence in respect of a disposal is considered to present a high environmental hazard

4.3.1 Effluent Management

Drainage discharge points across the operation continue to be sampled on a quarterly basis by representatives from the Environmental Management Agency (EMA). Effluent discharge test results for 2017 were within acceptable levels defined in the Environmental Management Act (Effluents and Solid Waste Disposal) Regulations, 2007 Statutory Instrument 6 of 2007 Amended by SI 4/2011.

There was one exception – the phosphate levels – which ultimately resulted in an increase in the number of results in the Red category. The phosphate levels in the pen discharge water are a consequence of residual feed waste and faecal matter in suspension.

Padenga Effluent Management					
EMA Effluent Test Categorisation	2013	2014	2015	2016	2017
Red Category	40%	28%	25%	50%	50%
Yellow Category	30%	44%	30%	10%	45%
Green Category	20%	24%	10%	40%	5%
Blue Category	10%	4%	35%	0%	0%
	100%	100%	100%	100%	100%

The company has engaged with both EMA and a private Environmental Consultancy Group to develop appropriate and lasting solutions for the treatment of the pen discharge water to achieve full compliance with the Environmental Management Act. The objectives are staggered with the immediate intention of reducing Phosphate levels to acceptable levels and then to identify a long-term water treatment solution for implementation.

The solid waste traps installed in 2015 continue to function extremely well, as do the settling ponds, but both of these are situated outside the perimeter of the farms which is the point at which sampling of the discharge effluent occurs and therefore the benefits are not reflected in the sampling results. Two additional settling ponds were constructed at Ume Crocodile Farm in 2016 to fulfil the same purpose. The plant life within the wetlands created as settling ponds has flourished extremely well and they are used as a year-round refuge by a large variety of waterfowl.

4.3.2 Solid Waste Management

Managing waste and its disposal is a critical function that requires appropriate attention to ensure disposal methods meet environmental laws, statutory and international best practices and standards.

Management is committed to the 4 Rs – Reduce, Re-use, Recycle and Recover – the environmentally aware approach to minimizing and managing waste with the safe and responsible disposal of residual waste (majority of which is taken to a Padenga owned and operated landfill site).

The same colour classification criteria shown in the table above applies to Solid Waste. The company's landfill site has continued to be rated in the blue category by EMA which is a status it has achieved for four years now.

Padenga Solid Waste Management					
EMA Effluent Test Categorisation	2013	2014	2015	2016	2017
Landfill Site Categorisation	Yellow	Blue	Blue	Blue	Blue

4.4 CONVENTIONAL ENERGY

4.4.1 Electricity Conservation

Achieving energy efficiency remains a priority for the company since energy is a fundamental requirement in our operations. Electrical power consumption has increased steadily over the last 3 years. Steps to reduce energy consumption were adversely affected in 2017 due to the resumption of 24-hour water pumping. This was necessitated by the need to combat disease related factors. In addition, a fifth pump was added to the pumping capacity, as there are now 100 more new rearing pens to service. Increased consumption also came from greater freezer usage, and the purchase of additional air conditioning units.

Electricity consumption decreased at four out of the seven zones serviced by stand-alone transformers. Energy meters at the Junior Staff Village contributed to the reduction in power consumption by the staff, as it increased the awareness of the individual users.

Power consumption is still below the 2012 and 2013 levels of consumption (see table below). Average monthly power consumption at the two northern farms still remained 7.5% below that recorded in 2013, despite a 23% increase in pen space and the addition of significantly heavier mechanical equipment installed on the farms over the last 3 years.

The LED replacement programme on the northern farms has been completed. This programme was started in 2015 and resulted in the reduction of wattage by replacing fluorescent tubes with LED tubes, from 28,934 watts to 5,727 watts.

Electricity Consumption (Target 3,000 Kwhr)					
	2013	2014	2015	2016	2017
Average Monthly Usage (kWhr) (modified figures)	3,108	2,607	2,643	2,729	2,911
% Year-on year Energy Reduction Achieved		-16%	1%	3%	7%

4.4.2 Fossil Fuel Reduction

Coal Usage

Coal usage is very dependent on the winter temperatures. There was a big increase in coal usage in 2017, compared to the past few years, as the 2017 winter was colder. The passive solar collector did not work as well as expected, because the volumes of water to be heated was much higher. This initiative has been discontinued.

In 2018, due to the increased number of rearing pens at all 3 farms, it is expected that crocodile hatchlings will be moved from the hatchling pens much earlier than normal, which will reduce the amount of coal required for heating in the last 3 months of the year.

PHL - Hatchlings Yearly Coal Usage Analysis

		2012	2013	2014	2015	2016	2017
KCF	Actual Usage	496,650	441,750	416,000	378,750	392,347	410,894
NCF	Actual Usage	529,570	474,880	522,625	485,675	458,950	546,720
Combined PHL	Total Actual Usage	999,220	916,630	938,625	864,425	851,297	957,614
Combined PHL	% - Yearly Change		-8%	2%	-8%	-2%	12%
Note	% - Yearly Change	↑	↓				

Diesel Usage

In 2017 steps were taken to engage the Zimbabwe Electricity Supply Authority (ZESA) in an effort to work with their technicians to respond timeously to faults to minimise power disruptions during peak usage periods. At the northern farms, the number of hours downtime in 2017 was half of the hours in 2016, resulting in large savings in fuel by not running diesel generators. The Ume Crocodile Farm is not on the ZESA grid and solar arrays were installed and were operational from February 2017, resulting in large diesel fuel savings particularly at the water pump station. From September a decision was made to pump 24 hours a day which unfortunately resulted in lesser savings of diesel.

Total Diesel Consumption					
	2013	2014	2015	2016	2017
Usage (Litres)	231,690	224,963	221,372	310,732	269,242
% Reduction		-3%	-2%	40%	-13%

4.4.3 Coal Transportation

From January to December 2017, 42 trucks delivering coal were received with a total of 1,324te. Five trucks travelled from Botswana while 27 travelled from Hwange. The distance from Gaborone to Kariba via Plumtree is 1,293 Km, while the distance from Hwange to Kariba is a similar 1,183km. However, the distance from Deka/ Msuna (near Hwange) to Kariba across the water is only approximately 350km. Although water transport for bulk goods such as coal is considered to be the lowest cost, there does not appear to be any water transport services besides the Kariba Ferry from Binga. Based on this, Padenga has had to rely on road transport; however, water transport will be given some consideration in the future.

4.5 RENEWABLE ENERGY

There are, however, trade-offs in electricity management with demand side management (DSM) especially when compounded with climate change adaptation (increased water storage to adapt and reduce the risk of adverse consequences from extreme events such as droughts) and the reduction of stock densities to improve animal welfare. Increased electricity usage statistics may be misleading and management is cognisant. DSM is aimed at reducing peak load draw off the grid. For example, in 2017 pumping water increased dramatically to counter the effects of diseases in the ponds, therefore pumping during peak cost times was unavoidable. However, management did continue to pump water into reservoirs at off peak times.

4.5.1 Solar Energy

The company operates in an environment that continues to face energy challenges therefore achieving energy efficiency and innovation remains a top priority. We continue to explore potential clean energy sources through capital investment projects.

During late 2016 and early 2017 a 217kWp solar energy plant was installed at Ume Crocodile Farm (UCF). This initiative was approved by the Zimbabwe Energy Regulatory Authority (ZERA) and constituted a two-phase program with the first phase being the installation of a 65kWp solar array to power the administration offices, feed plant, staff houses and clinic. This was a co-generation project with the solar array providing 50% of the power and a diesel generator providing the balance and was commissioned successfully in December 2016. In 2018, a further 40kWp array will be added to supplement the 65kWp array. This will allow better use of the smaller generators and more diesel fuel savings. The second phase encompassed the construction of a larger 152kWp plant to provide solar energy to operate the pumps for the farm's water supply during the daylight hours.

The 2 solar arrays at the Ume Crocodile Farm (UCF) have operated well and to expectation. However, after September 2017, a 24-hour pumping regime was instituted to combat the disease pressure in the water of the crocodile ponds. This meant that the expected 110,000 litre reduction in diesel use was only a 32,604 litres reduction in 2017.

To reduce our electricity costs on the northern farms, a further 1.2MWp array will be installed over the next 3 years, starting with a 330kWp array in 2018. Whilst this array will not reduce the electricity consumption at the northern farms, the cost to Padenga will be significantly reduced and will make the crocodile farms more environmentally sustainable. The system will be a grid tied solar system and will feed solar energy into the ZETDC grid.

4.6 PROTECTION AND RESTORATION OF NATURAL ENVIRONMENT

4.6.1 Conservation

The company continues to support the conservation activities of both the ZPWMA and the various non-profit organisations that they work with in fulfilling their overall statutory mandate. Programs that Padenga supported during 2017 included:

- Co-sponsorship of the ZPWMA Stakeholder Workshop, and the subsequent sponsorship of ZPWMA officials to attend the CITES Convention held in South Africa.
- The provision of fuel to the Kariba Animal Welfare Trust Fund in support of their law enforcement and animal welfare operations.
- Support to local ZPWMA officers, particularly in respect of the conduct of anti-poaching efforts through the provision of fuel, supplies and materials, and maintenance of their vehicles.
- The donation of computer equipment to ZPWMA to aid in their anti-poaching efforts.

4.6.2 Wild Crocodile Population

In 2016 Padenga supported, both financially and logistically, an aerial survey of wild crocodile populations in Lake Kariba and the Lower Zambezi River. This survey was spearheaded by the Crocodile Farmer's Association of Zimbabwe (CFAZ) in conjunction with ZPWMA. Initial survey findings indicated that 2016 adult crocodile population totals in Lake Kariba as a whole were similar to those from a similar lake-wide survey conducted in 1985. Of particular significance for Padenga was the increased proportion of adult crocodiles in both the Charara and Omay areas within which the company collects its annual wild egg allocations, as compared to populations in other areas of the lake covered by the survey. This growth in the crocodile population in these areas has occurred despite a significant increase in cooperative fishing activities in the Charara and Omay areas and a much higher human population density as a consequence. The Charara River estuary in particular contained the highest population of adult crocodiles within the entire area surveyed and is testament to the conservation initiatives performed by the company through which local communities are rewarded for activities and actions that promote the survival of the reptiles in their areas.

Padenga also has local community crocodile conservation initiatives along the shoreline of Lake Kariba. Crocodiles are traditionally viewed by these communities as predators that threaten their lives and livelihoods by preying on people and livestock, as well as destroying nets and impacting on the ability of the fishing communities to maximise their fish catches. Consequently, crocodiles caught in nets are killed and nests are destroyed in order to limit the impact of the reptile on the local population. For wild crocodile conservation Padenga conducts, as an on-going initiative, conservation education programmes where the overall value of the crocodile to the nation is explained and reinforced. Communities are encouraged not to destroy crocodiles caught in nets and are incentivised to protect and report crocodile nests so that the eggs can be collected.

4.6.3 Domestic Egg Collection

There was an 11% decrease in the number of eggs produced by mature domestic female breeders delivered to the incubator compared to 2016. However, there is a 48% cumulative increase in egg numbers produced by mature domestic females since 2012. These figures represent a step forward in the company's commitment to eventually reducing its dependency on wild egg collection.

4.6.4 Animal Welfare

Padenga adheres to a strict code of practice in all aspects of animal husbandry on the farms and there is regular monitoring of animal welfare by the company's senior management and independent veterinary experts.

Representatives from the relevant government agencies conduct routine inspections of the Padenga operations to confirm compliance with the statutes. These include an annual in-depth farm inspection by a state veterinary inspector as well as monthly inspections by public health officers checking compliance in relation to export meat production protocols. These are necessary to verify Padenga's compliance with international best practice standards and to certify that the skin and meat products are suitable for export. No medicines are used within a 6-month period of intended slaughter to ensure that the carcass meat is totally free of medicinal residues.

During the course of 2017, 80 new pens were constructed across the business, with the construction of a further 100 pens planned for 2018. The company concluded negotiations with ZPWMA for the lease of additional land for the construction of 150 new pens on land adjacent to Nyanyana Crocodile Farm. The construction of the additional pens at Nyanyana Crocodile Farm and Ume Crocodile Farm constitute a 3-year construction program which will ultimately allow for a significant reduction in the number of crocodiles stocked in each pen. There is no increase in production volumes associated with this significant increase in pen space – the objective is purely to reduce the numbers of animals per pen thereby materially enhancing animal welfare. Padenga already operates at stocking densities that are the lowest applied commercially in the industry and this construction initiative will further positively enhance that situation.

4.6.5 EIA compliance

The company engaged with EMA to review and renew the Environmental Impact Assessment (EIA) Compliance Authorisation that had previously been issued for this project. An EIA Renewal Certificate was successfully obtained on the 16th of August 2016 and defines the environmental safeguards to be observed in the course of any development that follows. These are being observed in the creation of development plans for the leasehold that was successfully concluded in 2017.

5 HUMAN RIGHTS

5.1 OVERVIEW

Human rights are universal entitlements that people have on the grounds that they are human. The primacy of respect for fundamental human rights is a key component of organisational sustainability. Padenga is aware of the responsibility it carries with regard to ensuring the sustainability of its operations. The company endeavours to manage its operations within sustainable levels and to achieve compliance with all relevant local legislation, including those on human rights. In-built in the company's culture is the perspective that in order to be successful the operations must not only be managed according to best practice, but must actually set the standards for the same in the industry.

5.2 PRINCIPLES

Padenga strives to fulfil the human rights expectations of its international customer and maintain its standing with the local human rights regulations in accordance with the Constitution of Zimbabwe and relevant national statutes as well as applicable international standards and legislation.

Padenga adheres to labour rights – freedom of association and non-discrimination in the work place, health and safety, prohibition of child and forced labour and the right to dignity; health and environmental rights as well as the right to education.

Padenga's corporate values are enshrined in various corporate policies including Padenga's Human Resources Manual. These include:

- Safety, Health and Environment Policy;
- Grievance Procedure for employees.

Through Corporate Social Responsibility (CSR) programmes Padenga has fulfilled a wide spectrum of basic needs within the community. This has been through technical, logistical and material contributions towards health rights, rights to food and education and environmental rights to targeted communities.

5.3 NON-DISCRIMINATION AND CONCERN FOR VULNERABLE GROUPS

Various Padenga policies are compliant with national legislation prohibiting discrimination on the basis of race, tribe, place of origin, political opinion, colour, creed or sex. Gender considerations are incorporated in various policies to cover maternity leave, non-discriminatory recruitment and promotion as well as prohibition of sexual harassment.

5.4 AVOIDANCE OF COMPLICITY

Padenga acknowledges the importance of human rights in all its operations and intends to operate in accordance with provisions of the UN Guiding Principles on Business and Human Rights. With the guidance of a human rights expert, the company undertakes human rights due diligence to identify potential impacts with human rights implications. In response to these findings, Padenga designs preventive management measures to avoid human rights abuses. This also applies to Padenga acting responsibly in political participation to retain its social licence to operate without being complicit in human rights abuses.

5.5 CIVIL AND POLITICAL RIGHTS

Padenga respects its employees' rights to enjoy freedom of assembly, association and conscience. These are enshrined in its non-discriminatory policies.

5.6 ECONOMIC, SOCIAL AND CULTURAL RIGHTS

Economic, social and cultural rights as provided in local and international legislation are acknowledged and respected by Padenga through its stakeholder engagement activities as well as CSR programmes. These consider the interactions between its operations and local culture, community development challenges and needs as well as the national social and economic circumstances. Padenga is responsive to and addresses economic, social and cultural rights issues through voluntary engagement and community social investment.

5.7 FUNDAMENTAL PRINCIPLES AND RIGHTS AT WORK

Fundamental principles and rights at work are promoted through corporate policies including the following:

- Labour rights
- Health and safety rights
- Freedom from child labour and forced employment
- The right to human dignity (in the workplace)
- Protection from inequality and discrimination

6 LABOUR

Labour issues are regulated by the Padenga Human Resources Manual which defines the Padenga Holdings Limited Charter. It constitutes the company's purpose and core values; defines the General Human Resource Policy of Padenga and sets forth basic and general guidelines for the management of human resources within the company, being consistent with Padenga's corporate vision, mission and values.

6.1 EMPLOYMENT AND EMPLOYMENT RELATIONSHIPS

Employment is regulated by the Recruitment Policy and associated procedures. Padenga believes that staff are integral to creating and sustaining its corporate culture, operational performance and success. Acknowledgement of the value of staff instils a healthy, rewarding and satisfying working environment – one in which everyone has the opportunity to contribute to the company's success and in doing so being recognised for their individual performances. In this regard staff are treated with dignity, being adequately aware of their roles and responsibilities within the company through a mandatory induction process for new employees and being aware of the availability of grievance procedures in the event of any workplace-based conflict.

Padenga provides opportunities for individuals to advance their skills and qualifications through in-house training and education loans intended not only at advancing the skills capability of the individuals, but also strengthening their commitment and contribution to the business.

6.2 CONDITIONS OF WORK AND SOCIAL PROTECTION

Conditions of work are guided by the following:

- Grading and Remuneration Policy
- Guidelines on Benefits and Conditions of employment
- Industrial Relations Policy
- Health and Safety Policy
- Performance Management Policy
- Performance Management Guidelines
- Retirement Policy
- Termination other than Retirement procedures.

Padenga's management systems are performance based through the setting of internal benchmarks and operational targets, with individuals' performance being assessed across a multitude of core disciplines, although more weighting is given to those parameters that are fundamental to the business's success.

The intended benefits of these policies and procedures are to guarantee staff welfare. Conditions of work, for instance, provide for leave benefits, medical aid, pension, travel and subsistence allowances, study assistance, assistance with payments of professional association subscriptions, long service awards, staff loans and funeral assistance. The other policies, guidelines and procedures protect employees against risks and hazards in the workplace, unfair dismissals, unfair job grading for salary purposes, forced labour, arbitrary and unfair performance reviews, limited professional advancement and exposure to social personal strife that the company can legitimately and competently make interventions against for the benefit of the employee.

6.3 SOCIAL DIALOGUE

Padenga's Sustainability Policy and Framework for Stakeholder Engagement informs its stakeholder engagement, both internal (staff) and external, of social dialogue that limits recourse to litigation and associated reputational damage in the event of conflict between the company and its stakeholders.

6.4 HEALTH AND SAFETY AT WORK

6.4.1 Employee Wellness

Padenga has continued its partnership with Providence Human Capital (formerly Innscor Wellness) in the provision of primary healthcare to its employees and their families as part of the organisation's employee wellness programs.

Employee wellness is a critical component of Padenga Holdings operations mainstreamed through various company policies and guided in particular by the Health, Safety and Environment Policy whose objectives are to:

- provide a workplace that is injury-free and incident-free for all employees, visitors and contractors;
- enhance the well-being of its employees and the local communities with which it is in contact;
- foster and maintain a positive SHE culture within the workplace; and
- where practicable, minimise its impact on the local and global environment within which it operates.

The policy is informed by and compliant to domestic legislation that is as follows:

- Factories and Workers Act (Chapter 14:08)
- Pneumoconiosis Act (Chapter 15:08)
- Environmental Management Act (Chapter 20:27)
- Labour Act (Chapter 20:01)
- Statutory Instrument 68 (of 1990) Accident Prevention (Workers Compensation Scheme)
- Statutory Instrument 323 (of 1993) Collective Bargaining Agreement: Agricultural Industry

In this regard, all efforts are made to prevent injuries and reduce the incidences of ill-health whether work related or not. Such efforts incorporate regular risk assessments to:

- reduce injury and work related illnesses
- eliminate hazards in the workplace
- maintain a safe and healthy work environment
- provide a satisfactory assessment of health and safety risks
- provide and ensure the maintenance of plant and equipment that is safe to handle.
- provide adequate training in the safe use of all plant and equipment.

Pre-employment medical screening is undertaken to establish a baseline against which workplace injury and employee health can be measured and assessed. Appropriate Personal Protective Equipment is guaranteed for all employees. A Safety, Health and Environment (SHE) Committee, responsible for ensuring Padenga's compliance with all local and national health and safety and environmental regulations, coordinates the education and training of staff in relation to all aspects of health and safety and environmental management. To date seven (7) third party stakeholders with regulatory authority and expertise in health and safety strategically engage with Padenga to deliver requisite services for the benefit of staff.

6.4.2 Employee Safety

The group considers health and safety in our workplace critical to our operations. Any incidences are treated seriously and receive due attention. Job Hazard Analyses were once again completed for all areas of the business, with corrective measures being proposed and implemented where areas of concern were highlighted. Through the conduct of continuous on-the-job retraining there was strict adherence to clearly defined Standard Operating Procedures. The company's provision of Personal Protective Clothing and Equipment was deemed to be appropriate by The National Social Services Authority (NSSA) and the Department of Veterinary services in the course of their respective inspections of the company's operations. No major concerns in regard to employee safety were raised during any of these inspections. These factors have contributed towards a continuation of the low incidence rate of work-related injuries at Padenga notwithstanding the potentially hazardous work environment that prevails.

There were, once again, no cases of work-related fatalities during the year.

	2017	2016
Total number of injuries	101	111
Number of work related fatalities	-	-

6.5 HUMAN DEVELOPMENT AND TRAINING IN THE WORK PLACE

6.5.1 Employee Development

We consider learning and development a critical aspect for the company's success. We invest in our employees' skills and knowledge development to keep them motivated, technically sound and equipped to provide efficient and effective customer service and quality production.

The strengthening of middle management staffing structures has been identified as one of the key areas of focus in sustaining the continued successful development of the organisation. This dovetails well with the company's support for the continued development of its employee's skills levels and competencies. During 2017, 24 employees were engaged in some form of further education, which represented 44% of the administration/middle management grade staff. Within that number, 3 employees were studying for Masters Degrees, 10 for undergraduate Degrees, and 11 for further professional qualifications.

7 FAIR OPERATING PRACTICES

7.1 OVERVIEW OF FAIR OPERATING PRACTICES

Fair operating practice is a core subject of social responsibility as defined by ISO 26000. Fair operating practices concern ethical conduct in an organization's dealings with other organizations. These include relationships between organizations and government agencies, as well as between organizations and their partners, suppliers, contractors, customers, competitors, and the associations of which they are members. As the group's operations expand globally, improprieties occur with some frequency, due not just to deliberate dishonest and criminal acts but also to a lack of awareness and understanding. The group strives to achieve thorough adherence to all rules and regulations, with the aim of promoting fair operating practices, and to realize a sustainable society.

7.2 PRINCIPLES AND CONSIDERATIONS

Fair operating practices include avoiding any form of corruption or anticompetitive practices. It leads to less reputational and legal risks, and it helps reinforcing the current laws in vigor. The group's Code of Conduct defines our efforts to establish fair business practices as a public entity of society. In addition to listening to stakeholders' opinions, we must conduct our business activities transparently in order to be accountable. In short, we must continue to be fair, truthful, honest and swift in taking action to comply with our social responsibilities.

7.3 ANTI-CORRUPTION

Bribery and corruption not only destroy trust in a company but can also be factors hindering the development of a country by causing human rights violations, poverty, and environmental destruction. The Group strives to prevent bribery and corruption by its staff members through implementing the group's code of conduct.

7.4 RESPONSIBLE POLITICAL INVOLVEMENT

The group does not involve itself in political activities, political lobbying or funding of political parties. The group's Human Resource policy guides its position with respect to its employees' involvement in politics. The group's policy ensures that no employee shall be discriminated against on the basis of their race, colour, creed, sex, age, tribe, place of origin or political opinion.

7.5 FAIR COMPETITION

In order to ensure fair and transparent business transactions, the Group requires officers and employees to fully understand and comply with laws and regulations concerning competition in all countries in which the Group operates. In Zimbabwe the group adheres to the Competition Act (Chapter 14:28) as administered by the Competition and Tariff Commission (CTC) that seeks to promote and maintain fair competition. The group also adheres to the Antitrust Laws in the United States of America. The board is responsible for ensuring that the group adheres to all relevant laws and regulations on fair competition.

7.6 PROMOTING SOCIAL RESPONSIBILITY IN THE VALUE CHAIN

The topic of social responsibility in the value chain means including environmental and social criteria when buying products. It helps controlling the impacts and risks within the supply chain. The Group seeks to fulfil its environmental and social responsibility on issues such as community development and empowerment, human rights and labour safety across its supply chain. The Group believes this is key to securing sustainable, stable procurement now and in the future, and is committed to working closely with supply-chain stakeholders to ensure its procurement is socially responsible. The Group conducts rational procurement in compliance with laws and regulations. The Group's purchasing policy requires CSR should be practiced and where possible preference is given to local suppliers.

7.7 RESPECT FOR PROPERTY RIGHTS

The Group recognizes intellectual property (IP) as an important asset that creates competitive advantage. All staff are required to sign the group's policy on IP that stresses the need to observe high standards of confidentiality on the group's intellectual property. All external stakeholders such as consultants and others who require access to the group's information are also required to sign the IP documents. Along with proper use, the Group takes special care not to infringe upon the intellectual property rights of others as well.

8 CONSUMER ISSUES

Customers are one of the key stakeholders of a company. According to the ISO 26000 standard, “Organizations that provide products and services to consumers, as well as other customers, have responsibilities to those consumers and customers. Responsibilities include providing education and accurate information, using fair, transparent and helpful marketing information and contractual processes, promoting sustainable consumption and designing products and services that provide access to all and cater, where appropriate, for the vulnerable and disadvantaged”.

8.1 FAIR MARKETING

“Fair marketing, factual and unbiased information and fair contractual practices provide information about products and services in a manner that can be understood by consumers”, (ISO 26 000). Fair marketing enables customers to compare products, avoid misunderstanding due to misinformation and enhance customer satisfaction. Padenga's key customers carry out regular audits to ensure the company is compliant with social and environmental standards and international best practice. This enables the customers to have first-hand appreciation of the products they buy from the group.

8.2 PROTECTION OF CONSUMERS' HEALTH AND SAFETY

“Protecting consumers' health and safety involves the provision of products and services that are safe and that do not carry unacceptable risk of harm when used or consumed.” (ISO 26 000). Meat packaged for export is produced, processed, tested and shipped in accordance with the standards defined by the Public Health and Veterinary Authorities of both Zimbabwe and the receiving countries. This includes mandatory batch testing of meat to meet exacting bacteriology standards as well as full traceability on all meat products produced back to pen of origin. The group has a Quality Assurance Manager responsible for ensuring that our products meet the highest standards of quality.

8.3 SUSTAINABLE CONSUMPTION

Sustainable consumption can save resources, avoid costs and represents an opportunity to address new market demands. All skins produced and exported were done in full accordance with prevailing CITES provisions, as well as in line with ZPWMA regulations.

8.4 CONSUMER SERVICE, SUPPORT, COMPLAINT AND DISPUTE RESOLUTION

Consumer service, support, and complaint and dispute resolution are the mechanisms an organization uses to address the needs of consumers after products and services are bought or provided. Such mechanisms are used as a way to increase customer satisfaction. Customer service issues are at the heart of our operations and are handled by the executive management to ensure appropriate attention is given to this key area. Regular engagements are made with the customers to get feedback and expectations on the quality of our products.

8.5 CONSUMER DATA PROTECTION AND PRIVACY

Consumer data protection and privacy are intended to safeguard consumers' rights of privacy by limiting the types of information gathered and the ways in which such information is obtained, used and secured. The group has a strong IT governance policy that ensures that both the organisation's and customers' data is protected from unauthorised access. The group's Intellectual Property (IP) policy also serves to protect both the organisation's and customers' information that creates a competitive advantage.

8.6 ACCESS TO ESSENTIAL SERVICES

ISO 26000 identifies access to essential services as a core consumer issue that calls on organisations to actively take measures in addressing it. In addressing this requirement, the group has priced its meat products in a way that enables the local communities to access the products as part of our CSR management.

9 COMMUNITY INVOLVEMENT AND DEVELOPMENT

9.1 COMMUNITY INVOLVEMENT

The company takes community involvement and development to be of significant business value to our operations. Our focus is to create sustainable partnerships with communities in ways that bring long-term impact and mutually sustainable benefits. The company supports communities around which it operates as part of its commitment to good corporate citizenship.

Padenga's 2017 Community Involvement and Development Program was formulated with input from the various stakeholders that the company engages with, along with requests from within the communities as well as proposals submitted by the company's own employees. With the challenging economic environment prevailing, Padenga's Program became increasingly more valuable to members of the communities within which the company operates. Padenga has continued to fulfil a wide spectrum of basic needs within the communities.

One of the key elements of any successful business is the attention to human capital management. The company's remote location presents certain challenges with respect to maintaining a healthy and motivated workforce. Through various initiatives the company seeks to ensure the continued health, safety and development of its employees.

9.2 EDUCATION AND CULTURE

Padenga supports educational development in the region through partnership with both government and non-government organisations and facilitating an ongoing program of educational infrastructure rehabilitation as well as the development of new school facilities.

During 2017 the educational development programmes included:

- Sinking of borehole at Mangwara school
- Maintenance of school playing fields within the community
- Sponsorship of 50 children at various schools
- Continued partnership with the Zambezi School Book Project and the Bourke Family Foundation.

The educational development program implemented by the company in 2015 in collaboration with the Ministry of Education was expanded in 2016 with the number of children being supported by the company sponsorship program increasing from 20 to 50 children. Through this initiative the company meets the annual educational expenses of all 50 primary school children.

9.3 EMPLOYMENT CREATION AND SKILLS DEVELOPMENT

Padenga contributes significantly to the local community through employment creation. The group deliberately ensures that it prioritises local people on opportunities available. The group employs an average of seven hundred (700) staff in its operations.

9.4 TECHNOLOGY DEVELOPMENT AND ACCESS

During 2017, Padenga facilitated the technology access in the community through the donation of computer equipment to ZPWMA

9.5 WEALTH AND INCOME CREATION

Inclusive business opportunities for local communities are being investigated. Where possible preference is given to local suppliers but this is dependent on cost, availability and continuity of supply. There may be possibilities to reduce effluent problems with beneficial use in agriculture as irrigation water.

9.6 HEALTH

Prevalent health and medical challenges in Padenga's areas of operations are HIV/AIDS, malaria and a host of other pathologies that may not be prevalent but incur high treatment costs. Given the economic challenges being experienced nationally, Government medical facilities face ever increasing challenges in sustaining the delivery of basic healthcare services to rural communities. Consequently, the two Padenga clinics operated by the company at Ume Crocodile Farm and Kariba Crocodile Farm respectively have become important institutions in providing primary healthcare to employees, their dependants and members of the community. The two clinics served a total of 7,297 patients over the course of the year, with over 42% of those attended to being non-employees. These patients were seen by either a permanent full time resident Health Officer or by a medical Doctor who carried out locum consultations facilitated by the company.

The table below indicates the number of people attended to by both clinics during the year:

	2017	2016
Employees treated	4 203	3 593
Other	3 094	2 929
Total	**7 297**	**6 522**

Additionally, during the course of the year, the company collaborated with the Ministry of Health, through the Kariba Hospital, to convene quarterly HIV/Aids testing and counselling sessions. Free eye testing was provided through the Council for the Blind's Mobile Eye Unit, indoor residual spraying and malaria awareness education was facilitated through the Ministry of Health Child Care Unit, as well as continuing health care education and awareness programs run by the Health Officers operating the company's two clinics.

9.7 SOCIAL INVESTMENT

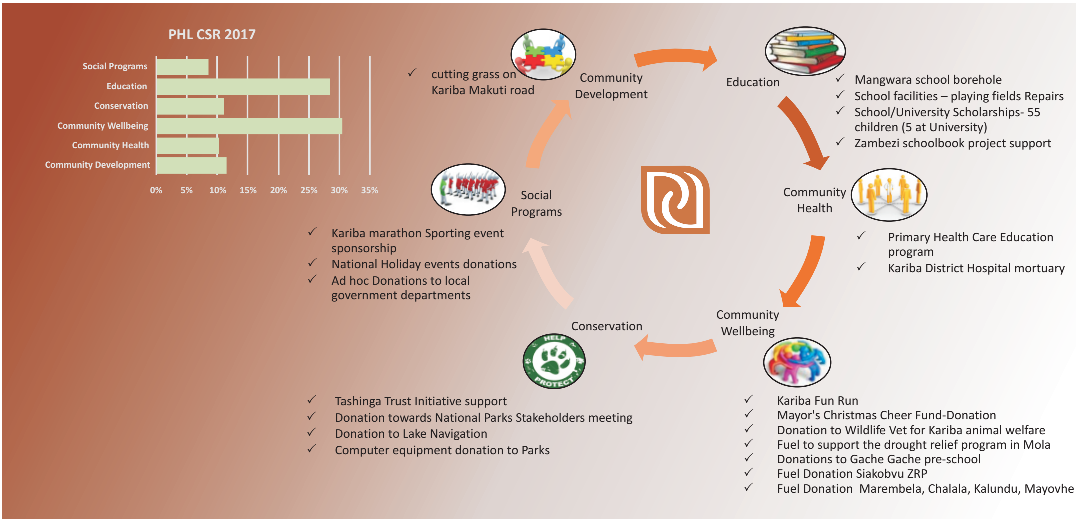
Padenga continued to demonstrate its commitment to social investment by contributing $79,531.00 towards community projects during 2017; up from $76,979.00 in 2016.

Community projects which Padenga facilitated during the year included:

- The company provided resources and funding for cutting the grass and shrubbery on the road verges along the 65km highway between Kariba and Makuti, greatly improving road safety for all users along the narrow and twisting road. This is the fourth year that Padenga has supported this initiative.
- The continued provision of free transport on company boats for members of the Mola community travelling across the lake between the Omay area and Kariba town.

The continued provision of fuel and the supply of transport for various government officials engaged on business within the district to enable them to fulfil their mandated responsibilities.

Padenga's 2017 Corporate Social Responsibility Activities



Directors' Responsibility And Approval Of Financial Statements

The Directors of the Company are required by the Companies Act and the Zimbabwe Stock Exchange listing regulations to maintain adequate accounting records and to prepare financial statements that present a true and fair understanding of the state of affairs of the Company and the Group at the end of each financial year, and of the profit and cash flows for the period. In preparing the accompanying financial statements, generally accepted accounting practices have been followed. Suitable accounting policies have been used and consistently applied, and reasonable and prudent judgements and estimates have been made.

The principal accounting policies of the Group conform to International Financial Reporting Standards (IFRS and are consistent with those applied in the previous year end) except for any changes arising from revisions and updates in IFRS as outlined in section 3 of the financial statements (Accounting Policies).

The Directors believe that the statements of financial position that have been presented as at 31December 2017are a fair reflection of the assets and liabilities of the Company and the Group and therefore a fair reflection of the shareholders' equity in the business.

The Directors have satisfied themselves that the Group is in a sound financial position and has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they are satisfied that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

The Board recognizes and acknowledges its responsibility for the Group's systems of internal financial control. Padenga maintains internal controls and systems that are designed to safeguard the assets of the Group, prevent and detect errors, negligence and fraud and ensure the completeness and accuracy of the Group's records. The Group's Audit Committee has met the external auditors to discuss their reports relating to their work, which includes Key Audit Matters (KAMs) and an assessment of the relative strengths and weaknesses of critical control areas and processes.No breakdowns in internal controls involving material loss were reported to the Directors in respect of the period under review.

The financial statements for the period ended 31December 2017, which appear on pages 42 to 84 have been approved by the Board of Directors and are signed on its behalf by:

AK CALDER
Chairman

O.T KAMUNDIMU
Chief Finance Officer

G J SHARP
Chief Executive Officer

14 March 2018

Company Secretary's Certification

For The Year Ended 31 December 2017.

I certify that, to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies all such returns as are required to be lodged by the Company in terms of the Zimbabwe Companies Act (Chapter 24:03) and all such returns are true, correct and up to date.

A D Lorimer
Company Secretary
Harare
14 March 2018

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their Seventh Annual Report together with the audited financial statements of the Group for the year ended 31December 2017. In the report, "Group" refers to Padenga Holdings Limited and its subsidiary companies.

Share Capital

At 31 December 2017, the authorised share capital of the Company was 800,000,000 ordinary shares, and the issued share capital was 541,593,440 (same for 2016) ordinary shares.

Group Results	**FY 2017 US$**	**FY 2016 US$**
Profit before taxation	16 368 831	11 040 379
Taxation	(3 515 580)	(2 638 456)
Profit for the year	12 853 251	8 401 923
Profit attributable to shareholders	13 020 828	8 948 240

Dividends

The Board has declared a final dividend of 1.20 US 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 2017 and will be payable in full to all the shareholders of the Company registered at the close of business on Friday 13th April 2018. The payment of this dividend will take place on or about Friday the 27th of April 2018. The shares of the Company will be traded cum – dividend on the Zimbabwe Stock Exchange up to the market day of Wednesday 11th April 2018 and ex – dividend as from Thursday 12th April 2018. This dividend represents a cash dividend cover of two times.

Reserves

The movement in the reserves of the Group are shown in the Statement of Profit or Loss and Other Comprehensive Income, Group Statements of Changes in Equity and in the Notes to the Financial Statements.

Directors and their Interests

No Directors had, during or at the end of the year, any material interest in any contract of significance in relation to the Group's businesses. The beneficial interests of the Directors in the shares of the Company are given in Note 18 of the financial statements.

Board attendance (from 1 January 2017 to 31 December 2017)

Name of Director	Main Board		Audit Committee		Remuneration Committee	
	Attended	Possible	Attended	Possible	Attended	Possible
Alexander Kenneth Calder	4	4	3	3	2	2
Gary John Sharp	4	4	3	3	-	-
Oliver Tendai Kamundimu	4	4	-	-	-	-
Michael John Fowler	4	4	-	-	2	2
Annie Mutsa Mazvita Madzara	4	4	-	-	2	2
Tembinkosi Nkosana Sibanda	3	4	3	3	-	-
Chairperson	**A. Calder**		**T. Sibanda**		**A. Madzara**	

REPORT OF THE DIRECTORS (CONTINUED)

Directors' Fees

Members will be asked to approve payments of the directors' fees in respect of the period ended 31December 2017.

Auditors

Members will be asked to approve the remuneration of the auditors for the financial period ended 31December 2017 and to re-appoint Ernst & Young as auditors of the Company to hold office for the following year.

Annual General Meeting

The Seventh Annual General Meeting of the Company will be held at 08:15 hours on Tuesday 15th May 2018 at the Royal Harare Golf Club, 5th Street Extension, Harare.

For and on behalf of the Board.

AK CALDER
Chairman

Harare
14 March 2018

G J SHARP
Chief Executive Officer

Harare
14 March 2018

EY
Building a better working world

Chartered Accountants (Zimbabwe)
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Kwame Nkrumah Avenue
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Harare

Tel: +263 4 750905 / 750979
Fax: +263 4 750707 / 773842
E-mail: admin@zw.ey.com

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PADENGA HOLDINGS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Padenga Holdings Limited and its subsidiaries ("the Group") set out on pages 42 to 84 which comprise the group and company statements of financial position as at 31 December 2017, and the group statement of profit or loss and other comprehensive income, the group statement of changes in equity and the group statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group and Company as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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 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) and other independence requirements applicable to performing audits of financial statements in Zimbabwe. 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 opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group and company financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>
Physical verification of biological assets
Biological assets as disclosed in Note 15 to the financial statements are the single largest item on the statement of financial position and represent the core of the Group's operations. The key variables in the determination of the value as recorded in the financial statement are quantity and pricing.
The crocodile and alligator livestock is reared in secure enclosures that incorporate physical and biosecurity controls to ensure the appropriate welfare of the animals. Material disruption of the environment within which the livestock is raised is inconsistent with the norms of good husbandry and consequently water in the pens is not drained to facilitate a physical verification of stock numbers. The verification of crocodiles and alligators is done by getting into the pens and counting the livestock identified in the pens. Where counting cannot be done or where variances are noted from the stock count against expected numbers, management relies on its throughput reconciliations and farming records to determine the quantity of livestock as at year end.
An acceptable range of losses of crocodiles/alligators is set and monitored on a regular basis.
Accordingly the physical verification of biological assets is considered to be a key audit matter due to the physical count considerations.
</td><td>
Our principal audit procedures in this area involved:

Attending the biological asset verification as at year end and estimating the crocodiles in the pens and comparing the quantities with the accounting records for reasonableness.
Assessing the controls and the processes used by management of estimating and recording quantities of livestock as at year end.
Reviewing throughput reconciliations prepared by management and verifying the key inputs to underlying operational and accounting records to obtain reasonable assurance on existence of biological assets.

</td></tr>
<tr><td>
Fair valuation of biological assets
The valuation of biological assets is a subjective process owing to the unique and specialised nature of the industry. The processes of cost accumulation and estimation of yields based on age of the crop with no industry benchmarks leaves room for significant judgement from management. The fair valuation of biological assets represents an area of significant estimate over a significant statement of financial position account.
As disclosed in note 15 to the financial statements, the Group uses the income approach for valuation of crocodiles and alligators and the cost approach for the valuation of breeders, based on the following key assumptions:

The price per skin;
The premium meat yield per kilogram of crocodile and alligator; and
The replacement cost of breeders.

Accordingly the fair valuation of biological assets is considered to be a key audit matter due to the impact of the above assumptions to the value of biological assets.
</td><td>
Our principal audit procedures in this area included the following:

Evaluated management's inputs and methodology used in the valuation model applying guidance from International Financial Reporting Standards.
Assessed the consistency of application of the valuation model and compared the inputs to both internal and external data.
Re-performed the valuation process using management's model and independently re-calculated the fair values per farm, livestock category and age band.
Inspected the disclosures in the financial statements for compliance with relevant accounting standards.

</td></tr>
</table>

Other Information

Other information consists of the Financial Highlights, Chairman's Statement, Corporate Governance Statement and related Reports included in the Annual Report, other than the group and company financial statements and our auditors report thereon. The directors are responsible for the other information.

Our opinion on the group and company 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 group and company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the group and company 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company'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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the group and company 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 the group and company 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 group and separate 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 and company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PADENGA HOLDINGS LIMITED (CONTINUED)

- 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 and company'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 and separate 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 and/or company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 and separate 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, the group and company financial statements, have 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 Practising Certificate Number 0436).

Ernst & Young

ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
REGISTERED PUBLIC AUDITORS

HARARE

21 MARCH 2018

Consolidated Statement Of Profit Or Loss And Other Comprehensive Income

For the year ended 31 December 2017

	Note	31-Dec-2017 US$	31-Dec-2016 US$
Revenue	7	30 276 051	31 272 712
Other income	7.1	2 219 079	1 441 806
Operating costs	7.2	(18 551 124)	(20 098 758)
Operating profit before depreciation, amortisation, impairment and fair valuation adjustments		**13 944 006**	**12 615 760**
Depreciation	12	(2 043 648)	(1 801 208)
Amortisation	13	(9 952)	(15 459)
Operating profit before interest and fair value adjustments		**11 890 406**	**10 799 093**
Fair value adjustments on biological assets	15.3	4 251 741	(289 185)
Profit before interest and tax		**16 142 147**	**10 509 908**
Interest income	8.1	1 668 820	1 443 590
Interest expense	8.2	(1 442 136)	(913 119)
Profit before tax		**16 368 831**	**11 040 379**
Income tax expense	9.1	(3 515 580)	(2 638 456)
Profit for the year		**12 853 251**	**8 401 923**
Other comprehensive income		-	-
Total comprehensive income for the year		**12 853 251**	**8 401 923**
Profit for the year attributable to:			
Equity holders of the parent		13 020 828	8 948 240
Non-controlling interest		(167 577)	(546 317)
		12 853 251	**8 401 923**
Total comprehensive income for the year attributable to:			
Equity holders of the parent		13 020 828	8 948 240
Non-controlling interest		(167 577)	(546 317)
		12 853 251	**8 401 923**
Earnings per share (cents)			
Basic earnings per share	6	2.40	1.65
Diluted earnings per share	6	2.40	1.65

Consolidated Statement Of Financial Position

For the year ended 31 December 2017

	Note	31-Dec-2017 US$	31-Dec-2016 US$
ASSETS			
Non-current assets			
Property, plant and equipment	12	18 731 914	17 315 206
Intangible assets	13	35 315	36 337
Biological asset	15.1	4 789 841	4 324 536
		23 557 070	**21 676 079**
Current assets			
Biological assets	15.2	30 372 092	26 140 741
Inventories	16	5 277 246	2 590 785
Trade and other receivables	17	13 965 801	10 538 973
Tax asset	9.2	344 046	238 459
Cash and cash equivalents	11.3	11 226 163	10 265 655
		61 185 348	**49 774 613**
Total assets		**84 742 418**	**71 450 692**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	54 159	54 159
Share premium	18.5	27 004 245	27 004 245
Retained earnings	18.7	34 668 708	26 143 106
Change in ownership reserve	18.6	(63 863)	(236 946)
Equity attributable to equity holders of the parent		**61 663 249**	**52 964 564**
Non-controlling interest	18.8	39 955	380 615
Total shareholders' equity		**61 703 204**	**53 345 179**
Non-current liabilities			
Customer deposits	20.2	159 325	1 179 525
Interest-bearing borrowings	19.1	8 169 151	5 004 705
Deferred tax liability	10	6 929 639	6 304 012
		15 258 115	**12 488 242**
Current liabilities			
Deferred consideration	19.3	-	425 885
Customer deposits	20.3	2 234 032	256 432
Interest-bearing borrowings	19.2	3 294 732	3 017 114
Trade and other payables	20	1 893 464	1 598 804
Provisions	21	358 871	319 036
		7 781 099	**5 617 271**
Total liabilities		**23 039 214**	**18 105 513**
Total equity and liabilities		**84 742 418**	**71 450 692**

AK CALDER
Chairman

14 March 2018

G J SHARP
Chief Executive Officer

14 March 2018

Consolidated Statement Of Changes In Shareholders' Equity

For the year ended 31 December 2017

	Attributable to owners of the parent						
	Share Capital (Note 18) US$	Share Premium (Note 18) US$	Change in Ownership Reserve (Note 5) US$	Retained Earnings US$	Total US$	Non - Controlling Interest US$	Total US$
Balance at 1 Jan 2016	**54 159**	**27 004 245**	**(165 948)**	**19 421 793**	**46 314 249**	**629 353**	**46 943 602**
Total comprehensive income	-	-	-	8 948 240	8 948 240	(546 317)	8 401 923
Change in degree of ownership (Note 5)	-	-	(70 998)	-	(70 998)	297 579	226 581
Dividends paid	-	-	-	(2 226 927)	(2 226 927)	-	(2 226 927)
Balance at 31 December 2016	**54 159**	**27 004 245**	**(236 946)**	**26 143 106**	**52 964 564**	**380 615**	**53 345 179**
Total comprehensive income	-	-	-	13 020 828	13 020 828	(167 577)	12 853 251
Change in degree of ownership (Note 5)	-	-	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**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	31-Dec-2017 US$	31-Dec-2016 US$
Cash generated from operating activities	**11.1**	**8 833 638**	**4 418 998**
Interest received		1 668 820	1 189 023
Interest paid		(814 481)	(748 234)
Taxation paid	9.2	(2 995 540)	(3 072 328)
Net cash generated from operations		**6 692 437**	**1 787 459**
Net cash utilised in investing activities		**(4 051 115)**	**(4 507 400)**
- proceeds on disposal of property, plant and equipment		6 236	243 890
- purchase of property, plant and equipment	12	(3 465 427)	(4 139 295)
- expenditure on non-current biological assets	15.1	(157 109)	(145 413)
- payment of deferred consideration	19.3	(425 885)	(466 582)
- purchase of intangible assets	13	(8 930)	-
Net cash (utilised in)/ generated from financing activities	**11.4**	**(1 680 814)**	**2 460 348**
- proceeds from borrowings	19.3	11 839 522	14 135 000
- additional investment by non-controlling interest		-	226 582
- payment of purchase of additional interest in foreign subsidiary		-	(480 000)
- repayments of borrowings	19.3	(9 025 110)	(9 194 307)
- dividends paid	11.2	(4 495 226)	(2 226 927)
Net increase/ (decrease)in cash and cash equivalents		**960 508**	**(259 593)**
Cash and cash equivalents at the beginning of the period		10 265 655	10 525 248
Cash and cash equivalents at the end of the period	**11.3**	**11 226 163**	**10 265 655**

ACCOUNTING POLICIES

1 Corporate Information

The consolidated financial statements of Padenga Holdings Limited and its subsidiaries for the year ended 31 December 2017 were authorized for issue in accordance with a resolution of the Directors on 14 March 2018. Padenga Holdings Limited is a Limited Liability Company incorporated and domiciled in Zimbabwe whose shares are publicly traded on the Zimbabwe Stock Exchange. The principal activity of the Company and its subsidiaries (the Group) include the production and rearing of crocodiles and alligators, and the export of Nile crocodile and alligator skins and meat to International customers.

2 Statement of Compliance

The Group's financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared in compliance with the Zimbabwe Companies Act (Chapter 24:03)

2.1 Going concern

The Directors have satisfied themselves that the Group is in a sound financial position and has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they are satisfied that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

2.2 Basis of preparation

The financial statements 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. The financial statements are presented in United States Dollars (USD).

2.3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of Padenga Holdings Limited and its subsidiaries as at 31 December 2017. The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtained control, and will continue to be consolidated until the date when such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies except where stated.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure or rights to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is presumption that the majority of voting rights result in control. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income and the statement of financial position from the date the Group gains control until the date the Group ceases to control the subsidiary. Where the Group's interest is less than 100 per cent, the interest attributable to outside shareholders is reflected in non-controlling interests.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

3 Changes in accounting policy and disclosures

3.1 Application of new standards effective 1 January 2017

The accounting policies adopted by the Group are consistent with those of the prior year. Amendments and improvements to standards that became effective for the Group in the current year did not have a material impact on the Group's financial results.

IFRS 12 Disclosure of Interests in Other Entities

Clarification of the scope of the disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The amendments are effective from 1 January 2017 and must be applied retrospectively. The Group applied the requirements of this improvement.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Paragraph 44C of IAS 7 states that liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities. The amendments suggest that the disclosure requirement may be met by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Where an entity discloses such a reconciliation, it shall provide sufficient information to enable users of the financial statements to link items included in the reconciliation to the statement of financial position and the statement of cash flows. The Group decided to disclose information about its interest-bearing loans and borrowings in a reconciliation format.

The amendments are effective for the years beginning on or after 1 January 2017.The Group applied the requirements of this improvement in Note 11. According to the amendments to IAS 7, on initial application of the amendments, entities are not required to provide comparative information for preceding period. The group has elected to adopt this approach by not showing comparative information.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses.

The Group applied for the first time IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses, which was effective for annual periods beginning on or after 1 January 2017. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group applied the amendments; however, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

3.2 Standards and interpretations in issue not yet effective

Standards issued but not yet effective at the end of the reporting period are listed below. This listing is of those standards and interpretations issued that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments – classification and measurement -

On 24 July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 -Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The classification and measurement requirements address specific application issues arising in IFRS 9 (2009) that were raised by preparers, mainly from the financial services industry. The expected credit loss model addresses concerns expressed following the financial crisis that entities recorded losses too late under IAS 39.

IFRS 9 stipulates that financial assets are measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Apart from the 'own credit risk' requirements, classification and measurement of financial liabilities is unchanged from existing requirements. IFRS 9 is applicable for annual periods beginning on or after 1 January 2018, but early adoption is permitted under IFRS. The Group plans to adopt the new standard with effect from 1 January 2018but it will not restate comparative information.

During 2017, the Group performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity.

IFRS 15- Revenue from Contracts with Customers

The IASB issued their joint revenue recognition standard, IFRS 15 - Revenue from Contracts with Customers, which replaces all existing IFRS revenue requirements. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required.

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates. The standard is effective for annual periods beginning on or after 1 January 2018, but early adoption is permitted under IFRS. The Group is still assessing the impact of IFRS 15.

During 2017, the Group performed a preliminary assessment of IFRS 15. The Group's current practice is in line with the amendments issued. The Group is in the business of production and selling of crocodile skins to the export markets under contract. The group also sells crocodile meat to both the local and export markets. The Group's revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. For contracts with customers in which the delivery of crocodile skins or meat is generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have any impact on the Group's revenue and profit or loss.

Variable consideration:

Under IFRS 15, the quality incentive gives rise to variable consideration. The quality incentive will continue to be recognised at the point when the Group's right to receive the quality incentive has been established.

Advances received from customers:

The group ordinarily receives advance payments from its major customer during the course of the year before the start of the selling season. These advance payments will be recovered against the skin sales when the harvesting season commences and they are recovered in full before the end of the selling season.

Under IFRS 15, the Group must determine whether there is a significant financing component in its contracts. However, the Group decided to use the practical expedient provided in IFRS 15 and will not adjust the promised amount of the consideration for the effects of a significant financing components in the contracts, where the Group expects, at contract inception, that the period between the Group transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less. Therefore, for short-term advances, the Group will not account for a financing component even if it is significant.

Disclosure requirements under IFRS 15:

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's financial statements. The Group expects that the notes to the financial statements will be expanded significantly.

Transition

In accordance to IFRS 15, the group shall apply the modified retrospective adoption for transition. However, either of the two permitted transition methods will not impact the reported revenues as the group revenue recognition is already in line with the requirements of IFRS 15.

IFRS 16 - Leases

The International Accounting Standards board (IASB) issued IFRS 16 in January 2016 which requires lessees to recognize assets and liabilities for most leases on their balance sheets. Under the new standard, a lease is a contract or part of a contract that conveys the right to use an asset for a period of time in exchange for consideration. To be a lease, a contract must convey the right to control the use of the identified asset, which could be a physically distinct portion of an asset. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The standard will be effective for annual periods beginning on or after 1 January 2019.The Group has operational leases ranging from nine years to twenty years, this will have a material impact on adoption of the standard. In 2018, the Group will assess the full potential impact of the standard on its consolidated financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation, Or

(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed.

Since the Group's current practice is in line with the Interpretation, the Group does not expect any effect on its consolidated financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

The Group will apply interpretation from its effective date. Since the Group operates in a multinational tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

4 Summary of significant accounting policies

Revenue and other income recognition

Revenue, which excludes Value Added Tax, cash discounts and sales between Group companies, represents the invoiced value of goods and services supplied by the Group. The Group measures revenue at the fair value of the consideration received or receivable. Revenue is recognised only when it is probable that economic benefits associated with the transaction will flow to the Group and the amount of revenue and associated costs incurred can be measured reliably. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as the principal or agent. The Group has concluded that it is acting as the principal in all of its revenue arrangements.

The following specific recognition criteria must be met before revenue is recognized:

Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon delivery. In addition to revenue from sale of goods, there is incremental revenue over and above the agreed guaranteed price, recognised when the Group's customer makes a profit on selling the product to the final user. The revenue recognised is equal to the Group's share of the profit made by the customer. Similarly, the Group recognizes a loss if the customer makes a loss on selling the product to the final users as the Group is liable to share in the losses. The incremental revenue or loss is only recognised when the customer has actually sold the product to the final users, as it is difficult to estimate the potential incremental revenue or loss at year end. No incremental loss has been recognised to date under this arrangement.

Quality Incentive

Quality incentive is recognised when the Group's right to receive the quality incentive has been established.

Export Incentive

Export incentive is recognised when the Group's right to receive the export incentive has been established. The export incentive is recognised as income at the point when the export revenue is recognised.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding amount and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend Income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group) and the amount of revenue can be measured reliably.

EMPLOYEE BENEFITS

Short–term benefits

The cost of all short-term employee benefits, such as salaries, employee entitlements to leave pay, bonuses, medical aid and other contributions, are recognised during the period in which the employee renders the related service.

The Group recognizes the expected cost of bonuses only when the Group has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Retirement Benefit Funds

Retirement benefits are provided for Group employees through an independently administered defined contribution fund and contributions to the National Social Security Authority (NSSA) Scheme.

Payments to the defined contribution fund and to the NSSA scheme are recognised as an expense when they fall due, which is when the employee renders the service.

Other long –term benefits

Other long-term benefits are recognised as an expense when an obligation arises. The Group had no other long-term benefit commitments during the year.

Termination benefits

The Group recognizes termination benefits as a liability and an expense at the earlier of when:

a) the offer of termination cannot be withdrawn or
b) when the related restructuring costs are recognised under IAS 37 Provisions, Contingent Liabilities and Contingents Assets.

Termination benefits are recognised as an expense immediately.

The Group had no termination benefit commitments during the year.

Measurement

Short-term employee benefits

All short-term employee benefits are measured at cost.

Post-employment Retirement Benefit Funds

The Group has no liability for Post-Employment Retirement Benefit Funds once the current contributions have been paid at the time the employees render service.

Other long-term benefits

When the group has other long-term benefits, then the amount recognised as a liability shall be the net total of the following amounts:

a) the present value of the defined benefit obligation at the end of the reporting period; and

b) Minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Termination benefits

Termination benefits are measured according to the terms of the termination contract.

When termination benefits are due more than 12 months after the reporting period, then the present value of the benefits shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in a normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities

Foreign currency translation

The Group's financial statements are presented in United States Dollars, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences arising on settlement or translation of monetary items are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. The tax charges and credits attributable to exchange differences on those borrowings are also dealt with in other comprehensive income. Non–monetary items that are measured in terms of the historical costs basis in a foreign currency are translated using the exchange rate ruling at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the dates when the fair value was determined.

BUSINESS COMBINATIONS

Recognition

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. Applying the acquisition method requires (a) identifying the acquirer; (b) determining the acquisition date; (c) recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non–controlling interest in the acquiree; and (d) recognizing and measuring goodwill or a gain from a bargain purchase.

At acquisition – measurement

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a business is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non–controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS3 (revised) are first assessed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date and recognised at their fair value as at the acquisition date, except for non–current assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5 "Non–current Assets Held-for-Sale and Discontinued Operations" which are recognised and measured at fair value less costs of disposal.

If the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value as at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be re-measured until it is finally settled within equity.

At acquisition – measurement of goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

Acquisition of interests from non-controlling intezrest

Acquisitions of non-controlling interests in subsidiaries without change in control are accounted for as transactions between shareholders. There is no re-measurement to fair value of net assets acquired that were previously attributable to non-controlling interests. The profit or loss on the transaction is accounted for in equity and is not recognised in profit or loss.

Leases

A lease is an agreement in which the lessor conveys to the lessee, in return for payment, the right to use an asset for an agreed period of time. The determination of whether an arrangement contains a lease depends on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the assets. The Group has entered into various operating lease arrangements in respect of the land used for farming. These agreements do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased land.

Operating lease commitments - Group as a lessee

Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

Property, plant and equipment

Property, plant and equipment are stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. Such costs include the cost of replacing part of the plant and equipment. When significant parts of property and equipment require replacement in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when major inspection is performed, its costs are recognised in the carrying amount of plant and equipment as replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as they are incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Freehold property is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the expected useful lives of the assets such that the cost is reduced to the residual values of the assets over the useful lives of the assets. The various rates of depreciation are listed below:

Freehold property	2%
Leasehold improvements	5% - 10% limited to the lease period

Plant, fittings and equipment	3% - 33%
Vehicles	10% - 30%

Freehold properties are company owned buildings not built on leased land. Leasehold Improvements relate to infrastructure that has been built on the leased farms which includes crocodile pens and storage barns for inventory. Due to the nature of the leasehold improvements these have been assessed to have shorter useful lives than freehold property. In addition, the depreciation rates are limited to the remaining lease period which includes the renewal period. Further details of the lease terms have been provided in Note 24.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed by the Group, and prospectively adjusted if necessary, on an annual basis. Depreciation is not charged when the carrying amount of an item of property, plant and equipment becomes equal or less than the residual value.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the profit or loss in the year the asset is derecognized.

Intangible assets

Intangible assets acquired separately are initially measured and recognised at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged to profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic lives and are assessed for impairment whenever there is an indication that the intangible assets are impaired. The amortisation expense and impairment losses on intangible assets are recognised in profit or loss in the period in which they occur.

The group intangible assets relate mainly to IT system and software. The assets are amortised over 3 years. Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognized.

Impairment of non-financial assets

The Group assesses at each reporting date, or earlier, whether there is an indication that an asset may be impaired. This entails estimating the assets recoverable amount, which is the higher of the asset's fair value less costs of disposal and value in use. Market values are used to determine fair values of assets. Where the asset's carrying amount exceeds its recoverable amount, the asset is considered impaired and its carrying amount is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time, value of money and the risks specific to the asset. Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

At each reporting date, the Group assesses whether previously recognised impairment losses may no longer exist, or have decreased. If such indication exists, the recoverable amount is estimated in order to reverse the previously recognised impairment losses. A previously recognised impairment loss is reversed only to the extent that there has been a change in the estimates used in determining the asset's recoverable amount since the last impairment loss was recognized. If that is the case the asset's carrying amount is increased to its recoverable amount. However, the increased carrying value of the asset is limited to the carrying value determinable, net of depreciation, had the impairment not occurred. Such reversal is taken to the profit or loss statement. After the reversal, the depreciation charge is adjusted in future periods to allocate the revised carrying amount, less any residual value, on a systematic basis over the remaining useful life of the asset.

Biological assets

Biological assets are living animals that are managed by the Group. Agricultural produce is the harvested product of the biological asset at the point of harvest. Thereafter, product is classified as inventory. There are two classes of biological assets, grower stock and breeder stock.

The biological assets of the Group comprise of crocodile and alligator livestock. At initial recognition, biological assets are valued at fair value and where fair value cannot be reliably measured they are valued at historical cost. Fair value for breeders is determined using the cost approach by reference to the prevailing replacement cost per unit of inputs required to bring the breeders to maturity.

Fair value of the grower stock is determined by reference to the average theoretical life span of the crocodile and alligator stock and the prevailing market prices. The stock is evaluated in terms of its respective life span at the reporting date and consideration given to the different saleable products that could be derived from crocodiles and alligators of each age group at the time. On that basis, an indicative value is established using the prevailing local and international market prices for the respective products.

Fair value movements of the biological assets are recognised in profit or loss.

Fair value measurement

The Group measures non-financial assets such as biological assets at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to/by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Inventories

Inventories are assets (i) held-for-sale in the ordinary course of the business; (ii) in the process of production for such sale; or (iii) to be consumed in the production process or the rendering of services.

The main categories of inventory recognised in the financial statements are (i) Finished goods – skins & meat, (ii) Raw materials and packaging and (iii) Consumables.

Inventories are stated at the lower of cost and estimated net realisable value. The cost is established on a weighted average basis. Cost represents the cost of materials and where appropriate, direct labour and manufacturing overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated selling costs of completion and the estimated costs necessary to make the sale.

Agricultural produce harvested from biological assets is measured at fair value less cost to sell at the point of harvest. The fair value less cost to sell determined becomes the cost of the agricultural produce for subsequent measurement.

Financial assets

Financial assets include trade and other accounts receivable, and cash and cash equivalents. Financial assets under the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets on initial recognition.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition such assets are carried at their amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Loans and receivables on the Group's statement of financial position comprise trade and other receivables and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits/placements with an original maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of the impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulties; default or delinquency on interest or principal payments; the probability that they will enter bankruptcy or other financial reorganization; and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exits individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest is recorded as part of financial income in profit or loss. Loans together with associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If in subsequent years, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If future write-off is later recovered, the recovery is credited to other income in profit or loss.

De-recognition of financial assets

A financial asset is recognised de-recognised when either:

(i) The rights to receive cash flows from the asset have expired, or

(ii) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from the asset or has entered into a pass–through arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and associated liability are measured on a basis that reflects the rights and obligation that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Financial liabilities include trade and other accounts payable, bank overdrafts and interest-bearing loans and these are initially measured at fair value including transaction costs and subsequently at amortised cost. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

De-recognition of financial liability

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Provisions

Provisions are recognised when the Group has a current legal or constructive obligation as a result of past events, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Group expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any certain reimbursements.

If the effect of the time value of money is material, provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the risks specific to those provisions. Where discounting is used, the increase in the provision due to passage of time is recognised in profit or loss as a finance cost.

Provision for leave pay

Leave pay for employees is provided on the basis of leave days accumulated at an expected rate of payment.

Customer deposits

Customer deposits are advances received from customers for future delivery of goods. The goods are in the form of hatchlings, crocodile and alligator skins. The revenue will be realised upon delivery of the goods.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the relevant tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in profit or loss.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except:

Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except: where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss'.

Deferred income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in profit or loss. Deferred income tax assets and deferred income tax liabilities are offset, if legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value added tax

Revenues, expenses and assets are recognised net of the amount of Value Added Tax except:

- Where the Value Added Tax incurred on purchase of assets or services is not recoverable from the taxation authority, in which case the Value Added Tax is recognised as part of the cost of acquisition of the asset or part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of Value Added Tax included.

The net amount of the Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the Group's Chief Executive.

Key Management

Key management includes executive directors and divisional management as outlined on pages 3 of the annual report.

Key estimates, uncertainties and judgments

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year:

Useful lives and residual values of property, plant and equipment

The Group assesses useful lives and residual values of property, plant and equipment each year taking into consideration past experience, technology changes and the local operating environment. No change to the useful lives has been considered necessary during the period. Residual values will be reassessed each year and adjustments for depreciation will be done in future periods if there is an indication of impairment in value. Refer note 12 for the carrying amount of property, plant and equipment (PPE) and the PPE accounting policy note for the useful lives of PPE.

At 31 December 2017, intangible assets comprising of the computer software had an average remaining useful life of two years. The business intelligence system and advanced manufacturing software had an average remaining useful life of two and half years.

Fair valuation of biological assets – crocodiles

The Group assumes that all hatchlings are born on 31 December every year and that the average theoretical lifespan of a crocodile is 35 months. The fair value calculation is performed only when the crop reaches 18 months of age. The skin price used in the fair value calculation is that for the average 1st grade price of skins prevailing as at year end. A crocodile at slaughter yields an average of 3.1kgs of premium quality meat which is suitable for sale to the export and local markets.

Fair valuation of biological assets – alligators

The Group assumes that all incoming livestock is born on 1 October every year and that the average theoretical lifespan of an alligator is 12 months. The fair value calculation is performed only when the crop reaches 8 months of age. The skin price used in the fair value calculation is that for the prices prevailing as at year end. An alligator at slaughter yields an average of 2.1kgs of premium quality meat.

Fair valuation of biological assets – breeders

Fair value for breeders is determined using the cost approach by reference to the prevailing replacement cost per unit of inputs required to bring the breeders to maturity.

Refer to Note 15 for the carrying amount of biological assets and the estimates and assumptions applied in determining the fair values of biological assets.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. The government through the RBZ awards a 5% export incentive in the form of bond notes on the foreign currency proceeds generated by an exporter. The group recognises the 5% Export incentive when the Group's right to receive the export incentive has been established.

5. Acquisition of additional interest in Tallow Creek Ranch (TCR)

During the year, the Group injected additional capital of $3 600 000 into the subsidiary, Tallow Creek Ranch after the non-controlling shareholders failed to exercise their rights to their share of contribution. The Group's interest increased in the subsidiary as a result of the dilution of non-controlling interest in shareholdings by 14.28% from 68.60 % before capital injection to 82.88 % after capital injection. The non-controlling interest decreased from 31.40% to 17.12%. Below is the impact of the change in shareholding as a result of the capital injection on the equity attributable to owners of the parent.

Non-controlling interest after acquisition of additional interest	207 532
Non-controlling interest before acquisition of additional interest	380 615
Change in non-controlling interest	**(173 083)**

Following is a schedule showing the impact of the change in shareholding as a result of the capital injection on the equity attributable to owners of the parent.

Fair value of consideration paid to non-controlling interest	
Change in non-controlling interest	(173 083)
Amount to be recognised in equity	**173 083**

This operation previously known as Lone Star Alligator Farms, LLC changed its name to Tallow Creek Ranch, LLC on 1 June 2017.

On 1 July 2016, the Group and the non-controlling shareholders injected a total capital of $1 000 000 into the subsidiary, Lone Star Alligator Farm LLC, with the Group contributing $773 418 and the non-controlling shareholders $226 582. After the capital contribution, the Group's interest in the subsidiary increased by 1.93% from 66.67% before capital injection to 68.60 % after capital injection. The non-controlling interest decreased from 33.33% to 31.40%. Below is the impact of the change in shareholding as a result of the capital injection on the equity attributable to owners of the parent.

Cash injection by non-controlling shareholders	226 582
Increase in non-controlling interest	(297 579)
Loss recognised in equity	**(70 998)**

6. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares in circulation during the period.

Diluted earnings per share

Diluted earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders of the Group (adjusted for profit or loss impact of dilutive instruments) by the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	31-Dec-2017 US$	31-Dec-2016 US$
Net profit attributable to ordinary equity holders of the parent	13 020 828	8 948 240
Weighted average number of ordinary shares for basic earnings per share	541 593 440	541 593 440
Weighted average number of ordinary shares adjusted for the effect of dilution	541 593 440	541 593 440
Basic earnings per share (US cents)	**2.40**	**1.65**
Diluted earnings per share (US cents)	**2.40**	**1.65**

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

6.1 Dividends

Dividends paid per share are based on the ordinary number of shares in issue on the effective date of declaration and entitlement of the ordinary shares to the dividend. The final dividend declared in prior year of 0.83 US cent was paid during the current year (2016: 0.41 US cents). No interim dividend was declared.

Cash dividends on ordinary shares declared and paid:

	31-Dec-17 US$	31-Dec-16 US$
Prior year final dividends	4 495 226	2 226 927
Total dividends paid	**4 495 226**	**2 226 927**

6.2 Dividends

Proposed dividends on ordinary shares:

	31-Dec-17 US$	31-Dec-16 US$
Proposed cash dividend for 2018:		
1.20 US cents per share (2017: 0.83 US cents per share)	**6 499 121**	**4 495 226**

On 14 March 2018, the Board declared a final dividend of 1.20 US cents per share to shareholders registered in the books of the Company at close of business on the 13th April 2018.

7 Revenue

	31-Dec-17 US$	31-Dec-16 US$
Sales	25 820 152	27 583 797
Quality incentive	4 455 899	3 688 915
Revenue	**30 276 051**	**31 272 712**

7.1 Other income

	31-Dec-17 US$	31-Dec-16 US$
Export incentive	1 559 811	1 393 460
Sundry income	659 267	48 346
	2 219 078	**1 441 806**

Export incentive relates to the Government grant for 2017; being 5% of export proceeds for the year awarded in the form of bond notes.

7.2 Operating costs before depreciation and amortisation includes the following charges

	31-Dec-17 US$	31-Dec-16 US$
Costs of goods sold	6 798 453	9 527 291
Other operating costs (note 7.2.1)	5 347 169	4 558 266
Employee benefits expense (note 7.2.4)	6 405 502	6 013 201
	18 551 124	**20 098 75**

7.2.1 Other operating costs

	31-Dec-17 US$	31-Dec-16 US$
Salt and packaging material	143 563	118 297
Fuel and energy	726 183	720 449
Repairs and maintenance	939 321	818 436
Rates and Water	68 356	67 619
Harvesting expenses	109 588	108 477
Telephone and postage	150 722	147 474
Security costs	230 618	195 002
Other overheads	2 978 818	2 382 512
	5 347 169	**4 558 266**

Other overheads include costs related to outsourced services, marketing fees, periodicals and publications, bank charges, transport charges, lease fees, insurance, communications, consultancy, research and development activities, stationery and veterinary expenses.

		31-Dec-2017	31-Dec-2016
7.2.2	**Audit fees and expenses**	**US$**	**US$**
	Current year	143 837	133 232
7.2.3	**Director emoluments**		
	Fees	101 510	56 325
	Salaries	1 530 681	1 321 724
		1 632 191	**1 378 049**
7.2.4	**Employee benefits expense**		
	Wage and salaries	6 1140 40	5 743 223
	Social security cost	66 344	60 908
	Medical aid	132 322	120 485
	Pension	92 796	88 585
		6 405 502	**6 013 201**
7.2.5	**Exchange loss**		
	Realised	16 851	38 758
	Unrealised	4 926	14 728
		21 777	**53 486**

Exchange gain/loss arises from translation of foreign trade payables & receivables.

		31-Dec-2017	31-Dec-2016
		US$	**US$**
7.2.6	**Operating lease charges included in other operating costs**	319 928	218 657
7.2.7	**Loss on disposal of property, plant and equipment**	1 165	2 977
7.2.8	**Write offs**		
	Included in other operating costs are:		
	Stock losses written off	14 120	36 965
	Deaths of breeders (note 15.1)	8 359	20 763
8	**Interest**		
8.1	**Interest Income**		
	Interest income from short term investments	1 628 570	1 428 010
	Interest income from staff loans	40 250	15 580
		1 668 820	**1 443 590**
8.2	**Interest expense**		
	Interest on loans and overdrafts	**1 442 136**	**913 119**

		31-Dec-2017 US$	31-Dec-2016 US$
9	**Taxation**		
9.1	**Income tax charge**		
	Current income tax charge	2 889 953	2 541 040
	Deferred tax charge	625 627	97 416
		3 515 580	**2 638 456**
9.2	**Taxation paid**		
	Income tax (refundable) /payable at the beginning of the period	(238 459)	292 829
	Current income tax charge	2 889 953	2 541 040
	Amount paid	(2 995 540)	(3 072 328)
	Current tax refundable	**(344 046)**	**(238 459)**
9.3	**Reconciliation of rate of taxation**	%	%
	Statutory rate of taxation, inclusive of AIDS levy	25.75	25.75
	Effect of expenses not deductible for tax	1.44	3.48
	Effect of exempt income	(2.48)	(2.84)
	Effect of different tax rate on foreign subsidiary	(3.23)	(2.49)
	Effective rate	**21.48**	**23.90**
10	**Net deferred tax liabilities**		
	Reconciliation		
	Opening balance as at the beginning of the period	6 304 012	6 206 596
	Charge to profit or loss	625 627	97 416
	Closing balance at the end of the period	**6 929 639**	**6 304 012**
	Analysis of deferred tax liability		
	Accelerated depreciation for tax purposes	2 943 240	2 739 432
	Fair value adjustments on biological assets	4 187 008	3 663 721
	Deferred tax asset on investment in foreign operations	(212 135)	(102 399)
	Unrealised exchange profit/(loss)	1 268	(3 792)
	Prepayments	10 258	7 050
		6 929 639	**6 304 012**

			31-Dec-2017 US$	31-Dec-2016 US$
11	**Cash flow information**			
11.1	**Cash generated from operations**			
	Profit before interest and tax		16 142 147	10 509 908
	Adjusted for non-cash items			
	Depreciation	12	2 043 648	1 801 208
	Amortisation of intangible assets	13	9 952	15 459
	Unrealised exchange loss	7.2.5	4 926	14 728
	Loss on deaths of biological assets	15.1	8 359	20 763
	Fair value adjustment on biological assets	15.3	(4 251 741)	289 185
	(Profit)/Loss on disposal of property, plant and equipment		(1 165)	2 977
	Inventory write offs		14 120	36 965
	Provisions charged to profit or loss		39 835	6 192
	Cash generated from operations before working capital changes		**14 010 081**	**12 697 385**
	Working capital changes			
	(Increase)/Decrease in inventories		(2 700 584)	895 419
	Increase in biological assets		(296 165)	(793 672)
	Increase in receivables		(3 431 754)	(8 071 300)
	Increase/(Decrease) in payables		1 252 060	(308 834)
			(5 176 443)	**(8 278 387)**
	Total cash generated from operations		**8 833 638**	**4 418 998**
11.2	**Dividend paid**			
	Dividends declared prior year and paid during the year		4 495 226	2 226 927
	Total dividends paid		**4 495 226**	**2 226 927**
11.3	**Cash and cash equivalents**			
	Made up as follows:			
	Bank balances and cash on hand		9 121 723	7 910 001
	Money market short term deposits		2 104 440	2 355 654
	Cash and cash equivalents		**11 226 163**	**10 265 655**

Short-term deposits have been placed at an average rate of interest of 6.5% per annum, maturity period ranges from 3 to 12 months

11.4 Changes in liabilities arising from financing activities

	1 January 2017	Cash flows	Other	31 December 2017
Current interest-bearing borrowings	3 017 114	(825 108)	1 102 726	3 294 732
Non-current interest-bearing borrowings	5 004 705	3 639 520	(475 074)	8 169 151
Total liabilities from financing activities	**8 021 819**	**2 814 412**	**627 652**	**11 463 883**

The column "Other" relates to the effect of reclassification of non-current portion of interest-bearing loans and borrowings to current due to the passage of time.

The group has elected not to show prior period comparative information in line with the transition guidelines contained in the amendment to IAS 7.

12 Property, plant and equipment

Cost	Freehold Property US$	Leasehold Improvements US$	Plant, Fittings Equipment US$	Motor Vehicles US$	Total US$
At 1 January 2016	2 794 271	15 443 656	3 704 852	1 192 875	23 135 654
Additions	1 506 563	1 602 645	787 631	242 455	4 139 294
Disposals	(241 990)	-	(31 881)	(16 451)	(290 322)
At 31 December 2016	**4 058 844**	**17 046 301**	**4 460 602**	**1 418 879**	**26 984 626**
Additions	23 263	2 902 994	482 557	56 613	3 465 427
Disposals	-	-	(36 561)	(22 771)	(59 332)
At 31 December 2017	**4 082 107**	**19 949 295**	**4 906 598**	**1 452 721**	**30 390 721**

Depreciation	Freehold Property US$	Leasehold Improvements US$	Plant, Fittings Equipment US$	Motor Vehicles US$	Total US$
At 1 January 2016	(271 451)	(5 290 209)	(1 730 007)	(619 998)	(7 911 665)
Disposals	-	-	30 882	12 571	43 453
Charge for the year	(78 502)	(1 099 128)	(389 933)	(233 645)	(1 801 208)
At 31 December 2016	**(349 953)**	**(6 389 337)**	**(2 089 058)**	**(841 072)**	**(9 669 420)**
Disposals	-	-	35 286	18 975	54 261
Charge for the year	(199 690)	(1 181 863)	(430 352)	(231 743)	(2 043 648)
At 31 December 2017	**(549 643)**	**(7 571 200)**	**(2 484 124)**	**(1 053 840)**	**(11 658 807)**
Net carrying amount:					
At 31 December 2016	**3 708 891**	**10 656 964**	**2 371 544**	**577 807**	**17 315 206**
At 31 December 2017	**3 532 464**	**12 378 095**	**2 422 474**	**398 881**	**18 731 914**

12.1 Security

A portion of the Net book value of property, plant and equipment is pledged as security against the Group's borrowing facility. Total assets pledged as security amounts to $2 000 000. Details of the borrowings are shown in Note 19.1

13 Intangible Assets

	Purchasing System US$	Pen Management US$	Pastel Evolution US$	Other Intangible US$	Total US$
Carrying Amount					
At 1 January 2016	1 035	1 969	17 750	31 042	51 796
Additions	-	-	-	-	-
Amortisation charge for the year	(1 035)	(1 969)	(6 474)	(5 981)	(15 459)
Net Carrying amount 31 December 2016	**-**	**-**	**11 276**	**25 061**	**36 337**
Additions	8 930	-	-	-	8 930
Amortisation charge for the year	(620)	-	(3 675)	(5 657)	(9 952)
Net Carrying amount 31 December 2017	**8 310**	**-**	**11 276**	**19 044**	**35 315**

The group acquired new software for the purchasing system. Intangible assets pertain to computer software. Included in other intangible assets is business intelligence system (BI) Software and advanced manufacturing software (Xperdyte). The Group uses the expected usage of the asset to determine the useful life of intangible assets. At 31 December 2017, the computer software had an average remaining useful life of two years. The business intelligence system and advanced manufacturing software had an average remaining useful life of two and half years.

The Group performed its annual impairment assessment as at 31 December 2017. As at 31 December 2017, there were no indications of impairment in intangible assets.

14 Goodwill

The Group had no goodwill at 31 December 2017 (Nil in 2016).

15 BIOLOGICAL ASSETS

Reconciliation of opening and closing carrying amounts

15.1 Non-current biological assets - Breeder Crocodiles and Alligators

	31-Dec-2017 US$	31-Dec-2016 US$
At the beginning of the period	4 324 536	3 686 179
Expenditure on non-current biological assets	157 109	145 413
Fair value adjustment	316 555	513 707
Deaths of non-current biological assets	(8 359)	(20 763)
At 31 December 2017	**4 789 841**	**4 324 536**

Breeders are split into two categories as follows:	31-Dec-2017 US$	31-Dec-2016 US$
Mature Breeders		
At the beginning of the period	**2 853 528**	**2 473 347**
Deaths	(5 369)	(3 694)
Fair value adjustment	37 919	382 888
Transfers from immature breeders	-	987
At 31 December 2017	**2 886 078**	**2 853 528**

All costs for the mature breeders are capitalized to the cost of hatchlings as the costs are incurred in order for the breeders to lay eggs.

Immature Breeders		
At the beginning of the period	**1 471 008**	**1 212 832**
Expenditure on non-current biological assets	157 109	145 413
Fair value adjustment	278 636	130 819
Deaths	(2 990)	(17 069)
Transfers to mature breeders	-	(987)
At 31 December 2017	**1 903 763**	**1 471 008**

Expenditure on non-current biological assets relates to feed and other direct costs that are capitalized to immature breeders.

At 31 December 2017, the Group had the following number of live animals within non-current biological assets:

	31-Dec-2017	31-Dec-2016
Mature crocodiles	3 636	3 654
Immature crocodiles	1 396	1 400
Immature alligators	1 173	1 174

15.2 Current biological assets - Grower Crocodiles and Alligators

	31-Dec-2017 US$	31-Dec-2016 US$
At the beginning of the period	26 140 741	26 149 950
Harvest (transfer to inventory)	(6 798 453)	(9 527 291)
Births	179 757	157 959
Expenditure on current biological assets	6 914 861	10 163 015
Fair value adjustment	3 935 186	(802 892)
At 31 December 2017	**30 372 092**	**26 140 741**

At 31 December 2017, the Group had the following number of live animals within current biological assets:

	31-Dec-2017	31-Dec-2016
Crocodiles	157 675	150 172
Alligators	33 543	23 525

35% of the crocodiles are aged between 2 to 3yrs. 46,164 crocodiles and 12,470 alligators will be harvested in 2018. The Group harvested 58,634 animals compared to 60,697to the last period. Of this total 58,508 were normal contract skins compared to 58,891 last year. The Zimbabwe operation had 1,275 skins and foreign operation had 1,280 in stock at year end, in 2016 there were no skins in stock.

A portion of the biological assets has been pledged as collateral against the Group's borrowing facility with the bank. Biological assets pledged as security amount to $8 000 000. At the end of the period the Group had not utilised the facility (Note 19).

15.3 Fair Value Disclosures

Valuation Process

The Group's Executive Committee determines the policies and procedures for fair value measurement of biological assets. The Management Accountant prepares the computation monthly and the information is reviewed by the Finance Manager. The Executive Committee verifies major inputs applied to the latest valuation by agreeing the information in the computation to contracts and other relevant documents. At the half year and at the end of the year, the Chief Financial Officer presents the valuation results to the Audit Committee and the Group's independent auditors. This includes discussion of the major assumptions used in the valuation.

Valuation Technique

1. The harvestable stock of crocodiles and alligators is valued using the income approach. Fair value price is determined from the price the Group sells at the point of harvesting to the market.
2. The breeders are valued using the cost approach. The fair value is determined based on the current replacement costs of a breeder as at year end, being the current costs needed to produce a breeder of similar age, maturity and condition as at the year end.

Type		Valuation technique	Significant unobservable Inputs (Level 3)	Quantitative information 2017	Quantitative information 2016
Crocodiles Harvestable stock	Yearlings, Rearings	Income approach. The valuation model is determined by reference to the average theoretical life span of the crocodile stock and prevailing market prices of the skin and meat. The fair value is based on the value of the skin and meat.	Price per skin, Quality grading, Age of crocodiles, Price per kg of meat, Meat yield per crocodile	Price per skin USD 175 - USD 637, Age 1 - 3 yrs, Meat Price/kg $0.69 to $10.47, Meat yield per crocodile 3.2 kgs	Price per skin USD 175 - USD 607, Age 1 - 3 yrs, Meat Price/kg $0.60 to $9.30, Meat yield per crocodile 3.1 kgs
Alligators Harvestable stock	Yearlings, Rearings	Income approach. The valuation model is determined by reference to the average theoretical life span of the alligator stock and prevailing market prices. The fair value is based on the value of the skin and meat.	Price per skin, Quality grading, Age of alligators, Price per kg of meat, Meat yield per alligator	Price per skin USD 63 - USD 396, Age 1 - 2 years, Price per lb. $2.00 to $2.25, Meat yield per alligator 2.1kgs	Price per skin USD 112 - USD 369, Age 1 - 2 years, Price per lb. $2.00 to $2.25, Meat yield per alligator 2.1kgs
Crocodiles and Alligators	Breeders	Cost approach. The valuation model is determined by reference to the average theoretical life span of the breeding stock and current replacement cost.	Replacement cost of hatchlings plus inputs at current costs up to maturity. Age of the breeders	Replacement cost per breeder USD 714 - USD 1 500, Age 7 – 41 years.	Replacement cost per breeder USD 508 – USD 1 000, Age 7 – 41 years.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of biological assets by the valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Fair Value Hierarchy- 31 December 2017

	Level1 US$	Level2 US$	Level3 US$	Total US$	Fair value gain/(loss) US$
Harvestable Alligators	-	-	4 383 157	4 383 157	314 270
Harvestable Crocodiles	-	-	25 988 935	25 988 935	3 620 916
Breeders (including Alligators)	-	-	4 789 841	4 789 841	316 555
Total	-	-	**35 161 933**	**35 161 933**	**4 251 741**

Fair Value Hierarchy- 31 December 2016

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$	Fair value gain US$
Harvestable Alligators	-	-	2 367 433	2 367 433	(754 047)
Harvestable Crocodiles	-	-	23 773 308	23 773 308	(48 845)
Breeders (including Alligators)	-	-	4 324 536	4 324 536	513 707
Total	-	-	**30 465 277**	**30 465 277**	**(289 185)**

Sensitivity Analysis

The fair value of harvestable crocodiles and alligators is most sensitive to the price and quality of the skin, and to the age of the crop. An increase or decrease in the price of the skin will result in an increase or decrease in the fair value of the harvestable crocodile and alligator stock. An improvement in quality will result in an increase in fair value of the harvestable crocodile and alligator stock whilst a decrease in quality will result in a reduction in their fair value. A change in age profile towards maturity will result in an increase in fair value of the crocodile and alligator stock.

The fair value of the breeder stock is most sensitive to movements in replacement costs of inputs and to the age variation of the animals. An increase in the price of inputs will result in an increase in the fair value of the breeders whilst a decrease in the price of inputs will result in a decrease in fair value of the breeders. A change in age variation towards maturity will result in an increase in fair value of the breeders.

The table below presents the sensitivity of profit or loss before tax due to changes in quality and market price (crocodiles and alligators). The sensitivities presented are favourable movements. If the sensitivity variables were unfavourable, the negative impact on profit would be of a similar magnitude.

	% Change	Effect on profit before tax US$
Crocodiles		
Fair value less costs to sell	3%	725 168
Alligators		
Fair value less costs to sell	3%	189 949
Breeders		
Fair value less costs to sell	10%	(174 040)

Biological assets risk management policies

Biological assets are live animals that are managed by the Group. Agricultural produce is the harvested product obtained from the biological asset. The Biological assets of the Group comprise of live crocodiles and alligators. These biological assets are exposed to various risks, which include disease or infection outbreaks, and price fluctuations. The Group has put in place measures and controls to mitigate losses from the above risks. These measures and controls include, inter alia, a very comprehensive biosecurity program across the operations, insurance against theft and unnatural deaths, vaccination to prevent widespread disease and infections, continuing comprehensive herd health monitoring programs and formal marketing contracts that include a regular evaluation of prices and an assessment of market trends.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15.3 Commitments for the development or acquisition of biological assets

The Group had not committed itself to acquiring any biological assets as at 31December 2017(2016: none).

		31-Dec-2017 US$	31-Dec-2016 US$
16	**Inventories**		
	Consumables stores	1 533 908	891 843
	Raw materials and packaging	1 508 206	1 689 999
	Finished goods - skins	2 225 154	1 113
	Finished goods - meat	9 978	7 830
		5 277 246	**2 590 785**

There were stock losses written off from inventories and recognised as an expense in 2017of $14,120 (2016: $36,965). There were no inventories pledged as security against borrowings.

		31-Dec-2017 US$	31-Dec-2016 US$
17	**Trade and other receivables**		
	Trade receivables	10 738 524	8 016 211
	Prepayments and other receivables	3 227 277	2 522 762
		13 965 801	**10 538 973**

Other receivables mainly comprise prepayments and staff loans.
Trade receivables have been pledged as security against borrowings (refer to note 19).
Trade receivables are non-interest bearing and are generally on 30-day terms.
Credit terms for other receivables vary per transaction, but do not exceed 60 days.
As at 31 December 2017, there were no trade receivables that were past due.
As at 31 December 2017, there was no provision for impairment on other receivables.

17.1 As at 31 December 2017, the age analysis of trade receivables was as follows:

			Past due but not impaired		
	Total	Neither past due nor impaired	30-60 days	60-90 days	More than 90 days
	US$	US$	US$	US$	US$
2017	10 738 524	10 738 524	-	-	-
2016	8 016 211	8 016 211	-	-	-

Trade receivables disclosed above were neither past due nor impaired at the end of the reporting period. The Group has not recognised an allowance for doubtful receivables because there has not been significant change in credit quality and the amounts are considered recoverable. The Group conducts due diligence assessments on the Companies and their Directors and on an annual basis credit terms are renewed and are subject to credit verification procedures. In addition, the balances are monitored on an on-going basis with the result that the receivables are recoverable.

Note 29.4 on credit risk of trade receivables explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

18 Ordinary share capital

		31-Dec-17 US$	31-Dec-16 US$
18.1	**Authorised**		
	800 000 000 (2016: 800 000 000) ordinary shares of $0.0001 each	80 000	80 000
18.2	**Issued and fully paid**		
	541,593,440 (2016: 541 593 440) ordinary shares of US$0.0001 each	54 159	54 159
	Total issued share capital	**54 159**	**54 159**
18.3	**Unissued shares**		
	Unissued, to be held in reserve under control of Directors (258 406 560 shares of $0.0001 each)	25 841	25 841

18.4 Directors' shareholding

The Directors held directly and indirectly the following number of shares	31-Dec-17	%	31-Dec-16	%
Oliver Tendai Kamundimu	113 200	0.02%	113 200	0.02%
Gary John Sharp	1 317 500	0.24%	1 317 500	0.24%
Michael John Fowler	112 508 810	20.77%	112 508 810	20.77%
	113 939 510	**21.03%**	**113 939 510**	**21.03%**

There were no changes in the Director's interests subsequent to 31 December 2017 and up to the date of this report.

18.5 Share premium of $27 004 245 (2016: $27 004 245) arose on issue of 541 593 440 shares to shareholders of Innscor Africa Limited at the date of unbundling and separate listing in 2010.

18.6 Change in ownership reserve arose on acquisition of additional interest in subsidiary.

	31 Dec 2017 US$	31 Dec 2016 US$
Change in ownership reserve at the beginning of the period	(236 946)	(165 948)
Movement during the year	173 083	(70 998)
Change in ownership reserve	**(63 863)**	**(236 946)**

18.7 Retained earnings.

	31 Dec 2017 US$	31 Dec 2016 US$
Company	36 515 238	27 627 223
Subsidiaries	(1 846 530)	(1 484 117)
	34 668 708	**26 143 106**

18.8 Non- controlling interest.

	31 Dec 2017 US$	31 Dec 2016 US$
Opening balance	380 615	629 353
Loss for the year	(167 577)	(546 317)
Change in degree of ownership	(173 083)	297 579
Closing balance	**39 955**	**380 615**

19 Interest-bearing borrowings

		Rate of Interest	Year repayable	31-Dec-2017 US$	31-Dec-2016 US$
19.1	**Long-term financing**				
	Unsecured				
	Foreign interest-bearing borrowings	6% - 8%	2021	8 169 151	5 004 705
	Balance			**8 169 151**	**5 004 705**
19.2	**Short-term financing**				
	Secured				
	Foreign short-term borrowings	6% - 12%	up to 90 days	3 294 732	3 017 114
	Balance			**3 294 732**	**3 017 114**
19.3	**Deferred consideration**				
	Deferred consideration	12%		-	425 885
	Balance			**-**	**425 885**
	Reconciliation of loans position				
	Opening loans position			8 447 704	3 656 504
	New loans			11 839 522	14 135 000
	Loan repayments			(9 025 110)	(9 194 307)
	Deferred consideration paid			(425 885)	(253 418)
	Interest accrued			627 652	103 925
	Closing loans position			**11 463 883**	**8 447 704**
	Reconciliation of deferred consideration				
	Balance at the beginning of the year			425 885	1 366 770
	Payments			(425 885)	(946 582)
	Interest			-	5 697
	Balance at the end of the year			**-**	**425 885**

The financial liability at fair value relates to deferred consideration discounted at a 6% (fixed rate) market related rate in the United States of America and was payable in 2017. The deferred consideration relates to the acquisition of the additional shareholding in TCR during 2016. There were no restrictions noted in the Companies Act with regards to this transaction.

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 property, plant and equipment, trade receivables and biological assets with a carrying value of $10 000 000. The Group has a short-term facility of $11,600,000, rate of interest for local operations is 6%-10% whilst for the foreign operation ranges from 6-12%. The facility of $10,000,000 for local operations was not utilized at the end of the period; all loans having been paid up.

Borrowing powers

In terms of the Company's Articles of Association, the Group may, with previous sanction of an ordinary resolution of the Group in a general meeting, borrow, on the determination of the Directors, amounts that do not exceed the aggregate total equity. The Group is within its borrowing limits.

20 Trade and other payables

	31-Dec-17 US$	31-Dec 16 US$
Trade payables	422 598	587 816
Other payables: (note 20.1)	1 470 866	1 010 988
	1 893 464	**1 598 804**

Trade payables are non-interest bearing and are normally settled within 30 days. Other payables are non-interest bearing and have varying settlement terms.

20.1 Other payables

	31-Dec-17 US$	31-Dec 16 US$
Accurals	1 429 263	962 381
Sundry Creditors	41 603	48 607
	1 470 866	**1 010 988**

Accruals mainly relate to employee incentives; Dividends; Outsourced services; Audit Fees; Utilities.

20.2 Customer deposits

	31-Dec-17 US$	31-Dec 16 US$
Non-current liabilities	159 325	1 179 525

20.3 Customer deposits

	31-Dec-17 US$	31-Dec 16 US$
Current liabilities	2 234 032	256 432

Customer deposits mainly relate to advances received from our main customer to fund the operations of the foreign entity. This will be settled through delivery of hatchlings in 2018 onwards.

21 Provisions

	31-Dec-17 US$	31-Dec 16 US$
At the beginning of the period	319 036	312 844
Arising during the year	236 106	283 112
Utilised	(196 271)	(276 920)
As at 31 December	**358 871**	**319 036**

All provisions related to leave pay. Employees are being required to take vacation leave to reduce the obligation

22 Contingent Liabilities

The Group had no contingent liabilities at 31 December 2017 (Nil in 2016)

23 Capital expenditure commitments

	31-Dec-17 US$	31-Dec 16 US$
Authorised and contracted	-	-
Authorised but not yet contracted	5 103 809	3 640 847
	5 103 809	**3 640 847**

The capital expenditure will be for the solar project, new pens and the rebuilding of crocodile and alligator pens. This will be financed from the Group's own resources and borrowing facilities.

24. Operating lease arrangements

24.1 Leasing arrangements

Operating leases include leases of certain buildings and land upon which the Group's farms are located. The remaining lease terms vary between 6 and 10 years with options to renew for periods that range from 10 to 20 years. The depreciation on leasehold improvement has taken into account the option for renewal for each operation's lease.

		31-Dec-2017 US$	31-Dec-2016 US$
24.2	**Payments recognised as an expense**		
	Minimum lease payments	319 928	218 657
24.3	**Non-cancellable lease commitments**		
	Payable within one year	319 928	306 157
	Payable between two and five years	898 403	884 632
	Payable after five years	694 875	829 500
		1 913 206	**2 020 289**

25 Segmental Information

Operating segments

For management purposes, the Group is organized into business units based on the type of the biological asset raised, namely crocodiles and alligators. Segmental reporting based on the type of biological asset provides products or services within a particular economic and geographical environment. Crocodile farming is based in Zimbabwe and Alligator farming is based in the United States of America. The revenue, operating profit, assets and liabilities reported to the board are measured consistently with that in the reported consolidated financial statements.

	Crocodiles US$	Alligators US$	Adjustments & Eliminations US$	Consolidated US$
Revenue				
31-December-17	28 515 119	1 760 932	-	30 276 051
31-December-16	27 527 638	3 745 074	-	31 272 712
Operating Profit/(loss) before impairment, depreciation, amortisation and fair value adjustments				
31-December-17	13 934 470	(868 385)	877 921	13 944 006
31-December-16	12 931 385	(614 841)	299 216	12 615 760
Depreciation and amortisation				
31-December-17	1 797 883	255 717	-	2 053 600
31-December-16	1 699 595	117 072	-	1 816 667
Interest Expense				
31-December-17	483 510	747 245	211 381	1 442 136
31-December-16	462 960	450 159	-	913 119
Profit/(loss) before tax				
31-December-17	17 008 557	(978 838)	339 112	16 368 831
31-December-16	12 620 546	(1 675 835)	95 668	11 040 379
Segment assets				
31-December-17	74 776 214	22 368 512	(12 402 308)	84 742 418
31-December-16	62 365 212	14 487 203	(5 401 723)	71 450 692
Segment liabilities				
31-December-17	11 546 618	17 442 240	(5 949 644)	23 039 214
31-December-16	7 918 046	12 838 172	(2 650 705)	18 105 513
Capital expenditure (property, plant and equipment & biological assets)				
31-December-17	3 545 427	86 039	-	3 631 466
31-December-16	2 560 152	1 724 556	-	4 284 708

26 Material partly-owned subsidiaries

The Group holds an 82.88% (2016: 68.60%) interest in Tallow Creek Ranch, an unlisted company based in Texas (United States of America) that specialises in alligator farming. The Group increased its interest by 14.28% with effect from 1 January 2017. The voting rights are based on the number of shares held by each shareholder.

Financial information of the subsidiary is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2017	2016
Tallow Creek Ranch	USA	17.12%	31.40%

	31-Dec-2017 US$	31-Dec-2016 US$
Accumulated balances of non-controlling interest:	**39 955**	**380 616**
Loss allocated to non-controlling interest:	**(167 577)**	**(546 317)**

The summarized financial information for this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

	2017 US$	2016 US$
Summarized statement of profit or loss:		
Revenue	1 760 932	3 745 074
Cost of sales	(1 747 955)	(3 891 489)
Administrative expenses	(1 137 079)	(585 498)
Fair value adjustment	565 081	(697 311)
Finance costs	(419 817)	(246 611)
Loss before tax	**(978 838)**	**(1 675 835)**
Income tax	-	-
Loss for the year	**(978 838)**	**(1 675 835)**
Total comprehensive income	**(978 838)**	**(1 675 835)**
Attributable to non-controlling interests	(167 577)	(546 317)
Summarized statement of financial position:		
Inventories, biological assets, trade receivables and cash and bank balances	8 073 865	3 590 179
Property, plant and equipment	3 829 873	4 059 352
Trade, customer deposits and other payables	(3 399 413)	(2 065 375)
Interest-bearing borrowings	**(4 670 941)**	**(4 371 936)**
	3 833 384	**1 212 220**
Total equity		
Attributable to:		
Equity holders of parent	3 793 429	831 605
Non-controlling interest	39 955	380 615
Summarized cash flow information:		
Operating	(2 030 939)	(232 034)
Investing	(86 039)	(1 549 273)
Financing	3 899 006	2 331 034
Net increase in cash and cash equivalents	**1 782 028**	**549 727**

27 Pension Funds

27.1 Innscor Africa Limited Pension Fund

This is a self-administered, defined contribution fund. Employees of the Group are eligible to become members of the fund. Contributions are at the rate of 14% of pensionable emoluments of which members pay 50%.

27.2 National Social Security Authority Scheme

The scheme was established, and is administered, in terms of Statutory Instrument 393 of 1993. Introduced in 1994, the Pension and Other Benefits Scheme is a defined contribution plan based on a 50/50 contribution from the employers and employees and are limited to specific contributions legislated from time to time. These are presently 7% of pensionable emoluments of which the maximum monthly pensionable salary is $700. A total monthly contribution of $49 is therefore the maximum per employee.

	31-Dec-2017 US$	31-Dec-2016 US$
27.3 Pension costs recognised as an expense for the year:		
Innscor Africa Limited Pension Fund	92 796	88 585
National Social Security Authority Scheme	66 348	60 908
	159 144	**149 493**

Pension costs are recognised in profit and loss under staff costs.

28 Related party disclosures

Related party activities consist of transactions between Padenga Holdings Limited, its subsidiaries, key management personnel and other parties that meet the definition of related party. The transactions between the Company and its subsidiaries have been eliminated on consolidation.

Details of transactions between Group companies and other related parties are disclosed below:

	31-Dec-2017 US$	31-Dec-2016 US$
28.1 Transactions		
Innscor Africa Limited Pension Fund	92796	88585
28.2 Compensation of key management personnel		
The remuneration of Directors and other members of management during the year was as follows:		
Short-term benefits	3810146	2996582
Post-employment benefits	88539	63537
	3898685	**3060119**

As at 31 December 2017 Key management staff owed the company $389 778 (2016: $27 350). Interest is being charged at 6% - 8%.

Term and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Amounts outstanding at the period end are unsecured and settlement occurs in cash. There have been no guarantees provided for or received for any related party receivables or payables for the period ended 31 December 2017. The Group has not recorded any impairment of receivables relating to amounts owed by related parties.

28.3 Transactions with directors

The Group has leased a property from a company in which some of the Directors have either a financial or custodial interest. The lease is undertaken on an arm's length basis.

	31-Dec-2017 US$	31-Dec-2016 US$
Lease payments	27 700	27 700

The Group also has a contract with one of the major shareholders for marketing activities mainly for skin prices negotiations.

	31-Dec-2017 US$	31-Dec-2016 US$
Marketing fees paid	199 500	199 500

29 Financial risk management objectives and policies

The Group's principal financial liabilities comprise bank loans, trade and other payables and overdrafts. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group's principal financial assets include trade and other receivables and cash and cash equivalents. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarized below.

29.1 Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group invests in money market instruments which are subject to changes in interest rates on the local money markets. The Group's policy is to adopt a non-speculative approach to managing interest rate risk and only invests in instruments that are approved by the executive committee. The Group's policy is to manage its interest cost by limiting exposure to overdrafts and where borrowings are required, to borrow at favourable and fixed rates of interest.

The sensitivity of the Group's profit before tax to changes in interest rates on its material exposures is as disclosed on Note 29.2 below. The Directors, at the reporting date, were not aware of any information or events that may have a significant impact on the reported profit and loss of the Group.

29.2 Interest rate sensitivity analysis

The following table demonstrates sensitivity to possible changes in interest rates on short and long-term borrowings. There is an immaterial impact on the Group's equity.

Effect on profit before tax	31-Dec-2017 US$	31-Dec-2016 US$
Increase of 3%	331 375	240 907
Decrease of 3%	(331 375)	(240 907)

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly lower volatility.

29.3 Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has transactional currency exposures. Such exposure arises from the sale or purchases by the Group in currencies other than the unit's functional currency. The Group limits exposure to exchange rate fluctuations by either pre-paying for purchases or retaining stock until the foreign currency to settle the related liability has been secured. The carrying amounts in US dollars of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

31-Dec-17	Liabilities	Assets	Net exposure
Currency			
South African Rand	(277 363)	-	(277 363)
Euro	-	732 577	732 577
	(277 363)	**732 577**	**475 214**

31-Dec-16	Liabilities	Assets	Net exposure
Currency			
South African Rand	(325 634)	-	(325 634)
Euro	-	351 728	351 728
	(325 634)	**351 728**	**26 094**

29.3.1 Foreign currency sensitivity

The following table demonstrates sensitivity to a reasonably likely change in the Euro and Rand exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). The Group's exposure to foreign currency changes for all other currencies is not material. There is no impact on the Group's equity.

Effect on profit before tax of change in exchange rate	31-Dec-2017 US$	31-Dec-2016 US$
+ 5% (Rand)	(13 208)	(15 506)
- 5% (Rand)	13 208	15 506
+ 5% (Euro)	36 629	17 586
- 5% (Euro)	(36 629)	(17 586)

29.4 Credit Risk

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, credit terms are specified contractually within the regulations by the Reserve Bank of Zimbabwe. The Group evaluates its customers on a yearly basis. With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty.

The maximum exposure to credit risk is equal to the carrying amount of the trade and other receivables (excluding prepayments) and cash and cash equivalents as per statement of financial position. The credit risk on liquid funds is limited because counter parties are banks with high credit ratings assigned by international credit-rating agencies. There is a concentration of credit risk as the Group trades mainly with one customer.

29.5 Liquidity risk

The Group's objective is to maintain a balance between continuity of funding through a well-managed portfolio of short-term investments and/or flexibility through the use of bank overdrafts and interest-bearing borrowings. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing in the next 12 months can be rolled over with existing lenders. The table below summarizes the maturity profile of the Group's financial assets and liabilities:

	Within 3 months US$	3-12 months US$	1-2 Years US$	2-3 Years US$	More than 3 Years US$	Total
2017						
Liabilities						
Interest bearing borrowings at fair value	693 977	2 600 824	934 082	900 000	6 335 000	11 463 883
Interest on loans and borrowings	-	194 797	139 922	202 225	1 897 915	2 434 859
Trade and other payables	1 893 464	-	-	-	-	1 893 464
TOTAL	**2 587 441**	**2 795 621**	**1 074 004**	**1 102 225**	**8 232 915**	**15 792 206**
Assets						
Trade and other receivables						
(excluding prepayments)	12 880 158	-	-	-	-	12 880 158
Cash and cash equivalents	11 226 163	-	-	-	-	11 226 163
TOTAL	**24 106 321**	**-**	**-**	**-**	**-**	**24 106 321**
2016						
Liabilities						
Interest bearing borrowings	1 116 082	2 609 603	698 520	34 152	4 866 174	9 324 531
Deferred consideration	-	425 885	-	-	-	425 885
Trade and other payables	1 598 804	-	-	-	-	1 598 804
TOTAL	**2 714 886**	**3 035 488**	**698 520**	**34 152**	**4 866 174**	**11 349 220**
Assets						
Trade and other receivables						
(excluding prepayments)	10 434 635	-	-	-	-	10 434 635
Cash and cash equivalents	10 265 655	-	-	-	-	10 265 655
TOTAL	**20 700 290**	**-**	**-**	**-**	**-**	**20 700 290**

30 Fair value of financial instruments

The estimated net fair values of all financial instruments, approximates the carrying amounts shown in the financial statements.

31 Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support the business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in the economic environment. To maintain or adjust the capital structure the Group may adjust the dividend payment to shareholders, return capital to shareholders, or issue new shares. Capital comprises all components of equity excluding non-controlling interests. No changes were made to the objectives, policies or processes during the period ended 31 December 2017. The Group monitors capital using a gearing ratio, which is calculated as the proportion of net debt (comprising borrowings as offset by cash and bank balances) to equity. The target ratio ranges from 5% to 10%.

	31-Dec-2017 US$	31-Dec-2016 US$
Short term and long-term borrowings	11 463 883	8 021 819
Deferred consideration	-	425 885
Trade and other payables	1 893 464	1 598 804
Less cash and cash equivalents	(11 226 163)	(10 265 655)
Net debt / (cash)	**2 131 184**	**(219 147)**
Total equity	61 703 204	52 964 564
Equity and net debt	**63 834 388**	**52 745 417**
Gearing ratio	3.34%	-

Reconciliation of the borrowings is covered under Note 19.3.

32 Events after reporting period

There were no adjusting or non-adjusting events after the reporting date at the time of issuing this annual report.

33 Approval of financial statements

The financial statements were approved by the Board of Directors and authorized for issue on 14 March 2018.

Company Statement Of Financial Position

As at 31 December 2017

		31-Dec-2017 US$	31-Dec-2016 US$
ASSETS			
Non-current assets			
Property, plant and equipment	I.	14 902 041	13 255 854
Intangible assets	II.	35 315	36 337
Investments	III.	3 388 619	-
Biological assets	IV.	3 883 345	3 728 142
Total non-current assets		**22 209 320**	**17 020 333**
Current assets			
Biological assets	V.	25 988 935	23 773 308
Inventories	VI.	5 026 625	2 561 279
Trade and other receivables	VII.	13 811 086	9 588 973
Tax asset	VII.	344 046	238 459
Cash and cash equivalents	IX.	8 679 770	9 421 319
Total current assets		**53 850 462**	**45 583 338**
Total assets		**76 059 782**	**62 603 671**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	X.	54 159	54 159
Non-distributable reserves		27 004 245	27 004 245
Distributable reserves		36 515 238	27 627 223
Share capital and reserves		**63 573 642**	**54 685 627**
Non-current liabilities			
Deferred tax liability	XI.	7 141 774	6 406 412
Interest bearing debt - third party	XII.	2 700 000	-
		9 841 774	**6 406 412**
Current liabilities			
Trade and Other payables	XIII.	2 644 366	1 511 632
		2 644 366	**1 511 632**
Total liabilities		**12 486 140**	**7 918 044**
Total equity and liabilities		**76 059 782**	**62 603 671**

Notes To The Company Statement Of Financial Position

I. Property, plant and equipment

Cost	Freehold Property US$	Leasehold Improvements US$	Plant, Fittings & Equipment US$	Motor Vehicles US$	Total US$
At 1 January 2016	80 086	15 443 656	3 346 489	1 119 221	19 989 452
Additions	-	1 602 645	628 412	242 456	2 473 513
Disposals	-	-	(31 881)	(16 450)	(48 331)
At 31 December 2016	**80 086**	**17 046 301**	**3 943 020**	**1 345 227**	**22 414 634**
Additions	-	2 902 994	479 580	56 612	3 439 186
Disposals	-	-	(36 561)	(22 770)	(59 331)
At 31 December 2017	**80 086**	**19 949 295**	**4 386 039**	**1 379 069**	**25 794 489**

Depreciation	Freehold Property US$	Leasehold Improvements US$	Plant, Fittings & Equipment US$	Motor Vehicles US$	Total US$
At 1 January 2016	(11 736)	(5 290 641)	(1 621 728)	(593 993)	(7 518 098)
Disposals	-	-	31 004	12 573	43 577
Charge for the year	(3 302)	(1 099 128)	(359 042)	(222 787)	(1 684 259)
At 31 December 2016	**(15 038)**	**(6 389 769)**	**(1 949 766)**	**(804 207)**	**(9 158 780)**
Disposals	-	-	35 286	18 975	54 261
Charge for the year	(3 302)	(1 181 863)	(380 316)	(222 448)	(1 787 929)
At 31 December 2017	**(18 340)**	**(7 571 632)**	**(2 294 796)**	**(1 007 680)**	**(10 892 448)**
Net carrying amount:					
At 31 December 2016	**65 048**	**10 656 532**	**1 993 254**	**541 020**	**13 255 854**
At 31 December 2017	**61 746**	**12 377 663**	**2 091 243**	**371 389**	**14 902 041**

II. Intangible assets

Refer to Note 13.

III. Investments

Investment relates to the fair value of the consideration paid for the 14.28% shareholding that was acquired by Padenga \Zimbabwe in Tallow Creek Ranch (TCR) in 2017.

IV. Biological Assets (non-current)

	31 Dec 2017 US$	31 Dec 2016 US$
At the beginning of the period	3 728 142	3 190 494
Expenditure on non-current biological assets	97 290	86 638
Fair value adjustment	65 744	456 971
Deaths of non-current biological assets	(7 831)	(5 961)
At 31 December 2017	**3 883 345**	**3 728 142**

Non-current biological assets relate to mature and immature breeders.

We had a total of 5,032 breeders composed of 3,636 mature breeders and 1,396 immature breeders.

NOTES TO THE COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)

V. Biological Assets (current)	31 Dec 2017 US$	31 Dec 2016 US$
At the beginning of the period	**23 773 308**	**24 098 213**
Harvest (transfer to inventory)	(5 048 819)	(5 318 046)
Births	179 757	157 959
Expenditure on current biological assets	5 319 297	5 111 879
Fair value adjustment	2 072 954	9 670
Deaths of current biological assets	(307 562)	(286 367)
At 31 December 2017	**25 988 935**	**23 773 308**

Current biological assets relate to hatchlings, yearlings and the harvestable crops.

VI. Inventory

Inventories		
Consumables stocks	1 464 927	862 016
Raw materials and packaging	1 508 206	1 689 997
Finished goods - skins and meat	2 053 492	9 266
	5 026 625	**2 561 279**

There were stock losses written off from inventories and recognised as an expense in 2017of $14 120 (2016: $36965).

There were no inventories pledged as security against borrowings.

VII. Trade and other receivables

	US$	US$
Trade receivables	10 583 808	8 016 212
Prepayments and other receivables	3 227 278	1 572 761
	13 811 086	**9 588 973**

Other receivables mainly comprise prepayments and staff loans.
Trade receivables have been pledged as security against borrowings (refer to note 19).
Trade receivables are non-interest bearing and are generally on 30-day terms.
Credit terms for other receivables vary per transaction, but do not exceed 60 days.
As at 31 December 2017, there were no trade receivables that were past due.
As at 31 December 2017, there was no provision for impairment on other receivables.

VIII. Tax asset

Refer to Note 9.2

IX. Cash and cash equivalents

Made up as follows:		
Bank balances and cash on hand	6 575 330	7 065 665
Money market short term deposits	2 104 440	2 355 654
Cash and cash equivalents	**8 679 770**	**9 421 319**

Short-term deposits have been placed at an average rate of interest of 6.5% per annum, maturity period ranges from 3 to 12 months.

NOTES TO THE COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)

X. Share Capital
Refer to Note 18.

XI. Deferred Tax liability

	31 Dec 2017 US$	31 Dec 2016 US$
Reconciliation		
Opening balance as at the beginning of the period	6 406 412	6 406 412
Charge to profit or loss	735 362	-
Closing balance at the end of the period	**7 141 774**	**6 406 412**
Analysis of deferred tax liability		
Accelerated depreciation for tax purposes	2 943 240	2 739 433
Fair value adjustments on biological assets	4 187 008	3 663 721
Unrealised exchange profit/(loss)	1 268	(3 792)
Prepayments	10 258	7 050
	7 141 774	**6 406 412**

XII. Interest bearing debt - third party

This relates to a long-term offshore loan of $3.6 million obtained in 2017 to capitalise TCR. The loan interest rate is 7% and has a 4-year term.

XIII. Trade and Other Payables

	31-Dec-17 US$	31-Dec-16 US$
Trade payables	422 599	587 816
Sundry creditors	552 463	48 605
Accruals	370 911	556 175
Provisions	358 871	319 036
Amount owing to related companies	939 522	-
Total	**2 644 366**	**1 511 632**

Trade payables are non-interest bearing and are normally settled within 30 days. Other payables are non-interest bearing and have varying settlement terms.

Amount owing to related companies relates to the current component of the long-term offshore loan that is payable within 12 months.

Shareholders Analysis

As at December 2017

Size of Shareholding	Number of Shareholders	Shareholders %	Issued Shares	Share %
1-5000	3 403	81.28	2 274 702	0.42
5001-10000	187	4.47	1 384 388	0.26
10001-25000	161	3.85	2 635 367	0.49
25001-50000	100	2.39	3 479 931	0.64
50001-100001	90	2.15	6 518 716	1.2
100001-200000	75	1.79	10 361 308	1.91
200001-500000	83	1.98	26 765 935	4.94
500001-1000000	28	0.67	19 920 848	3.68
1000001 and Above	60	1.43	468 252 245	86.46
	4 187	**100.00**	**541 593 440**	**100.00**

Trade Classification

Local Companies	503	12.01	308 927 068	57.04
Pension Funds	295	7.05	107 906 993	19.92
Insurance Companies	36	0.86	44 130 208	8.15
Foreign Nominee	12	0.29	28 626 742	5.29
New Non-Resident	64	1.53	20 402 911	3.77
Local Nominee	71	1.7	12 430 311	2.3
Local Individual Resident	2 935	70.1	10 664 131	1.97
Other Investments & Trust	142	3.39	4 930 125	0.91
Unknown	51	1.22	1 774 490	0.33
Fund Managers	17	0.41	1 368 164	0.25
Trusts	03	0.07	220 813	0.04
Government / Quasi	01	0.02	72 000	0.01
Charitable	19	0.45	65 083	0.01
Deceased Estates	33	0.79	44 516	0.01
Banks	01	0.02	20 250	-
Foreign Companies	04	0.1	9 635	-
	4 187	**100.00**	**541 593 440**	**100.00**

Top Ten Shareholders

ZMD Investments (Pvt) Ltd	119 754 476	22.11
H M Barbour (Pvt) Ltd	105 896 539	19.55
Stanbic Nominees (Pvt) Ltd	65 829 521	12.15
Old Mutual Life Assurance Company	29 582 588	5.46
Standard Chartered Bank Nominees	22 956 800	4.24
Sarcor Investments (Pvt) Ltd	22 480 658	4.15
Pharaoh Limited- NNR	14 558 953	2.69
National Social Security Authority (W.C.I.F.)	11 886 018	2.19
National Social Security Authority	10 966 484	2.02
City & General Holdings P/L	9 822 598	1.81
Other	127 858 805	23.63
	541 593 440	**100.00**

Shareholders' Calender

Seventh Annual General Meeting	15 May 2018
End of First Half of 2018 Financial Year	30 June 2018
Publication of Interim Report for First Half of 2018 Financial Year	September 2018
End of 2018 Financial Year	31 December 2018
Annual Report Published for 2018 Financial Year	April 2019
Eighth Annual General Meeting	May 2019

Registered Office:

Padenga Holdings Limited
121 Borrowdale Road
Gunhill
Harare
Zimbabwe

P O Box HG 633, Highlands
Harare
Zimbabwe

Transfer Secretaries:

Corpserve Share Transfer Secretaries
2nd Floor ZB Centre
Cnr First Street/Kwame Nkrumah Avenue
Harare
Zimbabwe

P O Box 2208
Harare
Zimbabwe
Tel: +263 4 751559/61 or +263 4 758193
Fax: +263 4 752629

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of Padenga Holdings Limited is to be held at the Royal Harare Golf Club, 5th Street extension, Harare, on Tuesday 15 May 2018 at 08h15, for the purpose of transacting the following business: -

Ordinary Business

1. To receive, approve and adopt the Financial Statements and Reports of the Directors and Auditors for the financial year ended 31 December 2017.

2. To elect the following Directors, Mr A.K. Calder and Mr O.T. Kamundimu, who retire by rotation in terms of the Articles of Association of the Company and, being eligible, offer themselves for re-election.

3. To approve the appointment of Mr J.C.P. Caraguel, who was appointed as a Director of the Company with effect from 14 March 2018, and who in terms of the Articles of Association of the Company is required to retire from the Board at the Annual General Meeting and being eligible, offers himself for re-election.

4. To approve Directors' fees for the financial year ended 31 December 2017.

5. To re-appoint Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to approve their remuneration for the past audit.

Special Business

6. Approval of Share Buy - Back

   To consider and, if deemed fit, to pass with or without modification, the following ordinary resolution: "That the Company authorises in advance, in terms of section 79 of the Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange (ZSE) Listing Requirements, the purchase by the Company of its own shares upon such terms and conditions and in such amounts as the Directors of the Company may from time to time determine and such authority hereby specifies that: -

   i. the authority in terms of this resolution shall expire on the date of the Company's next Annual General Meeting; and
   ii. acquisitions shall be of ordinary shares which, in the aggregate in any one financial year, shall not exceed 10% (ten per centum) of the Company's issued ordinary share capital; and
   iii. the maximum and minimum prices, respectively, at which such ordinary shares may be acquired will not be more than 5% (five per centum) above and 5% (five per centum) below the weighted average of the market price at which such ordinary shares are traded on the ZSE, as determined over the 5 (five) business days immediately preceding the date of purchase of such ordinary shares by the Company; and
   iv. a press announcement will be published as soon as the Company has acquired ordinary shares constituting, on a cumulative basis in the period between annual general meetings, 3% (three per centum) of the number of ordinary shares in issue prior to the acquisition; and
   v. if during the subsistence of this resolution the Company is unable to declare and pay a cash dividend then this resolution shall be of no force and effect."

NOTE:

In terms of this resolution, the Directors are seeking authority to allow use of the Company's available cash resources to purchase its own shares in the market in terms of the Companies Act and the regulations of the ZSE, for treasury purposes. The Directors will only exercise the authority if they believe that to do so would be in the best interests of shareholders generally. In exercising this authority, the Directors will duly take into account following such repurchase, the ability of the Company to pay its debts in the ordinary course of business, the maintenance of an excess of assets over liabilities, and for the Company and Group, the adequacy of ordinary capital and reserves as well as working capital.

7. **Approval of Loans to Directors**

To resolve as an ordinary resolution, with or without amendments: - "That the Company be and is hereby authorised to make any loan to any Executive Director or to enter into any guarantee or provide any security in connection with a loan to such Executive Director for the purpose of enabling him to properly perform his duty as an officer of the Company, as may be determined by the Remuneration Committee of the Board of Directors, provided that the amount of the loan or the extent of the guarantee or security shall not exceed the annual remuneration of that Director."

8. **Amendment of the 2017 Padenga Share Option Scheme so as to Allow Padenga Non – Executive Directors to be Eligible to be Awarded Share Options under the Scheme**

To approve the amendment of the definition of the term "Employee" in the 2017 Padenga Share Option Scheme, which was approved by Padenga Shareholders in General Meeting on 18 May 2017, so that from the date of amendment the definition of "Employee" in Section 1.1.7 of the Scheme shall read as follows in order to allow Padenga Non – Executive Directors to be eligible to be awarded share options under the Scheme: -

"**Employee** - anyone employed in a full time capacity by the Company or any of its Subsidiaries or by any partnership in which the Company is a partner having an equity interest of not less than 50%, or any executive directors or non – executive directors of those entities;"

The proposed revised Employee Share Option Scheme will be available for inspection at the company's registered office from the 30th of April, 2018.

Any Other Business

9. To transact any other business competent to be dealt with at an Annual General Meeting.

In terms of the Companies Act (Chapter 24:03), a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote on a poll and speak in his stead. A proxy need not be a member of the Company. Proxy forms should be forwarded to reach the office of the Company Secretary at least 48 (forty-eight) hours before the commencement of the meeting.

BY ORDER OF THE BOARD
A.D. LORIMER
GROUP COMPANY SECRETARY
121 BORROWDALE ROAD
GUN HILL
HARARE

20 April 2018

Proxy Form – AGM – 15th May 2018

I / We ____ of ____

being the registered owner(s) of ____

____ ordinary shares in the above named Company hereby appoint

____ of ____

or failing him / her ______________________________ of ____
or failing him / her, THE CHAIRMAN OF THE MEETING as my / our proxy to vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on Tuesday 15th May 2018, at 08.15 hours, and at any adjournment thereof.

SIGNED this __________________________________ day of _______________________________________ 2018

Signature of Member ____

NOTE: -

1. A member of the company is entitled to appoint one or more proxies to act in the alternative to attend and vote and speak instead of him. A proxy need not be a member of the company.
2. Instruments of proxy must be deposited at the registered office of the Company not less than forty eight hours before the time appointed for holding the meeting.

Change Of Address

Te attention of shareholders is drawn to the necessity of keeping the transfer secretaries advised of any change in name and/or address.

Shareholder's name in full ____

New Address ____
(Block letters please)

____

____

____

____

____

Shareholder's signature ____

PADENGA
HOLDINGS LIMITED

Proxy Form – AGM – 15th May 2018

Registered Office

121 Borrowdale Road
Gun Hill
Harare
Zimbabwe

PADENGA
HOLDINGS LIMITED

Change Of Address

Registered Office

121 Borrowdale Road
Gun Hill
Harare
Zimbabwe

PADENGA
HOLDINGS LIMITED

Harare Office • 121 Borrowdale Road, Gunhill, P.O Box HG 633, Highlands, Harare, Zimbabwe.
Tel: + 263 772 602 738, + 263 775 620 262
Operations • 135 Lagoon Drive, P.O Box 55, Kariba, Zimbabwe.