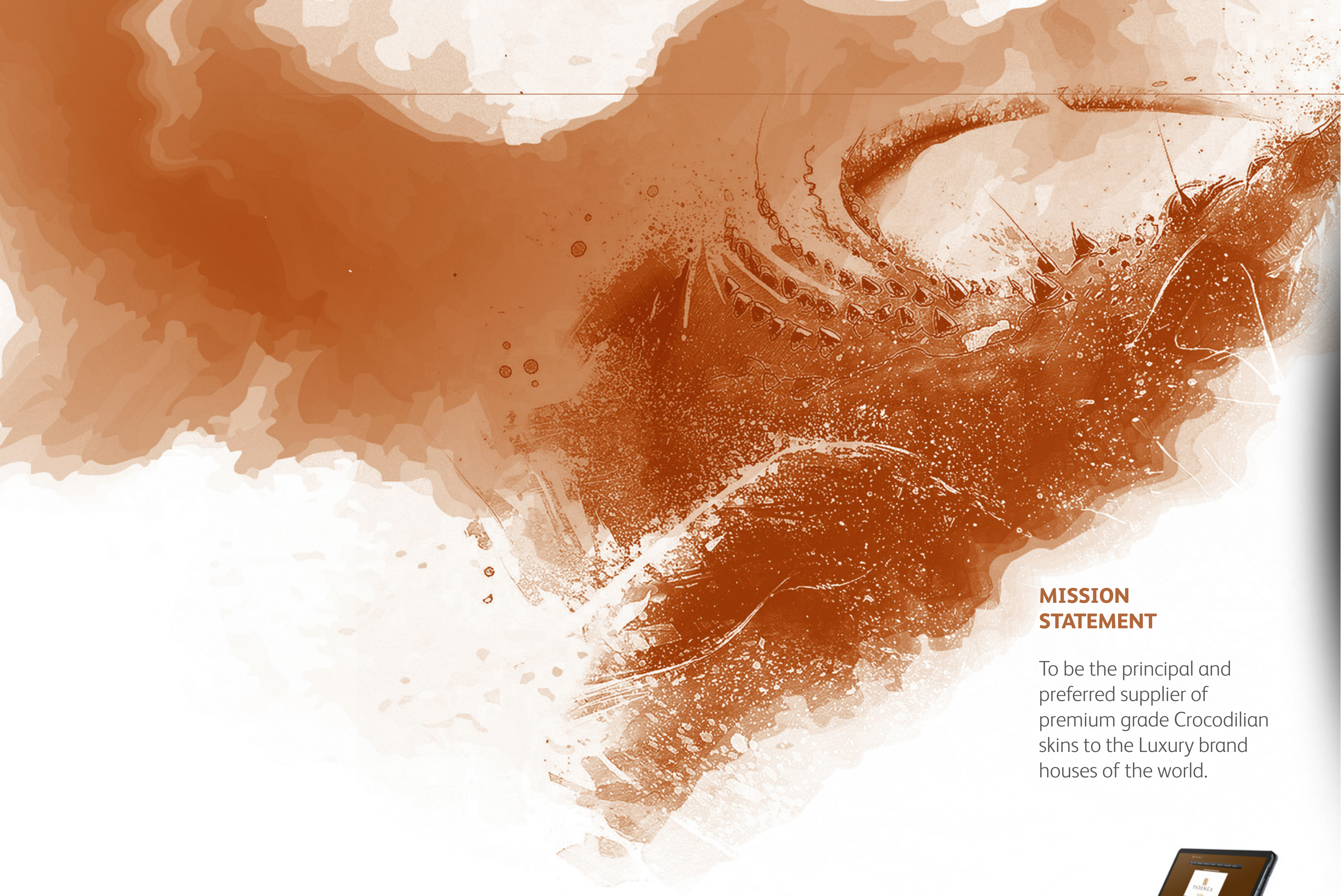
PADENGA

HOLDINGS LIMITED

2019 Annual REPORT



MISSION STATEMENT

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

To view and download the Annual Report, please visit our website at https://www.padenga.com/annual-reports/

PADENGA
Holdings Limited

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Annual Financial Statements

for the year ended 31 December 2019

PADENGA
Holdings Limited

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 four 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.

Details of Directors & Management

The full names and positions of the Directors of Padenga as at 31st December 2019 are set out below:

Directors:	Position Held:
Thembinkosi Nkosana Sibanda	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
Jerome Caraguel	Non-Executive Director
Sternford Moyo	Non-Executive Director

(Thembinkosi Nkosana Sibanda was appointed Chairman in September 2018)
(Jerome Caraguel was appointed as a Director on 14th March 2018)
Sternford Moyo was appointed as a Director on 1st May 2019)
All other 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
Graeme Sharp	Management Executive
Steve Scott	TCR Administration/Financial Manager
Marcus Reddell	TCR Operations Manager
Anjuli Rebelo	Administration/HR Executive
Jimmyson Kazangarare	General Manager Kariba Crocodile Farm
Prince Chapeyama	General Manager Nyanyana Crocodile Farm
Mike Ncube	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
Africa Unity Square Building
Nelson Mandela Avenue
Harare

Principal Bankers:

CABS
Northend Close,
Northridge Park
Harare

Principal Bankers:

EcoBank
Sam Levy Village
Borrowdale
Harare

Financial **Highlights**

for the year ended 31 December 2019

THE DIRECTORS ARE PLEASED TO PRESENT THE AUDITED FINANCIAL RESULTS FOR PADENGA HOLDINGS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 US$	2018 Restated US$
Group Summary		
Revenue	29 127 509	37 321 141
Operating profit before depreciation, impairment, amortisation and fair valuation adjustments	7 035 533	11 412 023
Profit before taxation	8 591 851	11 075 943
Profit attributable to shareholders	6 915 140	7 803 203
Cash generated from operating activities	8 285 913	9 105 394
Capital expenditure	4 770 423	5 253 399
Net Assets	67 203 686	62 558 548
Share Performance		
Basic earnings per share (cents)	1.28	1.44
Diluted earnings per share (cents)	1.28	1.44
Headline earnings per share (cents)	1.25	1.01
Dividends declared and paid since reporting date (cents)	0.38	1.20
Market price per share (cents)	15.05	34.00
Number of shares in issue at reporting date	541 593 440	541 593 440
Market capitalisation (US$)	81 505 155	184 141 770

Operating **Profit**

US$7,035mil

Operating profit declined by **38%** to **US$7,035,533**.

Profit **Before Tax**

22%

Profit before tax was down by **22%** compared to prior year, **US$8,591,851** against **US$11,075,943** for 2018.

Group **Turnover**

22%

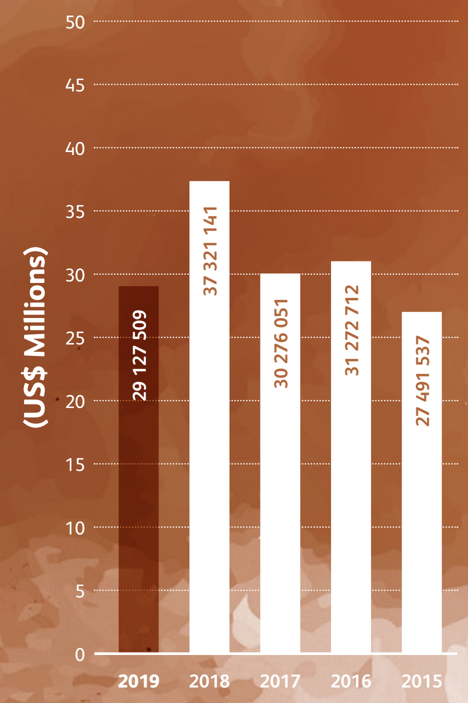
Turnover was down by **22%** from **US$37,321,141** to **US$29,127,509** in the period under review.

Cash Generated **from operations**

US$8,29mil

Cash generated from operations amounted to **US$8,285,913**. Of this amount, a total of **US$4,770,423** was used for capital expenditure

5 Year Revenue **Review**



Chairman's **Statement**

Commentary

Directors' Responsibility

The Company's Directors are responsible for the preparation and fair presentation of the Group's financial statements, of which this press release represents an extract. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31).

As explained below, the Group has also restated 2018 financial statements to comply with International Accounting Standard (IAS) 21 (The Effects of Changes in Foreign Exchange Rates). The principal accounting policies of the Group are consistent with those applied in the previous financial year, except for the effects of adoption of IFRS 16. This is further defined within the Notes to the financial statements.

Functional Currency

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

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

Compliance With IFRSs

The financial statements are prepared with the objective of complying fully with the IFRSs. Complying with IFRSs achieves consistency with the financial reporting framework adopted by the Group since 2010. Using a globally recognized reporting framework also facilitates understandability and comparability with similar businesses and allows consistency in the interpretation of the financial statements.

Whilst full compliance with IFRSs has been possible in previous reporting periods, only partial compliance was achieved in 2018. In respect of International Financial Reporting Standards IAS 21 "The Effects of Changes in Foreign Exchange Rates" ("IAS 21") "if the primary economic environment in which an entity operates is normally the one in which it primarily generates and expends cash, an entity considers the following factors in determining its functional currency:

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

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

Crocodile **Operations**

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

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

Audit Statement

These condensed financial results should be read in conjunction with the complete set of consolidated financial statements for the year ended 31 December 2019, which have been audited by Ernst & Young Chartered Accountants (Zimbabwe).

The Auditors' independent report is modified for the consequential impact of the use of an exchange rate that does not meet the IFRS requirement for a spot rate. In all other respects the financial results are consistent with IFRSs. The auditor's independent report on the consolidated financial statements (from which these results were extracted) is available for inspection at the Company's registered office and is posted on the Company's website. (www.padenga.com).

Financial

Consolidated Results

The Group's FY19 performance was affected by evolving market conditions impacting on skin prices and increased costs inherent in meeting social license expectations and the implementation of measures to address enhanced skin quality expectations.

The Group recorded an operating profit before depreciation, amortization, impairment and fair valuation adjustments of US$7,035,533 (US$11,412,024 – FY18) from revenue of US$29,127,509 in the twelve months to December 2019.

Revenue for the prior period to December 2018 was US$37,321,141. Profit before tax was down by 22% compared to prior year, US$8,591,851 against US$11,075,943 for 2018.

Chairman's **Statement** (continued)

Financial (continued)

Consolidated Results (continued)

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

Crocodile Operation

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

Alligator Operation

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

Operations

Crocodile Operation

The Group committed significant resources towards producing the quality of skin desired by the principal customer. In the crocodile operation 47,752 animals were harvested which was 4% above budget. This number included skins in +40cm sizes that due to changing market dynamics were surplus to the customer's requirements and consequently have created the opportunity for the sale of Padenga skins into alternative markets. The quality grade of 81% Grade 1 skins achieved was below the 89% that was achieved in FY18.

Monthly harvest totals were low at the beginning of the year as the harvestable crop was retained to meet increased quality demands. Some animals in particular size ranges were in fact held over for harvesting in Q1 of FY20 to fulfil the customers' requirements. The scrutiny by customers at sales grading was intensified in an effort to try and identify those miniscule defects that could potentially only appear on the finished skin. These events were a consequence of evolving market dynamics and we have responded with the adoption of further strategies to meet customer expectations.

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

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

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

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

Chairman's Statement (continued)

Alligator Operation

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

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

Sustainability and Good Husbandry Practices

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

Efforts to commission the second phase (470kWp) of the solar plant are underway. The installation is awaiting ZERA inspection and then commissioning by ZETDC, which is anticipated to be finalised by the 31st March 2020. These installations form part of the initiative to offset 50% of the Farm's recurrent electricity cost, as well as providing a strategic alternative against prolonged and excessive load shedding. They also reinforce the Group's commitment to sustainability through the application of alternative and renewable energy solutions.

Management have developed a comprehensive Covid-19 strategic response plan that has been applied and includes the monitoring and continual screening of the health status of all staff. This is reinforced by extensive education on reducing exposure and practicing recommended routine disinfection and related activities. The Company's clinics have been stocked with supportive medicines and equipment appropriate to provide a high level of patient care and treatment.

Chairman's **Statement** (continued)

Sustainability and Good Husbandry Practices (continued)

Management staff are practicing self-isolation consistent with their responsibilities and skills transfers have been addressed to allow a continuation of operations with a reduced workforce under the national lockdown promulgated. The company Covid-19 response team meets on-line regularly to assess the changing epidemiology nationally and to adjust local policy as necessitated. Details of the company's communications distributed to employees in regard to safeguarding their health and wellness status and the steps being taken to achieve this have been posted on the Padenga website. (www.padenga.com). The stocks of feed, chemicals and other products critical to sustaining operations were increased before the national lockdown and are adequate to withstand a minimum three-month disruption in supplies. Operations are continuing under the designation of essential services and there has been no compromise thus far, nor is any anticipated.

Prospects

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

In the Alligator operation, the FY20 harvest crop continues to improve and targeted quality grades are achievable. The outbreak of the Corona Virus in December 2019 has led to depressed demand for watchband sized and low-grade skins which will continue into 2020.

The business has responded to these changes by targeting to only produce medium and large skins. We have reduced volumes and reduced stocking densities to achieve the quality grades demanded.

Knowledge gained in the research into double scale has led to changes in feed formulations and monthly monitoring of metabolic enzyme levels as pathology allows us to track physiological health enabling us to adjust mineral/vitamin levels to eliminate double scale going forward.

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

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

Dividend

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

Appreciation

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

T N Sibanda
Chairman
14 April 2020

Corporate Governance and **Management Approach**

Balancing the interests of all stakeholders continues to be a significant focus for Padenga. As such, Padenga continues to monitor and evaluate best practices critical for the sustainability and governance of the Company.

Our corporate governance values are ensuring that we observe principles and ethical practices guided by international best practices. Through adherence to these principles, the Board and management is able to carry out their responsibilities effectively, faithfully and in the best interests of the shareholders and stakeholders.

Approach To Governance

Our management philosophy is vested in the need to conduct the affairs of the Company with transparency, integrity, accountability and in accordance with generally accepted corporate practices in the best interests of our shareholders and stakeholders. This enables our shareholders and stakeholders to derive assurance that, in sustaining and adding value to Padenga's financial, relational and human capital investment, the Company is being managed ethically, according to prudently determined parameters and in compliance with best international parameters.

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.

We continue to monitor and align codes of practices and conduct to the National Code on Corporate Governance Zimbabwe (ZIMCODE) and the Zimbabwe Stock Exchange Listing Rules.

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.

Communication with Shareholders

We provide various platforms for our shareholders to communicate with the Board of Directors and senior management. These platforms include the Annual General Meeting, notices to shareholders, press announcements of quarterly, interim and year-end results, annual reporting to shareholders and exercise of shareholders' voting rights through proxy forms. Our website contains an array of operational, sustainability and financial information which can be easily accessed by shareholders and stakeholders.

Ethics and Declaration of Directors' Interests

Padenga believes that it is the responsibility of the Board and management to lead by following sound ethical business practises and values. Therefore, all Directors and management are required to declare interests which might be deemed in conflict with their contracts with the Company.

Professional and ethical standards are an integral part of how the Company conducts its business affairs. Padenga recognises that investor and stakeholder perceptions are based on the manner in which the Company, its Directors, management and staff conduct business. Padenga strives to achieve a high standard of integrity and business ethics at all times.

Board of Directors

Mr Sibanda was appointed Chairman of the Board, effective the 12 September 2018. Following the appointment of Mr Moyo to the Board effective 1 May 2019, the Board comprises three executive Directors and four independent non-executive Directors. The Board is made up of individuals with proven track records and a wide range of skills and experience which they employ for the benefit of the Company. The Directors are allocated responsibilities in Sub-Committees where they have strategic strengths. The Non-Executive Directors also provide crucial independence to the Company's strategic decision-making process and corporate governance practices.

Corporate Governance and **Management Approach** (continued)

Board of Directors (continued)

The primary responsibility of the Board is to discharge its fiduciary duty to the shareholders and the Company. The Board is the highest policy organ of the Company and also directs strategy. The Board meets quarterly to provide input and oversight to the strategic planning process and monitor operational performance. Padenga has adopted a number of practices to regulate the division of responsibilities between the Board and management. Namely:

- No more that 40% of the directors on the Board are executive Directors 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.

Audit and Risk Committee

Padenga has an Audit and Risk Committee, currently comprising of two independent Director and one executive Director that assists the Board in fulfilment of its duties. An independent non-executive Director chairs the Committee. The Committee deals with compliance, internal control and risk management. The Committee meets three times a year with the internal and external auditors to, inter alia, monitor the appropriateness of accounting policies, the effectiveness of systems of internal control and to consider the findings of the internal and external auditors. 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.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee comprises of two independent non-executive Director and one executive Director and its mandate has two primary responsibilities. It evaluates and sanction the appointment of, and remuneration packages for all Board Members, Executive Directors and senior management. In doing so, the Committee assembles the structure and strategy related to the terms of employment for employees, management and Board members, including compensation that aims to reward in a manner that seeks and retains talented individuals, and motivates employees to constantly seek to elevate and contribute to Padenga's success. The Committee is also responsible for orchestrating succession planning within the Company particularly that of Board members and senior management. Where necessary external remuneration advisors assist the committee in determining the appropriate remuneration levels and practices.

Share Dealings

Directors, management and staff are not permitted to deal directly or indirectly in shares of Padenga during:

- A closed period as defined by the Zimbabwe Stock Exchange Listing Requirements;
- Any period when they are aware of any negotiations which may affect the share price; and
- Any period when they are in possession of price sensitive information not within the public domain,

Professional Advice

Padenga's policy where justifiable, entitles Directors to seek independent professional advice at the Company's expense in the furtherance of their duties or the advancement of the Company's business objectives.

Remuneration of Directors

The Remuneration Committee determines the remuneration packages for the Executive Directors. These packages include a guaranteed salary as well as a performance related incentive, linked to the achievement of pre-set targets which takes into account the needs of the Company from time to time.

Padenga also operates the 2017 Padenga Limited Share Option Scheme, a long-term incentive scheme designed to retain employees in the medium to long term, to focus their attention on longer term strategic goals and ensure sustained growth of the Company.

Board of **Directors**

Thembinkosi Nkosana Sibanda

Non-Executive Chairman *(Appointed September 2018)*

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. Preceding his appointment as Non-Executive Chairman; Themba was a Non-Executive Director from November 2010

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. He served his articles of Clerkship with the then Coopers and Lybrand and qualified as a Chartered Accountant. 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 Master's 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).

Sternford Moyo

Non-Executive Director *(Appointed 1 May 2019)*

Qualifications: BL (Hons) and LLB (Distinction) Legal Practitioner, Conveyancer and Notary Public. Sternford Moyo graduated with a Batchelor of Law and a Batchelor of Laws degrees from the University of Zimbabwe. He joined Scanlen and Holderness in December 1981. He specializes in Mining, Corporate and Commercial Law. He is, among other positions held, a former President of the Law Society of Zimbabwe, former President of the SADC Lawyers Association, former Chairman of the African Regional Forum of the International Bar Association, former Chairperson of the Human Rights Institute of the International Bar Association and former Chairperson of Stanbic Bank Zimbabwe Limited. Currently, Sternford is Senior Partner of Scanlen & Holderness, Chairman of Schweppes Zimbabwe Limited and Director of PPC Zimbabwe Limited, WorselyParsons Zimbabwe (Pvt) Ltd and Alpha Media Holdings Limited. He is also a Trustee of the Johannesburg based Southern Africa Litigation Centre, Malilangwe Conservancy and the London based EyeWitness Trust.

Jerome Caraguel

Non-Executive Director *(Appointed 14 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.

OUR **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.

Sustainability **Development Report**

OUR **MISSION**

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

OUR **VISION**

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

ABOUT OUR REPORT

Padenga Holdings Limited, a company listed on the Zimbabwe Stock Exchange (ZSE), presents its annual report for the year ending 31 December 2019.

This report integrates both financial and non-financial information necessary to inform our stakeholders on the Company's performance including an overview of its social, environmental and economic impacts. 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 grade crocodilian skins to the global market.

Reporting Frameworks

In reporting non-financial information, Padenga is guided by:

- ISO 26000 *Guidance on Social Responsibility* guidelines
- Listing Requirements of the Zimbabwe Stock Exchange (ZSE)
- Global Reporting Initiatives (GRI) Standards
- The National Code of Corporate Governance in Zimbabwe
- Business Reporting on United Nations Sustainable Development Goals (SDGs)
- King IV Report

Report Boundaries

In defining the reporting boundaries, the 2019 Sustainability Report focuses on initiatives relating to the Zimbabwe operations which by nature of their size, location and production volumes, together with the associated sustainability perspectives relating to these, have warranted the primary focus by management in the period.

Padenga focuses on the economic, environmental and social aspects of any impacts resultant from its Zimbabwean operations and follows the guidelines set by ISO 26000 through the seven pillars of social responsibility:

- Organisational Governance
- Community Involvement and Development
- Human Rights
- Labour Practices
- The Environment
- Fair Operating Practices
- Consumer Issues.

Sustainability **Development Report** (continued)

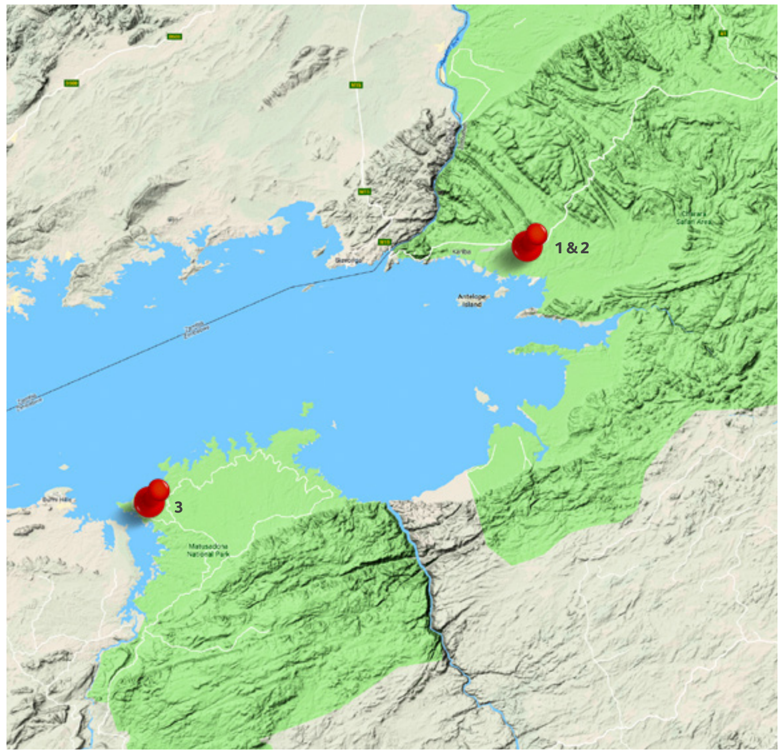
INTRODUCTION

Padenga is one of the world's leading suppliers of premium quality crocodilian skins and produces 51% of Zimbabwe's annual wet-salted crocodile skin exports. Through the Company's alligator farm operation in the southern USA, Padenga has continued to grow its business by producing premium quality alligator skins. In addition, Padenga's Zimbabwean operation produces crocodile meat from its export approved abattoir for sale to European markets.

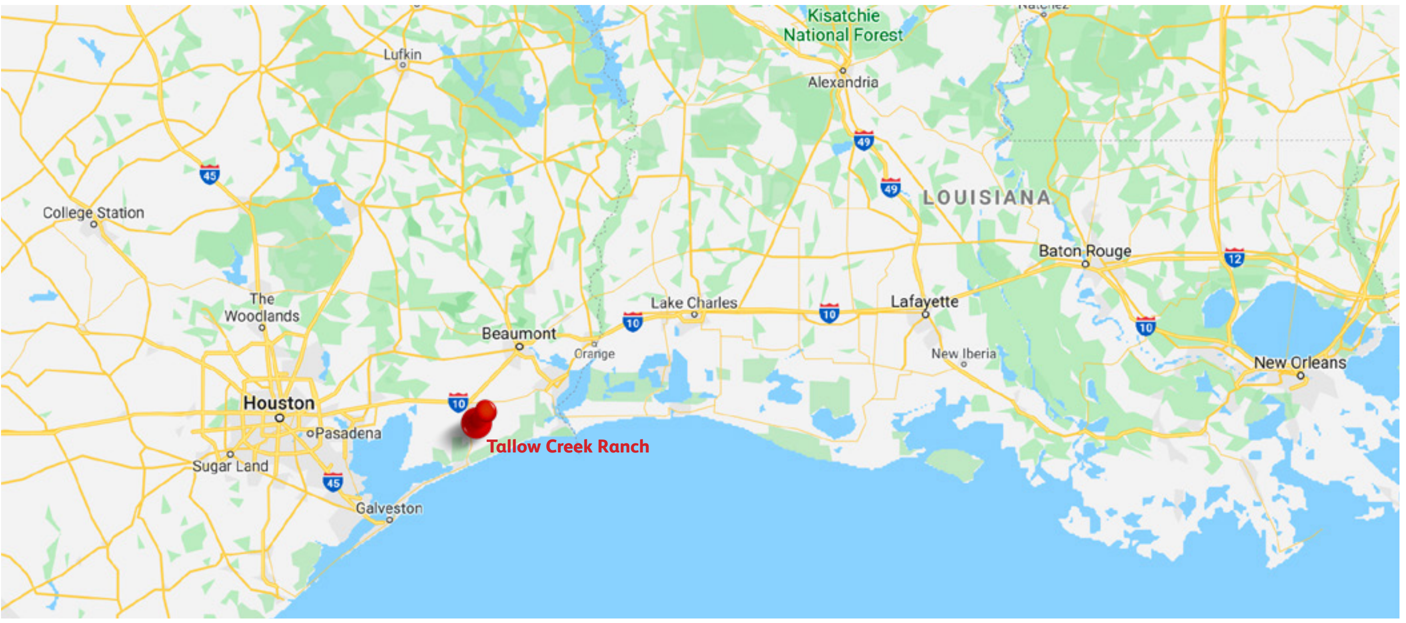
The Company currently operates three crocodile farms in Zimbabwe, as well as an alligator farm in Texas, USA. The three Zimbabwean farms are located on the shores of Lake Kariba and the American farm is situated some 34 km north of the Gulf of Mexico.

ZIMBABWE OPERATION

Padenga's Zimbabwean operation consists of three Nile crocodile ***(Crocodylus niloticus)*** farms which are all located on the shores of Lake Kariba, approximately 340 km northwest of the capital Harare. All farms operate as standalone business units and are managed as independent cost centres. The abattoir at the Kariba Crocodile Farm is also an independent cost/profit centre. The three Zimbabwean farms are almost identical in size, structure, stock numbers, staffing levels and operate to consistent management systems.



Location of Padenga's Crocodile Farms on Lake Kariba, Zimbabwe. ***1. Kariba Crocodile Farm, 2. Nyanyana Crocodile Farm, 3. Ume Crocodile Farm***



Location of Padenga's Alligator Farm, Tallow Creek Ranch in Texas, USA

Sustainability **Development Report** (continued)

Kariba Crocodile Farm

Kariba Crocodile Farm (KCF), established in 1965, is the oldest of the three farms and operates as the mother farm. It houses the company's main support facilities as well as Padenga's abattoir. The farm is situated on land leased from the Zimbabwe Parks & Wildlife Management Authority (ZPWMA). The farm employs approximately 98 employees in permanent roles, and has the capacity to deliver up to 15,300 skins on an annual basis.

Nyanyana Crocodile Farm

Nyanyana Crocodile Farm (NCF), contiguous with KCF, and also situated on land leased from ZPWMA, is the youngest of Padenga's farming operations in Zimbabwe. The construction of the farm started in 2005 and the infrastructure has been refined against knowledge gained over many years. NCF employs 87 staff members in permanent roles, and also has the capacity to deliver up to 15,300 skins on an annual basis. This farm carries the responsibility for the incubation of all the domestic and wild eggs collected each year. The recently constructed incubators use state of the art climate control software to ensure that optimal conditions are maintained throughout the incubation process.

Ume Crocodile Farm

Ume Crocodile Farm (UCF) is located 65km from KCF and NCF on the Ume River and is the second oldest of the farms, having been established in 1973. UCF is located on land leased from the Nyaminyami Rural District Council. Due to its remote location, the farm is off the national electricity grid which has resulted in Padenga installing a 252 kWp solar energy plant at the farm. The remote location has its advantages such as availability of land, close access to labour, close proximity to egg collection areas and access to abundant water. Bio-security and the consequent reduction in disease risk are further advantages. The disadvantages largely relate to the remoteness of the location and the extended logistical chain necessitated to deliver inputs to the operation. In terms of employee numbers UCF is the largest of the farms with 143 staff engaged in permanent roles. The farm currently has the capacity to deliver 15,300 skins, and houses a greater portion of Padenga's domestic breeder stock.

US OPERATION: TALLOW CREEK RANCH

Tallow Creek Ranch (TCR) in Texas, USA was started as an alligator ***(Alligator mississippiensis)*** farming operation in 2010 as a small family run farm consisting of one barn containing 40 production pens. The farm is the only alligator production facility in Texas and is located approximately 110km east of Houston, and 80km from the Louisiana State Line.

Following extensive research by Padenga's executives into global expansion options, Tallow Creek Ranch was identified as an opportunity for diversification into production of an alternative crocodilian species. Padenga purchased a shareholding in the business in 2012, which at that point in time produced approximately 3,000 alligator skins per year. In the period since acquisition, the business has grown substantially and since January 2017 has the production capacity to deliver up to 60,000 skins per annum.

The farm employs a small permanent workforce of 15 employees, which includes 4 management and administrative members of staff. Depending on the operational requirements the Company engages a further 10 additional short-term contract workers.

In 2013 the Company purchased land and initiated the development of a breeder facility – this entity encompasses 68 hectares of reconstituted marsh land which accommodates 1,206 alligators at or approaching reproductive maturity. The facility was largely stocked with ex-production alligators which are growing out towards full maturity. Supplementation of the existing stock with mature "nuisance animals" is occurring and at full productivity the facility will produce up to 16,000 domestic hatchlings per annum at a cost markedly below the price of purchased in stock. Still in its embryonic stages, the facility yielded 328 hatchlings in 2019, more than double the number of hatchlings yielded in 2018. This is the only breeder facility of its type in the USA and represents a key Research & Development focus area for TCR.

During 2019, TCR reduced the number of hatchlings and yearlings purchased from hatchling suppliers in Texas and Louisiana. The farm purchased 7,539 hatchlings (12,999 in 2018), and 5,007 yearlings (10,190 in 2018).

The operation produced a total of 31,164 skins in 2019 but the quality of these was impacted by Double Scale caused by feed micronutrient deficiencies. This was the subject of an intensive Research initiative involving consultant staff and analyses by local and international Universities to determine a cause and to develop a mitigatory strategy which has since been implemented.

The trade in alligator skins is governed by the Convention on International Trade in Endangered Species (CITES) which is regulated in Texas by the Texas Parks and Wildlife Department.

Sustainability **Development Report** (continued)

FACTS ON PADENGA HOLDINGS LIMITED

	Zimbabwe Nile Crocodile *Crocodylus niloticus*	USA Alligator *Alligator mississippiensis*	TOTAL for Padenga	Year on Change: 2018 - 2019
Number of skins produced	47,752	31,164	78,916	**+41%**
Quantity of crocodile meat produced	268,464 kg	—	268,464 kg	**+13%**
Quantity of crocodile meat exported	168,235kg	—	168,235 kg	**+34%**
% eggs from wild sources	28%	—	28%	**-4%**
% eggs from domestic stock	72%	—	72%	**+4%**
Hatchlings purchased	—	7,867	7,867	**-39%**
Yearlings purchased	—	5,007	5,007	**-51%**

KEY OBJECTIVES

In 2019 the following key objectives were integral in developing Padenga's sustainable development strategy:

- Continuing to produce top quality skins for premium luxury brands
- Continuing to produce top quality, export compliant crocodile meat
- Full implementation of systems, processes and procedures consistent with current social license expectations
- Attainment of International Crocodilian Farmer's Association (ICFA) certification status for the three Zimbabwean Farms
- Continuing to maintain Padenga's standing with international and local regulatory authorities:
  - CITES
  - Zimbabwe Parks & Wildlife Management Authority (ZPWMA)
  - The Crocodile Farmers Association of Zimbabwe (CFAZ)
- Continuing to satisfy the expectations of international customers and end consumers
- Further increasing the percentage of domestic crocodile eggs produced
- Improving Padenga's operational capacities through the implementation and commissioning of strategic projects and initiatives
- Further reducing carbon emissions by lowering the consumption of fossil fuels
- Further reducing the level of phosphates in the pen discharge water
- Increasing Padenga's engagement with its key stakeholders
- Increasing Padenga's reliance on clean renewable energy
- Extending Padenga's Community Social Investment (CSI) within its local community

KEY SUSTAINABILITY SUCCESSES

ZimTrade Exporter of the Year 2018

- In October 2019, Padenga was awarded this prestigious award for the 2018 year.

65% of Padenga's permanent staff have worked for the Company for more than 10 years

Drought Relief

- Padenga spent USD 25,669 within the Mola community on community initiatives related to the drought Zimbabwe experienced during 2019.

First PHL scholarship pupil attends university

- In 2019 one of the first students ever awarded a Padenga scholarship in primary school was accepted into university with the Company continuing to sponsor her tertiary education.

Sustainability **Development Report** (continued)

KEY SUSTAINABILITY SUCCESSES (continued)

PHL Laboratory

- In 2019 Padenga completed the construction of a state of the art viral and pathology laboratory.
- The facility provides an on the ground veterinary support and diagnostic function and the ability to carry out sample analysis pertaining to animal health and welfare assessment.
- Working together with partner facilities in Europe, the PHL Laboratory is able to carry out micro-organism identification and disease mitigation.

Enhancement of the water delivery infrastructure

- Padenga used the opportunity afforded by the exceptionally low water levels in Lake Kariba during 2019, to relay the previous above-ground water delivery pipelines with fully buried High Density Polyethylene (HDPE)/Polyvinyl Chloride (PVC) pipelines.
- This action has enhanced the Company's water delivery capabilities by 20% as well as mitigated the ongoing and expensive maintenance issues associated with the sub-surface underwater pipelines.

Effluent Treatment Plant

- The design phase was completed during 2019, pending final review and sign off by the Board in early 2020.
- The plant will adequately treat waste water and have the option to recycle up to 80% of Padenga's daily water usage.
- Due to the current economic climate and operational sensitivities, the plant will be constructed in phases over several years.

Traceability implementation

- Padenga has taken significant steps towards completing stock RFID chipping to allow for individual animal management rather than pen management and to facilitate full traceability of skin and meat from pen to product.

Phase 1 of Padenga's solar power project has been commissioned

- Phase 1 of the 1.2MW solar power project was commissioned in May 2019, allowing Padenga to begin to offset its power consumption through the grid tied system. Phases 2 and 3 are due to be commissioned during 2020.

Lowest coal usage in 5 years

- Through the implementation of more sustainable processes, Padenga achieved a further % reduction in coal usage over the quantity used in 2018, bringing the total coal usage figure to the lowest level in five years.

KEY SUSTAINABILITY IMPACTS

Impact:	Disease challenges and disease control remain a major focus for the Company.
Mitigation:	Fresh water continued to be pumped 24 hours a day at all farms during 2019. The environmental consequence of this action is mitigated through the use of solar energy. In addition, Padenga's newly constructed laboratory will allow the Company to carry out disease surveillance sample analysis on site.

Impact:	The effluent discharge from the farms
Mitigation:	The Company is aware of this ongoing challenge and has responded to the impact by commissioning a specially designed effluent treatment plant which will be able to treat waste water adequately and have the option to recycle up to 80% of the Company's daily water usage.

Impact:	General Human-Wildlife Conflict in the vicinity of the farms
Mitigation:	Broader stakeholder engagement and application of conservation activities through Padenga's Community Social Investment Plan (CSIP).

Sustainability **Development Report** (continued)

OUR APPROACH

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER, GARY SHARP

Welcome to Padenga's 2019 Sustainability Report.

Throughout the year Padenga continued its commitment towards implementing sustainable business practices throughout the Company.

Exciting new initiatives were progressed. The PHL Laboratory, a small, but state of the art pathology laboratory was completed and is now fully operational. It is equipped to perform molecular diagnostic testing with a focus on disease mitigation and control and tests relevant to animal health and welfare assessment. As reported last year, the necessity for a long-term waste water treatment system had been identified. I am pleased to report that the design phase for a bespoke effluent treatment plant was completed in 2019 and will move into the first stage of the construction process in 2020. This will adequately treat the Zimbabwean farms' waste water and will have the option to recycle up to 80% of Padenga's daily water usage. With extremely low Lake Kariba water levels pertaining during 2019, Padenga used the opportunity to relay the main water supply pipelines that were previously submerged and replace them with new fully buried High Density Polyethylene (HDPE)/ Polyvinyl Chloride (PVC) pipelines with welded joints eliminating flanges which frequently ruptured. This action enhanced the Company's water delivery capacity by 20% as well as mitigated the expensive and logistically challenging maintenance issues associated with underwater surface laid pipelines. 2019 also saw Phase 1 of Padenga's 1.2 MW solar array on Nyanyana Crocodile Farm being commissioned and connected into the Zimbabwe Electrictity Transmission & Distribution Company (ZETDC) grid.

In 2019, Padenga continued to care for both its staff and the local community, especially considering the particularly severe drought experienced in the area. The Company invested over USD 25,000 in a Food-for-Work initiative for the local Mola community in which staple food items were provided in compensation for moulding bricks for classrooms, digging pit latrines and repairing roads and bridges. 2019 was a significant year for Padenga's permanent staff with 65% of the staff complement having worked for the Company for more than 10 years – a reflection of a positive and strong working environment. We are very proud to report the acceptance of one of our first students supported with schooling scholarship grants into university and Padenga wll continue with 100% funding during her tertiary education.

As I mentioned in my overview last year, Padenga places high value on industry best practice and being compliant with international and national legislation as well as industry specific welfare standards. This includes audits from independent third parties. The Company has therefore continued to make significant investment across all its business units to implement the changes necessary to achieve these compliance standards. During 2019 Bureau Veritas (UK) audited Padenga Zimbabwe on behalf of a stakeholder and the operation was deemed to comply with social license expectations

Padenga is one of the founder members of the International Crocodilian Farmer's Association (ICFA), being a grouping of 12 producer members that has jointly participated in the development of Good Operating Practices governing the production of crocodilians. From these a set of standards has been developed covering all aspects of production including husbandry, animal welfare, best practice, environment, sustainability and social considerations. The Association has appointed a third party independent entity to develop an audit and certification scheme which members have committed themselves to in order to demonstrate full commitment to and compliance with the norms expected of first world livestock production systems. The standards adopted for crocodilian production have been based on evidence based outcomes and follow the latest approach towards assessing animal welfare, good husbandry and compliance with ethical production systems. The audit inspections to establish Padenga Zimbabwe's compliance to the certification standards will occur in early 2020.

Padenga is committed to making its operations more sustainable and has plans in 2020 to commission an incinerator which will improve the Company's waste management; to commission Phases 2 & 3 of the solar farms and to launch the Padenga Trust which was originally scheduled for 2019.

And finally, the year ended on a positive note with Padenga being awarded the prestigious *ZimTrade Exporter of the Year Award* for 2018.

Gary Sharp
Chief Executive Officer

Sustainability **Development Report** (continued)

ORGANISATIONAL GOVERNANCE

Padenga is committed to a Code of Corporate Practices and Conduct based on the principles laid down in the King IV Report and National Code on Corporate Governance Zimbabwe.

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 other 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. The Company recognises that it has to manage the various capitals of its business in a sustainable manner. Padenga considers natural, human, intellectual, financial, manufacturing and social relations as capital input into its business model.

Ingrained in the Company's culture is the perspective that in order to be successful its operations must comply with Padenga's best practice guidelines. These are set out in written policies and manuals that are mandatory and part of the institutional framework, guided and overseen by the Company's executive management team and implemented by its operational management structures.

Stakeholder Management

Stakeholder engagement assists in the efficient creation of a better operational environment, with engagements and consultation processes which enhance Padenga's operations. The Company values being recognised by stakeholders as a trustworthy and respected partner within the crocodilian industry and within its sphere of influence. Stakeholder engagement is an integral part of long-term value creation and sustainability by Padenga. With that objective in mind, constant dialogue with and feedback from its stakeholders regarding its activities is important in terms of building a constructive relationship going forward.

Stakeholder Engagement Plan

During 2019 Padenga continued the implementation of a Stakeholder Engagement Plan (SEP) through which stakeholder engagement was mainstreamed into all operational departments and units. Perception surveys were conducted which ascertained stakeholder perspectives of the operation. These surveys established that the stakeholders and local communities engaged valued the developmental partnerships they have with Padenga and expressed their desire for Padenga to expand the geographical influence of its operations. The Nyaminyami Rural District Council (NRDC), being the local rural district council that Padenga primarily operates within, regarded Padenga as: the primary revenue source for families within the communities under its jurisdiction; as a compliant operator; a responsive corporate together with being a critical contributor towards wildlife conservation and the enhancement of local livelihoods, through its Community Social Investment initiatives (CSI).

The different stakeholder groupings surveyed and how the primary engagement with them occurs is detailed in the table below. This also shows how stakeholder needs are identified and stakeholder management is undertaken by Padenga.

Sustainability **Development Report** (continued)

ORGANISATIONAL GOVERNANCE (continued)

Stakeholder Engagement Plan

Stakeholder	Primary Engagement	Identified Factors	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 • Collective Bargaining • Equal opportunity • Fair treatment • Engagement and inclusion • Regular communication	• Padenga invests in developing its 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 • Sensitive and responsive to staff welfare needs • Supporting programs like social soccer for staff
Customers	• Market research • Customer satisfaction initiatives • Customer specific audits • Website • Company brochure	• Upholding customer charter • Customer engagement • Safe quality products • Products produced in a sustainable manner • Sustainability reports • Bureau Veritas Audit	• The Company upholds the rights of its customers in line with its customer charters ensuring that Padenga delivers premium quality products as per their requirements. • Rigorous quality checks on its products • Regular engagements with key customers • Implementing sustainable development programs in our operations • Education and awareness of company policies and proceedures • Customer support, complaint and dispute resolution • Audits carried out to confirm that skins sourced by Padenga's customers were responsibly produced as well as in compliance with Best Practice in respect of animal husbandry practices, animal welfare, biosecurity, facility security, meat processing, employee social conditions, worker safety, staff training and environmental conditions.

Sustainability **Development Report** (continued)

ORGANISATIONAL GOVERNANCE (continued)

Stakeholder Engagement Plan

Stakeholder	Primary Engagement	Identified Factors	Stakeholder Management
Investors	• Comprehensive annual report compliant with ZSE regulations • 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	• Padenga commits to providing a balanced review of its performances and prospects in its communications with investors. • Improve profitability and returns year on year. • Improve governance oversight by the board. • Reports on its non-financials through its sustainability report by focusing on its social, environmental and economic impacts.
Industry, Government and Regulators	• Continuous dialogue with government ministries and representatives • Holding meetings, policy trend analyses and industry forums • Attending industry meetings • Regulatory compliance management	• Stability and growth of the export sector • Animal welfare • Responsible business practices • Alignment of Company's strategy to meet national priorities • Fair competition	• The Company is committed to meet the economic, social and environmental obligations in line with the country's development strategy. • Padenga facilitates scheduled and ad hoc regulatory compliance visits by Government veterinary inspectors as well as monthly inspections by public health officers. • The Company has applied to be independently evaluated in early 2020 to demonstrate its fulfilment of the certification requirements set by the ICFA.
Community	• Local community engagement, media, social events and sponsorship • High degree of participation by local community • Providing health support for its community • Providing educational support for its community	• Responsible business practices • Community development • Community empowerment • Employment, security and stability • Environmental protection	• Padenga engages with local communities to support economic activity providing opportunities and facilitating their socio-economic wellbeing. • The Company uses the UN's Sustainable Development Goals (SDGs) as guidelines.
Suppliers and service providers	• Regular meetings, written communications • Transparent bidding process • Relationship building	• Timely payments • Business growth • Responsible business practices • Strategic partnerships • Transparency in procurement process • Open communication	• Regular reviews of supplier reports. • We recognize excellence in service by our suppliers and look to support their growth through mutually rewarding partnerships.

Sustainability **Development Report** (continued)

MANAGEMENT OF SOCIAL IMPACTS

As reported initially in the 2018 sustainability report, Padenga progressed the formulation of mitigation measures for any negative social impacts and enhancement of any positive impacts resulting from the Company's operations. On the advice of a consultant sociologist the Company sought to implement the following key tools to better manage its social impacts:

- Community Social Investment Plan (CSIP);
- Stakeholder Engagement Plan (SEP) and
- Establishment of the Padenga Community Trust.

This process was progressed further during 2019 and the following table highlights the milestones achieved by Padenga in terms of managing its social impacts:

Update on the Management of Social Impacts

Impact/Risk	Risk Indicators	Risk Rating	Existing Management Measures	Identified Opportunities	Update on Management Measures
The social impacts of Padenga's operations	• Stakeholder issues and concerns • Increased expectations for CSI and employment	• High	• Focus on Chief Mola's area for CSI, staff recruitment and stakeholder engagement • Resourcing and management of Social Responsibility programmes a sectional responsibility of Human Resources Department	• Expansion of beneficiary communities for CSI beyond Chief Mola's communities • Use of development partners in the planning of and implementation of CSIP and stakeholder engagement • Creation of office responsible for Social Performance • Creation of Padenga Trust for resource mobilisation and funding of CSIP	• Establishment of Padenga Trust and CSIP • Establishment of Community Complaints and Grievance Handling Mechanism to proactively monitor risks and prevent or provide mitigation strategies before they escalate • Establishment of Stakeholder Engagement Plan (SEP) to promote enduring healthy relationships with stakeholders. More Chiefs engaged with view towards expansion of beneficiary communities for CSI • Recommended establishment of Social Performance office, accountable to Padenga Board and working with autonomous Padenga Trust on stakeholder engagement, monitoring and management of social impacts • Stakeholder perception survey undertaken • Partnership assessment undertaken to determine feasibility of strategically working with development partners in implementing CSIP
Community Social Investments	• Creation of social inequalities between communities • Rising expectations • Displacement of roles of local and central government responsibilities in social service provision	• Moderate to High (Padenga the main provider of community social investment in the Nyaminyami Rural District Council (NRDC)	• CSIP and management of social impacts responsibility of Human Resources Department. Focus on Chief Mola's area for CSI, staff recruitment and stakeholder	• Division of labour and specialisation of tasks for improved performance. • Expansion of beneficiary communities to those outside zones of Padenga operations within NRDC. • Resource mobilisation and strategic planning for CSIP implementation	• Establishment of SEP and CSIP • Recommended establishment of Social Performance office • Establishment of Padenga Trust • Establishment of Grievance procedures for stakeholders
Human-wildlife conflict	Disconnect between community realities and Padenga objective of wildlife conservation through providing sustainable solutions to mitigate human-/wildlife conflict	• Moderate	• Padenga conservation and education activities restricted Chief Mola's area	• Geographical expansion of Padenga CSIP and community conservation activities, use of strategic partnerships to implement conservation activities.	• Provision of sustainable solutions to mitigate human-wildlife conflict in Padenga Trust Strategy 2019 – 2021 • Strategic partnerships for nature conservation activities identified
Human rights implications of operations	Stakeholder/Customer issues and complaints	• Moderate	• Compliance with all relevant local legislation and standards, including those on human rights	• Human Rights Due Diligence (HRDD)	• HRDD processes initiated
Poor local social and economic conditions	High expectations from beneficiaries	• Moderate	• CSR for food security, health, education, public transport, etc.	• Commitments to fund CSIP	• Establishment of Padenga Trust • CSIP • Stakeholder engagement

Sustainability **Development Report** (continued)

COMMUNITY INVOLVEMENT AND DEVELOPMENT

Overview
Padenga views community involvement and development as being of significant value to its operations. The Company's focus is on creating sustainable partnerships with communities in ways that bring long-term benefits and lead to community empowerment and economic independence. The Company supports those communities within which it operates as part of its commitment to good corporate citizenship.

Community Involvement
As highlighted below, Padenga is very committed to its Community Involvement and Development Program in the areas around the three crocodile farms. The Company had anticipated establishing the Padenga Trust during 2019, a vehicle through which resources would be mobilised and CSI effected. However, due to unexpected challenges, the launch of the Trust was postponed but is still being actively pursued. In addition, recommendations have been proposed for the establishment of a social performance office that engages stakeholders, monitors social impacts and risks, and implements redress mechanisms for identified social impacts that will allow Padenga to be more responsive to community issues and to be able to cover a larger footprint for its CSI initiatives. To assist with its community improvement and development efforts, Padenga has identified key strategic partners who can contribute to the Company's stakeholder engagement and the effective implementation of CSI.

Education and Culture
Padenga supports educational development in the region through partnerships with both government and non-government organisations, and through facilitating an on-going program of educational infrastructure rehabilitation as well as the development of new school facilities where appropriate.

Since 2015, Padenga has supported the local community through various educational projects. This includes a special partnership with the US based organisation, Zambezi Schoolbook Project, which promotes the establishment of libraries in rural schools through the donation of school and reference books.

In 2019 Padenga participated in the following initiatives:
- The Company continued its annual sponsorship of 50 disadvantaged school children through the provision of scholarships to meet educational fees. Through this initiative, 22 girls and 28 boys were financed of which 74% were in high school and 26% in primary school. The scholarships cover all educational costs for designated students annually.
- In 2019 one of the first students to receive a Padenga scholarship award annually was accepted into university. The Company continues to meet the costs of her tertiary education.
- Donation of USD 5,138 worth of sanitary towels was made to school girls within disadvantaged rural communities.
- The Company equipped district youths with developmental skills by providing them with vocational training and offering them employment as skilled labour.
- Padenga continued its support for the Zambezi Schoolbook Project through which local schools were provided with solar reading lights. A further 5 solar panel systems were donated by the Rotary Club of Harare West to Padenga to install in selected schools in the rural communities around Ume Crocodile Farm. This was completed in 2019 and complemented the 1,900 solar reading lamps distributed to schools in 2015 and 2018.
- Donation of playground equipment and replacement of the school building roof at Gache-Gache Pre- and Primary Schools.

Sustainability **Development Report** (continued)

COMMUNITY INVOLVEMENT AND DEVELOPMENT (continued)

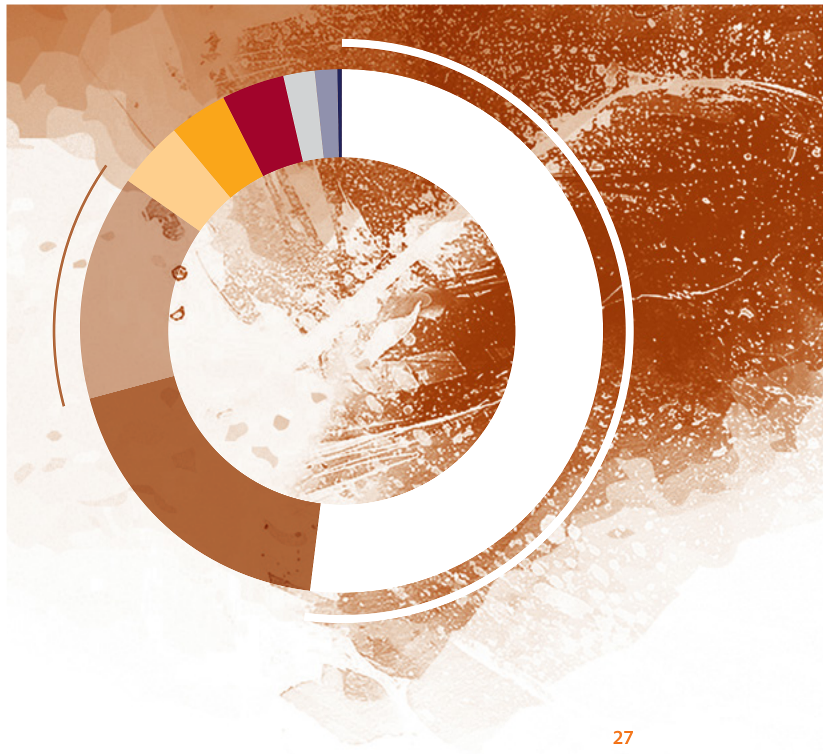
Employment Creation and Skills Development
Padenga contributes significantly to local communities through employment creation. The Company deliberately prioritises the recruitment of local people when opportunities arise. In 2019, nearly 60% of the permanent staff and 35% of the contract staff employed by Padenga, were from the remote rural Mola community. This employment creation is estimated to support in excess of 3,000 immediate and extended family members and plays a significant role in creating disposable income within the area. The Company is considering recruiting from further afield to extend the benefits resultant from its employment opportunities. Padenga is also considering facilitating the creation of downstream industries leading to community empowerment.

Wealth and Income Creation
Ume farm is located 65km away from the Kariba and Nyanyana Crocodile Farms along the southern shore of Lake Kariba. Due to its remote location, staff have limited access to grocery shopping facilities and are therefore allowed to operate small shops (tuck shops) and generate third party incomes for their families. Padenga facilitates transport across the lake for these vendors to procure goods in Kariba Town and to return purchased items back to Ume for resale. Staff dependents are also engaged in fishing activities in the Lake, reselling their catches to fish traders. Other inclusive business opportunities for staff and local communities are being investigated.

Apart from uplifting rural communities and funding conservation activities by the Zimbabwe Parks & Wildlife Management Authority (ZPWMA), the Zimbabwean crocodile industry makes a significant financial contribution to the national economy through the payment of permit fees, local rates and taxes and long term lease fees for the land on which the farms are situated. Padenga's total payments to the Zimbabwean Government and Local Authorities for 2019 was USD 3,539,866. The key contributions to the fiscal revenue in 2019 were through the payment of corporate tax (52%), duty payments (19%) and the 2% fee levied against invoice value for the issuance of CITES export permits (14%). The Cites permit validates that the export of skins and meat is legitimate and that these products were produced in a manner that is lawful and in accordance with sustainability and best practice norms. ZPWMA receives additional payments for breeders' licences, land tenure leases as well as fees for the collection of wild eggs within the National Parks' estate. The Nyaminyami Rural District Council, within which Padenga operates, receives lease fees for NRDC owned land, plus levies for the wild eggs collected on communal land under its authority.

BREAKDOWN OF PADENGA'S 2019 PAYMENTS TO GOVERNMENT AND LOCAL AUTHORITIES (USD)

52%	Corporate Tax
19%	Duty Payments
14%	CITES Export Permits
4%	Lease Fees
3.8%	Withholding Tax
3.7%	IMTT Tax
2%	Wild Egg Collection
1.5%	VAT Payments
0.03%	Breeders Licence



Sustainability **Development Report** (continued)

COMMUNITY INVOLVEMENT AND DEVELOPMENT (continued)

Health

The prevalent health and wellness challenges within Padenga's areas of operations continue to be HIV/AIDS, malaria, bilharzia/schistosomiasis and a range of other pathologies that have a low incidence 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 primary healthcare services to rural communities. Consequently, the two Padenga clinics operated by the Company in conjunction with Providence Human Capital have become important institutions in providing primary healthcare to employees, their dependents and to members of the extended community. Injuries at work were mainly from crocodile bites, slips and falls.

Patient attendance at the Padenga Clinics in 2019

Clinic	Injuries at work	No of Employees Treated	No of Dependents Treated	No of Community Patients Treated	Total No of Patients Treated
Padenga Clinic at Ume Crocodile Farm	48 (2%)	1,453 (49%)	1,314 (44%)	155 (5%)	2,970 (100%)
Padenga Clinic at Kariba Crocodile Farm	61 (1%)	3,080 (65%)	1,483 (31%)	123 (3%)	4,747 (100%)

Advantages conferred by attending Padenga's two clinics:

- Both clinics are run by qualified nurses with a doctor attending regularly;
- Padenga funds treatment and medication expenses for all employees, their dependents and government employees based in the Company's area of operations;
- The Company runs Primary Health Care Education Programs and provides training of peer educators & First Aiders.

In addition, Padenga intends to rehabilitate the Mola Clinic during 2020.

The total number of patients attended to at both clinics reflected a steady increase between 2016 and 2018, but decreased by 7% during 2019.

	2016	2017	2018	2019	Change: 2016 - 2019
Employees treated	3 593	4 203	4 600	4 642	+29%
Other patients treated	2 929	3 094	3 728	3 075	+5%
TOTAL	**6 522**	**7 297**	**8 328**	**7 717**	**+18%**
		+ 12%	+ 14%	- 7%	

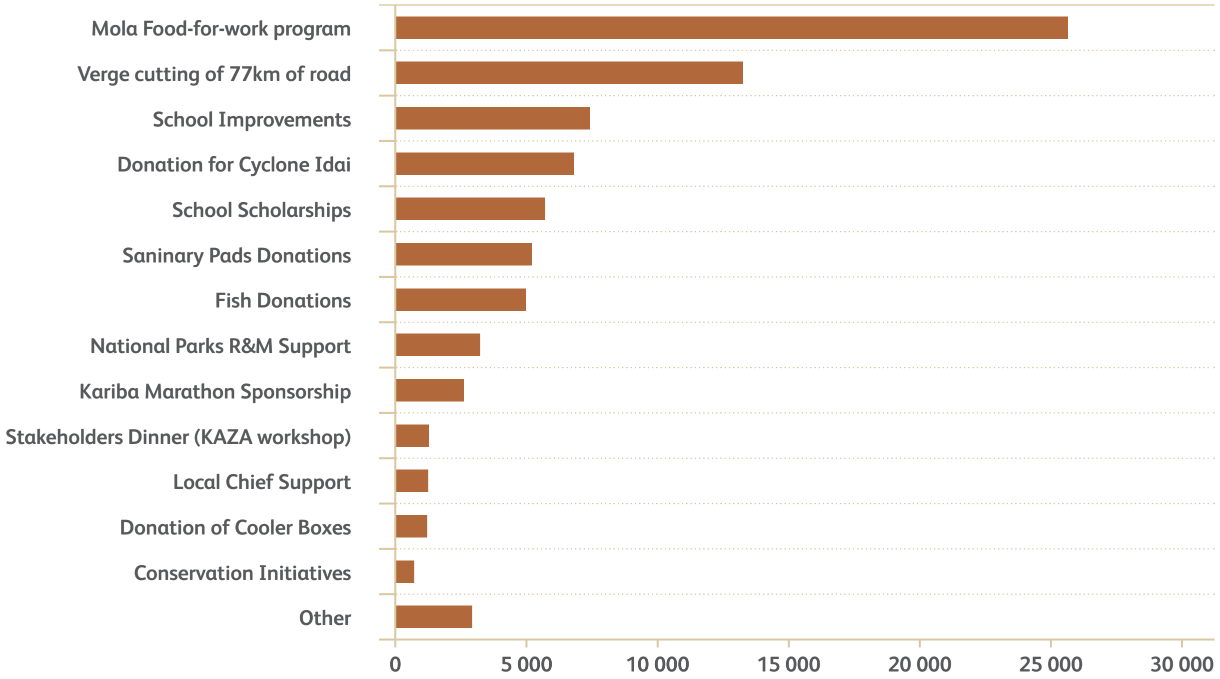
Sustainability **Development Report** (continued)

COMMUNITY INVOLVEMENT AND DEVELOPMENT (continued)

Social Investment

Padenga demonstrated its continued commitment to social investment in 2019 by spending a total of USD 81,523 on the various social investment initiatives highlighted in the graph below. This was an increase in investment compared to the USD 79,531 spent in 2017 and USD 76,839 in 2016, however, a decrease against the total of USD 106,424 spent in 2018.

Community Social Investment 2019 (US$)



Since 2015, Padenga has supported local communities through various projects and initiatives. In 2019 the social initiatives funded included the following:

- Padenga's most significant project during 2019 was within the Mola Community where the Company started an initiative in response to the widespread and devastating drought experienced in the area. The local community under Chief Mola's direction, moulded over 125,000 bricks, dug pit latrines for schools and patched and repaired roads and bridges in fulfilment of food-for-work obligations funded by Padenga;
- Rolled maize and cooking oil were donated to victims of Cyclone Idai which hit the Chimanimani area in eastern Zimbabwe in February 2019;
- The roadside grass verges along the 77km tarred road from Makuti to Kariba were cut twice to a width of 6m to enhance visibility and increase road safety for travellers along this narrow and winding road;
- Free boat transport between Kariba and Mola Communal Areas was provided to members of the Mola community;
- Fuel allowance provided to rural Chiefs for administrative and cultural activities within their areas of authority;
- Sponsorship of community events during local National Holiday celebrations;
- Kariba Mayor's cheer fund which benefits disadvantaged households was once again supported;
- Part sponsorship of the Kariba Marathon;
- Sponsorship of Padenga athletes who participated in the Kariba marathon;
- Supporting Divisional Social Football and Netball Teams;
- Participating in the monthly National Environment Cleaning Day launched by President Mnangagwa in December 2018. On the first Friday of each month Padenga dedicates staff for 2 hours to cleaning up the local community environs.

Sustainability **Development Report** (continued)

HUMAN RIGHTS

Overview
Human rights are inherent, inalienable and universal entitlements for every human that are interrelated, interdependent and indivisible and guaranteed by law. The primacy of respect for fundamental human rights is a key component of organisational sustainability. Companies should "know and show" that they respect human rights.

Principles
Padenga strives to fulfil the human rights expectations of its stakeholders, customers and the crocodilian industry as a whole. The Company continues to comply with defined human rights regulations in accordance with the Constitution of Zimbabwe as well as applicable international standards and legislation.

Through values enshrined in various corporate policies including Padenga's Human Resources Manual, Padenga acknowledges the necessity for a commitment to avoiding violations of rights in respect of:
- freedom of association and the right to collective bargaining;
- the elimination of compulsory labour;
- the abolition of child labour; and
- the elimination of discrimination in respect of employment and occupation.

Padenga strives to make positive contributions to the promotion and realisation of the following rights for its staff and all stakeholders in relation to:
- Health (and safety) rights;
- Freedom from child labour and forced employment;
- The right to human dignity (in the workplace);
- Protection from inequality and discrimination;
- The right to health;
- The right to privacy;
- The right to food;
- A clean work environment that is not harmful to health
- The right to education; and
- The right to safe, clean and potable water.

Through CSI initiatives involving technical, logistical and material contributions Padenga has continuously promoted the advancement of human rights within the local communities.

Non-Discrimination and Concern for Vulnerable Groups
Padenga's provision of Community Social Investment (CSI) services is neither discriminatory nor intended to promote any political orientation. Vulnerable groups including youths, women, children, disabled and households facing nutritional deficiencies are incorporated within its social programs.

Padenga policies are compliant with national legislation prohibiting discrimination. Padenga's General Human Resources Policy Statement is explicit in that "no employee shall be discriminated against on the basis of their race, colour, creed, sex, age, tribe, place of origin or political opinion." Rational recruitment per company policies is however premised on "analysis of the requirements of the jobs and analysis of the qualities of applicants". Gender considerations are incorporated in various policies providing for equal treatment of men and women workers in recruitment, job assignment, training opportunities for advancement, compensation and termination of employment. Company policies are explicit about maternity leave, non-discriminatory recruitment and promotion as well as the prohibition of sexual harassment. On-going social dialogue enables identification of possible differential impacts on men and women concerning workplace and community safety and health.

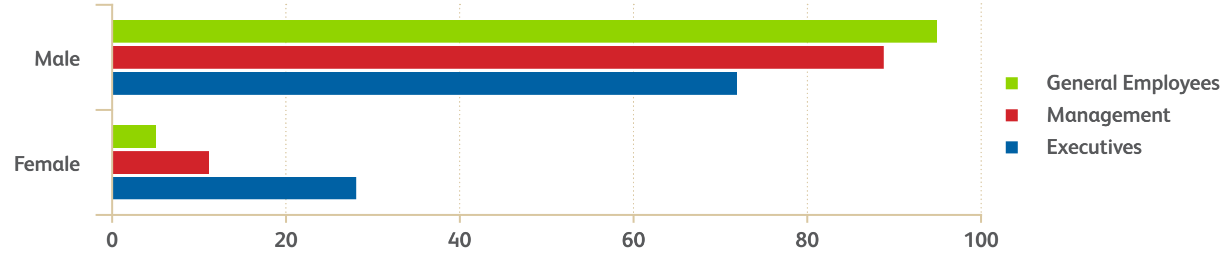
Padenga Holdings Limited

Sustainability **Development Report** (continued)

HUMAN RIGHTS (continued)

Non-Discrimination and Concern for Vulnerable Groups (continued)

Percentage of Male & Female Employees at Padenga in 2019



During 2019, 6% of Padenga's total employees were women, with the highest representation (28%) at executive level and 11% at management level, with only 5% at general staff level. The nature of the work at the farms is very physical; therefore the majority of the women employed at general staff level work in the quality control section.

Padenga's Employee Numbers during 2019

Month	Permanent	Contract	Total
January	429	393	822
February	427	471	898
March	431	557	988
April	433	643	1,076
May	436	562	998
June	437	534	971
July	440	394	834
August	441	421	862
September	440	487	927
October	447	466	913
November	458	399	857
December	453	322	775

Avoidance of Complicity
As previously mentioned, Padenga acknowledges the importance of human rights in all its operations. Risks of being complicit with human rights abuses exist for any business operation. Padenga's Group policies speak to the promotion and prevention of abuses of the rights listed under Principles earlier in this section and the Group has neither been directly nor indirectly associated with any cases involving human rights violations. The Company is fully committed to the promotion of human rights.

The United Nations Guiding Principles on Business and Human Rights (UNGPs) provide an authoritative global standard for preventing and addressing the risks of adverse human rights impacts linked to business activity under the "Protect, Respect and Remedy" framework. The framework prioritises identification of human rights risks, avoidance of complicity and taking responsibility for any complicity by providing effective remedies.

Sustainability **Development Report** (continued)

HUMAN RIGHTS (continued)

Avoidance of Complicity (continued)

In accordance with one of the pillars of the UNGPs, which is to ensure access to effective remedies for those impacted by business-related human rights abuses, Padenga developed a Community Complaints and Grievance Handling Procedure to proactively receive and manage complaints from its stakeholders. There have been no incidences of local litigation or community protests against unwanted social impacts instituted against Padenga at any time in its history. To be proactive in identifying human rights risks Padenga started the process of Human Rights Due Diligence (HRDD) in 2018 as provided for by UNGPs. HRDD involves processes and activities through which businesses can reasonably identify, prevent, mitigate, and account for how they address their adverse human rights impacts.

Voluntary Principles on Security and Human Rights (VPSHR) provide for regular consultations between companies and host governments and local communities; proportionality in the use of force; improved company engagement for protection of human rights by their security contractors; monitoring of progress of investigations into alleged abuses; inclusion of appropriate provisions in contracts; and review of the background of private security that companies intend to employ. VPSHR were developed in 2000 particularly for the energy and mining sectors, to guide companies on the rights-based approach to maintaining the safety and security of their operations by aligning their corporate policies and procedures with internationally recognized human rights principles. VPSHR are applicable to other sectors that involve the engagement of law enforcement officers and private security companies. Padenga engages the services of a private security company for its on-site security operations and provides material support to the Zimbabwe Republic Police (ZRP) for its district operations.

Any stakeholder issues and concerns within Padenga premises that may be levelled against the security company are dealt with in the first instance by the security company and then escalated to Padenga's Human Resources office. No complaints of any nature have heretofore been levelled against the security company for abusive or heavy-handed approaches to security management. Training facilitation of Company employees in respect of VPSHR is planned to formalise and strengthen the VPSHR approach.

Civil and Political Rights

Padenga respects its employees' rights to enjoy rights and freedoms expressed by the Bill of Rights in the Constitution of Zimbabwe, as well as those enshrined within international human rights legislation. Respect for the political rights of staff are guaranteed by Padenga undertaking to remain apolitical as long as personal political activities by staff are conducted separately and apart from the Company's business premises. Other rights referenced within Padenga's policies are the rights to:

- Dignity
- Work
- Administrative justice
- Health
- Privacy
- Assembly and association
- Conscience
- Information and
- Language, culture and marriage.

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 social responsibility 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 programmes.

Sustainability **Development Report** (continued)

HUMAN RIGHTS (continued)

Economic, Social and Cultural Rights (continued)

For the promotion of Economic, Social and Cultural Rights, Padenga promotes and supports the enjoyment of human rights availing technical, logistical and material contributions related to developmental needs and challenges within local communities. The establishment of the Padenga Trust as a separate and independent entity, will spearhead its Community Social Investments (CSI) initiative and provide the framework for a more focused and collaborative rural community empowerment effort. The establishment of the Trust had been set for 2019, however, due to unexpected challenges, the launch of the Trust has been postponed but will be actively pursued in 2020, conditions permitting.

As a community service, the citizens of the Mola communities are provided with free boat transport across the Lake to Kariba Town for access to health, social and administrative services. Alternative transport which is provided by the local District Development Fund boats comes at a cost that most Mola community members find unaffordable.

In addressing social, economic and cultural needs within its sphere of influence, Padenga is aware of the role of local leaders and custodians of local culture, the Community Chiefs, who are consistently consulted during the planning and implementation of CSI to ensure that cultural values are not compromised. Senior staff engage with local communities to facilitate meetings and discussions with local chiefs to ensure compliance with traditional protocols and language use during the engagements.

HUMAN CAPITAL

Overview

Padenga believes that human capital is the stock of knowledge, habits, social and personality attributes, including creativity, embodied in the ability to perform labour so as to produce economic value for the business.

The Company views its people as integral to creating and sustaining its culture, operational performance and successes. This recognition of the value of its staff at all levels across the operation 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.

The Company seeks to implement a culture of high-performance within its workforce and this is achieved through employee engagement, personal growth and adherence to strong corporate values. In maintaining the passion and commitment of its staff, senior managers continuously provide direction and constantly review and realign the operational systems to meet the current and future operational challenges.

Fundamental Principles and Rights at Work

Fundamental principles and rights at work are derived from the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work and are promoted through Padenga's corporate policies. These include 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; and
- Freedom of association and the effective recognition of the right to collective bargaining.

The Padenga Human Resources Manual regulates all labour issues within the Company and reflects the Padenga Holdings Limited Charter. It defines the Company's purpose and core values, its General Human Resource Policy and sets forth basic and general guidelines for the management of human resources within the Company. It is consistent with Padenga's corporate vision, mission and values.

PADENGA
HOLDINGS LIMITED

Sustainability **Development Report** (continued)

HUMAN CAPITAL (continued)

Fundamental Principles and Rights at Work (continued)

The right to dignity in the workplace is expressly stipulated within the General Human Resource Policy statement "that the relationship between management and employees must at all times be based on courtesy, understanding and respect for the dignity of the person".

Equal work for equal pay is guaranteed by the Company Grading and Remuneration Policy.

Employment and Employment Relationships

Employment is regulated by the provisions of the Human Resources Manual and its associated procedures. Staff are treated with respect, being adequately informed of their roles and responsibilities within the Company through a mandatory induction process for new employees and being aware of the availability of formal and defined grievance procedures to be followed in the event of any workplace-related conflict.

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; and
- 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 the welfare of staff and their security of tenure in the work place. Conditions of work, for instance, provide for leave benefits, medical aid, pension, travel and subsistence allowances, study assistance, assistance with payments of subscriptions for professional associations, staff loans, maternity leave and funeral assistance.

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.

Padenga's recognition of the value and contributions of its staff is acknowledged through the Company's Long Service Awards which are presented annually. In 2019, 26 members of staff were recognised for serving Padenga for 20 years whilst a further 14 employees were rewarded for working for the Company for 10 years.

Sustainability **Development Report** (continued)

HUMAN CAPITAL (continued)

Long Service Awards

Length of Service	2015	2016	2017	2018	2019
10 years	69	24	21	31	14
20 years	5	13	12	8	26

As of 2019, 64 employees had each served for a period in excess of 20 years and a further total of 218 employees had been employed for 10 or more years with the company. This reinforces the strength of Padenga's human capital and the considerable investment over the years into developing and retaining skilled and experienced employees.

Other policies, guidelines and procedures are in place to 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 relief from personal challenges provided at the discretion of the Company.

Social Dialogue

Social dialogue is the negotiation, consultation or exchange of information between or among management and employee representatives on matters of mutual interest. Social dialogue is guided by Padenga's Sustainability Policy and Framework for Stakeholder Engagement.

Social dialogue at Padenga is bipartite, between worker representatives, in the form of either the Works Council and/or the responsible trade union, the General Agriculture and Plantation Workers' Union of Zimbabwe (GAPWUZ), and management representatives. It may on certain occasions be also tripartite when and as required involving the Company or the Crocodile Farmers' Association of Zimbabwe and Central Government on matters impacting the Industry as a whole. This is in compliance with *International Finance Corporation (IFC)* Performance Standard 1 - *Assessment and Management of Environmental and Social Risks and Impacts*. A Works Council represents employees on staff and remuneration issues and regularly meets management to deliberate on conditions of work.

Additionally, the Company's Industrial Relations Policy is based on a spirit of mutual trust and cooperation between management and employees; respect and understanding between the parties; preservation of the dignity and self-esteem of all employees and fairness in the deliberation of all matters.

HEALTH AND SAFETY AT WORK

Employee Wellness

Employee wellness is an essential component of Padenga's operations, mainstreamed through various Company policies and stipulated in particular by the Health, Safety and Environment (SHE) 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 those 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.

Sustainability **Development Report** (continued)

HEALTH AND SAFETY AT WORK (continued)

Employee Wellness (continued)

Health and Safety policy is informed by and compliant with relevant and applicable domestic legislation:

- Factories and Workers Act (Chapter 14:08);
- Factories and Works (Registration & Control) Regulations, Government Notice 262 of 1976
- Pneumoconiosis Act (Chapter 15:08);
- Environmental Management Act (Chapter 20:27);
- Labour Act (Chapter 20:01);
- Statutory Instrument 105 (of 2014) Labour Relations (HIV/AIDS) Regulations
- Statutory Instrument 68 (of 1990) Accident Prevention (Workers Compensation Scheme) Notice ; and
- Statutory Instrument 323 (of 1993) Collective Bargaining Agreement: Agricultural Industry 111 of 2014.

Padenga has continued its successful partnership with Providence Human Capital (formerly Innscor Wellness) in the provision of primary healthcare to its employees and their dependents as part of the Company's employee wellness programs. In 2019 Providence Human Capital provided both wellness and counselling services to Padenga staff and their families across all farms.

All efforts are made to prevent injuries in the workplace and to reduce the incidences of ill-health whether work related or not. These 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; and
- 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 clothing and equipment is guaranteed for all employees. A Safety, Health and Environment (SHE) Committee is responsible for ensuring Padenga's compliance with all local and national health and safety and environmental regulations and coordinates the education and training of staff in relation to all aspects of health and safety and environmental management. Third party stakeholders with regulatory authority and expertise in health and safety regularly monitor Padenga operations for compliance and to foster improvements.

Employee Safety

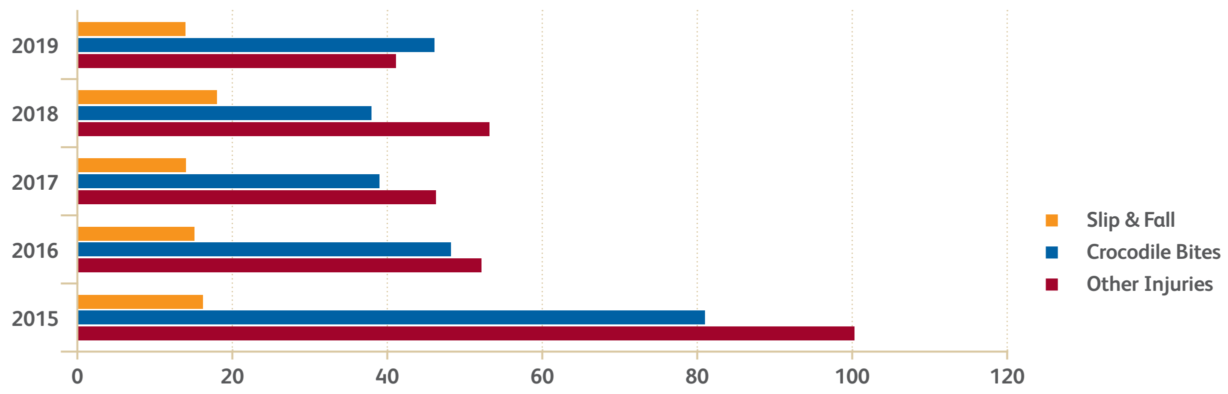
Padenga considers health and safety in its workplace as critical to its operations. Any injuries on duty are viewed seriously and receive due attention, with quarterly reports reviewed at Board level. Job Hazard Analyses were once again completed for all areas of the business, with further corrective measures being proposed and implemented where areas of concern were highlighted. The implementation of continuous on-the-job retraining ensured 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 annual inspections of the Company's operations. No major concerns in respect of employee safety were raised during either 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 job related fatalities at Padenga during 2019. The number of workplace injuries sustained by employees dropped marginally to a total of 101 incidences compared with 109 in 2018. However, the number of injuries attributed to crocodile bites increased for the first time in four years. Whilst these injuries were all relatively minor, Padenga has consequently given reinforcement training on the standard operating procedure (SOP) specifically aimed at reducing the number of injuries sustained in the workplace. This action is expected to see the number of work related injuries reduce.

Sustainability **Development Report** (continued)

HEALTH AND SAFETY AT WORK (continued)

Job related injuries incurred



Human Development and Training in the Work Place

Padenga considers learning and development a critical factor in the Company's continued success. It invests in the development of its employees' skills and knowledge to keep them motivated, technically sound and best equipped to provide efficient and effective services. Staff manpower development is incorporated within the Company's Human Resources Policy providing for study leave; study assistance through study loans and the refund of tuition fees; together with meeting 100% of the membership fees of staff registered with professional institutes.

The strengthening of middle management staffing structures has been identified as one of the key areas of focus in sustaining the continued development of the organisation. This dovetails well with the Company's support for the continued development of its employee's skills levels and competencies. A total of 22 employees were engaged in 2019 in some form of further education relating to their respective areas of expertise. For 2020, training plans are being prepared for all farms.

THE ENVIRONMENT

Overview

Padenga is aware of the responsibility it carries with regards to ensuring the environmental sustainability of its operations. The Company endeavours to manage its operations within sustainable levels and to achieve compliance with all relevant local legislation.

Principles

In upholding its responsibility on the environment as natural capital, the Company ensures that operations are in compliance with environmental laws, and 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 other relevant national environmental legislation and local Town and District Council environmental by-laws. The Company's strategy is to identify environmental impacts from its operations, evaluate potential risk and take appropriate measures to control or ensure appropriate disposal is undertaken that minimises environmental impacts.

Sustainability **Development Report** (continued)

THE ENVIRONMENT (continued)

Principles (continued)

All skins and meat produced and exported are in full compliance with prevailing CITES provisions, the CFAZ Code of Practice and Regulations and in accordance 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 bacteriological standards as well as full traceability on all meat products back to the pen of origin. Padenga also adheres to the European Regulations on Slaughter Procedures – Decree 93-119.

Infrastructure and Technology

Padenga continually promotes the improvement of its infrastructure and the use of technology in furthering its operations and refining its management systems and these confer a competitive edge to the Company within the crocodile industry.

Business Intelligence Tools

A significant portion of the annual Information Technology (IT) development budget is committed to improving efficiencies, achieving effective data capture, storage, interrogation and reporting, and the automation of critical control systems and processes. Bespoke software systems are geared towards enhancing efficiencies across all operational and administrative activities to maximize performance and achieve savings in time, effort and cost and to guarantee a repeatable outcome. The use of customised business intelligence tools 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 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. In 2019, Padenga took further significant steps towards complete RFID (Radio Frequency Identification) chipping of livestock to enable management and traceability of individual animals rather than management of cohorts.

PHL Laboratory

2019 also saw the completion of a state of the art diagnostic laboratory on site. The laboratory is fully operational and manned by a qualified and experienced manager. It is equipped to handle molecular analysis with a focus on strengthening operational processes by instituting tests relevant for disease surveillance, skin defect analysis and stress monitoring. Other diagnostics performed include those for meat bacteriological testing, animal health checks, environmental monitoring and rapid diagnosis for an expedient response to safeguarding animal health and welfare.

Water delivery to the farms

Padenga took advantage of the low lake levels in 2019, to revamp the water delivery reticulation to the northern farms. This included the installation of two additional HDPE pipelines to the farms and uplifting and relaying the old PVC piping. All pipelines were buried below the exposed ground surface which significantly reduces maintenance costs when the lake refills as the pipelines are no longer exposed to wave action and large herbivore damage. The decision to strategically refurbish the water delivery system forms part of Padenga's continued efforts to achieve adequate levels of biosecurity and in particular to eradicate the incidence of disease within crocodile ponds.

Dry feed storage facility

A new 1000m^2 dry feed storage shed was built in 2019 which allows the storage of bulk feed for operations in a purpose built, secure and vermin free environment. This has removed reliance on third party off site storage options and allows Padenga to carry increased feed stocks to weather any procurement delays and provide comfort in terms of the supply status of a key input.

Sustainability **Development Report** (continued)

PREVENTION OF POLLUTION

Effluent and solid waste disposal are regulated through the Environmental Management Act Chapter 20:27, section 60 and the Environmental Management (Effluent and Solid Waste Disposal) Regulations, Statutory Instrument number 6 of 2007.

Classification criteria are contained in Part III, section 6 of the Environmental Management (Effluent and Solid Waste Disposal) Regulations 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**

Effluent Management

Drainage discharge points across the farming operation were continuously sampled on a quarterly basis by representatives from the national Environmental Management Agency (EMA). Overall effluent discharge test results for 2019 were within acceptable levels defined in the Environmental Management (Effluent and Solid Waste Disposal) Regulations, Statutory Instrument number 6 of 2007.

Padenga worked with EMA to specifically reduce the phosphate levels within its effluent discharge. This initiative was successful in terms of achieving a material decrease in the incidence of Red Test Categorisations in 2018 and saw a corresponding increase in the Green Test Categorisations. However, this trend was not maintained through 2019 as evidenced below:

Padenga Effluent Management

EMA Effluent Test Categorisation	2015	2016	2017	2018	2019
Red Category	25%	50%	50%	6%	50%
Yellow Category	30%	10%	45%	47%	42%
Green Category	10%	40%	5%	47%	8%
Blue Category	35%	0%	0%	0%	0%
	100%	100%	100%	100%	100%

Phosphate levels increased during 2019 despite Padenga continuing with the processes followed prior year which included the following:

- Increased flushing of pens with fresh water throughout the day;
- Installation of a floating surface aerator to re-oxygenate the waste water at the end of the main NCF drain to allow aerobic bio-degradation of any remaining pollutant components;
- Establishment of a solids trap at the main discharge point (NCF main drain)
- The physical separation and extraction of feed waste and faecal matter from the pens before cleaning

Padenga is aware of the status of its effluent discharge and is therefore in the process of commissioning a specifically designed effluent treatment plant. The design phase was completed during 2019, including a two day workshop with the management team to evaluate all aspects of the operational scope. The plant will be constructed in phases, commencing in 2020.

Sustainability **Development Report** (continued)

PREVENTION OF POLLUTION (continued)

Solid Waste Management

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

Padenga is committed to the 4 R's – "Reduce, Re-use, Recycle and Recover" – the environmentally conscious approach to minimizing and managing solid waste through safe and responsible disposal.

The same colour classification criteria referred to for effluent discharge above also apply to solid waste. Padenga's landfill site has maintained its blue category rating by EMA – this being the fifth consecutive year it has achieved this status. This is a result of burying and composting of all the Company's biodegradable waste.

Sustainability **Development Report** (continued)

PREVENTION OF POLLUTION (continued)

Solid Waste Management

Padenga Solid Waste Management

EMA Waste Test Categorisation	2015	2016	2017	2018	2019
Landfill Site Categorisation	Blue	Blue	Blue	Blue	Blue

The Company has finalised plans and budget approval for the installation of an incinerator which is to be commissioned in early 2020. The incinerator will have the capacity to incinerate all farm waste, but predominantly biological waste from the abattoir and feed plant where there are higher security risks. The end objective is for Padenga to decommission its existing dumpsite and reclaim the land to its natural state.

Non-Hazardous Waste

Padenga has purchased and installed colour coded bins across its operational units for the reception and separation of waste. Regular training of staff to ensure segregation of the different types of waste is undertaken with those materials that are recyclable (e.g. plastic and tin) being differentiated at source. Waste management accounting systems are in the process of being implemented and legal compliance through the submission of waste management plans to EMA is being observed.

Hazardous Waste

Hazardous waste, predominantly being mechanical workshop wastes, such as old engine oils, is stored and reused where appropriate. The establishment of a hazardous waste land treatment zone is being investigated to biologically degrade any mineral oils and coal dust wash. Investigation into the safe disposal of other hazardous wastes in incinerators to ensure complete destruction is being undertaken. An Oil and Fuel Spill Policy is being developed and training to attend to accidental oil spills is planned. A Contaminated Zone Drainage Review is included in a new fuel storage depot under consideration to ensure the potential for environmental contamination is minimised.

CONVENTIONAL NON-RENEWABLE ENERGY

Electricity Conservation

Achieving energy efficiency remains a priority for Padenga since energy is a fundamental input in the Company's operations. Electrical power consumption has increased steadily over the last 5 years occasioned by a change in water pumping strategy in 2018. However, 2019 saw a slight reduction in the average monthly usage which follows both education and initiatives to reduce consumption such as low wattage LED light bulbs, solar geysers and regulating the use of air conditioning units.

Electricity Consumption (Target 3,000 mWh)

	2015	2016	2017	2018	2019
Yearly Usage (mWh) (modified figures)	2,643	2,729	2,928	3,608	3,560
% Year-on-Year Energy Reduction Achieved	+1%	+3%	+7%	+23%	-1%

Sustainability **Development Report** (continued)

CONVENTIONAL NON-RENEWABLE ENERGY (continued)

Electricity Conservation (continued)

The installation of Variable Frequency Drives (VFD's) has commenced on all large electrical motors to minimise the start-up electrical load and to optimise water flow, thereby reducing electricity consumption. Investigations into the use of VFD's and additional insulation for all refrigeration systems are currently being undertaken to identify and address further energy losses related to the refrigeration systems. The power factor of all facilities is being reviewed and the installation of power factor correction capacitors is being considered. To reduce unnecessary load on the backup generators, circuit separation and prioritisation is being considered, and this coupled with time switches is expected to reduce electricity consumption. It is hoped that the implementation of these initiatives will continue to reduce Padenga's electricity consumption in 2020. The consumption is further mitigated by the 1.2MW grid tied solar installation of which Phase 1 became operational in May 2019.

CLIMATE CHANGE MITIGATION & ADAPTATION

Carbon Footprint Calculations

Padenga recognises that its operations contribute to climate change in some way. Therefore the Company is reporting on its carbon footprint for the first time using the Department for Environment, Food and Rural Affairs (DEFRA) (United Kingdom)'s UK Government GHG (Greenhouse Gases) Conversion Factors for Company Reporting covering the period 2016 to 2019. The information is presented as kilogrammes of carbon dioxide equivalent (kgCO_2e) which is the universal unit of measurement to indicate the global warming potential (GWP) of GHGs, expressed in terms of the GWP of one unit of carbon dioxide (CO_2). The GWPs used in the calculations of CO_2e are based on the Intergovernmental Panel of Climate Change (IPCC) Fourth Assessment Report (AR4) over a 100 year period.

When reporting on GHGs, there are three scopes of emission which are to be included in the calculations:

Scope 1	Calculations including emissions from direct fuel use
Scope 2	Calculations including emissions from indirect sources – electricity
Scope 3	Calculations including indirect emissions not included in Scope 2 e.g. business travel, shipment of goods.

The scopes of emissions reported on below are for Scopes 1 and 2.

Scope 1: Direct Emissions

Scope 1 relates to direct emissions arising from business activities within a company's control and ownership.

Emissions Sources (CO_2)	Unit	2016	2017	2018	2019
Fuel (Petrol & Diesel)	kgCO_2e/ litre	881,762	765,929	1,062,224	1,273,157
Coal	kgCO_2e/ tonnes	2,057,980	2,334,172	2,083,497	1,987,218

Scope 2: Indirect Emissions

Scope 2 relates to the emissions arising from the use of electricity generated by a third party or sources over which a company has no control.

Emissions Sources (CO_2)	Unit	2016	2017	2018	2019
Electricity	kgCO_2e/ kWh	1,124,484	1,029,368	1,021,317	909,936

Sustainability **Development Report** (continued)

CLIMATE CHANGE MITIGATION & ADAPTATION (continued)

Coal Usage

Coal usage at Padenga is very dependent on winter temperatures experienced as coal is used to fire the water heaters for the maintenance of an optimal temperature environment for the hatchlings. Following an increase in the quantity of coal used in 2017 due to an unusually cold winter, there was a decrease of 11% in 2018 and a further 5% decrease in 2019 bringing total coal usage figures to the lowest level in five years.

Padenga's Annual Coal Usage Analysis

		2015	2016	2017	2018	2019
Kariba Crocodile Farm	Actual Usage (kg)	378 750	392 347	410 894	356 800	345 150
Nyanyana Crocodile Farm	Actual Usage (kg)	485 675	458 950	546 720	492 813	461 040
Combined	**Total actual (kg)**	**864 425**	**851 297**	**957 614**	**849 613**	**806 190**
Combined	% - Yearly reduction		-2%	+12%	-11%	-5%

The use of supplementary solar heating is being investigated as a step towards reducing the reliance on coal. This involves determining the applicability of either vacuum tube supplementary heating or electrical supplementary heating using photovoltaic panels to reduce coal consumption. Also, as forecast in the 2017 sustainability report, Padenga started moving crocodile hatchlings from heated hatchling pens earlier than previously done which has contributed positively to a reduction in the amount of coal used per season.

Diesel Usage

There was an increase of 20% in the consumption of diesel across Padenga's operations in 2019. This was the result of Padenga continuing with a 24-hour water pumping regime to minimise the impact of skin related defects. Ume Farm is not on the national electrical grid and pumps water using diesel powered generators at night and when the solar array is impacted by weather. When the 1.2MW solar supplementation system is completed, this impact will be mitigated significantly.

Total Diesel Consumption

	2015	2016	2017	2018	2019
Usage (Litres)	221,372	310,732	269,242	378,220	454,636
% Reduction		+40%	-13%	+40%	+20%

Petrol Usage

Padenga's petrol usage increased by 12% in 2019. This was largely a consequence of the business electing to provide petrol to staff to travel to work daily as the general availability of public sector fuels in Kariba was diminished and to avoid staff having to wait in fuel queues when the commodity was available.

Total Petrol Consumption

	2015	2016	2017	2018	2019
Usage (Litres)	18,689	22,841	25,262	24,728	27,817
% Reduction		+22%	+10%	-2%	+12%

Sustainability **Development Report** (continued)

RENEWABLE ENERGY

Demand side management

From a demand side management perspective, there are trade-offs which have to be considered in electricity management especially when considering the increase in pen numbers to reduce stocking densities as part of measures taken to further enhance animal welfare. Erratic seasonal inflows into Lake Kariba from the Upper Zambezi, together with increased stored water utilization following the installation of additional hydroelectric turbines on both the north and south bank, increases the necessity for the use of renewable energy as constant grid power cannot be guaranteed. Once Padenga's solar array is fully functional in 2020, its reliance on non-renewable energy will be reduced. Investigations into the use of waste organic matter for heating water for specific areas of the operation continue to be underway.

Solar Energy

During 2018 the first step in Padenga's phased three-year project to install a 1.2 MW solar array was advanced at the Nyanyana Crocodile Farm. The first phase has a generating capacity of 330kWp with the second adding a further 470kWp. These are grid tied solar systems that will feed into the national ZETDC grid. Phase 1 was commissioned during 2019 and the construction of Phase 2 largely completed. Phases 2 and 3 will both be commissioned during 2020. This will materially reduce both Padenga's annual electricity costs and its GHG emissions and make the operation more environmentally sustainable.

HAZARDOUS CHEMICAL SUBSTANCES: HANDLING AND STORAGE

A Chemical Compatibility System has been introduced to ensure the safe storage of hazardous chemical substances (HCS). The handling, storage and first aid training commensurate with this is to be undertaken to ensure safety of all employees exposed to any HCS. Material Safety Data Sheets (MSDS's) are obtained, retained and reviewed annually with all those personnel that handle or may be in contact with any HCS. The first aid recommendations on all MSDS's are being reviewed by first aiders, clinic personnel and employees handling the chemicals and treatment requirements specific to the chemicals found on site are audited annually. Policies are in place to ensure safety showers, eye baths and first aid boxes are available close to the storage areas for HCS. Purchasing procedures are being developed to ensure protocols for buying hazardous substances are fully reviewed by management before purchase.

Sustainability **Development Report** (continued)

PROTECTION AND RESTORATION OF THE NATURAL ENVIRONMENT

Conservation

Padenga continues to support the conservation activities of both the Zimbabwe Parks & Wildlife Management Authority (ZPWMA) and several non-profit conservation organisations so that the Company fulfils its sustainability mandate. Programs which Padenga continued to support during 2019 included:

- Awareness campaigns on the importance of the crocodile industry in promoting the conservation of the species particularly to rural communities situated along the shoreline.
- Repair and maintenance support for the ZPWMA
- Financial and operational support to Conservation Trusts working in collaboration with State conservation agencies:
  - Tashinga Trust Initiative
  - Bumi Anti-Poaching Unit

Wild Crocodile Population

Sustainable utilisation is one of the fundamental principles of wildlife conservation in Zimbabwe and the crocodile industry is a outstanding example of the success of these initiatives. Rural fishing communities along the Kariba shoreline interact frequently with wild crocodiles which they view as a threat to human life and livestock as well as being competitors for the fish populations they depend on for their livelihood. Lake Kariba is also an important tourism and recreational area and the incidence of crocodile encounters increases in direct proportion to the number of boats and tourist activity on the lake. This all creates a conservation dilemma: how to conserve a species that is viewed as a direct threat to these enterprises. ZPWMA have approached the problem by maintaining crocodile numbers in Lake Kariba at a fairly static level through the imposition of an annual wild egg collection quota, together with a policy that ensures that those rural communities most impacted by their interaction with wild crocodiles derive some compensatory benefit from revenue generated from utilisation of the species.

Female Nile crocodiles lay 35-45 eggs in a single clutch each season, and with an average density of 1.7 crocodiles/km shoreline, and a breeding life span of over 50 years, the potential annual egg production for Lake Kariba is considerable. Each year ZPWMA issues the Crocodile Farmers Association of Zimbabwe (CFAZ) with a permit authorizing the collection of crocodile eggs from the wild on the understanding that the revenue generated from egg levies is paid to the responsible authority for the area (Rural District Councils, Forestry Commission, ZPWMA and private landowners). CFAZ then issues collection permits to approved individual farms. The process of egg collection, incubation and hatching is appropriately monitored by ZPWMA and veterinary officers to validate that the eggs are collected and incubated in an appropriate manner and that all applicable animal welfare norms are observed. Each farm submits collection and incubation data to CFAZ who then collate the information in their annual report which is presented to ZPWMA and sent on to CITES.

Padenga's Wild Egg Collection

During 2019, Padenga collected 51% of the total wild eggs collected nationally by CFAZ members. These eggs were collected from the same permit areas as in previous years – along the shoreline of Lake Kariba in the Charara Safari Area (ZPWMA Estate), including the river estuaries of the Nyaodza and Charara rivers, and a section of the Gache Gache estuary which falls under the Nyaminyami Rural District Council (NRDC). The remainder of the total were collected by the Ume Crocodile Farm from the shoreline of the Omay Communal Land which is administered by the same district council. Total eggs collected along the Omay shoreline decreased by 30% (see table below) which was a consequence of low lake water levels particularly within the Ume River where permanent pools did not occur within the area allocated for collection.

Farm	Area	% change in wild egg numbers collected between 2015 and 2019
Kariba	ZPWMA	+ 4%
Ume	NRDC	- 30%

Sustainability **Development Report** (continued)

PROTECTION AND RESTORATION OF THE NATURAL ENVIRONMENT (continued)

Padenga's Wild Egg Collection (continued)

Only 28% of Padenga's total crocodile eggs incubated were collected from the wild in 2019 with the remainder being produced by Padenga's own breeding stock highlighting how Padenga is moving away from dependency on the wild crocodile population for its eggs.

Long term egg collection data for Lake Kariba for the period 1997-2017 maintained by CFAZ shows no significant decrease in annual egg numbers indicating that the wild breeding population is healthy and maintained at a constant level. This was endorsed by the results of crocodile aerial surveys undertaken by ZPWMA and CFAZ in 1993 and in 2016, which indicated that the overall Kariba population of wild crocodiles had not declined, and in fact within protected areas and estuaries, the population is very healthy.

Of particular significance for Padenga was the finding from the 2016 survey, that the proportion of adult crocodiles in both the Charara and Omay areas where the Company secures its annual wild eggs had materially increased, as compared to populations in other areas of the lake. This increase in the crocodile populations in these areas has occurred despite a significant increase in cooperative fishing activities and a much higher human population density along the shoreline as a consequence. The Charara River estuary in particular contained the highest population of adult crocodiles within the entire Lake area surveyed and is testament to the conservation initiatives performed by Padenga through which local communities are rewarded for activities and actions that promote the survival of the reptiles.

As the last survey was done in 2016, Padenga has begun the process of coordinating a new aerial survey which is hoped to be carried out in June/ July 2020 in order to get a more up-to-date picture of the population on the ground, especially after successive years of low lake levels.

Domestic Egg Collection

In 2019 72% of the total number of eggs that Padenga acquired came from its mature domestic female breeders which reflects Padenga's continued commitment to reduce its dependency on wild egg collection as a primary source of production stock.

ANIMAL WELFARE

Padenga adheres to a strict code of practice in respect of all aspects of animal husbandry on the farms. These incorporate the tenets encapsulated in the Five Freedoms of Animal Welfare set by the UK Farm Animal Welfare Council

- Freedom from hunger and thirst
- Freedom from discomfort
- Freedom from pain, injury and disease
- Freedom to express normal behaviour
- Freedom from fear and distress

There is regular monitoring of animal welfare by the Company's senior management, overseen by independent veterinary experts. A full time on-farm resident veterinarian was appointed in 2018 with responsibility for monitoring herd health and all aspects of welfare compliance.

Representatives from relevant government agencies conduct routine inspections of the Padenga operations to confirm compliance with the statutes. These include annual in-depth farm inspections 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 on-going 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 harvest to ensure that the carcass meat is totally free of any medicinal residues.

Sustainability **Development Report** (continued)

ANIMAL WELFARE (continued)

In October 2019 an independent audit was conducted by Bureau Veritas on behalf of a stakeholder. The aim of the audit was to ensure that the Company was adhering to Best Management Practices with regards to animal husbandry practices, animal welfare, biosecurity, facility security, meat processing, employee social conditions, worker safety, staff training and environmental conditions. Padenga was commended on its implementation of renewable energy projects i.e. solar farms and the establishment of the PHL Laboratory.

Having completed a 3-year construction program in 2018, Padenga achieved its objective of reducing the number of animals per pen at significant periods in the production cycle. This initiative was implemented despite Padenga operating at stocking densities that were already the lowest applied commercially on this scale in Africa.

FAIR OPERATING PRACTICES

Overview

Fair operating practice is a core component of social responsibility as defined by ISO 26000. Fair operating practices relate to ethical conduct in an organisation's dealings with other organisations. These include relationships between organisations and government agencies, as well as between organisations and their partners, suppliers, contractors, customers, competitors, and the associations of which they are members.

Principles and Considerations

Fair operating practices include avoiding any form of corruption or anticompetitive practices. These reduce reputational and legal risks to the Company. Padenga's Code of Conduct defines its efforts to establish fair business practices commensurate with its obligations as a responsible corporate entity. In addition to listening to stakeholders' opinions, the Company conducts its business activities transparently in order to be held accountable. The Company seeks to achieve thorough adherence to all rules and regulations, with the aim of promoting fair operating practices, and to promote a sustainable society. In short, Padenga will continue to be fair, truthful, honest and swift in taking action in compliance with its social responsibilities.

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. Padenga strives to prevent bribery and corruption by its staff members through the implementation of the Company's Code of Ethics.

Responsible Political Involvement

Padenga does not involve itself in political activities, political lobbying or the funding of political parties. The Company's Code of Ethics prohibits the use of Company funds or Company assets for the promotion of any political candidate or political party. The posting of political campaign posters or the writing of party-political slogans within its premises or on motor vehicles or any other property belonging to the Company is also prohibited.

Fair Competition

In order to ensure fair and transparent business transactions, Padenga requires officers and employees to fully understand and comply with laws and regulations governing competition in countries in which the Company operates. In Zimbabwe, the Company 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 practices. Padenga also adheres to the Antitrust Laws in the United States of America. The Board is responsible for ensuring that the Company adheres to all relevant laws and regulations on fair competition. Company books and records are maintained in accordance with the Company's Accounting Principles and internal control procedures and no employee is allowed to falsify any Company record.

Sustainability **Development Report** (continued)

FAIR OPERATING PRACTICES (continued)

Supply Chain

"A supply chain is a sequence of activities or parties that provide products or services for an organisation and forms part of a company's sphere of influence." (ISO 26000)

Padenga's supply chain strategy is to ensure that all raw materials and resource procurement is conducted in a professional, transparent and sustainable manner, meeting the standards and diligence expected of the Company. For example, all feed products are sent for laboratory analysis upon receipt to verify compliance with their stipulated specifications. Padenga works very closely with its partners and suppliers to ensure they operate in accordance with the Company's principles and values.

Promoting Social Responsibility in the Value Chain

Padenga values the wider sphere of influence of its operations and seeks to fulfil its environmental and social responsibility on issues such as community development and empowerment, human rights and labour safety throughout its supply chain. The Company believes this is key to achieving sustainable, stable procurement services now and in the future, and is committed to working closely with supply-chain stakeholders to ensure its procurement processes are socially responsible. Padenga conducts rational procurement services in compliance with prevailing laws and regulations. Contractors and service providers are informed of and expected to operate within those regulations and standards appropriate to their services and to demonstrate seamless compliance.

Padenga aims to adhere to the ISO 26000 guidelines that promote social responsibility within its value chain and which include the following:

- integrate ethical, social, environmental and gender equality criteria, and health and safety, in its purchasing, distribution and contracting policies and practices to improve consistency with social responsibility objectives;
- encourage other organisations to adopt similar policies, without indulging in anti-competitive behaviour in so doing;
- carry out appropriate due diligence and monitoring of the organisations with which it has relationships, with a view to preventing compromise of the organisation's commitments to social responsibility;
- consider providing support to small and medium sized organisations, including raising awareness on issues of social responsibility and best practice and additional assistance (for example, technical, capacity building or other resources) to meet socially responsible objectives;
- actively participate in raising the awareness of organisations with which it has relationships about principles and issues of social responsibility; and
- promote fair and practical treatment of the costs and benefits of implementing socially responsible practices throughout the value chain, including, where possible, enhancing the capacity of organisations in the value chain to meet socially responsible objectives. This includes adequate purchasing practices, such as ensuring that fair prices are paid and that there are adequate delivery times and stable contracts.

Respect for Property Rights

According to ISO 26000, the respect for property rights refers to the right to own property as a human right recognised in the Universal Declaration of Human Rights. Property rights cover both physical property and intellectual property and include interest in land and other physical assets, copyrights, patents, geographical indicator rights, funds, moral rights and other rights. They may also encompass a consideration of broader property claims, such as traditional knowledge of specific groups, such as indigenous peoples, or the intellectual property of employees or others. Recognition of property rights promotes investment and economic and physical security, as well as encouraging creativity and innovation." (ISO 26000). Padenga respects property rights in compliance with these provisions.

Sustainability **Development Report** (continued)

FAIR OPERATING PRACTICES (continued)

Consumer Issues

Customers are very important stakeholders of the Company. In respect of this Padenga provides customers with accurate product information using fair, transparent and helpful marketing information in a bid to promote sustainable consumption. The term "customers" also applies to those individuals or groups that make use of the output of the Company's decisions and activities, such as beneficiaries of its Community Social Investment programmes, who are consulted on planned social investment initiatives and their views incorporated in their implementation. Padenga has health & safety considerations, dispute resolution and redress mechanisms, privacy protection and consideration of product and service needs of its customers.

Fair Marketing

"Fair marketing is the factual and unbiased information and fair contractual practices, providing information about products and services in a manner that can be understood by consumers", (ISO 26000). Fair marketing allows customers to compare products, avoid misunderstandings due to misinformation and enhances customer satisfaction. Padenga's key customers carry out regular inspections 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 Company. In addition, Padenga distributes an annual report containing the Company's financials as well as information on its sustainability compliance initiatives to give customers a complete synopsis of the conditions under which it operates and the standards it upholds.

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 26000). 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 origin. The Company has appointed a Quality Assurance Manager responsible for ensuring that its products meet the stringent standards expected by the respective markets that they are sold into.

Sustainable Consumption

According to ISO 26000, sustainable consumption is the consumption of products and resources at rates consistent with sustainable development. An organisation's role in sustainable consumption arises from the products and services it offers, their life cycles and value chains, and the nature of the information it provides to consumers. Sustainable consumption can save resources, avoid costs and represents an opportunity to address new market demands. As such, all skins produced and exported by Padenga are done in full accordance with prevailing CITES provisions, as well as in line with ZPWMA regulations. This confirms that the skins are produced in accordance with the National Crocodile Policy for Zimbabwe and that the Ranching Model of production is an approved and sustainable production system that is endorsed by CITES. Included in Padenga's annual report is information relating to the Company's commitments on sustainability, and through this medium it provides customers with detailed, accurate and transparent information about the environmental and social factors pertaining to the production and delivery of its products. This includes information on resource efficiencies plus taking the value chain into account.

Consumer Service, Support, Complaint and Dispute Resolution

Consumer service, support, and complaint and dispute resolution are the mechanisms an organisation 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 key to Padenga's operations and are handled by the executive management team to ensure appropriate attention is given to these. Regular engagements are made with customers to get feedback and an understanding of the expectations reference the quality of our products. Thus, all stakeholders have an appropriate channel available to them for complaint resolution.

Sustainability **Development Report** (continued)

FAIR OPERATING PRACTICES (continued)

Consumer Data Protection and Privacy

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

Access to Essential Services

ISO 26000 identifies access to essential services such as core consumer issues that call on organisations to actively take measures to redress these. In addressing this requirement Padenga has expanded its CSI initiatives to communities outside of the core areas within which it operates but falling within the same district as those that do.

KEY ACTIONS FOR 2020

Following on from Padenga's actions of 2019 and working together with an independent sustainability consultancy group, the following key actions have been identified for 2020. These will further progress the Company's operations in terms of sustainability

- **The Padenga Trust:** Establishment of a Trust that will allow for the mobilisation of resources, the implementation of programs and the forging of partnerships with development agencies;
- **Effluent management:** Approval of the proposed effluent treatment plant and phase 1 of the project commissioned;
- **Renewal energy:** through its newly built solar farms, complete the commissioning of 1.2MW by the end of 2020;
- **Staff training;** through the construction of a dedicated training facility;
- **Audit by the International Crocodilian Farmers Association:** Padenga will be audited in early 2020 to obtain the appropriate certification.
- **Waste management:** the commissioning of an incinerator to improve Padenga's waste management with the aim of decommissioning the Company's dumpsite and return the land to its natural state.

MEMBERSHIPS

Padenga is a member of the following organisations:

- International Crocodilian Farmers Association
- Crocodile Farmers Association of Zimbabwe

Sustainability **Development Report** (continued)

LEGISLATION

Padenga complies with the specific standards and regulations set by the industry related organisations and authorities that the Company operates within:

- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
- International Crocodilian Farmers Association (ICFA)
- Crocodile Farmers Association of Zimbabwe (CFAZ)
- Zimbabwe Parks & Wildlife Management Authority (ZPWMA)
- Environmental Management Agency (Zimbabwe) (EMA)
- General Agriculture & Plantation Workers' Union of Zimbabwe
- UK Farm Animal Welfare Council
- European Union
- Texas Parks and Wildlife Department.
- United States Fish and Wildlife Services (USFWS)

In addition, the Company is compliant with the following international and national environmental and animal health legislation:

International Legislation

- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
- European Regulations of Slaughter Procedures – Decree 93-119-ec_en

Zimbabwean Legislation

- Animal Health Act (1961), Chapter 19:01 (Revised 1996)
- Animal Health (Movement of Game) Regulations
- The Drugs Control Act Chapter 320
- Environmental Management Act, Chapter 20:27
- Environmental Management (Effluent & Solid Waste Disposal) Regulations, Statutory Instrument No. 6
- Environmental Management (Control of Hazardous Substances) General Regulations Statutory Instrument No. 268 of 2018
- Environmental Management (Environmental Impact Assessment & Ecosystems Regulations) Statutory Instrument No. 7 of 2007
- Fertilisers, Farm Seeds and Remedies Act (1996) Chapter 18:12
- Food & Food Standards Act (1971) Chapter 15:04
- Inland Waters Shipping Act
- Parks & Wild Life Act (1975), Chapter 14
- Prevention of Cruelty to Animals Act (2001)
- Produce Export (Abattoir, Slaughter & Meat Hygiene) Regulations, 1984
- Public Health (Abattoir, Animal and Bird Slaughter and Meat Hygiene) Regulations, 1995
- Stock Trespass Act (1991), Chapter 19:14
- Veterinary Surgeons Act (1996), Chapter 27:15
- Water Act Chapter 20:24

To ensure compliance with the above, the Zimbabwean Department of Veterinary Services facilitates the following:

- Routine and ad hoc regulatory compliance visits to the Company's crocodile farms;
- Monthly inspections of the Company's export approved crocodile abattoir.

PADENGA HOLDINGS LIMITED

Sustainability **Development Report** (continued)

SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs) are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. They reaffirm the United Nations' international commitment to end poverty and involve everyone to build a more sustainable, safer, more prosperous planet for the future of all humanity.

At Padenga, seven SDGs have been identified as goals which the Company strives to fulfil through its actions. They are the following:

SDGs	Theme	Padenga's Approach
3 GOOD HEALTH AND WELL-BEING	• Ensuring healthy lives and promoting well-being for all across all ages is essential to sustainable development	• Support to employees and dependents through wellness programmes, including the provision of primary healthcare. • Operation in collaboration with Providence Human Capital of two clinics and access to Doctor Services.
4 QUALITY EDUCATION	• Obtaining a quality education is the foundation to improving people's lives and to sustainable development.	• Providing employees with job related training and education. • Sponsoring school fees for 50 school children each year – 13 at primary and 37 at secondary level. • Supporting local communities through the establishment of rural libraries and the distribution and installation of Solar Lamps.
6 CLEAN WATER AND SANITATION	• Clean, accessible water for all is an essential part of the world we want to live in.	• Enhancing the sustainable utilisation of water resources through efficient management. • Developing appropriate and lasting solutions for the treatment of farm effluent to achieve full compliance with the standards of the Environmental Management Act.
7 AFFORDABLE AND CLEAN ENERGY	• Energy is central to nearly every major challenge and opportunity.	• Promoting the reduction of carbon emissions and increasing the use of clean renewable energy. • Completing the construction of the solar energy array generating1.2MW • Phase 1 of the solar energy project was commissioned during 2019. Two further phases are due to be commissioned during 2020. • Starting to report on its carbon footprint to set the baseline for GHG values from which to set targets.

Sustainability **Development Report** (continued)

SUSTAINABLE DEVELOPMENT GOALS (continued)

SDGs	Theme	Padenga's Approach
8 DECENT WORK AND ECONOMIC GROWTH	• Sustainable economic growth will require societies to create the conditions that allow people to have quality jobs.	• Create and sustain employment and good working conditions through health & safety and wellness programmes. • Supporting economic growth through the creation of employment in the local community, payment of taxes to government, local community development and proactive supply chain management.
15 LIFE ON LAND	• Sustainably manage forests, combat desertification, halt and reverse land degradation, and prevent the further loss of biodiversity.	• Re-afforestation of indigenous tree species where woodland removal has been necessary. • Development of settling ponds as part of the effluent management program that become wetland sanctuaries for plant and bird life. • The sustainable collection of wild crocodile eggs in line with the conservation policy for the species in Zimbabwe • Providing technical and financial support to ZPWMA and to various Conservation Trusts engaged in anti-poaching and countering illegal wildlife trade. • Commissioning of an incinerator to manage Padenga's waste with the aim of decommissioning the Company's existing dumpsite and reclaiming the land to its nature state.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	• Access to justice for all, and building effective, accountable institutions at all levels.	• Investment of $81,523 in community social investment during 2019. • Commitment to the Code of Conduct and Grievance Procedures for employees in fulfilment of the Company's Industrial Relations Policy • Formulation of a Community Complaints and Grievance Procedure being drafted. • Providing support to local law enforcement agencies and construction of the Chief's court to facilitate community justice.

Glossary **of Terms**

CFAZ Crocodile Farmers Association of Zimbabwe
CIL Carbon in leach
CITES Convention on International Trade in Endangered Species of Wild Fauna and Flora
CO_2e Carbon Dioxide Equivalent
CSI Community Social Investments
CSIP Community Social Investment Plan
CTC Competition & Tariff Commission
DSM Demand side management
EMA Environmental Management Agency
EMP Environmental Management Plan
EY Ernst & Young
GAPWUZ General Agriculture & Plantation Workers' Union of Zimbabwe
GHG Green House Gases
GRI Global Reporting Initiative
GWP Global Warming Potential
HCS Hazardous Chemical Substances
HDPE High Density Poly Ethylene (piping for water delivery system)
HRDD Human Rights Due Diligence
ICFA International Crocodile Farmers Association
IFC International Finance Corporation
IIRC International Integrated Reporting Council
ILO International Labour Organisation
IMF International Monetary Fund
IP Intellectual Property
IPCC International Panel of Climate Change
ISO International Organization of Standardization
KAZA Kavango Zambezi Transfrontier Conservation Area (KAZA TFCA)
KCF Kariba Crocodile Farm
kWh Kilowatt Hour
LTI Lost Time Injury
MSDS Material Safety Data Sheets
MW Megawatt
NCF Nyanyana Crocodile Farm
NEC National Employment Council
NSSA National Social Security Authority
POTRAZ Postal and Telecommunications Regulatory Authority of Zimbabwe
RPAZ Radiation Protection Authority of Zimbabwe
RDC Rural District Council
R&M Repair & Maintenance
SDGs Sustainable Development Goals
SEP Stakeholder Engagement Plan
SHE Social, Health & Environment
SOPs Standard Operating Procedure(s)
SR Social Responsibility
UCF Ume Crocodile Farm
UNGPs United Nations Guiding Principles on Business & Humans Rights
USFWS United States Fish & Wildlife Services
VFD Variable Frequency Drives
VIDCO Village Development Committee
VPSHR Voluntary Principles on Security and Human Rights
WADCO Ward Committee
WHT Withholding Tax
ZERA Zimbabwe Energy Regulatory Authority
ZESA Zimbabwe Electricity Supply Authority
ZETDC Zimbabwe Electricity Distribution Company
ZINWA Zimbabwe National Water Authority
ZPWMA Zimbabwe Parks & Wildlife Management Authority
ZRP Zimbabwe Republic Police
ZSE Zimbabwean Stock Exchange

GRI Standard Guidelines and **ISO 26000 Comparison**

Padenga follows ISO 26000 *Guidance on Social Responsibility* as the reporting framework for its Sustainability Report.

In mid-2019 the Zimbabwe Stock Exchange issued *Statutory Instrument 134 of 2019, Part XXI Sustainability Information & Disclosure of the Securities & Exchange (ZSE Listing Requirements) Rules, 2019*, whereby the ZSE encourages the adoption of internationally accepted reporting frameworks, such as the Global Reporting Initiatives (GRI) Sustainability Reporting Standards, in disclosing a company's sustainability performance. As ISO 26000 and GRI are two comparable internationally accepted reporting frameworks, Padenga has elected to include the following table to this year's Sustainability Report in order to highlight the comparability between the two reporting frameworks.

GRI STANDARDS 2016			ISO 26000	PAGE NO
GRI 102: GENERAL DISCLOSURES				
Organisational Profile				
102-1	Name of the organization			
102-2	Activities, brands, products, and services			
102-3	Location of headquarters			
102-4	Location of operations		Introduction to the Annual Report	1-17
102-5	Ownership and legal form			
102-6	Markets served			
102-7	Scale of the organization			
102-8	Information on employees and other workers	6.3.7 6.4.3	**Human Rights:** Discrimination and vulnerable groups **Labour practices:** Employment and employment relationships	30 34
102-9	Supply chain	6.6.6	**Fair operating practices:** Promoting social responsibility in the value chain	48
102-10	Significant changes to the organization and its supply chain			
102-11	Precautionary principle or approach			
102-12	External initiatives			50
102-13	Membership of associations			50
Strategy		6.2	Organisational governance	
102-14	Statement from senior decision-maker			20
102-15	Key impacts, risks, and opportunities			18-19
Ethics & Integrity				
102-16	Values, principles, standards, and norms of behaviour			20-21
102-17	Mechanisms for advice and concerns about ethics	6.2	Organisational governance	

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GRI Standard Guidelines and **ISO 26000 Comparison** (continued)

GRI STANDARDS 2016			ISO 26000	PAGE NO
GRI 102: GENERAL DISCLOSURES				
Governance				
102-18	Governance structure	6.2	Organisational governance	1-17 & 21
102-19	Delegating authority			
102-20	Executive-level responsibility for economic, environmental and social topics			
102-21	Consulting stakeholders on economic, environmental, and social topics			
102-22	Composition of the highest governance body and its committees			
102-23	Chair of the highest governance body			
102-24	Nominating and selecting the highest governance body			
102-25	Conflicts of interest			
102-26	Role of highest governance body in setting purpose, values, and strategy			
102-27	Collective knowledge of highest governance body			
102-28	Evaluating the highest governance body's performance			
102-29	Identifying and managing economic, environmental, and social impacts			
102-30	Effectiveness of risk management processes			
102-31	Review of economic, environmental, and social topics			
102-32	Highest governance body's role in sustainability reporting			
102-33	Communicating critical concerns			
102-34	Nature and total number of critical concerns			
102-35	Remuneration policies			
102-36	Process for determining remuneration			
102-37	Stakeholders' involvement in remuneration			
102-38	Annual total compensation ratio			
102-39	Percentage increase in annual total compensation ratio			

GRI Standard Guidelines and **ISO 26000 Comparison** (continued)

GRI STANDARDS 2016			ISO 26000	PAGE NO
GRI 102: GENERAL DISCLOSURES				
Stakeholder Engagement				
102-40	List of stakeholder groups	6.2	**Organisational governance:** Stakeholder Engagement Plan	21
102-41	Collective bargaining agreements	6.4.5	**Labour practices:** Social dialogue	35
102-42	Identifying and selecting stakeholders	6.2	**Organisational governance:** Stakeholder Engagement Plan	21
102-43	Approach to stakeholder engagement			
102-44	Key topics and concerns raised	6.2	**Organisational governance:** Management of Social Impacts	24
Reporting Practice				
102-45	Entities included in the consolidated financial statements		Introduction to the Sustainability Report	14-15
102-46	Defining report content and topic Boundaries			
102-47	List of material topics			
102-48	Restatements of information			
102-49	Changes in reporting			
102-50	Reporting period			
102-51	Date of most recent report			
102-52	Reporting cycle			
102-53	Contact point for questions regarding the report			
GRI 103: MANAGEMENT APPROACH FOR EACH MATERIAL TOPIC				
103-1	Explanation of the material topic and its boundary		—	
103-2	The management approach and its components		—	
103-3	Evaluation of the management approach		—	

GRI STANDARDS 2016			ISO 26000	PAGE NO
GRI 200: ECONOMIC STANDARDS				
GRI 201: Economic Performance				
201-1	Direct economic value generated and distributed	6.8.3	**Community involvement and development:** Wealth and income creation	27
201-2	Financial implications and other risks and opportunities due to climate change	6.5.5	**The environment:** Climate change mitigation and adaptation	42
201-3	Defined benefit plan obligations and other retirement plans		—	
201-4	Financial assistance received from government		—	

GRI Standard Guidelines and **ISO 26000 Comparison** (continued)

GRI STANDARDS 2016			ISO 26000	PAGE NO
GRI 200: ECONOMIC STANDARDS				
GRI 202: Market Presence				
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	6.4.4	**Labour Practices:** Conditions of work and social protection	34
		6.8	Community involvement and development	26
202-2	Proportion of senior management hired from the local community	6.4.3	**Labour Practices:** Employment and employment relationships	34
		6.8.5	**Community involvement and development:** Employment creation and skills development	27
GRI 203: Indirect Economic Impacts				
203-1	Infrastructure investments and services supported	6.3.9	**Human Rights:** Economic, social and cultural rights	33
		6.8.7	**Community involvement and development:** Wealth and income creation	27
		6.8.9	**Community involvement and development:** Social investment	29
203-2	Significant indirect economic impacts	6.3.9	**Human Rights:** Economic, social and cultural rights	33
		6.6.6	**Fair Operating Practices:** Promoting social responsibility in the value chain	48
		6.6.7	**Fair Operating Practices:** Respect for property rights	48
		6.7.8	**Consumer Issues:** Access to essential services	50
		6.8.5	**Community involvement and development:** Employment creation and skills development	27
		6.8.7	**Community involvement and development:** Wealth and income creation	27
		6.8.9	**Community involvement and development:** Social investment	29

GRI Standard Guidelines and **ISO 26000 Comparison** (continued)

GRI STANDARDS 2016			ISO 26000	PAGE NO
GRI 200: ECONOMIC STANDARDS				
GRI 204: Procurement Practices				
204-1	Proportion of spending on local suppliers	6.4.3	**Labour Practices:** Employment and employment relationships	34
		6.6.6	**Fair Operating Practices:** Promoting social responsibility in the value chain	48
GRI 205: Anti-corruption				
205-1	Operations assessed for risks related to corruption	6.6.3	**Fair Operating Practices:** Anti-corruption	47
205-2	Communication and training about anti-corruption policies and procedures	6.6.3	**Fair Operating Practices:** Anti-corruption	47
205-3	Confirmed incidents of corruption and actions taken	6.6.6	**Fair Operating Practices:** Promoting social responsibility in the value chain	48
GRI 206: Anti-competitive Behaviour				
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	6.6.5	**Fair Operating Practices:** Fair competition	47
		6.6.7	**Fair Operating Practices:** Respect for property rights	48

GRI STANDARDS 2016			ISO 26000	PAGE NO
GRI 300: ENVIRONMENTAL STANDARDS				
GRI 301: Materials				
301-1	Materials used by weight or volume	6.5.4	**The Environment:** Sustainable resource use	41-44
301-2	Recycled input materials used			
301-3	Reclaimed products and their packaging materials			
GRI 302: Energy				
302-1	Energy consumption within the organization	6.5.4	**The Environment:** Sustainable resource use	41-44
302-2	Energy consumption outside of the organization			
302-3	Energy intensity			
302-4	Reduction of energy consumption	6.5.4	**The Environment:** Sustainable resource use	41-44
302-5	Reductions in energy requirements of products and services	6.5.5	**The Environment:** Climate change mitigation and adaptation	42

GRI Standard Guidelines and ISO 26000 Comparison (continued)

GRI STANDARDS 2016			ISO 26000	PAGE NO
GRI 300: ENVIRONMENTAL STANDARDS				
GRI 303: Water				
303-1	Water withdrawal by source	6.5.4	**The Environment:** Sustainable resource use	41-44
303-2	Water sources significantly affected by withdrawal of water			
303-3	Water recycled and reused			
GRI 304: Biodiversity				
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	6.5.6	**The Environment:** Protection of the environment, biodiversity and restoration of natural habitats	45
304-2	Significant impacts of activities, products, and services on biodiversity			
304-3	Habitats protected or restored			
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations			
GRI 305: Emissions				
305-1	Direct (Scope 1) GHG emissions	6.5.5	**The Environment:** Climate change mitigation and adaptation	42
305-2	Energy indirect (Scope 2) GHG emissions			
305-3	Other indirect (Scope 3) GHG emissions			
305-4	GHG emissions intensity			
305-5	Reduction of GHG emissions			
305-6	Emissions of ozone-depleting substances (ODS)	6.5.3	**The Environment:** Prevention of pollution	39
		6.5.5	**The Environment:** Climate change mitigation and adaptation	42
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	6.5.3	**The Environment:** Prevention of pollution	39
GRI 306: Effluents and Waste				
306-1	Water discharge by quality and destination	6.5.3	**The Environment:** Prevention of pollution	39
		6.5.4	**The Environment:** Sustainable resource use	41-44
306-2	Waste by type and disposal method	6.5.3	**The Environment:** Prevention of pollution	39
306-3	Significant spills			
306-4	Transport of hazardous waste			
306-5	Water bodies affected by water discharges and / or runoff	6.5.4	**The Environment:** Sustainable resource use	41-44

GRI Standard Guidelines and ISO 26000 Comparison (continued)

GRI STANDARDS 2016			ISO 26000	PAGE NO
GRI 300: ENVIRONMENTAL STANDARDS				
GRI 307: Environmental Compliance				
307-1	Non-compliance with environmental laws and regulations	6.2	Organisational Governance	21 & 51
		6.5.3	**The Environment:** Prevention of Pollution	39
GRI 308: Supplier Environmental Assessment				
308-1	New suppliers that were screened using environmental criteria	6.3.3	**Human Rights:** Due diligence	30
		6.3.5	**Human Rights:** Avoidance of complicity	31
308-2	Negative environmental impacts in the supply chain and actions taken	6.5.4	**The Environment:** Sustainable resource use	41-44
		6.6.6	**Fair Operating Practices:** Promoting social responsibility in the value chain	48

GRI STANDARDS 2016			ISO 26000	PAGE NO
GRI 400: SOCIAL STANDARDS				
GRI 401: Employment				
401-1	New employee hires and employee turnover	6.4.3	**Labour Practices:** Employment and employment relationships	34
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.4.3	**Labour Practices:** Employment and employment relationships	34
		6.4.4	**Labour Practices:** Conditions of work and social protection	35
401-3	Parental leave			
GRI 402: Labour/ Management Relations				
402-1	Minimum notice periods regarding operational changes	6.4.3	**Labour Practices:** Employment and employment relationships	34
		6.4.4	**Labour Practices:** Conditions of work and social protection	34
		6.4.5	**Labour Practices:** Social dialogue	35

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GRI Standard Guidelines and **ISO 26000 Comparison** (continued)

GRI STANDARDS 2016			ISO 26000	PAGE NO
GRI 400: SOCIAL STANDARDS				
GRI 403: Occupational Health & Safety				
403-1	Workers representation in formal joint management–worker health and safety committees	6.4.6	**Labour Practices:** Health and safety at work	35
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities			
403-3	Workers with high incidence or high risk of diseases related to their occupation			
403-4	Health and safety topics covered in formal agreements with trade unions			
GRI 404: Training and Education				
404-1	Average hours of training per year per employee	6.4.7	**Labour Practices:** Human development and training in the workplace	37
404-2	Programs for upgrading employee skills and transition assistance programs			
404-3	Percentage of employees receiving regular performance and career development reviews			
GRI 405: Diversity and Equal Opportunity				
405-1	Diversity of governance bodies and employees	6.2.3	**Organisational Governance:** Decision-making processes and structures	2 & 11
		6.3.7	**Human Rights:** Discrimination and vulnerable groups	30
		6.3.10	**Human Rights:** Fundamental principles and rights at work	30
		6.4.3	**Labour Practices:** Employment and employment relationships	34
405-2	Ratio of basic salary and remuneration of women to men	6.3.7	**Human Rights:** Discrimination and vulnerable groups	30
		6.3.10	**Human Rights:** Fundamental principles and rights at work	30
		6.4.3	**Labour Practices:** Employment and employment relationships	34
		6.4.4	**Labour Practices:** Conditions of work and social protection	34

GRI Standard Guidelines and **ISO 26000 Comparison** (continued)

GRI STANDARDS 2016			ISO 26000	PAGE NO
GRI 400: SOCIAL STANDARDS				
GRI 406: Non-Discrimination				
406-1	Incidents of discrimination and corrective actions taken	6.3.6	**Human Rights:** Resolving grievances	22-25
		6.3.7	**Human Rights:** Discrimination and vulnerable groups	30
		6.3.10	**Human Rights:** Fundamental principles and rights at work	30
		6.4.3	**Labour Practices:** Employment and employment relationships	34
GRI 407: Freedom of Association and Collective Bargaining				
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	6.3.3	**Human Rights:** Due diligence	30
		6.3.4	**Human Rights:** Human right risk situations	30
		6.3.5	**Human Rights:** Avoidance of complicity	31
		6.3.8	**Human Rights:** Civil and political rights	32
		6.3.10	**Human Rights:** Fundamental principles and rights at work	30
		6.4.5	**Labour Practices:** Social dialogue	35
		6.6.6	**Fair Operating Practices:** Promoting social responsibility in the value chain	48
GRI 408: Child Labour				
408-1	Operations and suppliers at significant risk for incidents of child labour	6.3.3	**Human Rights:** Due diligence	30
		6.3.4	**Human Rights:** Human rights risk situations	30
		6.3.5	**Human Rights:** Avoidance of complicity	31
		6.3.7	**Human Rights:** Discrimination and vulnerable groups	30
		6.3.10	**Human Rights:** Fundamental principles and rights at work	30
		6.6.6	**Fair Operating Practices:** Promoting social responsibility in the value chain	48

GRI Standard Guidelines and ISO 26000 Comparison (continued)

GRI STANDARDS 2016			ISO 26000	PAGE NO
GRI 400: SOCIAL STANDARDS				
GRI 409: Forced or Compulsory Labour				
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	6.3.3.	**Human Rights:** Due diligence	30
		6.3.4	**Human Rights:** Human rights risk situations	30
		6.3.5	**Human Rights:** Avoidance of complicity	31
		6.3.10	**Human Rights:** Fundamental principles and rights at work	30
		6.6.6	**Fair Operating Practices:** Promoting social responsibility in the value chain	48
GRI 410: Security Practices				
410-1	Security personnel trained in human rights policies or procedures	6.3.4	**Human Rights:** Human rights risk situations	30
		6.3.5	**Human Rights:** Avoidance of complicity	31
		6.6.6	**Fair Operating Practices:** Promoting social responsibility in the value chain	48
GRI 411: Rights of Indigenous People				
411-1	Incidents of violations involving rights of indigenous peoples	6.3.4	**Human Rights:** Human rights risk situations	30
		6.3.6	**Human Rights:** Resolving grievances	22-25
		6.3.7	**Human Rights:** Discrimination and vulnerable groups	30
		6.3.8	**Human Rights:** Civil and political rights	32
		6.6.7	**Fair Operating Practices:** Respect for property rights	48
		6.8.3	**Community Involvement & Development:** Community involvement	26

GRI Standard Guidelines and ISO 26000 Comparison (continued)

GRI STANDARDS 2016			ISO 26000	PAGE NO
GRI 400: SOCIAL STANDARDS				
GRI 412: Human Rights Assessment				
412-1	Operations that have been subject to human rights reviews or impact assessments	6.3.3	**Human Rights:** Due diligence	30
		6.3.4	**Human Rights:** Human rights risk situations	30
		6.3.5	**Human Rights:** Avoidance of complicity	31
412-2	Employee training on human rights policies or procedures	6.3.5	**Human Rights:** Avoidance of complicity	31
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	6.3.3	**Human Rights:** Due diligence	30
		6.3.4	**Human Rights:** Human rights risk situations	30
		6.3.5	**Human Rights:** Avoidance of complicity	31
GRI 413: Local Communities				
413-1	Operations with local community engagement, impact assessments, and development programs	6.3.9	**Human Rights:** Economic, social and cultural rights	33
		6.6.7	**Fair Operating Practices:** Respect for property rights	48
413-2	Operations with significant actual and potential negative impacts on local communities	6.8.5	**Community involvement and development:** Employment creation and skills development	27
		6.8.7	**Community involvement and development:** Wealth and income creation	27
		6.8.9	**Community involvement and development:** Social investment	29
GRI 414: Supplier Social Assessment				
414-1	New suppliers that were screened using social criteria	6.6.6	**Fair Operating Practices:** Promoting social responsibility in the value chain	48
414-2	Negative social impacts in the supply chain and actions taken			
GRI 415: Public Policy				
415-1	Political contributions	6.6.4	**Fair Operating Practices:** Responsible political involvement	47

GRI Standard Guidelines and **ISO 26000 Comparison** (continued)

GRI STANDARDS 2016			ISO 26000	PAGE NO
GRI 400: SOCIAL STANDARDS				
GRI 416: Customer Health and Safety				
416-1	Assessment of the health and safety impacts of product and service categories	6.6.7	**Fair Operating Practices:** Respect for property rights	48
		6.7.4	**Consumer Issues:** Protecting consumers' health and safety	49
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	6.7.4	**Consumer Issues:** Protecting consumers' health and safety	49
		6.7.6	**Consumer Issues:** Consumer service, support and complaint and dispute resolution	49
		6.7.7	**Consumer Issues:** Access to essential services	50
		6.7.8	**Consumer Issues:** Education and awareness	49
GRI 417: Marketing and Labelling				
417-1	Requirements for product and service information and labelling	6.7.3	**Consumer Issues:** Fair marketing, factual, and unbiased information and fair contractual practices	49
417-2	Incidents of non-compliance concerning product and service information and labelling	6.7.4	**Consumer Issues:** Protecting consumers' health and safety	49
		6.7.5	**Consumer Issues:** Sustainable consumption	49
417-3	Incidents of non-compliance concerning marketing communications	6.7.9	**Consumer Issues:** Education and awareness	49
GRI 418: Customer Privacy				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	6.7.7	**Consumer Issues:** Consumer data protection and privacy	50
GRI 419: Socioeconomic Compliance				
419-1	Non-compliance with laws and regulations in the social and economic area	6.7.6	**Consumer Issues:** Consumer service, support, and complaint and dispute resolution	49

PADENGA HOLDINGS LIMITED

Annual Financial Statements

for the year ended 31 December 2019

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 and) except for any changes arising from revisions and updates in IFRS as outlined in section 3 of the financial statements (Accounting Policies). The principal accounting policies of the Group also conform to the applicable Company's Act regulations.

Compliance With IFRSs

The financial statements are prepared with the objective of complying fully with the IFRSs. Complying with IFRSs achieves consistency with the financial reporting framework adopted by the Group since 2010. Using a globally recognized reporting framework also facilitates understandability and comparability with similar businesses and allows consistency in the interpretation of the financial statements.

Whilst full compliance with IFRSs has been possible in previous reporting periods, only partial compliance was achieved in 2018. In respect of International Financial Reporting Standards IAS 21 "The Effects of Changes in Foreign Exchange Rates" ("IAS 21") "if the primary economic environment in which an entity operates is normally the one in which it primarily generates and expends cash, an entity considers the following factors in determining its functional currency:

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

Paragraph 2.12 of the Conceptual Framework for Financial Reporting ("the Conceptual Framework") prescribes that for financial information to be useful, it "must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon." International Accounting Standard 10 "Events after the Reporting Period" ("IAS 10") also requires an entity to adjust the amounts recognised in its financial statements to reflect events after the reporting period that provide evidence of conditions that existed at the end of the reporting period.

Despite the effects of COVID-19 (outlined in 2.1) 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.

Directors' Responsibility and **Approval of Financial Statements** (continued)

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 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 31 December 2019, which appear on pages 76 to 138 have been approved by the Board of Directors and are signed on its behalf by:

T N Sibanda
Chairman
24 March 2020

O T Kamundimu
Chief Finance Officer
24 March 2020

G J Sharp
Chief Executive Officer
24 March 2020

Company **Secretary's Certification**

for the year ended 31 December 2019

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 Companies and Other Business Entities Act (Chapter 24:31) and all such returns are true, correct and up to date.

A D Lorimer
Company Secretary
Harare
24 March 2020

Report of **the Directors**

The Directors have pleasure in presenting their Ninth Annual Report together with the audited financial statements of the Group for the year ended 31 December 2019. In the report, "Group" refers to Padenga Holdings Limited and its subsidiary companies.

Share Capital
At 31 December 2019, the authorised share capital of the Company was 800,000,000 ordinary shares, and the issued share capital was 541,593,440 (same for 2018) ordinary shares.

Group Results	FY 2019 US$	FY 2018 Restated US$
Profit before taxation	8 591 951	11 075 942
Taxation	(1 847 265)	(3 721 474)
Profit for the year	6 744 686	7 354 469
Profit attributable to shareholders	6 915 140	7 803 203

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

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.

Report of **the Directors** (continued)

Board attendance (from 1 January 2019 to 31 December 2019)

Name of Director	Main Board		Audit & Risk Committee		Remuneration & Nominations Committee	
	Attended	Possible	Attended	Possible	Attended	Possible
Jerome Caraguel	3	4	—	—		
Michael John Fowler	4	4	—	—	2	2
Oliver Tendai Kamundimu	4	4	—	—	—	—
Annie Mutsa Mazvita Madzara	4	4	—	—	2	2
Sternford Moyo	3	3*	2	2*	—	—
Gary John Sharp	4	4	3	3	—	—
Thembinkosi Nkosana Sibanda	4	4	3	3	2	2

*Note: Mr Sternford Moyo was appointed as a director of Padenga with effect from 1st May 2019 and as a member of the Padenga Audit Committee with effect from 11th September 2019.

Directors' Fees
Members will be asked to approve payments of the directors' fees in respect of the period ended 31 December 2019.

Auditors
Members will be asked to approve the remuneration of the auditors for the financial period ended 31 December 2019 and to re-appoint Ernst & Young as auditors of the Company to hold office for the following year.

Annual General Meeting
NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of Padenga Holdings Limited is to be held virtually at https://eagm.creg.co.zw/eagmZim/Login.aspx on Tuesday 9 June 2020 at 08h15.

For and on behalf of the Board.

T N Sibanda
Chairman
Harare
24 March 2020

G J Sharp
Chief Executive Officer
Harare
24 March 2020

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Angwa City
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Kwame Nkrumah Avenue
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www.ey.com

Independent **Auditor's Report**

TO THE MEMBERS OF PADENGA HOLDINGS LIMITED

Report on the Audit of the Consolidated Financial Statements

Adverse Opinion

We have audited the consolidated financial statements of Padenga Holdings Limited and its subsidiaries (the Group), as set out on pages 76 to 138, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

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

Basis for Adverse Opinion

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

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

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate out FCA RTGS Accounts from the FCA Nostro US$ Accounts during October 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS and the US$ amounts. In February 2019 there was a Monetary Policy statement which introduced the RTGS Dollar (RTG$) and the interbank foreign exchange market. Furthermore, Statutory Instrument 142 of 2019 specified that for all domestic transactions, the Zimbabwe Dollar (which comprises RTGS$, Bond notes and Bond Coins) was the sole legal tender effective 24 June 2019.

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

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

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

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

Management's approach in the current year, for reasons explained on Note 3.3, was to effect a retrospective restatement as a prior period error in terms of *International Financial Reporting Standards – IAS 8 – Accounting Polices, Changes in Accounting Estimates and Errors.* Pursuant to this, management translated foreign denominated balances and all foreign denominated transaction for the period October 2018 to December 2018 to USS$ at the opening interbank exchange rate of 1:2.5. We do not believe the interbank rate was an appropriate spot rate in terms of International Financial Reporting Standards. Therefore, management has not correctly restated the opening balances to resolve the matters which resulted in the adverse audit report in the prior period and therefore the matter is continuing.

As a result of these matters:

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

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

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

As outlined in Note 4 to the consolidated financial statements, for the year ended 31 December 2019, the Group translated foreign denominated transactions and balances using interbank rates. The exchange rates used for the translation do not meet the definition of a spot exchange rate as per IAS 21. We therefore believe that the exchange rates for transactions and balances between the US$ and the ZWL used by the Group did not meet the criteria for appropriate exchange rates in terms of IFRS. Had the correct rates been used a number of significant accounts would have been affected in a material manner. The effects of the above departures from IFRS are material and pervasive to the consolidated financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further descried in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

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Independent **Auditor's Report** (continued)

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

Key Audit Matters

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

Other information

The directors are responsible for the other information. The other information comprises the Chairman's Statement, The Chief Executive Officer's Business Report, the Directors' Report and the Statement of Corporate Governance and Responsibility but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. The Chairman's Statement, The Chief Executive Officer's Business Report, the Directors' Report and the Statement of Corporate Governance and Responsibility is expected to be made available to us after the date of this auditor's report.

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

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent **Auditor's Report** (continued)

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

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

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

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

Report on Other Legal and Regulatory Requirements

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies Act (Chapter 24:03).
The engagement partner on the audit resulting in this independent auditor's report is David Marange PAAB Practising Certificate Number 0436.

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Audit
Harare

Date: 28 April 2020

Consolidated Statement of Profit or **Loss And Other Comprehensive Income**

for the year ended 31 December 2019

	Note	1-Dec-2019 US$	31-Dec-2018 Restated** US$
Revenue	7	29 127 509	37 321 141
Other income	7.1	76 224	658 727
Cost of goods sold	7.1.1	(11 569 862)	(11 086 232)
Employee benefits expense	7.2.2	(4 264 090)	(6 482 472)
Other operating costs	7.2	(6 334 248)	(8 999 141)
Operating profit before depreciation, amortisation, impairment and fair valuation adjustments		**7 035 533**	**11 412 023**
Depreciation	12	(2 173 152)	(2 113 361)
Depreciation – right of use assets	12.2	(185 401)	—
Amortisation	13.1	(12 231)	(11 408)
Operating profit before interest and fair value adjustments		**4 664 749**	**9 287 254**
Fair value adjustments on biological assets	15.3	5 358 433	1 198 348
Profit before interest and tax		**10 023 182**	**10 485 602**
Interest income	8.1	69 916	1 681 033
Interest expense - loans	8.2	(1 423 532)	(1 090 692)
Interest expense - lease	8.2	(77 715)	—
Profit before tax	3	**8 591 851**	**11 075 943**
Income tax expense	9.1	(1 847 265)	(3 721 474)
Profit for the year		**6 744 586**	**7 354 469**
Other comprehensive income		—	—
Total comprehensive income for the year		**6 744 586**	**7 354 469**
Profit for the year attributable to:			
Equity holders of the parent		6 915 140	7 803 203
Non-controlling interest		(170 554)	(448 734)
		6 744 586	**7 354 469**
Total comprehensive income for the year attributable to:			
Equity holders of the parent		6 915 140	7 803 203
Non-controlling interest		(170 554)	(448 734)
		6 744 586	**7 354 469**
Earnings per share (cents)			
Basic earnings per share	6	1.28	1.44
Diluted earnings per share	6	1.28	1.44
Headline and diluted headline earnings per share	6	1.25	1.01

Consolidated Statement **of Financial Position**

As at 31 December 2019

	Note	31-Dec-2019 US$	31-Dec-2018 Restated** US$
ASSETS			
Non-current assets			
Property, plant and equipment	12	24 088 899	21 702 398
Intangible assets	13	51 220	32 378
Right of use of assets	12.2	1 156 377	—
Other receivables	14	—	536 684
Biological assets	15.1	6 790 778	5 369 348
		32 087 274	**27 640 808**
Current assets			
Biological assets	15.2	32 205 176	35 831 172
Inventories	16	12 566 854	5 233 428
Contract asset	17.2	—	288 944
Trade and other receivables	17	10 770 978	12 224 701
Cash and cash equivalents	11.3	9 366 759	10 143 707
		64 909 767	**63 721 952**
Total assets		**96 997 041**	**91 362 760**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18.2	54 159	54 159
Share premium	18.6	27 004 245	27 004 245
Retained earnings	18.8	40 786 379	35 972 786
Share based payment reserve	18.4	2 099	—
Change in ownership reserve	18.7	(63 863)	(63 863)
Equity attributable to equity holders of the parent		**67 783 019**	**62 967 327**
Non-controlling interest	18.9	(579 333)	(408 779)
Total shareholders' equity		**67 203 686**	**62 558 548**
Non-current liabilities			
Interest-bearing borrowings	19.1	6 335 000	7 235 000
Lease liabilities	24.2	464 144	—
Deferred tax liability	10	7 259 730	7 789 354
		14 058 874	**15 024 354**
Current liabilities			
Customer deposits	20.2	2 936 325	3 125 925
Interest-bearing borrowings	19.2	10 579 610	7 337 860
Trade and other payables	20	1 194 395	2 849 898
Lease liabilities	24.2	147 000	—
Provisions	21	38 885	146 997
Tax Payable	9.2	838 266	319 178
		15 734 481	**13 779 858**
Total liabilities		**29 793 355**	**28 804 212**
Total equity and liabilities		**96 997 041**	**91 362 760**

O T Kamundimu
Chief Finance Officer
24 March 2020

G J SHARP
Chief Executive Officer
24 March 2020

PADENGA
Holdings Limited

Consolidated Statement of
Changes In Shareholders' Equity

for the year ended 31 December 2019

	Share Capital (Note 18) US$	Share Premium (Note 18) US$	Share based payment reserve (Note 18.8) US$	Change in Ownership Reserve (Note 5) US$	Retained Earnings US$	Total US$	Non-Controlling Interest (Note 18.9) US$	Total US$
Balance at 1 January 2018	**54 159**	**27 004 245**	**—**	**(63 863)**	**34 668 708**	**61 663 249**	**39 955**	**61 703 204**
Total comprehensive income	—	—	—	—	7 803 199	7 803 199	(448 734)	7 354 465
Dividends paid	—	—	—	—	(6 499 121)	(6 499 121)	—	(6 499 121)
Balance at 31 December 2018 - Restated	**54 159**	**27 004 245**	**—**	**(63 863)**	**35 972 786**	**62 967 327**	**(408 779)**	**62 558 548**
Effect of adoption of IFRS 16 Leases	—	—	—	—	(25 172)	(25 172)	—	(25 172)
Balance as at 1 January 2019 (Adjusted)	**54 159**	**27 004 245**	**—**	**(63 863)**	**35 947 614**	**62 942 155**	**(408 779)**	**62 533 376**
Total comprehensive income	—	—	—	—	6 915 140	6 915 140	(170 554)	6 744 686
Dividends paid	—	—	—	—	(2 076 375)	(2 076 375)	—	(2 076 375)
Share based payment charge for the year	—	—	2 099	—	—	2 099	—	2 099
Balance at 31 December 2019	**54 159**	**27 004 245**	**2 099**	**(63 863)**	**40 786 379**	**67 783 019**	**(579 333)**	**67 203 286**

Consolidated Statement **of Cash Flows**

for the year ended 31 December 2019

	Note	31-Dec-2019 US$	31-Dec-2018 Restated** US$
Cash generated from operating activities	11.1	**8 285 913**	**9 105 394**
Interest received	8.1	69 916	1 681 033
Interest paid		(679 429)	(945 385)
Taxation paid	9.2	(1 857 802)	(2 198 534)
Net cash generated from operations		**5 818 598**	**7 642 508**
Net cash utilised in investing activities		**(4 735 028)**	**(5 189 512)**
- proceeds on disposal of property, plant and equipment		35 395	63 888
- purchase of property, plant and equipment	12	(4 571 497)	(5 091 545)
- expenditure on non-current biological assets	15.1	(167 852)	(153 385)
- purchase of intangible assets	13	(31 074)	(8 470)
Net cash flow before financing activities		**1 083 570**	**2 452 996**
Net cash utilised in financing activities		**(532 790)**	**(3 535 452)**
- proceeds from borrowings	19.3	6 608 854	4 000 000
- repayments of borrowings	19.3	(5 065 269)	(1 036 331)
- dividends paid	11.2	(2 076 375)	(6 499 121)
Net increase/(decrease) in cash and cash equivalents		**550 780**	**(1 082 456)**
Net foreign exchange difference		(1 327 728)	—
Cash and cash equivalents at the beginning of the period		10 143 707	11 226 163
Cash and cash equivalents at the end of the period	11.3	**9 366 759**	**10 143 707**

** The restatement has been disclosed in note 3.3 Restatement of opening balances as at 31 December 2018.

Accounting **Policies**

for the year ended 31 December 2019

1 Corporate Information

The consolidated financial statements of Padenga Holdings Limited and its subsidiaries for the year ended 31 December 2019 were authorized for issue in accordance with a resolution of the Directors on 24 March 2020. 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.

The registered office is located at 121 Borrowdale Road, Gunhill, Harare, Zimbabwe. Information on the Group's parent and other related party relationships is presented in Note 28.

2 Statement of Compliance

Compliance with IFRSs

The financial statements are prepared with the objective of complying fully with the IFRSs. Complying with IFRSs achieves consistency with the financial reporting framework adopted by the Group since 2010. Using a globally recognized reporting framework also facilitates understandability and comparability with similar businesses and allows consistency in the interpretation of the financial statements.

Whilst full compliance with IFRSs has been possible in previous reporting periods, only partial compliance was achieved in 2018. In respect of International Financial Reporting Standards IAS 21 "The Effects of Changes in Foreign Exchange Rates" ("IAS 21") "if the primary economic environment in which an entity operates is normally the one in which it primarily generates and expends cash, an entity considers the following factors in determining its functional currency:

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

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

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.

Accounting **Policies** (continued)

for the year ended 31 December 2019

2 Statement of Compliance (continued)

2.1 Going concern (continued)

As COVID -19 continues to spread globally, the Group has considered the future impact it might have on the going concern of the business. Many tanneries are in shutdown due to lockdowns. The lockdown in China, USA and the restriction on international travel from China, USA, Europe among other continents will impact on luxury product sales. However, for the Group, harvesting is going on as normal since the deliveries to the customer are normally concentrated in the fourth quarter of the year. In addition, the lockdown will not affect movement of essential imports as movement of cargo is not restricted. The Group's imports are mainly from South Africa. The Group continues to monitor wellness programs for its employees to mitigate the threat and safe guard the operations of the Group. The table below discusses the potential impacts on a line by line basis.

	Impact on the business
Property, plant and equipment	A significant drop in market prices considered may impact the business if not sustained. However, the business cycle is such that there is a three-year production period on which the effects can be detected after all harvest cycles have been exhausted.
Intangible assets	Intangible assets do not constitute a significant amount on the balance sheet. These are software packages being used by the Group for the day to day management of the business. As the business is continuing, there is no significant impact on the intangible assets as the software will continue to be in use.
Right of use of assets	The right of use will not be impacted as the land is no longer suitable for any other use except for crocodile production. The Group has considered the impact of COVID-19 on right of use and concluded that there are no conditions for impairment as the use of land will not be significantly affected by the pandemic.
Biological assets - current & non-current	The accounting effects of the coronavirus on fair value measurements may be significant. COVID-19 is a rapidly evolving situation. Expected cash flows may be affected if the industries in Europe continue to be closed for a prolonged period. The direct impact is mainly feed, cleaning and treats which have been covered under inventories below.
Inventories	In light of COVID-19-related revenue declines or disrupted supply chains would affect the supply chain. In the case of the Group, stock holding is currently four months cover and major inputs are from south Africa where cargo has not been stopped. The business continues to receive constant supply of inventory. In addition, the Group does not have inventory items with short shelf lives or expiration dates, or specific seasonal inventories that are at the most risk of an impairment. There is no unplanned work stoppages or severe slowdowns due to labour or material shortages as the Group is in the essential services category and has been allowed to continue operating. Demand for finished products (Skins and meat) is concentrated towards the end of the year.
Receivables	Subsequent to 31 December 2019, one of the Company's major trade receivable paid off the remaining balance in full. The Group anticipate no credit loss on trade receivables. There are no anticipated disruptions in company deliveries of its products as the sales deliveries are concentrated toward the end of the year.

Accounting **Policies** (continued)

for the year ended 31 December 2019

	Impact on the business
Cash resources	The Company had an operating profit. Positive cash flows from operations and working capital to 31 December 2019. The cash will sustain the business for the current season.
Lease liabilities	The lease liability will not be impacted as the land is no longer suitable for any other use except for crocodile production.
Interest bearing debt- third party	The Group has interest bearing debt falling due within 2020. The earliest maturity date is 31 December 2020 which coincide with year-end when the group will have concluded deliveries for this year. There is currently no requirement to raise capital in order to continue its operations. To address its financing requirements, the Company will seek financing through debt and equity financings. The outcome of these matters cannot be predicted at this time.
Customer deposit	US$ 2 000,000 was paid off in January of 2020. This left a balance of US$936 325 payable over a four-year period. There is no significant exposure relating to Customer Deposits..
Creditors, provisions and taxation	Operations are continuing under the designation of essential services and there has been no compromise thus far, nor is any anticipated. The business will continue to honour the obligations outstanding as 31 December 2019. There has been no change in creditors terms from 2019 to 2020.Taxation outstanding will also be settled in 2020.

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 2019. 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

Accounting **Policies** (continued)

for the year ended 31 December 2019

2 Statement of Compliance (continued)

2.3 Basis of Consolidation (continued)

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

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders are stated at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to the acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Any losses applicable to the non-controlling interests in excess of the non-controlling interest are allocated against the interest of the parent.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group. All intra-group transactions and balances are eliminated on consolidation.

Accounting **Policies** (continued)

for the year ended 31 December 2019

3 Changes in accounting policy and disclosures

The Group applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of this new accounting standard are described below:

3.1 Application of new standards effective 1 January 2019

IFRS 16 - Leases

The company has adopted IFRS 16, Leases with a date of initial application being 1 January 2019. As a result, the company has changed its accounting policy for recognition as detailed below:

The International Accounting Standards board (IASB) issued IFRS 16 in January 2016 which requires Lessee 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. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The standard is effective for annual periods beginning on or after 1 January 2019. The group has elected to adopt the modified retrospective approach which has resulted in an adjustment to equity on 1 January 2019. The Group elected to apply the standard to contracts that were previously identified as leases applying IAS 17.

The Group operates farms on three main pieces of land in Zimbabwe. The lease period for the northern farms is 10 years and for the southern farm its set at 20 years. The company has considered other lease agreements for employee houses under IFRS 16 and these have been determined as low value leases.

The Group has also considered other lease agreements for main supplier and main customer under IFRS 16 and concluded that the arrangements do not constitute lease arrangements".

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.

The Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Accounting Policies (continued)

for the year ended 31 December 2019

3 Changes in accounting policy and disclosures (continued)

3.1 Application of new standards effective 1 January 2019 (continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the Statement of Financial Position. The right-of-use asset was measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. The lease liabilities were discounted at the borrowing rate at 1 January 2019. The discount rate was 6% (see note 4).

The Group has elected to account for short-term leases and leases of low-value assets with a threshold of less than US$ 5,000 under lease expense. These are leases below twelve months and do not have a renewal option. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included as a separate line from property, plant and equipment and lease liabilities have also been shown separately from trade and other payables.

Effects of IFRS 16 leases

The Group adopted modified retrospective approach in recognising leases which were previously classified as operating leases. In 2019, the Group assessed the full potential impact of the standard on its consolidated financial statements. In summary the impact of IFRS 16 adoption was as follows:

- Deferred tax liabilities increased by 331 688 because of the deferred tax impact of the changes in assets and liabilities.
- **Impact on the statement of retained earnings:** the opening balance of retained earnings will be increased by $25,173.88 due to the cumulative impact of IFRS 16.
- **Impact on the statement of financial position:** assets and liabilities have increased by $1 826 543 on initial recognition of the right of use assets (ROU). The "Right of Use" asset had been classified under fixed assets and "Lease liability" has been recognised under liabilities.
- **Impact on the statement of profit or loss and other comprehensive income:** the adoption of IFRS 16 has resulted in a reduction in profits by $25 918.50 in 2019. The adoption of IFRS 16 has an insignificant impact on the financial performance of the Group.

Accounting Policies (continued)

for the year ended 31 December 2019

3 Changes in accounting policy and disclosures (continued)

3.1 Application of new standards effective 1 January 2019 (continued)

Reconciliation between lease liability recognised on transition and the operating lease commitments disclosed in 2018

Operating lease commitments as at 31 December 2018	**1 996 908**
Commitments relating to short-term leases	(91 987)
Commitments paid in advance	(611 326)
Effects of restatement of short-term leases	(78 378)
	1 215 217
Borrowing rate ad per lease agreement at 1 January 2019	**6%**
Lease liabilities as at 1 January 2019	**611 144**

The lease liability has been measured in accordance with IFRS 16.C10, where the Group used the practical expedients by applying IFRS 16 using the modified retrospective application. A single discount rate has been applied to the portfolio of leases as they have reasonably similar characteristics

A total lease liability of US$ 611 144 was recognised for the financial year 2019. 2018 had a nil balance as it was applying IAS 17.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It 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

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Group applies significant judgement in identifying uncertainties over income tax treatments.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing; the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for its subsidiaries) will be accepted by the taxation authorities. Therefore, the Interpretation did not have an impact on the consolidated financial statements of the Group.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

Accounting **Policies** (continued)

for the year ended 31 December 2019

3 Changes in accounting policy and disclosures (continued)

3.1 Application of new standards effective 1 January 2019 (continued)

Amendments to IAS 28: Long-term interests in associates and joint ventures (continued)

These amendments did not have an impact on the consolidated financial statements as the Group has no long-term interests which form part of the net investment in a joint venture.

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.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats, as part of general borrowings, any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which it first applies those amendments. The entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with the amendments, they had no impact on the consolidated financial statements of the Group.

3.3 Restatement of opening balances as at 31 December 2018

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

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

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

Accounting **Policies** (continued)

for the year ended 31 December 2019

3 Changes in accounting policy and disclosures (continued)

3.4 Restatement of Basic earnings per share and diluted earnings per share

	31-Dec-18 As Previously reported US$	Adjustment	31-Dec-18 Restated US$
Net profit attributable to ordinary equity holders of the parent	13 175 301	(5 372 098)	7 803 203
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)	2.43	(0.99)	1.44
Diluted earnings per share (US cents)	2.43	(0.99)	1.44
Headline and diluted headline earnings per share (US cents)	2.00	(0.99)	1.01

Restated Consolidated Statement of **Profit or Loss and Other Comprehensive Income**

The impact of restatement on opening balances

31 December 2018

	As Previously Reported US$	Adjustments	31-Dec-2018 As Reported US$
Revenue	42 479 689	(5 158 548)	37 321 141
Other income	972 205	(313 478)	658 727
Cost of goods sold	(11 097 740)	11 508	(11 086 232)
Employee benefits expense	(7 456 503)	974 031	(6 482 472)
Other operating costs	(6 780 158)	(2 218 983)	(8 999 141)
Operating profit before depreciation, amortisation, impairment and fair valuation adjustments	**18 117 493**	**(6 705 470)**	**11 412 023**
Depreciation	(2 113 361)	—	(2 113 361)
Amortisation	(11 408)	—	(11 408)
Operating profit before interest and fair value adjustments	**15 992 724**	**(6 705 470)**	**9 287 254**
Fair value adjustments on biological assets	1 198 348	—	1 198 348
Profit before interest and tax	**17 191 072**	**(6 705 469)**	**10 485 602**
Interest income	1 735 171	(54 139)	1 681 033
Interest expense	(1 150 692)	60 000	(1 090 692)
Profit before tax	**17 775 551**	**(6 699 609)**	**11 075 942**
Income tax expense	(5 048 984)	1 327 510	(3 721 474)
Profit for the year	**12 726 567**	**(5 372 098)**	**7 354 469**
Other comprehensive income	—	—	
Total comprehensive income for the year	**12 726 567**	**(5 372 098)**	**7 354 469**

Accounting **Policies** (continued)

for the year ended 31 December 2019

3 Changes in accounting policy and disclosures (continued)

3.4 Restatement of Basic earnings per share and diluted earnings per share (continued)

Restated Consolidated Statement of **Profit or Loss and Other Comprehensive Income** (continued)

The impact of restatement on opening balances

31 December 2018

	As Previously Reported US$	Adjustments	31-Dec-2018 As Reported US$
Profit for the year attributable to:			
Equity holders of the parent	13 175 301	(5 372 098)	7 803 203
Non-controlling interest	(448 734)	—	(448 734)
	12 726 567	**(5 372 098)**	**7 354 469**
Total comprehensive income for the year attributable to:			
Equity holders of the parent	13 175 301	(5 372 098)	7 803 203
Non-controlling interest	(448 734)	—	(448 734)
	12 726 567	**(5 372 098)**	**7 354 469**
Earnings per share (cents)			
Basic earnings per share	2.43	(0.99)	1.44
Diluted earnings per share	2.43	(0.99)	1.44
Headline and diluted headline earnings per share	2.00	(0.99)	1.01

Accounting **Policies** (continued)

for the year ended 31 December 2019

Restated Consolidated **Statement of Financial Position**

The impact of restatement on opening balances

As at 31 December 2018

	As Previously Reported US$	Adjustments	31-Dec-2018 As Reported US$
ASSETS			
Non-current assets			
Property, plant and equipment	21 702 398	—	21 702 398
Intangible assets	32 379	—	32 379
Other receivables	536 684	—	536 684
Biological assets	5 369 348	—	5 369 348
Total non—current assets	**27 640 808**	**—**	**27 640 808**
Current assets			
Biological assets	35 831 172	—	35 831 172
Inventories	5 233 428	—	5 233 428
Contract asset	288 944	—	288 944
Trade and other receivables	13 130 404	(905 700)	12 224 701
Cash and cash equivalents	21 632 695	(11 488 988)	10 143 707
Total current assets	**76 116 647**	**(12 394 695)**	**63 721 952**
Total assets	**103 757 455**	**(12 394 695)**	**91 362 760**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	54 159	—	54 159
Non-distributable reserves	27 004 245	—	27 004 245
Non-Controlling interest	(408 779)	—	(408 779)
Change in ownership reserve	(63 863)	—	(63 863)
Distributable reserves	41 344 888	(5 372 102)	35 972 786
Share capital and reserves	**67 930 650**	**(5 372 102)**	**62 558 548**
Non-current liabilities			
Deferred tax liability	7 901 480	(112 486)	7 789 354
Interest bearing debt – third party	7 235 000	—	7 235 000
	15 136 840	**(112 486)**	**15 024 354**
Current liabilities			
Interest bearing debt – third party	13 337 860	(6 000 000)	7 337 860
Customer deposits	3 125 925	—	3 125 925
Trade and Other payables	3 539 861	(689 963)	2 849 898
Current tax payable	319 183	519 082	838 265
Provisions	367 496	(220 499)	146 997
	20 690 325	**(6 910 467)**	**13 779 858**
Total liabilities	**35 826 805**	**(7 022 593)**	**28 804 212**
Total equity and liabilities	**103 757 455**	**(12 394 695)**	**91 362 760**

PADENGA HOLDINGS LIMITED

Accounting **Policies** (continued)

for the year ended 31 December 2019

3 Changes in accounting policy and disclosures (continued)

3.4 Restatement of Basic earnings per share and diluted earnings per share (continued)

Restated Consolidated Statement of **Changes in Shareholders' Equity**

for the year ended 31 December 2018

	Share Capital US$	Share Premium US$	Change in Ownership Reserve US$	Retained Earnings US$	Total US$	Non-Controlling Interest US$	Total US$
Balance at 1 January 2018	54 159	27 004 245	(63 863)	34 668 708	61 663 249	39 955	61 703 204
Total comprehensive income	—	—	—	13 175 301	13 175 301	(448 734)	12 726 567
Dividends paid	—	—	—	(6 499 121)	(6 499 121)	—	(6 499 121)
Balance at 31 December 2018	**54 159**	**27 004 245**	**(63 863)**	**41 344 888**	**68 339 429**	**(408 779)**	**67 930 650**
Effect of restatement	—	—	—	(5 372 102)	(5 372 102)	—	(5 372 102)
Restated at 31 December 2018	**54 159**	**27 004 245**	**(63 863)**	**35 972 786**	**62 967 327**	**(579 333)**	**62 558 548**

Accounting **Policies** (continued)

for the year ended 31 December 2019

3 Changes in accounting policy and disclosures (continued)

3.4 Restatement of Basic earnings per share and diluted earnings per share (continued)

Restated Consolidated **Statement of Cash Flows**

for the year ended 31 December 2018

	As Previously Reported US$	Adjustments	31-Dec-2018 As Reported US$
Cash generated from operating activities	15 815 623	(6 710 229)	9 105 394
Interest received	1 735 172	(54 139)	1 681 033
Interest paid	(1 005 387)	60 002	(945 385)
Taxation paid	(3 413 913)	1 215 379	(2 198 534)
Net cash generated from operations	**13 131 495**	**(5 488 987)**	**7 642 508**
Net cash utilised in investing activities	**(5 189 512)**	**—**	**(5 189 512)**
- proceeds on disposal of property, plant and equipment	63 888	—	63 888
- purchase of property, plant and equipment	(5 091 545)	—	(5 091 545)
- expenditure on non-current biological assets	(153 385)	—	(153 385)
- purchase of intangible assets	(8 470)	—	(8 470)
Net cash flow before financing activities	**7 941 984**	**(5 488 987)**	**2 452 996**
Net cash generated from/ (utilised in) financing activities	**2 464 548**	**(6 000 000)**	**(3 535 452)**
- proceeds from borrowings	10 000 000	(6 000 000)	4 000 000
- repayments of borrowings	(1 036 331)	—	(1 036 331)
- dividends paid	(6 499 121)	—	(6 499 121)
Net increase in cash and cash equivalents	**10 406 532**	**11 488 987**	**(1 082 456)**
Cash and cash equivalents at the beginning of the period	11 226 163	—	11 226 163
Cash and cash equivalents at the end of the period	**21 632 695**	**11 488 987**	**10 143 707**

Accounting **Policies** (continued)

for the year ended 31 December 2019

4 Summary of significant accounting policies

Revenue recognition

The Group is in the business of production and selling of crocodile skins and meat to both the local and export markets. The Group also has a trading division that buys and sales various commodities. The Group recognises revenue from contracts with customers when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

Revenue, which excludes Value Added Tax and sales between Group companies, represents the invoiced value of goods and services supplied by the Group. The Group recognizes revenue when the customer obtains control of the goods according to the terms of the contracts. 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.

Sale of goods

There are no significant changes to the Group's revenue recognition policy attributable to product sales. Revenue from sale of skins, meat and retail sales is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. For skin sales the normal credit term is 30 to 90 days upon delivery of goods. In determining the transaction price for the sale of skins, the Group considers the effects of variable consideration in the form of quality incentive.

Retail sales are agricultural farming implements imported by the Group for resale locally. Revenue from retail sales is recognized when the Company invoices and control passes on receipt of full payment. Payment is generally due at the time of invoicing.

Variable consideration

The Group previously categorized variable consideration as quality incentive. This was regarded as a separate revenue stream recognised when the Group's right to receive the quality incentive has been established. Under IFRS 15, the quality incentive gives rise to variable consideration. The quality incentive is recognised as the difference between the prices achieved from skins delivered in the year and the guaranteed price. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

In determining the variable consideration, the group use the expected value method as this better predicts the amount of the consideration to which it will be entitled. The Group uses the expected value method in estimating the variable consideration for the sale of crocodile skins given that it has only a single customer for its skin products.

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.

Accounting **Policies** (continued)

for the year ended 31 December 2019

4 Summary of significant accounting policies (continued)

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.

The Group had no termination benefit commitments during the year.

Provision for leave pay

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

Measurement

Short-term employee benefits

All short-term employee benefits are measured at cost.

A liability is current when:

- It is expected to be settled in a 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.

Accounting **Policies** (continued)

for the year ended 31 December 2019

4 Summary of significant accounting policies (continued)

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 (interbank rate) 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 (closing interbank rate). 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.

Acquisition of interests from non-controlling interest

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

At inception, the Group assesses whether a contract is or contains a lease. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether the obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset. Short term leases are for a period of 12 months and below. The long-term leases are for contracts which are above 12 months up to 20 years.

Accounting **Policies** (continued)

for the year ended 31 December 2019

4 Summary of significant accounting policies (continued)

BUSINESS COMBINATIONS (continued)

Leased Assets

The Group recognises right of use (ROU) asset. The ROU is initially measured based on the present value of the lease payments, plus initial direct costs and the cost of obligations to refurbish the asset, less any incentives received. The ROU is depreciated over the shorter of the lease term or the useful life of the underlying asset. Depreciation is done on a straight-line basis.

ROU assets are presented separately on the face of statement of financial position.

Leased Liabilities

The Group recognises a lease liability at the commencement of the lease. Lease payments generally includes fixed payments and variable payments that depends on an index (such as inflation).

Lease payments are apportioned between the finance charges and reduction of the lease liability using the incremental borrowing rate implicit in the lease to achieve a constant rate of interest on the remaining balance of the liability. The Group has applied a rate of 6% as agreed in one of the contracts. The interest rate has been applied consistently on other lease agreement as they have similar characteristics, (same suppliers, same type of asset which is land) and underlying conditions.

Lease liability is presented separately on the face of statement of financial position and the lease liability is included in the headings current and non-current liabilities.

Low value and short-term leases

The Group has elected not to recognize ROU assets and liabilities for the leases where the total lease term is less than or equal to 12 months, or for leases of low value with a threshold of below US$5,000 per year. Payment for low value leases are recognised in the income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost which comprises of the purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs 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% -2.5%
Leasehold improvements	5% - 10% limited to the lease period
Plant, fittings and equipment	3% - 33%
Vehicles	10% - 30%

Accounting **Policies** (continued)

for the year ended 31 December 2019

4 Summary of significant accounting policies (continued)

BUSINESS COMBINATIONS (continued)

Property, plant and equipment (continued)

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 6 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.

Financial Assets

Initial recognition and measurement

Financial assets are classified at initial recognition, and subsequently measured at amortised cost.
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Accounting **Policies** (continued)

for the year ended 31 December 2019

4 Summary of significant accounting policies (continued)

BUSINESS COMBINATIONS (continued)

Financial Assets (continued)

Measurement

At initial recognition, the Group measures a financial instrument at its fair value plus.

Subsequent measurement of financial instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories in which the Group classifies its financial instruments:

- Amortized cost: Financial instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost.

Trade and other receivables are subsequently measured at their amortised cost. 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.

Cash and cash equivalents are measured at amortised cost.

The group adopted the simplified approach for the assessment of expected credit losses. The Group has established a provision matrix that' is based on its historical credit loss experience, adjusting for forward looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the group. A financial asset is written off when there is no reasonable expectation of recovery the contractual cash flows.

The group estimates its credit losses based on a probability matrix that utilizes historical trends and assessment of each debtor and the operating environment.

De-recognition of financial assets

A financial asset is 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.

Financial liabilities

Financial liabilities include trade and other accounts payable, 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.

Accounting **Policies** (continued)

for the year ended 31 December 2019

4 Summary of significant accounting policies (continued)

BUSINESS COMBINATIONS (continued)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

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.

Impairment of Financial Assets

The Group assesses on a forward-looking basis the expected credit losses (ECLs) associated with its financial instruments carried at amortized cost. The impairment methodology applied depends on whether the asset originated from a contract that is in the scope of IFRS 15 or if there has been a significant increase in credit risk. The Group was required to revise its impairment methodology under IFRS 9 for each of the following classes of assets:

- Accounts receivable and contract assets: For accounts receivable and contract assets, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all accounts receivable and contract assets within the scope of IFRS 15. The Company has established a provision based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

- Cash equivalents and short-term investments: For cash equivalents and short-term investments at amortized cost, the Company applies the general approach to providing for expected credit losses. These instruments are considered to be low credit risk, and therefore, the impairment provision is determined using a 12-month expected credit loss basis.

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.

Accounting **Policies** (continued)

for the year ended 31 December 2019

4 Summary of significant accounting policies (continued)

BUSINESS COMBINATIONS (continued)

Impairment of Financial Assets (continued)

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.

Accounting **Policies** (continued)

for the year ended 31 December 2019

4 Summary of significant accounting policies (continued)

BUSINESS COMBINATIONS (continued)

Fair value measurement (continued)

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.

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.

Accounting **Policies** (continued)

for the year ended 31 December 2019

4 Summary of significant accounting policies (continued)

BUSINESS COMBINATIONS (continued)

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.

Royalties, resource rent tax and revenue-based taxes

In addition to corporate income taxes, the Group's consolidated financial statements also include, and recognise as taxes on income, other types of taxes on net income.

Royalties, resource rent taxes and revenue-based taxes are accounted for under IAS 12 when they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable income — rather than physical quantities produced or as a percentage of revenue — after adjustment for temporary differences. For such arrangements, current and deferred income tax is provided on the same basis as described above for other forms of taxation. Obligations arising from royalty arrangements and other types of taxes that do not satisfy these criteria are recognised as current provisions and included in cost of sales. The resource rent taxes payable by the Group meet the criteria to be treated as part of income taxes.

Accounting **Policies** (continued)

for the year ended 31 December 2019

4 Summary of significant accounting policies (continued)

BUSINESS COMBINATIONS (continued)

Taxes (continued)

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.

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 2019, 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.

Accounting **Policies** (continued)

for the year ended 31 December 2019

4 Summary of significant accounting policies (continued)

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:

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.

Expected credit loses - Impairment losses on loans

The Group has considered Expected credit losses through selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Refer to Note 17.1 for the carrying amount of loans and advances to customers and more information on the impairment of loans and advances to customers.

PADENGA
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Accounting **Policies** (continued)

for the year ended 31 December 2019

4 Summary of significant accounting policies (continued)

Lease term determination

The Group has short term leases for a period of 12 months. This is documented in the contract and these leases are for employee housing. The contracts are signed for a period on 12 months with a notice period of 3 months by either party. In the event that an employee leaves employment by way of resignation, the employee gives the company 3 months' notice. This is also the same period applies for the Group to terminate the lease. Lease payments are being made on a monthly basis

The long-term leases are for contracts which are above 12 months up to 20 years.

Functional Currency

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

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

- the currency that mainly influences sales prices for goods and services. (92% of Padenga Holdings revenue is from export sales and is invoiced in US$).

- the currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services. (Padenga Holdings sells at prices that reflects US$ and Market prices are determined mainly by the global market trends mainly from the European and Asian markets).

- the currency that mainly influences labour (labour cost was 59% US$ and 41% ZWL$), material and other costs of providing goods or services (material and other costs of providing goods and services were 97% US$ and 3% ZWL$:

- the currency in which funds from financing activities (issuing debt and equity instruments) are generated; (Borrowings are in both US$ and ZWL$ in proportions of 82% and 18 % respectively).

- the currency in which receipts from operating activities are usually retained. (The majority of receipts from operating activities are retained in US$ and where payments are required in ZWL$, the funds will be liquidated at interbank rates to settle local transactions).

As an exporter earning most of its income in United States Dollars, denominating its pricing with reference to global market prices. In line with the requirements of IAS 21, the Group has adopted the United States Dollar (US$) as the functional and presentation currency in line with the requirements of the IFRSs.

Notes to the **Financial Statements**

for the year ended 31 December 2019

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

The shareholding in Tallow Creek Ranch has remained at 82.88% since the last capital injection of $3 600 000 into the subsidiary in 2017.

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.

Headline and diluted headline earnings per share

Headline and Diluted headline earnings per share is calculated by dividing the headline earnings (after taking out profits from non-core activities like profit on disposal of fixed assets and interest income) for the year attributable to ordinary shareholders of the Group 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-2019 US$	31-Dec-2018 Restated US$
Net profit attributable to ordinary equity holders of the parent	6 915 140	7 803 203
Weighted average number of ordinary shares for basic earnings per share	541 593 44	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)	1.28	1.44
Diluted earnings per share (US cents)	1.28	1.44
Headline and diluted headline earnings per share (US cents)	1.25	1.01

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 1.22 US cents was paid during the current year (2018: 1.20 US cents). No interim dividend was declared.

Cash dividends on ordinary shares declared and paid:

	31-Dec-2019 US$	31-Dec-2018 Restated US$
Prior year final dividends	2 076 375	6 499 121
Total dividends paid	**2 076 375**	**6 499 121**

PADENGA HOLDINGS LIMITED

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

	31-Dec-2019 US$	31-Dec-2018 Restated US$
6 Earnings per share (continued)		
6.1 Dividends		
Proposed dividends on ordinary shares:		
Proposed cash dividend for 2019:		
- US$ cents per share (2019: 1.22 US$ cents per share)	—	6 607 440

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

	31-Dec-2019 US$	31-Dec-2018 Restated US$
7 Revenue		
Skins Sales	27 258 267	29 501 543
Quality incentive	(1 093 339)	1 659 266
Meat Sales	818 796	785 585
Retail Sales	2 143 785	5 374 747
Total Revenue	**29 127 509**	**37 321 141**

Quality incentive relates to the additional income that is receivable on the contract sales of crocodile skins from the Zimbabwe operations for achieving agreed quality targets. In accordance to IFRS 15, an estimate is made on the current year deliveries based on the quality achieved at grading on the farms. For the year 2019, quality incentive was negative owing to a low quality skins delivered in prior year.

The business produced more skins in 2019, but less skins were sold compared to prior year for Padenga Zimbabwe which sold 41,450 (2019) vs 44,253 (2018). TCR sold 17,176 skins (2019) and 13,500 (2018).

The decrease the in revenue was driven by negative quality incentive and a reduction in retail sales.

Reconciliation of disaggregated revenue to segmental revenue

	31 December 2019			31 December 2018		
	TOTAL	Padenga Zimbabwe	Tallow Creek	TOTAL	Padenga Zimbabwe	Tallow Creek
Skins exports	**27 258 267**	23 667 508	3 590 759	**29 501 543**	26 276 733	3 224 810
Quality incentive	**(1 093 339)**	(1 093 339)	—	**1 569 266**	1 659 266	—
Meat Sales - exports	**756 436**	746 436	—	**714 261**	714 261	—
Meat Sales - local	**62 360**	62 360	—	**71 324**	71 324	—
Retail Sales	**2 143 785**	2 137 741	6 044	**5 374 747**	5 348 212	26 535
Total Revenue	**29 127 509**	**25 530 706**	**3 596 803**	**37 321 141**	**34 069 796**	**3 251 345**

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

	31-Dec-2019 US$	31-Dec-2018 Restated US$
7 Revenue (continued)		
7.1 Other income		
Export incentive	33 281	594 787
Sundry income	42 943	63 940
	76 224	**658 727**

Export incentive relates to the Government grant for 2019; being 5% of export proceeds for the year awarded in the form of bond notes.

	31-Dec-2019 US$	31-Dec-2018 Restated US$
7.1.1 Other income		
Livestock Additions	2 234 202	1 186 216
Feed	5 504 946	4 548 777
Cleaning and treatments	614 455	584 310
Fuel and energy	392 094	313 522
Staff costs	962 923	716 436
Retail cost of sales	1 961 242	3 736 971
	11 569 862	**11 086 231**

The cost of sales marginally up compared to prior year as the Group sold large animals due to the change in harvesting cycle. The Group harvested more of the older animals compared to prior year.

	31-Dec-2019 US$	31-Dec-2018 Restated US$
7.2 Other operating costs		
Salt and packaging material	305 189	169 877
Fuel and energy	713 700	849 929
Repairs and maintenance	1 303 286	1 394 126
Other overheads	3 613 120	3 255 524
Realised exchange loses	306 966	3 047 261
Short term leases	91 987	282 424
	6 334 248	**8 999 141**
7.2.1 Director emoluments		
Fees	120 745	82 464
Salaries	656 147	1 753 032
	776 892	**1 835 496**
7.2.2 Employee benefits expense		
Wage and salaries	4 186 165	6 251 042
Social security cost	15 360	49 813
Share-based payment expense	2 099	—
Medical aid	37 382	99 467
Pension	23 084	82 150
	4 264 090	**6 482 472**

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

	31-Dec-2019 US$	31-Dec-2018 Restated US$
7 Revenue (continued)		
7.2.3 Finance Income		
Exchange gains realised	4 873	31 567
Exchange gains unrealised	4 320	2 691
	9 193	**34 258**
Exchange gain arising from translation of foreign balances		
Exchange gains realised on translation of bank balances	1 327 728	—
Exchange loss arising from conversion of ZWL$ balances to US$		
7.2.4 Profit/(Loss) on disposal of property, plant and equipment	23 550	(56 191)
7.2.5 Write offs		
Included in other operating costs are:		
Stock losses written off	5 102	58 962
Deaths of breeders (note 15.1)	12 837	12 353
8 Interest		
8.1 Interest Income		
Interest income from short term investments	62 802	1 684 033
Interest income from staff loans	7 114	—
	69 916	**1 681 033**
8.2 Interest expense		
Interest on loans	**1 423 532**	**1 090 692**
Lease interest expense	**77 715**	**—**
Interest on loans and overdrafts	**1 501 247**	**1 090 692**
9 Taxation		
9.1 Income tax charge		
Current income tax charge	2 376 889	2 861 758
Charge to profit or loss	(529 624)	859 715
	1 847 265	**3 721 473**

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

	31-Dec-2019 US$	31-Dec-2018 Restated US$
9 Taxation (continued)		
9.2 Taxation paid		
Income tax (refundable) /payable at the beginning of the period	**319 178**	**(344 046)**
Current income tax charge	2 376 890	2 861 758
Amount paid	(1 857 802)	(2 198 534)
Current tax payable	**838 266**	**319 178**
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	0.82	6.67
Effect of the change in tax rate	(3.66)	—
Deferred tax arising as a result of the Lease liabilities and Right of Use of Assets	—	2.69
Effect of exempt income	(0.17)	(0.40)
Effect of different tax rate on foreign subsidiary	(1.25)	(1.59)
Effective rate	**21.49**	**33.60**

Expenses not deductible for tax include research and development, interest on loan obtained to capitalise foreign subsidiary and donations. Exempt income is mainly the export incentives.

	31-Dec-2019 US$	31-Dec-2018 Restated US$
10 Net deferred tax liabilities		
Reconciliation		
Opening balance as at the beginning of the period	7 789 354	6 929 639
Charge to profit or loss	(529 624)	859 715
	7 259 730	**7 789 354**
Accelerated depreciation for tax purposes	3 338 805	2 963 193
Deferred tax arising as a result of the Lease liabilities and Right of Use of Assets	331 688	—
Deferred tax arising during the year on Right of Use of Assets	(45 831)	—
Fair value adjustments on biological assets	3 563 104	4 581 335
Deferred tax on intangible	41 443	29 592
Provisions	31 633	214 552
Unrealised exchange (loss)/profit	(1 112)	682
	7 259 730	**7 789 354**

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

		Note	31-Dec-2019 US$	31-Dec-2018 Restated US$
11	**Cash flow information**			
11.1	**Cash generated from operations**			
	Profit before interest and tax		10 023 182	10 485 602
	Adjusted for non-cash items			
	Depreciation	12	2 173 152	2 113 361
	Depreciation – right of use assets	12.2	185 401	—
	Amortisation of intangible assets	13.1	12 231	11 408
	Unrealised exchange loss	7.2.3	(4 320)	2 667
	Realised exchange loss		1 327 728	—
	Loss on deaths of biological assets	15.1	12 838	12 353
	Fair value adjustment on biological assets	15.3	(5 358 433)	(1 198 348)
	Profit on disposal of property, plant and equipment		(23 550)	(56 191)
	Share based option scheme adjustment		2 099	—
	Inventory write offs	7.2.5	5 102	382 864
	Provisions charged to profit or loss		(108 112)	(211 874)
	Cash generated from operations before working capital changes		**8 247 317**	**11 541 843**
	Working capital changes			
	Decrease/Increase in inventories		(4 320 864)	(935 516)
	Increase in biological assets		4 700 349	(4 102 746)
	Decrease/ (Increase) in receivables		1 668 026	912 807
	Increase in payables		(2 008 915)	1 689 007
	Working capital changes		**38 596**	**(2 436 448)**
	Total cash generated from operations		**8 285 913**	**9 105 394**
11.2	**Dividend paid**			
	Dividends declared prior year and paid during the year		2 076 375	6 499 121
	Total dividends paid		**2 076 375**	**6 499 121**
11.3	**Cash and cash equivalents**			
	Made up as follows:			
	Bank balances and cash on hand (US$)		7 334 610	2 429 540
	Bank balances and cash on hand (ZWL$)		1 903 009	6 889 904
	Money market short term deposits (ZWL$)		129 140	824 263
	Cash and cash equivalents		**9 366 759**	**10 143 707**

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. The ECLs relating to cash and short-term deposits of the Group rounds to zero. Refer to note 29.4. NIL expected credit losses on the balances.

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

		31 Dec 2018	Cash flows	Interest Accrual	31 Dec 2019
11	**Cash flow information** (continued)				
11.4	**Changes in liabilities arising from financing activities**				
	Current interest-bearing borrowings	7 337 860	2 443 586	798 164	10 579 610
	Non-current interest-bearing borrowings	7 235 000	(900 000)	—	6 335 000
	Total liabilities from financing activities	**14 572 860**	**1 543 586**	**798 164**	**16 914 610**

12 Property, plant and equipment

Cost	Freehold Property US$	Leasehold Improvements US$	Plant, Fittings & Equipment US$	Motor Vehicles US$	Total US$
At 1 January 2018	**4 082 107**	**19 949 295**	**4 906 598**	**1 452 721**	**30 390 721**
Additions	—	2 934 819	1 930 154	226 571	5 091 544
Disposals	—	(6 386)	(371 297)	(110 605)	(488 288)
At 31 December 2018	**4 082 107**	**22 877 728**	**6 465 455**	**1 568 687**	**34 993 977**
Additions	—	2 999 831	1 385 513	186 146	4 571 490
Disposals	—	—	(384 768)	(66 826)	(451 594)
At 31 December 2019	**4 082 107**	**25 877 559**	**7 466 200**	**1 688 007**	**39 113 873**
Depreciation					
At 1 January 2018	**(549 643)**	**(7 571 200)**	**(2 484 124)**	**(1 053 840)**	**(11 658 807)**
Disposals	—	6 386	363 598	110 603	480 587
Charge for the year	(199 753)	(1 284 822)	(428 024)	(200 762)	(2 113 361)
At 31 December 2018	**(749 396)**	**(8 849 636)**	**(2 548 550)**	**(1 143 999)**	**(13 291 581)**
Disposals	—	—	376 680	63 078	439 758
Charge for the year	(197 552)	(1 322 800)	(459 980)	(192 820)	(2 173 152)
At 31 December 2019	**(946 948)**	**(10 172 436)**	**(2 631 850)**	**(1 273 740)**	**(15 024 975)**
Net carrying amount:					
At 31 December 2018	**3 332 711**	**14 028 092**	**3 916 907**	**424 688**	**21 702 398**
At 31 December 2019	**3 135 159**	**15 705 123**	**4 834 350**	**414 267**	**24 088 899**

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 US$ 2 000 000 Details of the borrowings are shown in Note 19.1

PADENGA HOLDINGS LIMITED

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

12 Property, plant and equipment (continued)

12.2 Right of use of assets

	Leasehold Property US$
At 1 January 2019 - Restated	**1 341 778**
Additions	—
Disposals	—
At 31 December 2019	**1 341 778**
Depreciation	
At 1 January 2019	**—**
Disposals	—
Charge for the year	(185 401)
At 31 December 2019	**(185 401)**
Net carrying amount:	—
At 1 January 2019	**1 341 777**
At 31 December 2019	**1 156 377**

13 Intangible Assets

	Purchasing System US$	SAP Business 1 US$	Pastel Evolution System US$	Other Intangible Assets US$	Total US$
Carrying Amount					
At 1 January 2018	8 310	—	7 962	19 043	35 315
Additions	—	—	8 470	—	8 470
Amortisation charge for the year	(1 488)	—	(4 263)	(5 656)	(11 407)
Net Carrying amount 31 December 2018	**6 822**	**—**	**12 169**	**13 387**	**32 378**
Additions	—	31 074	—	—	31 074
Amortisation charge for the year	(1 488)	—	(5 086)	(5 657)	(12 231)
Net Carrying amount 31 December 2019	**5 334**	**31 074**	**7 083**	**7 730**	**51 220**

The group made modifications to its Accounting system during the year to enhance processing efficiencies. Intangible assets pertain to computer software. Included in other intangible assets is business intelligence system (BI) Software, SAP Business 1 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 2019, 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.

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

13 Intangible Assets (continued)

13.1 Amortisation Costs

	Total US$	Total US$
Intangible Assets	(12 231)	(11 408)
Total Amortisation costs 31 December 2019	**(12 231)**	**(11 408)**

The Group performed its annual impairment assessment as at 31 December 2019. As at 31 December 2019, there were no indications of impairment in intangible assets.

14 Other Receivables

	31-Dec-2019 US$	31-Dec-2018 Restated US$
Non-current receivables	—	536 684

Non-current receivables relate to lease fees advances to National Parks. The prepayment was recognised in determining the right of use asset for Nyanyana North.

15 Biological Assets

Reconciliation of opening and closing carrying amounts

15.1 Non-current biological assets - Breeder Crocodiles and Alligators

	31-Dec-2019 US$	31-Dec-2018 Restated US$
At the beginning of the period	**5 369 348**	**4 789 841**
Expenditure on non-current biological assets	147 664	153 385
Transfer from current biological assets	20 188	—
Fair value adjustment	1 266 415	438 476
Deaths of non-current biological assets	(12 837)	(12 354)
At 31 December 2019	**6 790 778**	**5 369 348**

At 31 December 2019, the Group had the following number of live animals within non-current biological assets:

	31-Dec-2019	31-Dec-2018
Mature crocodiles	3 907	3 941
Immature crocodiles	1 170	1 066
Immature alligators	1 206	1 168

15.2 Current biological assets – Grower Crocodiles and Alligators

	31-Dec-2019 US$	31-Dec-2018 Restated US$
At the beginning of the period	**35 831 172**	**30 372 092**
Slaughter (transfer to inventory)	(13 744 082)	(7 295 229)
Births	181 704	191 015
Expenditure on current biological assets	5 864 554	11 206 961
Transfer to non-current biological	(20 188)	—
Fair value adjustment	4 092 016	1 356 333
At 31 December 2019	**32 205 176**	**35 831 172**

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

	31-Dec-2019 US$	31-Dec-2018 Restated US$
15 Biological Assets (continued)		
15.2 Current biological assets – Grower Crocodiles and Alligators (continued)		
At 31 December 2019, the Group had the following number of live animals within current biological assets:		
Crocodiles	156 911	162 672
Alligators	23 922	42 602

35 % of the crocodiles are aged between 2 to 3yrs. 46,000 crocodiles and 18,460 alligators will be harvested in 2020. The Group harvested 78,916 animals compared to 55,786 to the last period.

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 US$ 8 000 000. At the end of the period the Group had utilised US$ 10 million of the facility.

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 Harvesting 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 2019	Quantitative information 2018
Crocodiles Harvesting 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 years, Meat Price/kg $0.69 to $10.47, Meat yield per crocodile 2.71 kgs	Price per skin USD 175 – USD 637, Age 1 – 3 years, Meat Price/kg $0.69 to $10.47, Meat yield per crocodile 3.2 kgs

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

15 Biological Assets (continued)

15.3 Fair Value Disclosures

Valuation Technique (continued)

Type		Valuation technique	Significant unobservable Inputs (Level 3)	Quantitative information 2019	Quantitative information 2018
Alligators Harvesting 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 skin USD 63 – USD 396, Age 1 – 2 years, Price per lb. $2.00 to $2.25, Meat yield per alligator 2.1 kgs
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 714 - USD 1 500, 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 2019

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$	Fair value gain/(loss) US$
Harvesting Alligators	—	—	4 392 128	4 392 128	3 340 383
Harvesting Crocodiles	—	—	27 813 048	27 813 048	751 633
Breeders (including Alligators)	—	—	6 790 778	6 790 778	1 266 417
Total	**—**	**—**	**38 995 954**	**38 995 954**	**5 358 433**

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

15 Biological Assets (continued)

15.3 Fair Value Disclosures (continued)

Fair Value Hierarchy - 31 December 2018

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$	Fair value gain/(loss) US$
Harvesting Alligators	—	—	5 498 793	5 498 793	(1 903 757)
Harvesting Crocodiles	—	—	30 332 379	30 332 379	2 663 628
Breeders (Including Alligators)	—	—	5 369 348	5 369 348	438 476
Total	**—**	**—**	**41 200 520**	**41 200 520**	**1 198 347**

Sensitivity Analysis

The fair value of Harvesting 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 Harvesting crocodile and alligator stock. An improvement in quality will result in an increase in fair value of the Harvesting 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 USD
Crocodiles		
Fair value less costs to sell	3 %	794 620
Alligators		
Fair value less costs to sell	3 %	120 933
Breeders		
Fair value less costs to sell	10 %	679 078

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

15 Biological Assets (continued)

15.3 Fair Value Disclosures (continued)

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.

15.4 Commitments for the development or acquisition of biological assets

The Group had not committed itself to acquiring any biological assets as at 31 December 2019 (2018: none).

		31-Dec-2019 US$	31-Dec-2018 Restated US$
16	**Inventories**		
	Raw materials, consumables and packaging	3 844 898	4 016 707
	Finished goods – skins	8 721 956	1 112 167
	Finished goods – meat	—	104 558
		12 566 854	**5 233 432**
	There were stock losses written off from inventories and recognised as an expense in 2019 of $5 102 (2018: $58 960). There were no inventories pledged as security against borrowings.		
17	**Trade and other receivables**		
	Trade receivables	7 542 403	11 839 320
	Prepayments and other receivables	3 228 575	385 381
		10 770 978	**12 224 701**

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 2019, there were no trade receivables that were past due.

The loss allowance provision as at 31 December 2019 is determined as follows and incorporates forward-looking information.

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

17 Trade and other receivables (continued)

17.1 As at 31 December 2019, the age analysis of trade & staff receivables was as follows:

	Total US$	Neither past due nor impaired US$	Past due but not impaired: 30 – 60 days US$	60 – 90 days US$	More than 90 days US$
Expected loss rate	0%	0%	n/a	n/a	n/a
2019	9 504 789	9 504 789	—	—	—
2018	13 018 345	13 018 345	—	—	—
Loss allowance provision	—	—	—	—	—

Trade and staff receivables disclosed above were neither past due nor impaired at the end of the reporting period. 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.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are a result of modelling based on days past due. The calculation reflects the probability-weighted outcome, the time value for money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions. The provision matrix is initially based on Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. inflation, unemployment) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At the reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between the historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of the economic conditions. The Group has had no default or written-off past due trade receivables historically.

As at 31 December 2019, an assessment for expected credit losses was done on all receivables. The ECL computation resulted in a loss allowance of $6,513.25. Management was of the view that the ECL amount was immaterial and a NIL provision was done in the current year hence no reconciliation has been disclosed in the financial statements.

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.

	31-Dec-2019 US$	31-Dec-2018 Restated US$
17.2 Contract assets	**—**	**288 944**

Before adoption of IFRS 15, the Group previously categorized variable consideration as quality incentive and this was accounted for a separate deliverable within skin revenue. This was regarded as a separate revenue stream recognised when the Group's right to receive the quality incentive was. Under IFRS 15, the quality incentive gives rise to variable consideration. The quality incentive is recognised as the difference between the prices achieved from skins delivered in the year and the guaranteed price. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Therefore, in the current year there was no contract asset disclosed in the statement of financial position.

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

	31-Dec-2019 US$	31-Dec-2018 Restated US$
18 Ordinary share capital		
18.1 Authorised		
800 000 000 (2018: 800 000 000) ordinary shares of $0.0001 each	80 000	80 000
18.2 Issued and fully paid		
541 593 440 (2018: 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 Padenga Holdings Share Ownership Scheme

The Scheme is intended as an incentive to Employees, to identify themselves more closely with the activities if the Company and to promote its continued growth and profitability by giving them the opportunity of acquiring shares in the Company. The terms of the scheme are as follows:

Terms of the option scheme

Maximum shares

The maximum number of shares available under the scheme is limited to 54,159,344 shares.

Employee Awards

Share option awards are based on the financial performance of the Company and the performance and contribution to the success of the Company by the Employee.

Vesting period

The vesting period is as follows:

a) 50% of the total number of Options vests at the expiry of three years; and

b) 100% of the total number of Options vests at the expiry of four years unless otherwise determined by the Board.

Option Price

The Option price shall not be less than the highest of the 45-day volume weighted average price of Padenga Holdings Limited shares as stated in the daily quotation sheet issued by the Zimbabwe Stock Exchange immediately preceding the offer date or the nominal value of the shares.

Lapse of Options

Insofar as it has not previously been exercised, an option shall lapse upon the earliest of 24 (twenty-four) months from the date on which the Option may first be exercised.

Maximum Number of shares available under the scheme	**54 159 344**
Shares Issued in 2019	5 415 934
Vesting period	3 & 4 years from grant date
Exercise period	11 March 2022 to the 10 March 2025

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

18 Ordinary share capital (continued)

18.4 Padenga Holdings Share Ownership Scheme (continued)

The Company has no legal or constructive obligation to purchase or settle the options in cash.
Movements in the number of share options outstanding is as follows:
Details of outstanding share options are as follows:

Number of shares	Financial year of option grant	Financial Year in which options vest	Exercise price in US cents per share option	Share Price "fair value" at 31 December
5 425 934	Dec 19	Mar 22	0.0004	0.0004

The fair value of options granted during the period was determined using the Black-Scholes Model. The significant inputs into the model were average share of 0.0004 US cent at the grant date, exercise price shown above, share price volatility of 103.3 %, dividend yield of 20%, an expected option life of three years and an annual risk-free interest rate of 12.79%. The expected volatility of the share price was determined by giving consideration to the historical volatility of the Padenga Holdings Limited share price.

The share option expense included in profit or loss for the year amounts to US$ 2 099 (2018: USD nil).
US$2 099 was recognised in the statement of changes in equity (SOCE) for the year 2019, in respect of the share option scheme.

18.5 Directors' shareholding

	31-Dec-19	%	31-Dec-18	%
The Directors held directly and indirectly the following number of shares:				
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 2019 and up to the date of this report.

18.6 Share premium of $27 004 245 (2018: $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.

18.7 Change in ownership reserve arose on acquisition of additional interest in subsidiary in 2018.

	31-Dec-2019 US$	31-Dec-2018 Restated US$
Change in ownership reserve at the beginning of the period	(63 863	(63 863)
Change in ownership reserve	**(63 863)**	**(63 863)**
18.8 Retained earnings.		
Company	41 365 712	36 381 565
Subsidiaries	(579 333)	(408 779)
	40 786 379	**35 972 786**

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

	Rate of Interest	Year repayable	31-Dec-2019 US$	31-Dec-2018 Restated US$
19 Interest-bearing borrowings				
19.1 Long-term financing				
Unsecured				
Foreign interest-bearing borrowings	6% - 8%	2021	6 335 000	7 235 000
Balance			**6 335 000**	**7 235 000**
19.2 Short-term financing				
Secured				
Foreign short-term borrowings	6% - 12%	up to 90 days	10 579 610	7 337 860
Balance			**10 579 610**	**7 337 860**
19.3 Reconciliation of loans position				
Opening loans position			**14 572 860**	**11 463 883**
New loans			6 608 854	4 000 000
Loan repayments			(5 065 269)	(1 036 331)
Interest accrued			798 165	145 308
Closing loans position			**16 914 610**	**14 572 860**

Short term borrowings form part of the core borrowings of the Group and are renewed on maturity in terms of on-going facilities negotiated with the relevant financial institutions. The facility is secured by first charge over certain of the Group's property, plant and equipment, trade receivables and biological assets with a carrying value of US$10 000 000. The Group has a short-term facility of US$6,600,000, rate of interest for local operations is 6%-10% whilst for the foreign operation ranges from 6-12%. The facility of US$5,000,000 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.

	31-Dec-2019 US$	31-Dec-2018 Restated US$
20 Trade and other payables		
Trade payables	44 874	345 877
Other payables	1 149 521	2 504 021
	1 194 395	**2 849 898**

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

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

	31-Dec-2019 US$	31-Dec-2018 Restated US$
20 Trade and other payables (continued)		
20.2 Customer deposits		
Current contract liabilities		
Amounts included in contract liabilities at the beginning of the year	3 125 925	2 234 032
Customer deposits received during the year	4 000 000	3 386 965
Performance obligation satisfied during the year	(4 189 600)	(2 654 397)
Reclassification on non-current assets	—	159 325
Balance	**2 936 325**	**3 125 925**

Customer deposits mainly relate to advances received from our main customer to fund the operations of the foreign entity. These are settled a year after the advance has been received.

	31-Dec-2019 US$	31-Dec-2018 Restated US$
21 Provisions		
At the beginning of the period	367 496	258 871
Arising during the year	34 170	102 442
Utilised	(362 781)	(214 316)
As at 31 December	**38 885**	**146 997**

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 2019 (Nil in 2018)

	31-Dec-2019 US$	31-Dec-2018 Restated US$
23 Capital expenditure commitments		
Authorised but not yet contracted	2 200 000	5 678 685
	2 200 000	**5 678 685**

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 Lease Liability

Short-term lease agreements

These includes leases for employees' houses. The contracts are signed for a period on 12 months with a notice period of 3 months by either party. In the event that an employee leaves employment by way of resignation, the employee gives the company 3 months' notice. This is also the same period applies for the Group to terminate the lease. Lease payments are being made on a monthly basis.

An assessment on the value of the leases, has shown that the maximum value of annual payment is US$ 4,200 which is below the threshold of US$5,000 set in the accounting policy note 4.

Based on the above assessments, the Group has concluded that these leases are short term leases and have been accounted for through profit and loss.

In 2019 low value leases expensed amounted to US$ 91 987. In financial year 2018, US$ 282 424, was expensed.

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

24 Lease Liability (continued)

24.1 Long-term lease agreements

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. Renewal is reasonably certain to be exercised as the land is not available for use for any other purpose other than crocodile rearing and extensive construction of pens was done during the years. This is not a significant judgement area as the renewals are specified in the contracts.

	31-Dec-2019 US$	31-Dec-2018 Restated US$
Lease Liabilities		
Current Liabilities		
Lease Liabilities	147 000	—
Non-current liabilities		
Lease Liabilities	464 144	—
Total Lease liabilities recognised in SFP	**611 144**	**—**
24.2 Lease Liabilities		
Current Liabilities		
Lease Liabilities	147 000	—
Non-current liabilities		
Lease Liabilities	464 144	—
Total Lease liabilities recognised in SFP	**611 144**	**—**
24.3 Lease payments to be made in future (Future cash outflows)		
Payable within one year	147 000	332 818
Payable between two and five years	588 000	998 454
Payable after five years	147 000	665 636
	882 000	**1 996 908**

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.

	Zimbabwe US$	USA US$	Adjustments & Eliminations US$	Consolidated US$
Revenue				
31 December 2019	25 530 706	3 596 803	—	29 127 509
31 December 2018	34 069 796	3 251 345	—	37 321 141

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

	Zimbabwe US$	USA US$	Adjustments & Eliminations US$	Consolidated US$
25 Segmental Information (continued)				
Operating Profit/(loss) before impairment, depreciation, amortisation and fair value adjustments				
31 December 2019	7 483 192	(996 225)	257 619	6 744 586
31 December 2018	9 292 917	(2 621 110)	682 662	7 354 469
Depreciation and amortisation				
31 December 2019	2 109 361	261 423	—	2 370 784
31 December 2018	1 874 905	249 864	—	2 124 769
Interest Expense loans and leases				
31 December 2019	618 574	882 673	—	1 501 247
31 December 2018	323 686	767 006	—	1 090 692
Profit/(loss) before tax				
31 December 2019	9 591 793	(997 838)	2 004	8 591 951
31 December 2018	13 709 549	(2 261 109)	(372 498)	11 075 943
Non-current segment assets				
31 December 2019	30 816 176	10 613 534	(9 342 436)	32 087 274
31 December 2018	25 850 063	11 632 783	(9 842 038)	27 640 808
Total segment assets				
31 December 2019	87 266 348	24 944 324	(15 213 631)	96 997 041
31 December 2018	83 751 812	20 993 391	(13 382 443)	91 362 760
Segment liabilities				
31 December 2019	15 517 267	24 284 650	(10 008 561)	29 793 355
31 December 2018	17 384 375	19 044 774	(7 624 937)	28 804 212
Capital expenditure (property, plant and equipment & biological assets)				
31 December 2019	4 550 991	51 580	—	4 602 571
31 December 2018	5 051 361	48 463	—	5 100 014

There was no inter-segment revenue for the period.
Revenue from one customer amounted to US$26 636 244 (2018: US$29 501 543), arising from sales of crocodile and alligator skins.

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

26 Material partly-owned subsidiaries

The Group holds an 82.88% (2017: 82.88%) interest in Tallow Creek Ranch, an unlisted company based in Texas (United States of America) that specialises in alligator farming.

Financial information of the subsidiary is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	31-Dec-2019 US$ 2019	31-Dec-2018 US$ 2018
Tallow Creek Ranch	USA	**17.12%**	**17.12%**
Accumulated balances of non-controlling interest:		**(579 333)**	**(408 779)**
Profit/ (Loss) allocated to non-controlling interest:		**(170 554)**	**(448 734)**

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

	2019	2018
Summarized statement of profit or loss:		
Revenue	3 596 803	3 251 345
Cost of sales	(3 941 956)	(2 204 105)
Administrative expenses	(1 448 770)	(1 377 559)
Fair value adjustment	1 371 657	(1 848 149)
Finance costs	(571 072)	(442 642)
Loss before tax	**(993 338)**	**(2 621 110)**
Income tax	(2 887)	—
Loss for the year	**(996 225)**	**(2 621 110)**
Total comprehensive income	**(996 225)**	**(2 621 110)**
Attributable to non-controlling interests	—	—
Summarized statement of financial position:		
Inventories, biological assets, trade receivables and cash and bank balances	7 654 759	7 449 406
Property, plant and equipment	3 418 819	3 628 663
Trade, customer deposits and other payables	(4 857 530)	(5 331 187)
Interest-bearing borrowings	(6 000 000)	(4 534 610)
	216 048	**1 212 272**
Total equity		
Attributable to:		
Equity holders of parent	216 048	1 212 271
Non-controlling interest	—	—
Summarized cash flow information:		
Operating	(1 603 178)	(1 582 407)
Investing	(135 349)	(103 210)
Financing	1 465 390	(136 331)
Net decrease in cash and cash equivalents	**(273 137)**	**(1 821 948)**

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

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.

	31-Dec-2019 US$	31-Dec-2018 Restated US$
27.3 Pension costs recognised as an expense for the year:		
Innscor Africa Limited Pension Fund	23 084	82 150
National Social Security Authority Scheme	15 360	49 813
	38 444	**131 963**

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-2019 US$	31-Dec-2018 Restated US$
28.1 Transactions		
Innscor Africa Limited Pension Fund	23 084	82 150
Dallaglio	548 072	—
	571 156	**82 150**

Transaction with Dallaglio

In the third quarter of 2019, the Group advanced US$548 072 to Dallaglio in an acquisition transaction that is meant to give Padenga Holdings a shareholding of 50.1% in the mining company Dallaglio. The transaction has not been considered for consolidation as the conditions to the agreement of the acquisition are yet to be fulfilled.

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

28 Related party disclosures (continued)

	31-Dec-2019 US$	31-Dec-2018 Restated US$
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	3 293 340	4 066 093
Post-employment benefits	9 646	65 701
	3 302 986	**4 131 794**

As at 31 December 2019 Key management staff owed the company US$188 567 (2018: US$908 881). 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 2019. 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-2019 US$	31-Dec-2018 Restated US$
Lease payments	23 181	27 700
	23 181	**27 700**
The Group also has a contract with one of the major shareholders for marketing activities mainly for skin prices negotiations.		
Marketing fees paid	315 976	199 500
	315 976	**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. The carrying amounts for the group's financial assets approximate their fair values.

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

29 Financial risk management objectives and policies (continued)

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-2019 US$	31-Dec-2018 Restated US$
Increase of 3%	51 538	437 186
Decrease of 3%	(51 538)	(437 186)

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

The Group operates globally, which gives rise to a risk that income and cash flows may be adversely affected by fluctuations in foreign currency exchange rates. The Group is primarily exposed to the Rand and euro but also transacts in other foreign currencies. The Group currently does not use financial instruments to hedge these risks. 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$ of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

31 December 2019	Liabilities	Assets	Net exposure
Currency			
South African Rand	—	137 134	137 134
ZWL$	(3 700 464)	5 216 940	1 516 477
Euro	—	742 404	742 404
	(3 700 464)	**6 096 478**	**2 396 015**

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

29 Financial risk management objectives and policies (continued)

29.3 Foreign currency risk (continued)

31 December 2018	Liabilities	Assets	Net exposure
Currency			
South African Rand	(527 021)	—	(527 021)
ZWL$	(4 863 871)	8 886 336	4 022 465
Euro	—	710 452	710 452
	(5 390 892)	**9 596 788**	**4 205 896**

29.3.1 Foreign currency sensitivity

The following table demonstrates sensitivity to a reasonably likely change in the Euro, Rand and ZWL$ 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.

	31-Dec-2019 US$	31-Dec-2018 Restated US$
Effect on profit before tax of change in exchange rate		
+ 5% (Rand)	(6 530)	(25 096)
- 5% (Rand)	6 530	25 096
+ 5% (Euro)	35 353	34 620
- 5% (Euro)	(35 353)	(34 620)
+ 5% (ZWL$)	72 213	191 546
- 5% (ZWL$)	(72 213)	(191 546)

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.

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

29 Financial risk management objectives and policies (continued)

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 US$
2019						
Liabilities						
Interest bearing borrowings	—	9 016 868	900 000	—	5 435 000	15 531 868
Interest on interest bearing borrowings	—	1 562 742	—	—	—	1 562 742
Lease Liabilities	—	237 000	237 000	237 000	511 470	1 222 470
Trade and other payables	2 071 546	—	—	—	—	2 071 546
TOTAL	**2 071 546**	**10 816 610**	**1 137 000**	**237 000**	**5 946 470**	**20 388 626**
Assets						
Trade and other receivables (excluding prepayments)	9 175 166	—	—	—	—	9 175 166
Cash and cash equivalents	9 366 759	—	—	—	—	9 366 759
TOTAL	**18 541 925**	**—**	**—**	**—**	**—**	**18 541 925**
2018						
Liabilities						
Interest bearing borrowings	903 250	6 534 610	900 000	900 000	5 435 000	14 672 860
Interest on interest bearing borrowings	139 299	775 118	597 787	543 787	1 743 938	3 799 929
Trade and other payables	4 272 430	—	—	—	—	4 272 430
TOTAL	**5 314 979**	**7 309 728**	**1 497 787**	**1 443 787**	**7 178 938**	**22 745 219**
Assets						
Trade and other receivables (excluding prepayments)	12 148 782	—	—	—	—	12 148 782
Cash and cash equivalents	10 143 707	—	—	—	—	10 143 707
TOTAL	**22 292 489**	**—**	**—**	**—**	**—**	**22 292 489**

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 2018. 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%.

Notes to the **Financial Statements** (continued)

for the year ended 31 December 2019

31 Capital management (continued)

	31-Dec-2019 US$	31-Dec-2018 Restated US$
Short term and long-term borrowings	16 914 610	14 572 860
Trade and other payables	1 194 395	2 849 898
Less cash and cash equivalents	(9 366 759)	(10 143 707)
Net debt / (cash)	**8 742 246**	**7 279 051**
Total equity	67 203 686	62 558 548
Equity and net debt	**74 945 932**	**69 837 599**
Gearing ratio	13.0%	11.6%

Reconciliation of the borrowings is covered under Note 19.3.

32 Events occurring after reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for use. The Group determined its functional currency as being the US$ and also adopted US$ as its presentation currency. There were non-adjusting events after the reporting date at the time of issuing this annual report, however there is the impact of the Corona Virus Covid-19 as outlined below.

Impact of the Corona Virus Covid-19

The outbreak of pandemic Covid-19 has had a profound disturbance on social, economic, and financial structures worldwide. The spread of the Covid-19 virus into the heart of the leather industry in Italy and France and the rest of Europe has depressed general market sentiment. Many tanneries were in shutdown and fashion/premium brands have closed retail outlets throughout the major capital cities worldwide. Luxury product retail sales have been impacted, but premium brands were shown during the 2008/9 global financial crisis to be less impacted and to rebound quicker than general commodity traders. The resumption of strong sales in China post Covid-19 are evidence of this. Any short term depression in retail sales will be used by premium brands to catch up on manufacturing finished products to fulfil long outstanding order books and they require continued delivery of raw materials to do so. Strong volume sales are therefore anticipated over the next 18 months to two years as markets return to normal.

PHL increased its stocks of feed, chemicals and other consumables critical to sustaining operations when the pandemic first started in China in early 2020 and well before the national lockdown and consequently has adequate volumes of these on-hand for between three and six months cover dependent on the perishability of the commodity. Although international supply chains have been volatile sufficient orders have been placed to ensure business continuity through to early 2021.

Management has developed a comprehensive Covid-19 strategic response plan that was enforced and included the monitoring and continual screening of the health status of all staff. This has been reinforced by extensive and on-going education on disease mitigation. The Company's clinics were stocked with supportive medicines and equipment appropriate to provide a high level of patient care and treatment. Management staff are practicing self-isolation consistent with their responsibilities and skills transfers implemented to allow a continuation of operations with a reduced workforce under the national lockdown promulgated. The company Covid-19 response team meets on-line regularly to assess the changing epidemiology nationally and to adjust local policy as necessitated. Details of the company's communications distributed to employees about safeguarding their health and wellness status and the steps taken to achieve this were posted on the Padenga website. (www.padenga.com).

Operations continued under the designation of essential services and there has been no compromise thus far, nor is any anticipated. Lockdown restrictions are being eased across the globe and we are confident that we will meet our sales targets for the year.

33 Approval of financial statements

The financial statements were approved by the Board of Directors and authorized for issue on 24 March 2020.

PADENGA
Holdings Limited

Company Statement of Financial Position

As at 31 December 2019

	Note	31-Dec-2019 US$	31-Dec-2018 Restated US$
ASSETS			
Non-current assets			
Property, plant and equipment	I.	20 670 080	18 073 736
Intangible assets	II.	51 220	32 378
Right of use assets	III.	1 156 377	—
Investments	IV.	3 388 619	3 388 619
Other receivables	V.	—	536 684
Biological assets	VI.	5 549 880	4 355 330
Total non-current assets		**30 816 176**	**26 386 747**
Current assets			
Biological assets	VII.	27 813 048	30 332 379
Inventories	VIII	10 831 620	5 069 985
Contract asset	IX.	—	288 944
Trade and other receivables	X.	10 768 268	12 224 613
Cash and cash equivalents	XI.	7 037 236	9 449 144
Total current assets		**56 450 172**	**57 365 065**
Total assets		**87 266 348**	**83 751 812**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	XII.	54 159	54 159
Non-distributable reserves		27 004 245	27 004 245
Share based payment scheme		2 099	—
Distributable reserves		44 688 579	39 309 032
Share capital and reserves		**71 749 082**	**66 367 436**
Non-current liabilities			
Deferred tax liability	XIII.	8 431 240	8 696 648
Lease Liabilities	XIV.	464 144	—
Interest bearing debt – third party	XV.	900 000	1 800 000
		9 795 384	**10 496 648**
Current liabilities			
Interest bearing debt – third party	XVI.	4 008 855	5 030 660
Lease Liabilities	XIV.	147 000	—
Trade and Other payables	XVII.	1 566 027	1 857 068
		5 721 882	**6 887 727**
Total liabilities		**15 517 266**	**17 384 376**
Total equity and liabilities		**87 266 348**	**83 751 812**

Notes to the Company Statements of Financial Position

for the year ended 31 December 2019

I. Property, plant and equipment

Cost	Freehold Property US$	Leasehold Improvements US$	Plant, Fittings & Equipment US$	Motor Vehicles US$	Total US$
At 1 January 2018	**80 086**	**19 949 295**	**4 386 039**	**1 379 069**	**25 794 489**
Additions	—	2 934 819	1 881 501	226 571	5 042 891
Disposals	—	(6 386)	(371 295)	(110 604)	(488 285)
At 31 December 2018	**80 086**	**22 877 728**	**5 896 245**	**1 495 036**	**30 349 094**
Additions	—	2 999 831	1 333 934	186 146	4 519 911
Disposals	—	—	(384 768)	(66 826)	(451 595)
At 31 December 2019	**80 086**	**25 877 559**	**6 845 409**	**1 614 355**	**34 417 410**
Depreciation					
At 1 January 2018	**(18 340)**	**(7 571 632)**	**(2 294 796)**	**(1 007 680)**	**(10 892 448)**
Disposals	—	6 386	363 598	110 604	480 588
Charge for the year	(3 302)	(1 284 822)	(374 611)	(200 762)	(1 863 497)
At 31 December 2018	**(21 642)**	**(8 850 068)**	**(2 305 809)**	**(1 097 838)**	**(12 275 357)**
Disposals	—	—	376 680	63 070	439 750
Charge for the year	(3 302)	(1 322 800)	(392 800)	(192 819)	(1 911 722)
At 31 December 2019	**(24 945)**	**(10 172 868)**	**(2 321 929)**	**(1 227 587)**	**(13 747 330)**
Net carrying amount:					
At 31 December 2018	**58 444**	**14 027 660**	**3 590 436**	**397 198**	**18 073 736**
At 31 December 2019	**55 141**	**15 704 691**	**4 523 480**	**386 767**	**20 670 080**

II. Intangible assets

Refer to Note 13.

III. Right of use asset

Refer to Note 12.2

IV. Investments

Refer to Note 2.3.

V. Other receivables

Refer to Note 14.

Notes to the Company
Statements of Financial Position (continued)

for the year ended 31 December 2019

VI. Biological Assets (non-current)

	31-Dec-2019 US$	31-Dec-2018 US$
At the beginning of the period	**4 355 330**	**3 883 345**
Expenditure on non-current biological assets	63 893	98 829
Transfer from Current biological assets	20 188	—
Fair value adjustment	1 122 749	382 866
Deaths of non-current biological assets	(12 280)	(9 710)
At 31 December 2019	**5 549 880**	**4 355 330**

Non-current biological assets relate to mature and immature breeders. We had a total of 5,077 breeders composed of 3,907 mature breeders and 1,170 immature breeders.

VII. Biological Assets (current)

	31-Dec-2019 US$	31-Dec-2018 US$
At the beginning of the period	**30 332 379**	**25 988 935**
Slaughter (transfer to inventory)	(6 136 278)	(5 217 325)
Births	181 704	191 015
Transfer to Non-Current Biological assets	(20 188)	—
Expenditure on current biological assets	6 210 210	6 397 625
Fair value adjustment	(2 266 032)	3 318 650
Deaths of current biological assets	(488 747)	(346 521)
At 31 December 2019	**27 813 048**	**30 332 379**

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

VIII. Inventory

	31-Dec-2019 US$	31-Dec-2018 US$
Inventories		
Raw materials and consumables stocks	3 790 259	3 986 321
Finished goods – skins & meat	7 041 361	1 083 664
	10 831 620	**5 069 985**

There were stock losses written off from inventories and recognised as an expense in 2019 of $5,102 (2018: $58,664). There were no inventories pledged as security against borrowings.

IX. Contract asset

Refer to Note 17.2

Notes to the Company
Statements of Financial Position (continued)

for the year ended 31 December 2019

X. Trade and other receivables

	31-Dec-2019 US$	31-Dec-2018 US$
Trade receivables	7 542 403	11 788 429
Prepayments and other receivables	3 225 865	436 184
	10 768 268	**12 224 613**

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 2019, there were no trade receivables that were past due.
As at 31 December 2019, there was no provision for impairment on other receivables.

XI. Cash and cash equivalents

	31-Dec-2019 US$	31-Dec-2018 US$
Made up as follows:		
Bank balances and cash on hand US$	5 005 087	1 787 870
Bank balances (ZWL$)	1 903 009	6 837 010
Money market short term deposits (ZWL$)	129 140	824 264
Cash and cash equivalents	**7 037 236**	**9 449 144**

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.

XII. Share Capital

Refer to Note 18.

XIII. Deferred Tax liability

	31-Dec-2019 US$	31-Dec-2018 US$
Reconciliation		
Opening balance as at the beginning of the period	8 696 648	7 141 774
Impact of adopting IFRS 16 on opening balance	297 767	297 767
Adjustment as a result of change in rate	(351 302)	—
Charge to profit or loss	(211 873)	1 257 107
Closing balance at the end of the period	**8 431 240**	**8 696 648**
Analysis of deferred tax liability		
Accelerated depreciation for tax purposes	3 338 805	2 963 193
Impact of adopting IFRS 16 on opening balance	297 767	297 767
Fair value adjustments on biological assets	4 767 941	5 183 730
Provisions	27 839	251 276
Unrealised exchange profit/(loss)	(1 112)	682
	8 431 240	**8 696 648**

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Notes to the Company
Statements of Financial Position (continued)

for the year ended 31 December 2019

XIV. Lease Liability

Refer to Note 24.2.

	31-Dec-2019 US$	31-Dec-2018 US$
XV. Non-Current Interest-bearing debt – third party		
Long-term interest debt	**900 000**	**1 800 000**

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.

XVI. Current Interest-bearing debt – third party

	31-Dec-2019 US$	31-Dec-2018 US$
Long-term interest debt	**4 008 855**	**5 030 660**

Current interest-bearing debt repayable in December 2019.

XVII. Trade and Other Payables

	31-Dec-2019 US$	31-Dec-2018 US$
Trade payables	44 874	601 017
Sundry creditors	175 678	138 350
Accruals	468 325	651 525
Provisions	38 885	146 997
Current tax	838 265	319 179
Total	**1 566 027**	**1 857 068**

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 2019

Size of Shareholding	Number of Shareholders	Shareholders %	Issued Shares	Share %
1-5000	3 503	79.45	2 399 793	0.44
5001-10000	202	4.58	1 487 300	0.27
10001-25000	208	4.72	3 473 385	0.64
25001-50000	127	2.88	4 466 222	0.82
50001-100000	113	2.56	8 479 591	1.57
100001-200000	76	1.72	10 702 534	1.98
200001-500000	87	1.97	27 483 401	5.07
500001-1000000	38	0.86	26 050 590	4.81
1000001 and Above	55	1.26	457 050 624	84.40
	4 409	**100.00**	**541 593 440**	**100.00**
Trade Classification				
Local Companies	543	12.32	308 097 014	56.89
Pension Funds	329	7.46	108 921 501	20.11
Insurance Companies	42	0.95	41 252 867	7.62
Foreign Nominee	11	0.25	25 963 463	4.79
Foreign Companies	05	0.11	15 068 810	2.78
Local Nominee	85	1.93	14 745 273	2.72
Local Individual Resident	3 087	70.02	14 639 150	2.70
New Non-Resident	70	1.59	5 835 185	1.08
Other Investments & Trust	142	3.22	4 309 023	0.80
Fund Managers	18	0.41	1 487 251	0.27
Trusts	10	0.23	768 506	0.14
Government / Quasi	01	0.02	218 731	0.04
Deceased Estates	42	0.95	113 127	0.02
Foreign Individual Resident	05	0.11	108 198	0.02
Charitable	18	0.41	45 091	0.02
Banks	01	0.02	20 250	0.00
	4 409	**100.00**	**541 593 440**	**100.00**

Top Ten Shareholders

Z.M.D Investments (Pvt) Ltd	119 754 476	22.11
H M Barbour (Pvt) Ltd	105 896 539	19.55
Stanbic Nominees (Pvt) Ltd	59 229 895	10.94
Old Mutual Life Ass Co Zim Ltd	29 458 966	5.44
Sarcor Investments (Pvt) Ltd	22 480 658	4.15
SCB Nominees 033663900002	20 338 419	3.76
Pharaoh Limited	15 059 175	2.78
Nssa - Worker's Compensation Insurance Fund	12 720 370	2.35
National Social Security Authority	10 966 484	2.02
Other	145 688 458	26.90
	541 593 440	**100**

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Shareholders' **Calendar**

Ninth Annual General Meeting	**9 June 2020**
End of First Half of 2020 Financial Year	**30 June 2020**
Publication of Interim Report for First Half of 2020 Financial Year	**September 2020**
End of 2020 Financial Year	**31 December 2020**
Annual Report Published for 2020 Financial Year	**April 2021**
Tenth Annual General Meeting	**May 2021**

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 Ninth Annual General Meeting of Padenga Holdings Limited is to be held virtually at https://eagm.creg.co.zw/eagmZim/Login.aspx on Tuesday 9 June 2020 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 2019.

2. To re - elect the following Director, Mr O. T. Kamundimu, who retires by rotation in terms of the Articles of Association of the Company and, being eligible, offers himself for re-election: -

Mr Kamundimu is a registered chartered accountant in Zimbabwe who has been the Group Finance Director of the Company since it was listed on the Zimbabwe Stock Exchange ("ZSE") in October 2010.

3. To re - elect the following Director, Mr T. N. Sibanda, who retires by rotation in terms of the Articles of Association of the Company, and being eligible, offers himself for re-election: -

Mr Sibanda has been a partner at Schmulian & Sibanda Chartered Accountants (Zimbabwe) and has accumulated over 30 years' experience in compliance and audit services. He also sits on the boards of a number of listed entities in Zimbabwe such as Delta Corporation Limited, Edgars Stores Limited, Innscor Africa Limited and Pretoria Portland Cement Limited.

4. To approve the Directors' remuneration for the financial year ended 31 December 2019.

(NOTE: In terms of Section 3 of Practice Note 4 issued by the ZSE on 17th January 2020, the Padenga Directors' Remuneration Report shall be available for inspection by Padenga shareholders at the registered office of the Company.

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

(NOTE: In terms of Section 69(6) of the new Zimbabwe Stock Exchange Listing Requirements, Companies must change their audit partners every five years and their audit firm every ten years. EY has been the auditor of the Company since it was listed on the ZSE in October 2010.

6. To receive the Padenga Board's report on the Company's compliance with its corporate governance policy and with its conformity to the Zimbabwe National Code of Corporate Governance.

Special Business

7. Approval of Share Buy - Back
To consider and, if deemed fit, to pass with or without modification, the following special resolution: "That the Company authorises in advance, in terms of the Companies and Other Business Entities Act (Cap 24:31) and the 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

Notice of Annual **General Meeting** (continued)

Special Business (continued)

7. Approval of Share Buy - Back (continued)

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 and Other Business Entities 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.)*

8. 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."

9. Adoption and Substitution of a New Memorandum and Articles of Association for the Company

To resolve as a special resolution, the adoption and substitution of a new Memorandum and Articles of Association for the Company compliant with the requirements of the new Companies and Other Business Entities Act (Cap 24:31) and the new ZSE Listing Requirements (Statutory Instrument 134/2019)

Any Other Business

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

In terms of the Companies and Other Business Entities Act (Cap 24:31), 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
19 May 2020

Proxy Form **– AGM – 9th June 2020**

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 9th June 2020, at 08.15 hours, and at any adjournment thereof.

SIGNED this ______________________ day of ______________ 2020

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.
3. Registration at https://eagm.creg.co.zw/eagmZim/Login.aspx must also be completed not less than forty-eight hours before the time appointed for holding the meeting.

Email proxy to: arebelo@padenga.com

PADENGA
HOLDINGS LIMITED

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