



# PADENGA

## HOLDINGS LIMITED

*The Directors are pleased to present the* **Audited Financial Results for Padenga Holdings Limited** for the year ended 30 June 2012

### Commentary

#### Directors’ Responsibility

The company’s directors are responsible for the preparation and fair presentation of the company’s financial statements, of which this press release represents an extract. The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies’ Act (Chapter 24:03). The principal accounting policies of the company are consistent with those applied in the previous year.

#### Audit Statement

The external auditors, Ernst & Young, have issued an unqualified audit opinion on the financial statements of the company for the year ended 30 June 2012. The unqualified audit opinion is available for inspection at the Company’s registered office.

#### Financial

Pursuant to our previously announced strategy of down-sizing our volumes to concentrate on the production of premium quality skins, the number of skins produced and sold during the year was reduced by 32% from the 62,884 skins sold in the 11 months to June 2011 to 43,049 skins for the current period. This was consistent with the target volume for the year which was 42,800 skins. All skins produced were sold and consequently we closed the year with zero skins in stock. This significant reduction in skins volume was to a large extent compensated for by improved sales prices resulting in a turnover reduction of only 9% when compared to prior year. The average price realized per skin increased by 13% over prior year, despite the average size of skins sold being 5.5% below budget. Had the budgeted skin size been achieved, the revenue earnings for the period would have surpassed prior year revenue levels. Total revenue realized for the year amounted to US\$17,940,708 against a total of \$19,655,322 in 2011. The Company recorded an operating profit for 2012 of US\$5,382,124 and a Profit Before Tax of \$4,613,157, against an operating profit of US\$6,314,748 and a Profit Before Tax of US\$4,966,489 in 2011.

Cash generated from operations amounted to US\$4,141,589. Of this amount, US\$881,162 was used for capital expenditure, being mainly invested into the expansion of crocodile breeder pens to accommodate the significant breeder herd.

The trading environment was generally stable during the year under review. The Rand depreciated by approximately 21% against the United States Dollar and this had a positive effect on the Company’s input costs. Although the money market remained generally illiquid, we however managed to reduce our borrowing costs.

#### Operations

A total of 43,049 crocodiles were culled during the year against a budget of 42,800 crocodiles. This cull off-take was achieved with a first grade quality ratio of 84% against a budget of 80%. As in prior years, all skins were light table graded to ensure compliance with the premium market’s demanding quality standards. The reduction in average skin size reported was a consequence of a late season stomach infection in the culling crop which was difficult to detect and impossible to recover given the proximity to winter. This has now been addressed through intensive antibiotic treatment programmes and we do not expect a recurrence.

We closed the year with a total of 116,723 animals on the ground which is comparable to the 115,704 animals at 30 June 2011. This is consistent with the model to produce 42,000 premium grade skins per annum. The grower crocodiles constituting part of next year’s cull crop are in outstanding condition and we anticipate improved average skin sizes. The hatchling crop produced in the period has set new benchmarks for growth realized to June and at improved efficiencies in terms of feed conversion. The number of mature breeders continues to increase with 205 immature breeders having graduated to mature breeder status during the year, and bringing the total number of mature females to 1,769.

A softening in the Asian meat market as a consequence of increased volumes of skin-on product from other crocodilian species imported into mainland China necessitated a change in our production strategy. We successfully identified new cuts off the carcass that could be sold into the European market and this additional volume at higher European market prices went a long way towards offsetting the reduction in volumes traded into the low-value Asian market.

Pen construction projects that started in the prior year continued in FY12. A total of nine new breeder pens and twelve rearing pens were completed during the year. Pen construction will continue into FY13 with the focus being on completing the remaining rearing pens at Nyanyana Crocodile Farm. A significant portion of existing pens had floors replaced using new technology. This significant investment in pens will result in improved skin quality.

#### Prospects

The directors are pleased to announce the successful investment into an Alligator farming business in the United States of America. The Company received regulatory approval for this external investment at year-end and has subsequently acquired a 50% stake in Lone Star Alligator Farms LLC. The alligator operation produces skins destined for the watchband market and sold 2,100 in FY12 prior to our acquisition, is on-line to produce 7,900 skins in FY13 and we are looking to procure additional hatchlings and record volume growth in the number of skins to be sold in FY14. The expansion in infrastructure to facilitate this growth will have been completed by the end of September 2012. This diversification is in line with strategy that is anticipated to contribute significantly to profits in future.

Major players in the luxury goods market who are the ultimate users of the premium quality skins that the Company produces continue to post results showing strong sales and profit growth despite prevailing fears of worldwide recession. The top four luxury brands all reported turnover growth in excess of 15% for the half year to June 2012, and in all cases where relevant, fashion and luxury leather goods sales were amongst their strongest performing product lines. Our principal customer has invested significantly in infrastructure and equipment to reduce throughput times in order to speed up the delivery of our finished skins to their Group manufacturing divisions. Those in turn have expanded their production capacities to increase the volumes of finished articles reaching their retail outlets. Consequently, all indications are that demand for our premium quality skins will remain exceptionally strong for the foreseeable future.

We anticipate to sell 42,000 large, premium quality skins in the year to June 2013. Larger skin sizes will drive turnover growth.

The Company remains focused on stringent cost control measures and against enhanced turnover earnings is set to deliver increased value to shareholders in FY13.

#### Dividend

The Board has declared a final dividend of 0.166 US cents per share, payable on or about 15th October 2012 to shareholders registered in the books of the Company at noon on Friday 5th October 2012. The transfer books and register of members will be closed from 6th October to 10th October 2012, both days inclusive.

**A K Calder**  
**Chairman**  
**29 August 2012**

### Financial Highlights

All figures in US\$		
	2012 (Twelve Mths)	2011 (Eleven Mths)
<b>Company Summary</b>		
Revenue	17 940 708	19 655 322
Operating profit before depreciation	5 382 124	6 314 748
Profit before taxation	4 613 157	4 966 489
Profit attributable to shareholders	3 422 947	3 701 889
Cash generated by operations	4 141 589	6 481 557
Capital expenditure	881 162	549 196
Net assets	33 304 201	30 760 293
<b>Share Performance</b>		
Basic earnings per share (cents)	0.63	0.68
Dividends declared and paid during the year (cents)	0.16	-
Dividends declared and paid since balance sheet date (cents)	0.16	-
Total dividends declared and paid (cents)	0.16	-
Market price per share - 30 June (cents)	4.50	6.50
Number of shares in issue at 30 June	541 593 440	541 593 440
Market capitalisation	24 371 705	35 203 574

### Statement of Comprehensive Income

For the period ended 30 June 2012

	Twelve mths ended 30 June 2012 US\$	Eleven mths ended 30 June 2011 US\$
<b>Revenue</b>	17 940 708	19 655 322
<b>Other operating income</b>	19 698	28 607
<b>Net operating costs</b>	(12 578 282)	(13 369 181)
<b>Operating profit before depreciation</b>	<b>5 382 124</b>	<b>6 314 748</b>
Depreciation	(1 356 626)	(1 163 880)
<b>Operating profit before interest and fair value adjustments</b>	<b>4 025 498</b>	<b>5 150 868</b>
Fair value adjustments on biological assets	1 158 226	757 122
Fair value adjustments on meat	12 045	19 512
<b>Profit before interest and tax</b>	<b>5 195 769</b>	<b>5 927 502</b>
Interest payable	(582 612)	(961 013)
<b>Profit before tax</b>	<b>4 613 157</b>	<b>4 966 489</b>
Income tax expense	(1 190 210)	(1 264 600)
<b>Profit for the period attributable to shareholders of the company</b>	<b>3 422 947</b>	<b>3 701 889</b>
Other comprehensive income	-	-
<b>Total comprehensive income attributable to shareholders of the company</b>	<b>3 422 947</b>	<b>3 701 889</b>
<b>Earnings per share (cents)</b>		
Basic earnings per share	0.63	0.68
Diluted earnings per share	0.63	0.68

### Statement of Financial Position

As at 30 June 2012

	30 June 2012 US\$	30 June 2011 US\$
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	13 148 923	13 625 717
Biological assets	1 396 403	1 289 679
	<b>14 545 326</b>	<b>14 915 396</b>
<b>Current assets</b>		
Biological assets	17 018 414	15 658 064
Inventories	906 473	1 000 839
Trade and other receivables	8 071 785	7 089 515
Cash and cash equivalents	1 755 848	626 466
	<b>27 752 520</b>	<b>24 374 884</b>
<b>Total assets</b>	<b>42 297 846</b>	<b>39 290 280</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	54 159	54 159
Share premium	27 004 245	27 004 245
Retained earnings	6 245 797	3 701 889
<b>Total equity</b>	<b>33 304 201</b>	<b>30 760 293</b>
<b>Non-current liabilities</b>		
Deferred tax liability	4 016 698	4 296 864
	<b>4 016 698</b>	<b>4 296 864</b>
<b>Current liabilities</b>		
Short-term loans	3 400 000	2 885 812
Trade and other payables	914 377	1 089 340
Provisions	192 400	179 720
Current tax payable	470 170	78 251
	<b>4 976 947</b>	<b>4 233 123</b>
<b>Total liabilities</b>	<b>8 993 645</b>	<b>8 529 987</b>
<b>Total equity and liabilities</b>	<b>42 297 846</b>	<b>39 290 280</b>

### Statement of Changes in Shareholders' Equity

For the period ended 30 June 2012	Share Capital US\$	Share Premium US\$	Retained Earnings US\$	TOTAL US\$
<b>Balance on 1 July 2011</b>	54 159	27 004 245	3 701 889	30 760 293
Profit for the period	-	-	3 422 947	3 422 947
Dividends paid	-	-	(879 039)	(879 039)
<b>Shareholders' equity at 30 June 2012</b>	<b>54 159</b>	<b>27 004 245</b>	<b>6 245 797</b>	<b>33 304 201</b>
<b>For the period ended 30 June 2011</b>	<b>Share Capital US\$</b>	<b>Share Premium US\$</b>	<b>Retained Earnings US\$</b>	<b>TOTAL US\$</b>
<b>Balance on 1 August 2010</b>	-	-	-	-
Issued during the year	54 159	27 366 073	-	27 420 232
Adjustments pre-incorporation costs	-	(361 828)	-	(361 828)
Profit for the period	-	-	3 701 889	3 701 889
<b>Shareholders' equity at 30 June 2011</b>	<b>54 159</b>	<b>27 004 245</b>	<b>3 701 889</b>	<b>30 760 293</b>

### Statement of Cash Flows

For the period ended 30 June 2012

	Twelve mths ended 30 June 2012 US\$	Eleven mths ended 30 June 2011 US\$
<b>Cash generated from operating activities</b>	4 141 589	6 481 557
Interest paid	(582 612)	(961 013)
Taxation paid	(1 078 456)	(155 306)
<b>Net cash flows from operations</b>	<b>2 480 521</b>	<b>5 365 238</b>
<b>Net cash flows (used in)/ generated from investing activities</b>	<b>(986 287)</b>	<b>251 962</b>
- proceeds on disposal of property, plant and equipment	1 599	127 248
- purchase of fixed assets	(881 162)	(549 196)
- expenditure on non-current biological assets	(106 724)	(103 497)
- net cash flow arising from the acquisition of the Niloticus Division from Innscor Africa Limited	-	777 407
<b>Increase/(decrease) in borrowings</b>	<b>514 187</b>	<b>(4 990 733)</b>
- new loans	10 539 861	14 621 436
- repayments	(10 025 674)	(19 612 170)
<b>Dividends paid</b>	<b>(879 039)</b>	<b>-</b>
<b>Net cash flows used in financing activities</b>	<b>(364 852)</b>	<b>(4 990 733)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1 129 382</b>	<b>626 466</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>626 466</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1 755 848</b>	<b>626 466</b>

### Supplementary Information

	Twelve mths ended 30 June 2012 US\$	Eleven mths ended 30 June 2011 US\$
Capital Expenditure	881 162	549 196
Depreciation	1 356 626	1 163 880
Interest Bearing Debt	3 400 000	2 885 812
<b>Capital Expenditure Commitment</b>		
Authorized and contracted	-	-
Authorized but not yet contracted	1 578 627	217 372
	<b>1 578 627</b>	<b>217 372</b>
<b>Future Lease Commitments</b>		
Payable within one year	83 500	94 500
Payable between two and five years	334 000	378 000
Payable six to ten years	417 500	472 500
	<b>835 000</b>	<b>945 000</b>

#### 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.

#### Currency

The financial statements are expressed in United States Dollars which is the Company's presentation and functional currency.

#### Short-term Loans

Short term borrowings form part of the core borrowings of the Company and are renewed on maturity in terms of ongoing facilities negotiated with the relevant financial institutions. The facility is secured by first charge over certain of the Company’s fixed assets, book debts and livestock with a carrying value of \$8 250 000.

#### Statement of Compliance

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

#### Events after the reporting period

Subsequent to year-end the Company has set up a 100% owned subsidiary Padenga Zimbabwe PCC in Mauritius which in turn has created a 100% owned subsidiary in the United States Padenga Texas LLC. Padenga Texas has purchased a 50% stake in Lone Star Alligator Farms LLC a company that farms alligators in Texas. The initial purchase consideration was funded by virtue of an off-shore loan acquired by Padenga Zimbabwe PCC in Mauritius. The results of this foreign investment will be consolidated into the Padenga Holdings Limited results in future.

There has been no significant adjusting or non-adjusting events after the reporting date.

**Directors: Ken Calder (Chairman)\*, Anne Madzara\*, Themba Sibanda\*, Gary Sharp (Chief Executive Officer), Oliver Kamundimu (Chief Financial Officer), Michael Fowler (Executive Director) \* Non Executive**