



PADENGA

HOLDINGS LIMITED

The Directors are pleased to present

The Audited Financial Results

For Padenga Holdings Limited

for the year ended 31 December 2017

FINANCIAL HIGHLIGHTS

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

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 and in the manner required by the Companies' Act (Chapter 24:03). The principal accounting policies of the group are consistent with those applied in the previous year.

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 2017, which have been audited by Ernst & Young Chartered Accountants (Zimbabwe) who have issued an unmodified opinion thereon and have included a section on the key audit matters (KAMs) in their report. 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 a copy is posted on the company's website: www.padenga.com.

FINANCIAL

Consolidated Results

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

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

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

Crocodile Operation

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

Alligator Operation

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

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

OPERATIONS

Crocodile Operation

In the crocodile operation 46,035 animals were harvested in the period which was in line with budget but represented a decrease of 4% compared to prior period. The skin quality grade achieved declined from 95% 1st Grade in 2016 to 89% in the period under review. Skin quality was negatively impacted by a combination of poor water quality resultant from low Lake water levels in late 2016 and early 2017 and a year of unnaturally low average ambient temperatures at the Farms. Conditions generally were very adverse for premium quality skin production and skins did not finish to the extent and at the rate traditionally experienced. One consequence of this was that harvesting was delayed well into the final quarter of the year with 52% of the offtake occurring in this period. Although temperature moderation was not feasible because of the scale of the operation, measures have been implemented to counter the impact of poor water quality and we do not expect a repeat going forward. Average skin size achieved of 34.3cms was consistent with the customer's requirements. This was a slight improvement over that achieved in the prior year (34.2cm – FY16). The size distribution produced varies slightly from year to year at the request of the customer to satisfy specific market dynamics.

We closed the period with a total of 157,675 grower crocodiles on the ground compared to 150,172 at the end of FY16. This number of crocodiles was consistent with the strategy to achieve a sustained annual production of 46,000 skins. Eighty new grower pens were constructed in the period at Nyanyana Farm to facilitate the earlier movement of yearlings from hatching pens in spring each year. This initiative will further reduce stocking densities as part of an ongoing strategy to both enhance animal welfare & to improve skin quality. A 330kW solar energy project was commenced for the northern farms and will be commissioned in 2018. This not only provides material cost savings but reinforces the company's commitment to sustainability through the application of alternative and renewable energy solutions.

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

Alligator Operation

Yearling animals which were being sold as watchband sized skins in FY17 grew out satisfactorily and the skin grades obtained on this stock were fully consistent with expectations. \$3.6m of additional equity was injected into the business in the year under review to enhance working capital and finance the full transition into a medium sized skin production model. A total of 11,900 yearling animals of the requisite skin requirements were purchased in for grow-out into medium sized skins. The selection, transport and induction of these into the TCR pens was conducted seamlessly and the stock has settled well and subsequent growth is to expectation. The operation withstood the ravages of Category 4 Hurricane Harvey despite this being the wettest tropical cyclone on record in the USA. There was negligible damage to infrastructure and no observed impact on the livestock despite the immediate area around the farm being inundated to a depth of 84cms of standing water. This was testament to the strategy of constructing the barns on a raised pad 90cms above the local ground level. The demand for good quality medium sized alligator skins at competitive prices has consistently remained strong in contrast to a weak watchband sized skin market that prevailed throughout the year.

SUSTAINABILITY

The Group re-affirms its commitment to animal welfare and best practice norms. Both operations comply with the regulations of the relevant statutory bodies that monitor the husbandry of crocodiles and alligators. Statutory and independent audits conducted recently have confirmed both our compliance with and commitment to animal welfare and the humane and ethical treatment of our livestock.

PROSPECTS

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

BOARD APPOINTMENT

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

DIVIDEND

The Board has declared a final dividend of 1.20 US cents per share, payable in respect of all the ordinary shares of the Company. This dividend is in respect of the financial year ending 31st December 2017 and will be payable in full to all the shareholders of the Company registered at the close of business on Friday 13th April 2018. The payment of this dividend will take place on or about Friday the 27th of April 2018. The shares of the Company will be traded cum – dividend on the Zimbabwe Stock Exchange up to the market day of Tuesday 10th April 2018 and ex – dividend as from Wednesday 11th April 2018. This dividend represents a cash dividend cover of two times.

APPRECIATION

Notwithstanding the uncertain and challenging economic and physical environment prevailing in our operational areas in 2017, the executive directors, management and staff have, once again, produced an excellent set of financial results. I congratulate them on this and commend them for their commitment, passion and foresight in moving the group forward. My thanks again to the non – executive directors for their guidance, oversight and wise counsel during this financial year.

A K Calder
Chairman
14 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	31 Dec 2017 audited US\$	31 Dec 2016 audited US\$
Revenue	30 276 051	31 272 712
Other operating income	2 219 079	1 441 805
Net operating costs	(18 551 124)	(20 098 758)
Operating profit before depreciation, impairment, amortisation and fair value adjustments	13 944 006	12 615 760
Depreciation and amortisation	(2 053 600)	(1 816 667)
Operating profit before interest and fair value adjustments	11 890 406	10 799 093
Fair value adjustments on biological assets	4 251 741	(289 185)
Profit before interest and tax	16 142 147	10 509 907
Interest income	1 668 820	1 443 590
Interest expense	(1 442 136)	(913 119)
Profit before tax	16 368 831	11 040 379
Income tax charge	(3 515 580)	(2 638 456)
Profit for the year	12 853 251	8 401 923
Other comprehensive income	-	-
Total comprehensive income for the year	12 853 251	8 401 923
Profit for the year attributable to:		
Equity holders of the parent	13 020 828	8 948 239
Non-controlling interest	(167 577)	(546 317)
Total comprehensive income for the year attributable to:	12 853 251	8 401 923
Equity holders of the parent	13 020 828	8 948 239
Non-controlling interest	(167 577)	(546 317)
Total comprehensive income for the year attributable to:	12 853 251	8 401 923
Earnings per share (cents)		
Basic earnings per share	2.40	1.65
Diluted earnings per share	2.40	1.65

Consolidated Statement of Financial Position

As at 31 December 2017

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

Notes	Share Capital	Share Premium	Change in ownership	Retained Earnings	Non-Controlling Interest	TOTAL
	audited US\$	audited US\$	audited US\$	audited US\$	audited US\$	audited US\$
Balance at 1 January 2016	54 159	27 004 245	(165 948)	19 421 793	46 314 249	629 353
Total comprehensive income	-	-	-	8 948 240	8 948 240	(546 317)
Acquisition of non-controlling interest	-	-	(70 998)	-	(70 998)	297 579
Dividends paid	-	-	-	(2 226 927)	(2 226 927)	-
Balance at 31 December 2016	54 159	27 004 245	(236 946)	26 143 106	52 964 564	380 615

For the year ended 31 December 2017

Notes	Share Capital	Share Premium	Change in ownership	Retained Earnings	Non-Controlling Interest	TOTAL
	audited US\$	audited US\$	audited US\$	audited US\$	audited US\$	audited US\$
Balance at 1 January 2017	54 159	27 004 245	(236 946)	26 143 106	52 964 564	380 615
Total comprehensive income	-	-	-	13 020 828	13 020 828	(167 577)
Change in degree of ownership	-	-	173 083	-	173 083	(173 083)
Dividends paid	-	-	-	(4 495 226)	(4 495 226)	-
Balance at 31 December 2017	54 159	27 004 245	(63 863)	34 668 708	61 663 249	39 955

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	31 Dec 2017 audited US\$	31 Dec 2016 audited US\$
Cash generated from operating activities	8 833 638	4 418 998
Interest income	1 668 820	1 189 023
Interest paid	(814 481)	(748 234)
Taxation paid	(2 995 540)	(3 072 328)
Net cash generated from operations	6 692 437	1 787 459
Cash flow from investing activities		
Net cash outflow from investing activities	(4 051 115)	(4 507 400)
- proceeds on disposal of property, plant and equipment	6 236	243 890
- purchase of property, plant and equipment	(3 465 427)	(4 139 295)
- expenditure on non-current biological assets	(157 109)	(145 413)
- purchase of intangible assets	(8 930)	-
- payment of deferred consideration	(425 885)	(466 582)
Net cash flow before financing activities	2 641 322	(2 719 941)
Cash flow from financing activities		
Increase in borrowings	2 814 412	4 687 275
- new loans	11 839 522	14 135 000
- repayments	(9 025 110)	(9 194 307)
- additional investment by non-controlling interest	-	226 582
- payment for purchase of additional interest	-	(480 000)
Dividends paid	(4 495 226)	(2 226 927)
by holding company	(4 495 226)	(2 226 927)
Net cash flow utilised in financing activities	(1 680 814)	2 460 349
Net increase / (decrease) in cash and cash equivalents	960 508	(259 593)
Cash and cash equivalents at the beginning of the period	10 265 655	10 525 248
Cash and cash equivalents at the end of the period	11 226 163	10 265 655
CASH AND CASH EQUIVALENTS		
Made up as follows:		
Bank balances and cash	9 121 723	7 910 001
Short-term investments	2 104 440	2 355 654
	11 226 163	10 265 655

Supplementary Information

1. Corporate Information

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

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

2. Basis of preparation

The financial results are based on the statutory records that are maintained under the historical cost basis, except for biological assets that have been measured at fair value.

3. Statement of compliance

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

4. Currency of reporting

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

5. Estimates

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

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 31 December 2016.

6. Accounting policies

The principal accounting policies of the Group are consistent in all material respects with those applied in the previous financial year and conform with all effective IFRS as at 31 December 2017.

7. Operating segments

The following tables present revenue and profit information about the Group's operating segments for the year ended 31 December 2017.

	Crocodiles US\$	Alligators US\$	Adjustments & eliminations US\$	Consolidated US\$
Revenue				
31 December 2017	28 515 119	1 760 932	-	30 276 051
31 December 2016	27 527 638	3 745 074	-	31 272 712
Operating Profit(loss) before impairment, depreciation, amortization and fair value adjustments				