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## **Independent Auditors' Report**

### **To the shareholders of Padenga Holdings Limited**

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#### **Qualified opinion**

We have audited the consolidated financial statements of Padenga Holdings Limited (the Group) set out on pages [12] to [82], which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the year then ended, accounting policies and notes to the financial statements.

In our opinion, except for the possible effect of the matters described in the *Basis for qualified opinion* section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Padenga Holdings Limited as at 31 December 2022, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Standards) and the manner required by the Companies and other Business Entities Act [Chapter 24:31].

#### **Basis for qualified opinion**

##### **Non-compliance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets**

The Group recognised a mine rehabilitation provision of \$2 701 799 and a related rehabilitation asset of \$1 532 414 in the consolidated statement of financial position as at 31 December 2022. As described in accounting policy note 4, the rehabilitation provision is based on the life of mine closure plan where management records the present value of costs expected to be incurred at the end of the current estimated life of mine which constitutes a departure from IFRS. IAS 37 requires a provision to be recognised only if an entity has a present obligation (legal or constructive) as a result of a past event and thus the provision should be based on only the mining activity incurred at the reporting date; a provision is not recognised for expected future mining activity.

Further, we were unable to obtain sufficient appropriate audit evidence on the completeness and accuracy of management's estimate of the restoration expenditure to be incurred as at the end of the reporting period due to the following reasons:

- the methodology used to quantify the closure cost was not prepared on a first principal basis, that is, the closure cost estimate should have been broken down into its first principles (mine components, demolition, rehabilitation, closure and post closure activity, unit rates, quantities and others). Thus, the estimate was compiled on a high-level basis and does not contain sufficient detail and support to verify the completeness and accuracy of the data utilised as well as the reasonability of any assumptions applied.



- management relied on the rehabilitation specialist's report for January 2021 at one of the mines which does not reflect the disturbance in footprint up to the reporting date of 31 December 2022. Furthermore, the impact of significant developments in the macro-economic environment during 2022 were not completely taken into account in the roll forward of the January 2021 report.

As a result, we are unable to conclude whether the mine rehabilitation provision is completely and accurately recorded and accordingly, we are unable to quantify the misstatement in the current and prior year.

***Non-compliance with International Financial Reporting Standards IAS 21–The Effect of Changes in Foreign Exchange Rates (IAS 21) and inappropriate application of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8)***

During the period 22 February 2019 to 22 June 2020, the Group translated foreign denominated transactions and balances using the interbank foreign currency exchange rate (the “interbank rate”). The interbank rate did not satisfy the requirements to be considered an appropriate exchange rate in accordance with IAS 21, during this period, due to the lack of access to foreign currency for immediate delivery through the interbank foreign currency market. This led to a qualified opinion by the predecessor auditor on the prior year consolidated financial statements and whilst considered to be material, the misstatement could not be quantified due to the lack of an appropriate alternative rate that would satisfy the requirements of IAS 21 and thus impact the current year opening balances.

In addition, and as disclosed in accounting policy note 1 to the consolidated financial statements, Padenga Holdings Limited acquired a subsidiary, Dallaglio Investments (Private) Limited, effective 1 January 2020. The subsidiary had, in 2019, applied an incorrect date of change of functional currency of 22 February 2019 instead of 1 October 2018. This constituted a departure from the requirements of IAS 21 and led to a qualified opinion being issued by the predecessor auditor. The financial effects of this departure on the prior years consolidated financial statements, whilst considered to be material, had not been determined and thus impacting the opening balances for the current year.

The Group has not restated the consolidated financial statements, as required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, to resolve the instances of non-compliance with IAS 21 noted above and as a result, a portion of property, plant and equipment, the related deferred tax, depreciation, and income tax expense remain misstated.

Consequently, our opinion on the consolidated financial statements is modified because of the possible effects of the non-compliance with IAS 21 on the current period's opening balances and on comparability of the prior period's consolidated financial statements.

***Non-compliance with IFRS 3 - Business Combinations***

As described in accounting policy Note 1 to the consolidated financial statements, the Group acquired a subsidiary, Dallaglio Investments (Private) Limited, effective 1 January 2020. The Group did not determine the “at acquisition” fair values of the acquired assets and assumed liabilities, constituting a departure from IFRS 3. As a result, the predecessor auditor qualified the prior year consolidated financial statements. Management has not restated the prior year statement of financial position in line with the requirements of IAS 8, and consequently, property, plant and equipment, goodwill and non-controlling interests balances remain misstated.

We are unable to quantify the magnitude of the misstatement and consequently, our audit opinion on the consolidated financial statements is qualified due to the possible effects of the matter on the opening balances of the current year and comparative consolidated annual financial statements.



We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in paragraph (a) of the *Basis for qualified opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

### Existence of ore stockpiles

Refer to accounting policy note 4 on inventories, note 4.1 significant accounting judgements, estimates and assumptions - Inventories - Gold bullion, gold and ore stockpiles and mines inventories note 16.1 to the annual financial statements

Key audit matter	How the matter was addressed in our audit
<ul style="list-style-type: none"> <li>As at 31 December 2022, mines inventory - ore stockpiles are valued at \$8 029 075.</li> <li>The process of determining the quantity of mineral inventory in the ore stockpiles is complex and involves estimation of the volume of material in the plant using quantity surveying techniques and applying a determined mineral content percentage. Management utilises specialists, internal and external, to determine the quantum in crushed and uncrushed ore stockpiles.</li> <li>Due to the estimation involved in determining the quantity of ore inventory on hand as at 31 December 2022 we considered this to be a key audit matter.</li> </ul>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Evaluating the professional qualifications, competence, capabilities and objectivity of management's internal and external experts, through inspection of their professional membership and reviewing their curriculum vitae.</li> <li>Inspecting the reports from management's internal and external experts and comparing to the recorded quantities of mineral ore.</li> <li>Assessing the reasonableness of the year end quantity of ore in relation to opening quantity of ore at the start of the year, the quantity extracted during the year and supported by the independent contractor's monthly certificates and the quantity of ore processed through the respective mills.</li> <li>Assessing the reasonability of the method of quantifying ore inventory and comparing the method to that employed in the prior year.</li> <li>Assessing the adequacy and appropriateness of the Group's disclosures in the consolidated financial statements for compliance with IAS 2, <i>Inventories</i>.</li> </ul>



### **Emphasis of matter**

We draw attention to Note 32 to the consolidated financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2021 has been restated. Our opinion is not modified in respect of this matter.

### **Other matter - comparative information**

The consolidated financial statements of the Group as at and for the year ended 31 December 2021, excluding the adjustments described in note 32 to the restated consolidated financial statements, were audited by another auditor who expressed a qualified opinion on those consolidated financial statements on 28 April 2022 as a result of non-compliance with the requirements of IAS 21 - *The effects of Changes in Foreign Exchange Rates*, IFRS 3 - *Business Combinations* and IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*.

As part of our audit of the consolidated financial statements as at and for the year ended 31 December 2022, we audited the adjustments described in note 32 that were applied to restate the comparative information presented as at and for the year ended 31 December 2021. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the year ended 31 December 2021, other than with respect to the adjustments described in note 32 to the consolidated financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective consolidated financial statements taken as a whole. However, in our opinion, the adjustments described in note 32 to the consolidated financial statements are appropriate and have been properly applied.

### **Other information**

The directors are responsible for the other information. The other information comprises the Report of the directors and Directors' responsibility and approval of financial Statements, and the unaudited financial information of Padenga Company on pages [83] to [88] consisting of Company statements of financial position and notes to the financial statements, but does not include the consolidated financial statements and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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 on the other information that we have obtained prior to the date of this auditors' report, 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 qualified opinion section above, in the prior year, the Group did not comply with the requirements of IAS 21, *Effects of Changes in Foreign Exchange Rates* and IFRS 3, *Business Combinations*, and in the current year the Group did not comply with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. We have concluded that the other information is materially misstated for the same reasons with respect to the amounts or other items referred to in the basis of qualified opinion above.



When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### **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 as issued by the International Accounting Standards Board (IFRS Standards) and the manner required by the Companies and other Business Entities Act [Chapter 24:31], 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.

### **Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 auditors' 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.

KPMG

Vinay Ramabhai  
Chartered Accountant (Z)  
Registered Auditor  
PAAB Practicing Certificate Number 0569

8 May 2023

For and on behalf of, KPMG Chartered Accountants (Zimbabwe), Reporting Auditors

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