

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PADENGA HOLDINGS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Padenga Holdings Limited and its subsidiaries ("the Group") set out on pages 42 to 80 which comprise the group and company statements of financial position as at 31 December 2017, and the group statement of profit or loss and other comprehensive income, the group statement of changes in equity and the group statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

Key Audit Matter	How the matter was addressed in the audit
<p>Physical verification of biological assets</p> <p>Biological assets as disclosed in Note 15 to the financial statements are the single largest item on the statement of financial position and represent the core of the Group's operations. The key variables in the determination of the value as recorded in the financial statement are quantity and pricing.</p> <p>The crocodile and alligator livestock is reared in secure enclosures that incorporate physical and biosecurity controls to ensure the appropriate welfare of the animals. Material disruption of the environment within which the livestock is raised is inconsistent with the norms of good husbandry and consequently water in the pens is not drained to facilitate a physical verification of stock numbers. The verification of crocodiles and alligators is done by getting into the pens and counting the livestock identified in the pens. Where counting cannot be done or where variances are noted from the stock count against expected numbers, management relies on its throughput reconciliations and farming records to determine the quantity of livestock as at year end.</p> <p>An acceptable range of losses of crocodiles/alligators is set and monitored on a regular basis.</p> <p>Accordingly the physical verification of biological assets is considered to be a key audit matter due to the physical count considerations.</p>	<p>Our principal audit procedures in this area involved:</p> <ul style="list-style-type: none"> • Attending the biological asset verification as at year end and estimating the crocodiles in the pens and comparing the quantities with the accounting records for reasonableness. • Assessing the controls and the processes used by management of estimating and recording quantities of livestock as at year end. • Reviewing throughput reconciliations prepared by management and verifying the key inputs to underlying operational and accounting records to obtain reasonable assurance on existence of biological assets.
<p>Fair valuation of biological assets</p> <p>The valuation of biological assets is a subjective process owing to the unique and specialised nature of the industry. The processes of cost accumulation and estimation of yields based on age of the crop with no industry benchmarks leaves room for significant judgement from management. The fair valuation of biological assets represents an area of significant estimate over a significant statement of financial position account.</p> <p>As disclosed in note 15 to the financial statements; the Group uses the income approach for valuation of crocodiles and alligators and the cost approach for the valuation of breeders; based on the following key assumptions:</p> <ul style="list-style-type: none"> • The price per skin; • The premium meat yield per kilogram of crocodile and alligator; and • The replacement cost of breeders. <p>Accordingly the fair valuation of biological assets is considered to be a key audit matter due to the impact of the above assumptions to the value of biological assets.</p>	<p>Our principal audit procedures in this area included the following:</p> <ul style="list-style-type: none"> • Evaluated management's inputs and methodology used in the valuation model applying guidance from International Financial Reporting Standards. • Assessed the consistency of application of the valuation model and compared the inputs to both internal and external data. • Re-performed the valuation process using management's model and independently re-calculated the fair values per farm, livestock category and age band. • Inspected the disclosures in the financial Statements for compliance with relevant accounting standards.

Other Information

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

Our opinion on the group and company financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the group and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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TO THE MEMBERS OF PADENGA HOLDINGS LIMITED (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

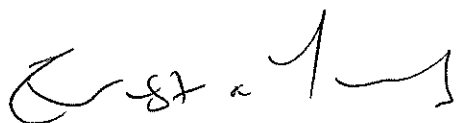
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

In our opinion, the group and company financial statements, have in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies Act (Chapter 24:03).

The engagement partner on the audit resulting in this independent auditor's report is Mr. David Marange (PAAB Practising Certificate Number 0436).



ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
REGISTERED PUBLIC AUDITORS

HARARE
21 MARCH 2018