Est. 1892

TongaatHulett®

Hippo Valley Estates Limited

Abridged Audited Financial Results for the Year Ended 31 March 2021

CHAIRMAN'S STATEMENT AND CHIEF EXECUTIVE'S REVIEW FOR THE YEAR ENDED 31 MARCH 2021

SALIENT FEATURES (INFLATION ADJUSTED)

- Sugar production of 204 384 tons (2020: 212 004 tons) -4%
- Total industry sugar sales of 440 000 tons (2020: 413 000 tons) +7%
- Hippo share of industry sugar sales 50.0% (2020: 48.0%)
- Revenue of ZWL16,8 billion (2020: ZWL12,5 billion) +34%
- Operating profit of ZWL3,8 billion (2020: ZWL5,3 billion) -28%
- Adjusted EBITDA* of ZWL5,3 billion (2020: ZWL4,2 billion) +26%
- Profit for the year of ZWL1,1 billion (2020: ZWL2,6 billion) -58%

*Adjusted EBITDA is operating profit adjusted to exclude depreciation, amortisation, any impairment(or reversal thereof), and fair value adjustments relating to biological assets.

Operating Environment

There was a relative slowdown of inflation over the current year compared to prior year. This was attributable to the introduction of the foreign currency auction system which improved business confidence during the last half of the financial year, with year-on-year inflation decelerating to 241% in March 2021, compared to 676% in the prior year. The return to the multi-currency system on the local market in March 2020 led to increased foreign currency into the formal market, and improved the ability of industry to generate free funds to meet offshore obligations.

Covid-19 Update

The emergence of the Covid-19 pandemic and resultant movement restrictions led to significant disruptions to business activity in key economic sectors. However, there were minimal interruptions to the Company's key operations as the Company, together with the rest of the sugar industry, was classified as an essential service. In addition, the Company has put in place a robust Business Continuity Plan and continues to implement established Covid-19 preventive and reactive protocols, whilst at the same time strengthening its already established internal health service delivery system to mitigate the negative impact of any future waves of the pandemic. The Company continues to prioritise the health and wellbeing of its employees, business partners, surrounding communities and other stakeholders. In order to complement Government efforts, the Company and Triangle Limited (together referred to as Tongaat Hulett Zimbabwe), launched a self-financed vaccination program aimed at protecting its workforce and community members. As at 31 May 2021, over 3 800 employees and community members had been vaccinated. Operationally, the Company managed to successfully mitigate the Covid-19 induced logistical and procurement inefficiencies, resulting in the resumption of the sugar milling season in mid-April 2021 as scheduled.

Operations

Cane and sugar production (tons) for the year ended 31 March 2021

	2021	2020	% Change
Tons cane harvested - Company	1 043 774	1 008 870	+3%
Tons cane harvested – Private farmers	592 722	687 472	-14%
Other third-party cane	55 439	-	100%
Total tons cane milled – Company	1 691 935	1 696 342	0%
Tons sugar produced – Company	204 384	212 004	-4%
Tons sugar produced - Industry Total	408 260	441 416	-8%

Overall cane deliveries from the Company's plantations (miller-cum-planter) and private farmers were impacted by irrigation power challenges and the dry spell experienced during the 2019/20 peak growing period of October 2019 to March 2020. The wet spell in December 2020 interrupted the harvesting programme resulting in a total of 555 hectares for both the Company and private farmers being carried over for harvest in the 2021/22 production season. Whilst the drop in cane from traditional industry sources was compensated for by cane sourced from a third party, sugar production reduced by 4% at the back of lower than expected mill efficiencies and inclement weather conditions (incessant rains) which impacted cane quality. Steps were taken during the January to April 2021 off-crop period to rehabilitate the mill to ensure improved performance in the 2021/22 production year, whilst solar projects to augment electricity at critical water pumping installations are under consideration.

Marketing Performance

The Zimbabwe sugar industry has a single marketing desk at brown sugar level, administered by Zimbabwe Sugar Sales (ZSS). The Company's share of total industry sugar sales volume of 440 000 tons (2020: 413 000 tons) for the year under review was 50.0% (2020: 48.0%). Total industry sugar sales into the domestic market for the year of 325 000 tons (2020: 324 000 tons) were marginally above prior year, having recovered from low sales during the first quarter of the financial year on account of then existing economic distortions. Demand in the local market remained firm despite the Covid-19 induced low disposable incomes. Industry export sales for the year recorded a 29% growth to 115 000 tons (2020: 89 000 tons) driven largely by a growth in the Kenya market despite a temporary suspension of sugar imports into that market in June 2020. Price realisations on both the local and export markets remained relatively constant in current purchasing power terms.

Financial Results

The financial results of the Group have been inflation adjusted to comply with the requirements of IAS 29. Historical financial statements for the financial year and comparative numbers for the corresponding prior year have been disclosed as supplementary information alongside the inflation adjusted financial results. This financial commentary is based on the inflation-adjusted numbers. In complying with the requirements of IAS 29, the Directors applied, where appropriate, necessary judgements and assumptions with due care. However, users are cautioned that in hyperinflationary environments, certain inherent economic distortions may influence the outturn of financial results.

Total revenue for the year increased by 34% to ZWL16.8 billion (2020: ZWL12.5 billion), largely due to the increased export volumes. Operating profit and profit for the year decreased by 28% to ZWL3.8 billion (2020: ZWL5.3 billion) and by 58% to ZWL1.1 billion (ZWL2.6 billion) respectively, weighed down by a fair value loss on biological assets of ZWL1.1 billion (2020: gain of ZWL1.7 billion). This was due to a drop in forecast cane price at current purchasing power from prior year. However, excluding the non-cash impact of biological asset valuations and depreciation, adjusted EBITDA improved by 26% as the Company benefited from prudent management of costs and the positive impact of forward purchasing of key inputs in a hyperinflationary environment.

Net cash inflow from operating activities was ZWL1.2 billion (2020: ZWL0.6 billion) driven by the improved adjusted EBITDA partially offset largely by an increase in tax paid. Capital expenditure totalled ZWL365 million (2020: ZWL159 million) of which ZWL225 million(2020: ZWL135 million) was for root replanting. As at 31 March 2021, the Group had a net cash balance of ZWL886 million compared to a net cash balance of ZWL406 million in the previous corresponding year.

The effective tax rate on the inflation adjusted accounts was 48.40% (2020: 34.17%), impacted by the net monetary loss of ZWL1.9 billion (2020: ZWL1.5 billion), that was treated as a permanent difference for income tax purposes.

Dividend

The Board declared and paid an interim dividend of ZWL121 cents per share during the year ended 31 March 2021. In view of the Company's positive financial performance for the year ended 31 March 2021, the Board has declared a final dividend of ZWL124 cents per share for the year ended 31 March 2021 payable in respect of all the ordinary shares of the Company. This dividend will be payable in full on or around 15 July 2021 to all Shareholders of the Company registered at the close of business on 9 July 2021.

Environmental, Social & Governance

A total of 4 (2020: 5) Lost Time Injuries were recorded during the year, resulting in an improved Lost Time Injury Frequency Rate of 0,036 (2020: 0,048). Gratefully, no fatalities (2020:nil) were recorded during the year. Safety and Sustainability improvement initiatives continue to be implemented on an on-going basis to ensure a safe working environment for all employees as well as the ultimate achievement of world class standards on environmental stewardship.

The Company continues to develop and implement mutually beneficial and collaborative initiatives with Government and local communities to improve the quality of life of its employees and the surrounding communities at large. Over the year under review, Tongaat Hulett Zimbabwe donated over US$2.9 million worth of essential goods and materials towards Covid-19 mitigation initiatives to local communities.

The Company remains on the path of strengthening its governance structures at all levels of the business. Key milestones in this regard over the past year include, changes to Board structures in line with good corporate governance, appointment of new senior executives to key governance roles and strengthening of policies and procedures within the business aligning to best practice.

Projects and initiatives

Work on the 4 000 hectare cane development project (Project Kilimanjaro) being undertaken by Tongaat Hulett Zimbabwe in partnership with Government and local banks, has seen a total of 2 700 hectares of virgin land bush-cleared and ripped, and 562 hectares planted to sugarcane. As previously reported, project works were slowed down on account of delays in obtaining the requisite funding from financial institutions pending further clarity on land tenure, both of which are being progressed. To ensure productive use of the cleared land in the interim, 76 hectares and 750 hectares were put to maize and sorghum respectively, and an additional 902 hectares of maize was planted on Company fallow cane land as a break crop. This resulted in the benefit of maximising land use and further improving food security. The Company is committed to continue partnering with Government in food security initiatives on an annual basis.

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Abridged Audited Financial Results for the Year Ended 31 March 2021

Over and above the on-going inputs and extension support to private farmers, the Company has initiated various vertical and horizontal sugarcane growth programs over the past financial year. A partnership framework whereby Tongaat Hulett Zimbabwe is co-managing certain underperforming out-grower farms is progressing satisfactorily. The Company is also providing financial and technical assistance to a number of new sugarcane out grower development projects with work on 'Pezulu' Project measuring 1 168 hectares having started. Other growth projects, with potential for an additional 11 000 hectares for the benefit of out growers are under consideration over the next five years.

Land tenure and milling license

The Government has since assured the Company that it will be granted security of tenure by way of a 99 year lease on Hippo Valley North (23 979 hectares), whilst maintaining freehold title on Hippo Valley South (16 433 hectares). Provisionally, an institutional offer letter was issued by Government, whilst the requisite physical planning and administrative processes are nearing completion, paving way for the issuance of the 99 year lease. The Company has also had its sugar milling license renewed for another twenty year period ending December 2040. These positive actions from Government provide further confidence and stability to the operations.

Directorate

The Company has over the past year appointed five Non-Executive Directors: Mr C.F. Dube, Mr G. Sweto, Mr R.J. Moyo, Mr J.G. Hudson, Mr R.M. Goetzsche and a new Finance Director Mr O.H. Manasah. In April 2021, Mr D. L. Marokane resigned as Chairman and Board member, paving way for the appointment of Mr C. F. Dube as the new Independent Chairman. The Board extends its gratitude to Mr D. L. Marokane for his valuable contribution and leadership during his term of office.

Outlook

Following an above normal rainfall season experienced from December 2020 to April 2021, Tugwi-Mukosi Dam spilled for the very first time in January 2021, whilst Lake Mtirikwi accumulated 97.8% and all the other dams providing irrigation water to the sugar industry recorded 100% of capacity, thus providing adequate water to cover the industry for at least three more seasons at normal water duty. The total production for the sugar industry for the forthcoming 2021/22 production season is forecast to increase marginally on the back of projected improvements in yields, cane quality and milling efficiencies.

Marketing focus is on maximising local market requirements with residual stocks being allocated to regional and international premium markets to generate additional foreign currency for the Company and the nation. In the medium to long-term, the Company is considering various diversification initiatives in order to increase the contribution of its non-sugar business.

By Order of the Board

C. F. Dube
Chairman

A. Mhere
Chief Executive Officer

25 June 2021

Hippo Valley Estates Limited

Dividend Declaration Notice

Notice is hereby given that the Board declared a final dividend of ZWL124 cents per share for the year ended 31 March 2021 payable in respect of all the ordinary shares of the Company. This dividend will be payable to all Shareholders of the Company registered at the close of business on 9 July 2021.

The payment of the dividend will take place on or about 15 July 2021. The applicable shareholders' tax will be deducted from the gross dividends.

The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 6 July 2021 and ex-dividend as from 7 July 2021.

Shareholders are requested to submit / update their mailing and banking details with the Transfer Secretaries to enable the payment of their dividends.

The contact details of the Transfer Secretaries are as follows;

First Transfer Secretaries (Pvt) Ltd
1 Armagh Avenue
Eastlea
Harare

Telephone: +263 242 782869/72 or 776628/49/59/69/74

Email: info@fts-net.com

BY ORDER OF THE BOARD

P Kadembo
Company Secretary
25 June 2021

www.tongaat.com/hippo-valley-estates/company-profile

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Hippo Valley Estates Limited

Abridged Audited Financial Results for the Year Ended 31 March 2021

ABRIDGED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		INFLATION ADJUSTED		HISTORICAL COST*	
		31 March 2021	31 March 2020	31 March 2021	31 March 2020
	Notes	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Revenue		16 752 409	12 505 176	12 584 238	1 682 340
Operating profit		**3 804 921**	**5 320 152**	**5 389 499**	**1 573 521**
Monetary loss		(1 850 271)	(1 479 352)	-	-
Net finance income/(costs)		**90 173**	**(103 428)**	**204 559**	**(10 161)**
Finance income		251 204	260 172	313 506	584
Finance costs		(161 031)	(363 600)	(108 947)	(10 745)
		2 044 823	**3 737 372**	**5 594 058**	**1 563 360**
Share of associate companies' profit after tax		136 638	185 749	100 792	20 081
Profit before tax		**2 181 461**	**3 923 121**	**5 694 850**	**1 583 441**
Income tax expense	1	(1 055 744)	(1 340 364)	(1 474 067)	(405 154)
Profit for the year		**1 125 717**	**2 582 757**	**4 220 783**	**1 178 287**
Other comprehensive loss net of tax		**(277 316)**	**(615 847)**	**(57 367)**	**(22 657)**
Exchange gain/(loss) on translation of foreign investments		2 430	(106 949)	130 846	25 237
Actuarial losses on post retirement provision		(279 746)	(508 898)	(188 213)	(47 894)
Total comprehensive income for the year		**848 401**	**1 966 910**	**4 163 416**	**1 155 630**
Number of shares in issue ('000's of shares')		193 021	193 021	193 021	193 021
Basic and diluted earnings per share (ZWL cents)		583.2	1 338.1	2 186.7	610.4
Headline earnings per share (ZWL cents)		583.2	1338.3	2 186.7	610.5

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

	INFLATION ADJUSTED		HISTORICAL COST*	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	ZWL'000	ZWL'000	ZWL'000	ZWL'000
ASSETS				
Non-current assets	**5 184 471**	**5 269 768**	**573 803**	**214 861**
Property, plant and equipment	4 782 284	4 848 126	366 039	139 490
Intangible assets	103 713	112 823	2 722	2 704
Investments in associate companies	289 406	227 339	199 521	48 741
Right of use asset	9 068	4 689	5 521	1 377
Long term receivables	-	76 791	-	22 549
Current assets	**7 928 251**	**7 033 271**	**7 855 979**	**1 960 689**
Biological assets	3 007 894	4 103 305	3 007 894	1 204 901
Inventories	2 041 061	1 491 321	1 968 789	384 873
Trade and other receivables	1 993 551	1 032 630	1 993 551	251 692
Cash and cash equivalents	885 745	406 015	885 745	119 223
Total assets	**13 112 722**	**12 303 039**	**8 429 782**	**2 175 550**
EQUITY AND LIABILITIES				
Capital and reserves	**8 802 779**	**8 367 296**	**5 181 174**	**1 340 540**
Issued share capital	665 267	665 267	15 442	15 442
Other components of equity	(131 090)	(133 520)	209 594	78 748
Retained earnings	8 268 602	7 835 549	4 956 138	1 246 350
Non-current liabilities	**2 177 915**	**2 470 234**	**1 116 580**	**415 532**
Deferred tax liabilities	1 816 759	2 220 413	755 424	342 174
Provisions	356 841	246 881	356 841	72 495
Lease liability	4 315	2 940	4 315	863
Current liabilities	**2 132 028**	**1 465 509**	**2 132 028**	**419 478**
Trade and other payables	1 977 023	1 190 974	1 977 023	338 863
Lease liability	3 197	1 807	3 197	531
Borrowings	-	68 110	-	20 000
Current tax liability	151 808	204 618	151 808	60 084
Total equity and liabilities	**13 112 722**	**12 303 039**	**8 429 782**	**2 175 550**

GROUP STATEMENT OF CHANGES IN EQUITY

INFLATION ADJUSTED

	Issued share capital ZWL'000	Other components of equity ZWL'000	Retained earnings ZWL'000	Total ZWL'000
Balance at 31 March 2019	**665 267**	**(26 571)**	**5 761 690**	**6 400 386**
Total comprehensive income for the year	-	(106 949)	2 073 859	1 966 910
Profit for the year	-	-	2 582 757	2 582 757
Other comprehensive loss for the year	-	(106 949)	(508 898)	(615 848)
Balance at 31 March 2020	**665 267**	**(133 520)**	**7 835 549**	**8 367 296**
Total comprehensive income for the year	-	2 430	845 971	848 401
Profit for the year	-	-	1 125 717	1 125 717
Other comprehensive income/(loss) for the year	-	2 430	(279 746)	(277 316)
Share based expense	-	-	(19 745)	(19 745)
Dividend	-	-	(393 173)	(393 173)
Balance at 31 March 2021	**665 267**	**(131 090)**	**8 268 602**	**8 802 779**

GROUP STATEMENT OF CHANGES IN EQUITY

HISTORICAL COST*

	Issued share capital ZWL'000	Other components of equity ZWL'000	Retained earnings ZWL'000	Total ZWL'000
Balance at 31 March 2019	**15 442**	**53 511**	**115 957**	**184 910**
Total comprehensive income for the year	-	25 237	1 130 393	1 155 630
Profit for the year	-	-	1 178 287	1 178 287
Other comprehensive income /(loss) for the year	-	25 237	(47 894)	(22 657)
Balance at 31 March 2020	**15 442**	**78 748**	**1 246 350**	**1 340 540**
Total comprehensive income for the year	-	130 846	4 032 570	4 163 416
Profit for the year	-	-	4 220 783	4 220 783
Other comprehensive income/(loss) for the year	-	130 846	(188 213)	(57 367)
Share based expense	-	-	(19 745)	(19 745)
Dividend	-	-	(303 037)	(303 037)
Balance at 31 March 2021	**15 442**	**209 594**	**4 956 138**	**5 181 174**

ABRIDGED GROUP STATEMENT OF CASH FLOWS

		INFLATION ADJUSTED		HISTORICAL COST*	
		31 March 2021	31 March 2020	31 March 2021	31 March 2020
	Notes	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Cash flows from operating activities					
Operating profit		3 804 921	5 320 152	5 389 499	1 573 521
Net monetary loss		(1 850 271)	(1 479 352)	-	-
Depreciation and amortization	2	435 740	519 200	21 319	12 769
Exchange loss/(gain)		57 519	(47 088)	152 894	(6 410)
Net movements in provisions		(261 647)	(647 561)	34 329	612
• Gross movements in provisions		109 960	28 446	284 347	64 233
• Movement attributable to revenue reserves		(371 607)	(676 007)	(250 018)	(63 621)
Changes in biological assets		1 095 411	(1 653 021)	(1 802 993)	(1 112 228)
Share based payments		7 219	-	7 219	-
Loss on disposal of property, plant and equipment		76	444	49	130
Cash generated from operations		**3 288 968**	**2 012 774**	**3 802 316**	**468 394**
Changes in working capital		(681 975)	(557 940)	(1 714 580)	(232 475)
Tax paid		(1 456 088)	(732 223)	(931 336)	(49 492)
Net finance income received/(charges paid)		32 814	(96 307)	51 826	(9 752)
Net cash inflow from operating activities		**1 183 719**	**626 304**	**1 208 226**	**176 675**
Cash flows from investing activities					
Additions to property, plant, equipment, intangible and right of use assets		(365 288)	(158 860)	(252 124)	(27 079)
• Other property, plant, equipment and intangible assets		(132 678)	(18 738)	(117 660)	(2 901)
• Cane roots		(225 203)	(134 721)	(128 545)	(22 592)
• Right of use assets		(7 407)	(5 401)	(5 919)	(1 586)
Proceeds on disposal of property, plant and equipment		44	-	44	-
Movement in non-current financial assets		7 189	143 244	22 549	(16 859)
Dividends received from associated companies		112 743	110 667	104 906	10 415
Net cash (outflow)/inflow from investing activities		**(245 312)**	**95 051**	**(124 625)**	**(33 523)**
Net cash inflow before financing activities		**938 407**	**721 355**	**1 083 601**	**143 152**
Cash flows from financing activities					
Proceeds from borrowings		438 862	481 094	295 267	45 277
Repayment of borrowings		(506 973)	(1 315 982)	(315 267)	(90 070)
Dividends paid		(393 173)	-	(303 037)	-
Lease financing raised		2 605	4 747	5 958	1 394
Net cash outflow from financing activities		**(458 679)**	**(830 141)**	**(317 079)**	**(43 399)**
Net increase/(decrease) in cash and cash equivalents		**479 728**	**(108 786)**	**766 522**	**99 753**
Net cash balance at the beginning of the year		**119 223**	**151 167**	**119 223**	**19 470**
Inflation effects on cash and cash equivalents		**286794**	**363 634**	**-**	**-**
Net cash and cash equivalents at end of year		**885 745**	**406 015**	**885 745**	**119 223**

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Abridged Audited Financial Results for the Year Ended 31 March 2021

NOTES TO THE ABRIDGED GROUP FINANCIAL STATEMENTS

	INFLATION ADJUSTED		HISTORICAL COST*	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	ZWL'000	ZWL'000	ZWL'000	ZWL'000
1. Income tax expense				
Normal tax	(1 403 280)	(748 435)	(1 023 060)	(102 450)
Deferred tax - Other	403 655	(715 935)	(413 250)	(307 658)
Deferred tax - Rate change	-	47 462	-	13 935
Transfer to non-distributable reserve	35 742	22 978	24 047	6 746
Transfer (to)/from revenue reserve	(91 861)	53 566	(61 804)	(15 727)
Charged to profit and loss	**(1 055 744)**	**(1 340 364)**	**(1 474 067)**	**(405 154)**

The rate of corporate tax was reduced from 25% to 24% with effect from 1 January 2020.
AIDS levy remains at 3% of the tax payable.

2. Depreciation and amortisation				
Depreciation of property, plant and equipment	254 896	335 595	6 784	7 998
Amortisation of intangible assets	9 418	7 306	228	169
Depreciation of right of use assets	3 029	713	1 775	209
Depreciation of roots	168 397	175 586	12 532	4 393
	435 740	**519 200**	**21 319**	**12 769**
3. Capital expenditure commitments				
Contracted and orders placed	187 248	67 312	187 248	53 786
Authorized by Directors but not contracted	15 681	19	15 681	15
	202 929	**67 331**	**202 929**	**53 801**

4. Historical reporting*

The historical financial disclosure is shown as supplementary information. The information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting in Hyperinflationary Economies. As a result, the auditors have not issued an audit opinion on the historical financial information.

5. Basis of preparation

Statement of Compliance

The Group financial statements of Hippo Valley Estates Limited for the year ended 31 March 2021, which form the basis for the abridged financial results have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

The abridged Group financial results do not include all the disclosures required for complete annual financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board. Accordingly, these statements are to be read in conjunction with the annual financial statements for the year ended 31 March 2021 and any public announcements made by Hippo Valley Estates Limited during the reporting period.

The abridged Group financial results are presented in Zimbabwean Dollars (ZWL), which is the Group's functional and presentation currency. The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards.

The abridged Group financial results appearing in this announcement are the responsibility of the Directors. The Directors take full responsibility for the preparation of the abridged financial results.

IAS 29 Financial Reporting in Hyperinflationary Economies

On 11 October 2019, the Public Accountants and Auditors Board of Zimbabwe classified Zimbabwe as a hyperinflationary economy in accordance with the provisions of IAS 29 Financial Reporting in Hyperinflationary Economies ('IAS 29'), applicable to entities operating in Zimbabwe with financial periods ending on or after 1 July 2019. Hyperinflationary accounting has therefore been applied by the Group for the year ended 31 March 2021.

The Group concurs with this classification, supported by the following factors:

- In the financial year to March 2021, annual inflation rate significantly decelerated to 241%. However, the economy remains hyperinflationary in accordance with IAS 29.
- There was significant deterioration in the interbank Zimbabwe Dollar (ZWL) exchange rate during the period. Trading commenced at an interbank rate of ZWL25 to US$1 as at 31 March 2020 and weakened to a rate of ZWL84.4001 to US$1 at 31 March 2021.
- Access to foreign currency to settle foreign currency denominated liabilities remains constrained.

Hyperinflationary accounting requires transactions and balances of each reporting period to be presented in terms of the measuring unit current at the end of the reporting period in order to account for the effect of loss of purchasing power during the period. The Group has elected to use the Zimbabwe Consumer Price Index (CPI) as the general price index to restate amounts as it provides an official observable indication of the change in the price of goods and services.

The carrying amounts of non-monetary assets and liabilities carried at historic cost have been stated to reflect the change in the general price index from the date of acquisition to the end of the reporting period. No adjustment has been made for those non-monetary assets and liabilities measured at fair value as at the end of the reporting period. An impairment is recognised in profit or loss if the remeasured amount of a non-monetary asset exceeds the recoverable amount.

All items recognised in the statement of profit or loss and other comprehensive income are restated by applying the change in the average monthly general price index when the items of income and expenses were initially earned or incurred.

Gains or losses on the net monetary position have been recognised as part of profit or loss before tax in the statement of profit or loss and other comprehensive income.

All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

Comparative amounts in the Group financial results are expressed in terms of the general price index at the end of the reporting period.

The following general price indices and conversion factors were applied:

Date	General Price Index	Conversion factor
31 March 2020	810.4	3.406
31 March 2021	2 759.8	1
Average CPI for 12 months to:		
31 March 2021	2 083.51	
31 March 2020	382.92	

6. Audit Opinion

These inflation-adjusted abridged audited Group financial results for the year ended 31 March 2021 have been audited by Deloitte & Touche in accordance with the International Standards on Auditing. An unmodified opinion has been issued thereon.

The audit opinion contains key audit matters in respect of valuation of standing cane, valuation of cane roots and valuation and recoverability of long outstanding receivables.

We draw attention to sections of the commentary which describe the uncertainties relating to land ownership as well as the impact of COVID 19 on the group. The audit opinion is not modified in respect of this matter.

The audit opinion has been made available to management and those charged with the governance of Hippo Valley Estates Limited and the opinion is available for inspection at the Hippo Valley Estates Limited registered offices and the ZSE website.

The engagement partner responsible for this audit is Brian Mabiza.

By order of the Board
Hippo Valley Estates Limited
Registration No. 371/1956
Registered Office: Hippo Valley Estates Limited, Chiredzi

P Kadembo
Company Secretary

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF HIPPO VALLEY ESTATES LIMITED GROUP
Report on the audit of the inflation-adjusted consolidated and separate financial statements

Opinion

We have audited the inflation-adjusted financial statements of Hippo Valley Estates Limited (the "Company") and its subsidiaries, joint venture and associates (together, the "Group") set out on pages 21 to 90 which comprise the inflation-adjusted consolidated and separate statement of financial position as at 31 March 2021, and the inflation-adjusted consolidated and separate statement of profit or loss and other comprehensive income, the inflation-adjusted consolidated and separate statement of changes in equity and the inflation-adjusted consolidated and separate statement of cash flows for the year then ended, and the notes to the inflation-adjusted consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying inflation-adjusted consolidated and separate financial statements present fairly, in all material respects, the inflation-adjusted consolidated and separate financial position of the Group as at 31 March 2021, and its inflation-adjusted consolidated and separate financial performance and inflation-adjusted consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Other Businesses Entities Act (Chapter 24:31) and the relevant Statutory Instruments ("SI") 33/99 and 62/96.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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' 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 financial statements in Zimbabwe. We have fulfilled our 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.

Emphasis of Matter

We draw attention to Note 28 of the financial statements which describes the uncertainties relating to land ownership and the impact of COVID 19 on the Group. Our opinion is not modified in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the inflation-adjusted consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the inflation-adjusted consolidated and separate financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">1. Valuation of biological assets – Standing Cane – in accordance with IAS 41: Agriculture</td></tr>
<tr><td>The Company is required to value its standing cane at fair value in accordance with IAS 41 "Agriculture".

As disclosed in Note 6, the carrying amount of the standing cane amounted to ZWL2.92 billion (2020: ZWL4.06 billion). The value of standing cane is based on the estimated sucrose content and realisable value of the sugar for the following season less the estimated costs of harvesting, transport and over-the-weighbridge costs.

Important inputs include the expected cane yield and the average maturity of the cane.

Accordingly, the valuation of standing cane is considered to be a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the multiple judgements associated with determining estimates used to compute the carrying amount, namely estimated cane yields, average age at maturity and the sucrose realisable value.</td><td>In evaluating the fair value of standing cane, we reviewed the valuations performed by the directors, with particular focus on key estimates and the assumptions underlying those estimates, such as the determination of the estimated cane yield, average age at maturity and sucrose realisable value, as noted below.

Our procedures included, but were not limited to the following:
• Performing sensitivity analyses on the valuation of standing cane to evaluate the extent of impact on the fair value of the estimated cane yield and estimated sucrose content;

• Performing sensitivity analyses on the sucrose price;

• Comparing the estimates of sucrose prices made by the directors in determining the value of standing cane with the subsequently realised sucrose prices on the various markets;

• Evaluating whether the valuation criteria used by the directors complies with the requirements of IAS 41 "Agriculture";

• Testing the design and implementation of monitoring controls and relevant controls with respect to the process of determining fair values for the biological assets;

• Substantively testing all key data inputs underpinning the carrying amount of standing cane, including the number of hectares under cane, estimated cane yields, estimated sucrose content, estimated sucrose prices, costs for harvesting, transport and over-the-weighbridge costs, against appropriate supporting evidence, to assess the accuracy, reliability and completeness thereof;

• Assessing the appropriateness of the disclosures with respect to the impact of the sensitivity of the various assumptions by ensuring that the information disclosed in the financial statements was in accordance with the results of the audit procedures, in particular, the estimated yield and sucrose price for standing cane; and

• Assessing the reliability of management's forecasts used in the valuation of standing cane through comparison of the actual results in the current year against previous forecasts made by the directors.

We did not identify any material misstatements as a result of the procedures detailed above.</td></tr>
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<table>
<tr><th colspan="2">2. Valuation of biological assets – Cane roots in accordance with IAS 16: Property, Plant and Equipment</th></tr>
<tr><td>
The Company is required to value its cane roots at cost in accordance with IAS 16 "Property, Plant and Equipment".
As disclosed in Note 4.3, the carrying amount of the cane roots amounted to ZWL935 million (2020: ZWL878 million). The value of cane roots is based on the estimated cost depreciated over the expected useful life of cane roots of seven (7) ratoons. The cost is determined by restating the estimated historical cost to the year-end purchasing power using the relevant conversion factors. The ratoon life of seven ratoons represents a change in estimate from the prior year life of 9 ratoons.
The carrying amount of cane roots is significantly impacted by management's determination of the estimated expected useful life of the cane roots.
Accordingly, the value of cane roots is a key audit matter due to the significance of the balance to the financial statements as well as the estimation uncertainty associated with the useful life of seven ratoons, as the balance is sensitive to this estimate.
</td><td>
In evaluating the carrying amount of cane roots, we reviewed the valuations performed by the directors, with particular focus on the establishment costs capitalised in the current year and the expected useful life, as noted below.
Our procedures included, but were not limited to the following:

Evaluating whether the valuation criteria used by the directors as well as key data inputs into the carrying amount of cane roots comply with the requirements of IAS 16 "Property, Plant and Equipment";
Testing the design and implementation and the operating effectiveness of controls with respect to the process of determining the cost of cane roots;
Evaluating the appropriateness of the change in the useful life estimate, based on the changes in circumstances affecting the economic life of the roots;
Reviewing the useful life determined by management against expected useful lives of cane in other farming regions as well as those stipulated by the Group based on historical information, in order to validate the estimated useful life of the cane roots; and
Assessing reasonableness of management's estimated expected life of the cane roots by analysing the weather patterns and availability of irrigation water (this has a significant bearing on the life of the roots) through inspecting the dam level statistics of the dams used by the Group as provided by the Zimbabwe Water Authority (ZINWA) and comparing these to the irrigation water requirements of the Group based on historical information, in order to validate the estimated expected useful life of the cane.

We did not identify any material misstatements as a result of the procedures detailed above.
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<tr><th colspan="2">3. Valuation and recoverability of long-outstanding receivables</th></tr>
<tr><td>As disclosed in note 7, the balance of trade and other receivables at year end of ZWL1.99 billion (2020: ZWL1.03 billion) includes long outstanding receivable amounts.

Per the Group policy, receivables which have been outstanding for more than 90 days are considered past due. Receivables totalling ZWL170 million had been outstanding for more than 90 days at year end.

This is deemed a key audit matter in the current year due to the significance of the value of trade and other receivables to the financial statements, the judgement involved in assessing the recoverability of the balance through the determination of probabilities of default and the possible effects of Covid-19 global pandemic, which has been assessed as an adjusting event, on the recoverability of balances receivable.</td><td>In evaluating the valuation and recoverability of receivables, we reviewed the expected credit loss model prepared by the directors, with a particular focus on forward-looking information incorporated in the assessment.

Our procedures included independently assessing recoverability of receivables and performing various procedures, including, but not limited to the following:
• Obtaining an understanding of management's process and assumptions in assessing recoverability;

• Assessing the appropriateness of management's assumptions with respect to the timing of the receipt of funds from the debtors through independently estimating the period of recovery of the receivable based on historic payment patterns, and payment plans in place;

• Evaluating the appropriateness of the probability of defaults allocated to each debtor category, based on prior payment patterns and the expected effect of inflation and Covid-19 on their ability to repay their debts to the Group;

• Ascertaining the debtors' solvency and liquidity based on available market data (as applicable) and inspection of correspondence between the debtors and the Group;

• Testing the controls related to management's methods and assumptions in regard to determination of the value of long outstanding receivable balances;

• Obtaining external confirmations of balances for a sample of debtors and reconciling these to the balances recorded in the ledger;

• Analysing payments received subsequent to year-end, where applicable, as a way to establish recoverability of amounts recorded at year-end;

• Evaluating management's plans and efforts at collecting the receivables, including their pursuit of legal action as a means of recovering outstanding balances, and evaluating the likelihood of success; and

• Reviewing impairment calculations and discounted cash flows where receipts from debtors are expected to be recovered over a long period of time.

We did not identify any material misstatements as a result of the procedures detailed above.</td></tr>
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF HIPPO VALLEY ESTATES LIMITED GROUP
Report on the Audit of the Inflation-adjusted Consolidated and Separate Financial Statements

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, as required by the Companies and Other Businesses Entities Act (Chapter 24:31) and the historical cost consolidated financial information, which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the inflation-adjusted consolidated financial statements and our auditor's report thereon.

Our opinion on the inflation-adjusted 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 inflation-adjusted 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 inflation-adjusted 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 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.

Responsibilities of the directors for the inflation-adjusted consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the inflation-adjusted consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and the requirements of the Companies and Other Businesses Entities Act (Chapter 24:31) and for such internal control as the directors determine is necessary to enable the preparation of inflation-adjusted financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation-adjusted consolidated and separate 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 inflation-adjusted consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the inflation-adjusted consolidated and separate 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 inflation-adjusted consolidated and separate financial statements.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF HIPPO VALLEY ESTATES LIMITED GROUP
Report on the Audit of the Inflation-adjusted Consolidated and Separate 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 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.
- 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 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.

The engagement partner on the audit resulting in this independent auditor's opinion is Brian Mabiza.

DELOITTE & TOUCHE
REGISTERED AUDITOR
PER: BRIAN MABIZA
PARTNER
PAAB PRACTICE CERTIFICATE NUMBER 0447

25 JUNE 2021