Est. 1892

Tongaat

Hippo Valley Estates Limited

Reviewed Abridged Interim Financial Results for the six months ended 30 September 2021

SALIENT FEATURES (INFLATION ADJUSTED)

- Sugar production of 162 906 tonnes (2020: 147 960 tonnes) +10%
- Total Industry sugar sales of 223 892 tonnes (2020: 225 058 tonnes) -1%
- Hippo share of Industry sugar production and sales 52.9% (2020: 49.8%) +3%
- Revenue of ZWL10.3 billion (2020: ZWL10.5 billion) -2%
- Operating profit of ZWL2.9 billion (2020: ZWL2.6 billion) +12%
- Adjusted EBITDA* of ZWL2.8 billion (2020: ZWL4.3 billion) -35%
- Profit for the period of ZWL1.4 billion (2020: ZWL1.5 billion) -7%

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

COMMENTARY

Operating Environment

The economic environment in the country continues to be classified as hyperinflationary. However, annual inflation slowed down significantly to 52% by 30 September 2021 (March 2021: 241%). While the Zimbabwe dollar exchange rate was relatively stable over the period under review, the local currency has subsequently devalued against the United States dollar. As the multi-currency regime continued, exchange rate dynamics in the economy influenced foreign currency liquidity and the proportion of foreign currency transactions in the formal market. Global agricultural commodity prices increased over the period under review resulting in high input costs for the agriculture sector.

Covid-19 Update

The third wave of the Covid-19 pandemic which began towards the end of the first quarter has since subsided albeit with the highest number of infections since the pandemic began. The Company and the rest of the sugar industry, classified as an essential service, were spared of any significant business disruption during the lockdown periods. The Company's Business Continuity Plan and established Covid-19 preventive and reactive protocols continue to be in place in preparation for a possible fourth wave. Supply chain constraints have been mitigated by advance planning and procurement of critical spares and inputs resulting in adequate sugar being available to cover both local market requirements and export commitments. The Company and Triangle Limited (together referred to as Tongaat Hulett Zimbabwe), through both self-financed and government sponsored vaccination programs, had vaccinated some 14 796 employees (92% of the total workforce) and 10 568 members of the community as at 30 November 2021.

Operations

Cane and sugar production (tonnes) for the half year ended 30 September 2021

	2021	2020	% Change
Tonnes cane harvested - Company	657 777	744 672	-12%
Tonnes cane harvested – Private farmers	606 624	427 831	+42%
Other third-party cane	26 065	31 637	-18%
Total tonnes cane milled – Company	1 290 466	1 204 140	+7%
Tonnes sugar produced – Company	162 906	147 960	+10%
Tonnes sugar produced - Industry Total	308 046	296 974	+4%

Cane deliveries from the Company's plantations (miller-cum-planter) were 12% below the same period in prior year due to a combination of a 5% reduction in area harvested to date and a 7% drop in cane yields to date, occasioned by insistent cloud cover during the past rainfall season, which constrained cane growth during this period. Cane deliveries from private farmers were however 42% above the same period in prior year due to increased area harvested to date, benefiting from prior year carryover cane and an earlier start to the harvesting season which began on 20 April (2020: 5 May). Consequently, sugar production for the half year under review increased from the same period in prior year with a satisfactory factory performance, following a successful off crop maintenance program.

Marketing Performance

Zimbabwe Sugar Sales (Private) Limited (ZSS) is the single marketing desk for the Zimbabwe sugar industry at brown sugar level. The Company's share of total industry sugar sales volume of 223 892 tonnes (2020: 225 058 tonnes) for the half year to 30 September 2021 was 52.9% (2020: 49.8%). The total industry sugar sales into the domestic market for the period under review at 194 334 tonnes (2020: 158 429 tonnes) were 23% above same period in prior year due to a combination of strong local demand and improved supply. Price realisations in both local and foreign currency on the local market remained firm in current purchasing power terms. While the local market foreign currency inflows were firm during the period under review, these have subsequently slowed down owing to exchange rate dynamics within the economy. Following the industry's reduced COMESA quota allocation into Kenya for the year, the export sales volume for the half year reduced by 56% to 29 558 tonnes (2020: 66 629 tonnes). Volumes originally targeted for this market were redirected to satisfy strong local demand. Market development efforts are underway to establish other regional markets to supplement the existing stable Botswana market and reduce Kenya market concentration risk. The industry concluded the sale of 13 000 tonnes sugar under the Country's annual export quota to the United States, at an average net price 9% above target.

Financial Results

The financial results of the Group have been inflation adjusted to comply with the requirements of International Accounting Standard 29 (IAS 29). Historical financial statements for the reporting period and the comparative numbers for the corresponding period 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 out turn of financial results.

Notwithstanding a 6% increase in sales volumes attributable to the Company driven by an improved production ratio, total inflation adjusted revenue for the period decreased by 2% to ZWL10.3 billion (2020: ZWL10.5 billion), weighed down by currency and inflation dynamics within the economy. Adjusted EBITDA decreased by 35% compared to the same period in prior year due to higher cane costs incurred on the increased volume of cane from third parties and increased production costs due to the reduced extent of the prior year benefit of forward purchasing of key inputs in a hyperinflationary environment. Operating profit however increased by 12% to ZWL2.9 billion (2020:ZWL2.6 billion), benefiting from a biological asset fair value gain of ZWL0.5 billion (2020: loss of 1.3 billion) on account of improved cane pricing assumptions.

Net cash inflow from operating activities increased by 60% to ZWL 0.8 billion (2020: ZWL 0.5 billion), largely due to reduced cash consumed in working capital. Capital expenditure totaled ZWL398 million (2020: ZWL110 million) of which ZWL160 million (2020: ZWL65 million) was for root replanting. As at 30 September 2021, the Company had a net cash balance (cash less borrowings) of ZWL0.9 billion (2020: ZWL1.1 billion). Adequate borrowing facilities in both local and foreign currency have been established to finance both operating and capital expenditure requirements.

The effective tax rate on the inflation adjusted accounts was 46.42% (2020: 32.74%), impacted by the net monetary loss of ZWL0.06 billion (2020: ZWL0.6 billion), that was treated as a permanent difference for income tax purposes.

Dividend

In view of the Company's positive financial performance for the six months ended 30 September 2021, the Board has declared an interim dividend of ZWL108 cents per share for the year ending 31 March 2022 payable in respect of all the ordinary shares of the Company. This dividend will be payable in full on or around 07 January 2022 to all Shareholders of the Company registered at the close of business on 24 December 2021.

Environmental, Social & Governance

A total of 5 (2020: 2) Lost Time Injuries were recorded during the half year under review, resulting in a Lost Time Injury Frequency Rate of 0.090 (2020: 0.037). However, no (2020: nil) fatalities were recorded during the half year period. 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.

Initiatives to improve the quality of life of surrounding communities continue to be pursued through collaboration with Government and local communities. During the period under review Tongaat Hulett Zimbabwe donated approximately US$ 138 000 in direct donations to community related causes. Additionally, the Company remains committed to empowerment initiatives to support broad-based stakeholders within its community who among others include small scale sugarcane farmers, suppliers of goods and services and on-going support towards community health, education and sporting activities.

As previously reported the Company continues to strengthen governance structures and polices at all levels of the business.

Projects and initiatives

Expansion works on the 4 000 hectares cane development project (Project Kilimanjaro) remain suspended due to delays in concluding funding arrangements with financial institutions pending further clarity on land tenure. Notwithstanding, Tongaat Hulett Zimbabwe is now mobilizing funding to complete part of the already cleared 2 700 hectares in the current financial year with priority being given to that portion of the land to be developed for the benefit of local communities. The 562 hectares planted to sugarcane in prior years is achieving the targeted yields and generating revenue adequate to meet working capital and loan obligations as they fall due.

The Company is providing financial and technical assistance to a number of new sugarcane out grower development projects. The framework whereby Tongaat Hulett Zimbabwe is co-managing certain underperforming out grower farms is ongoing and is expected to yield positive results in the ensuing harvesting season.

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Land tenure
The Company awaits the finalization of the 99-year lease relating to Hippo Valley North (23 979 hectares). Freehold title on Hippo Valley South (16 433 hectares), largely a game park and wildlife conservation area, is being maintained. As previously reported, Government has since assured the Company that the issuance of the 99 Year Lease is imminent.

Directorate
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. Sadly Mr J P Maphosa, a long serving Director of the Company passed on during the period under review. Mr L Bruce another long serving member of the board retired from the board at the AGM held on the 17th of September 2021. Mr S Harvey resigned from the board effective 1 December 2021 and was replaced by Mr R T Masawi who is the Chief Technical Officer at Tongaat Hulett Limited. The Board extends its gratitude to the family of Mr J P Maphosa, to Mr D L Marokane, to Mr L Bruce and to Mr S Harvey for their valuable contribution and leadership during their time of service to the Board. The Remuneration and Nominations Committee is attending to the vacancies that have arisen within the board with an objective to increase Independent Non-Executive board member participation, balance skills and improve diversity within the board.

Outlook
The milling season is set to close in early December, benefiting from an early season start which will in the long term reposition the crop and prevent the previously experienced disruptive impact of harvesting during wet spells in December. Marketing efforts in the second half of the financial year are on ensuring available stocks are disposed at best value to the industry, both locally and regionally. With adequate irrigation water cover for at least two seasons at normal water duty secured in the industry's key water systems, and positive rainfall forecasts, the total production for the sugar industry is forecast to grow towards maximum milling capacity over the next 5 years driven by both vertical and horizontal sugarcane growth.

By Order of the Board

C. F. Dube
Chairman

A. Mhere
Chief Executive Officer

08 December 2021

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DIVIDEND DECLARATION NOTICE

Notice is hereby given that the Board declared an interim dividend of 108 ZW cents per share for the year ending 31 March 2022 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 24 December 2021.

The payment of the dividend will take place on or about 7th January 2022. 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 28 December 2021 and ex-dividend as from 29 December 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

8 December 2021

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Reviewed Abridged Interim Financial Results for the six months ended 30 September 2021

ABRIDGED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	INFLATION ADJUSTED		HISTORICAL COST	
		30 Sept 2021	30 Sept 2020	30 Sept 2021	30 Sept 2020
		ZWL'000	ZWL'000 Restated	ZWL'000	ZWL'000
Revenue		**10 334 077**	**10 474 720**	**9 513 643**	**5 517 613**
Cost of sales*		(4 832 811)	(4 803 410)	(3 312 150)	296 579
Gross profit		**5 501 266**	**5 671 310**	**6 201 493**	**5 814 192**
Marketing and selling expenses		(1 351 334)	(1 559 934)	(1 198 504)	(804 983)
Administrative and other expenses		(1 430 097)	(1 481 784)	(1 292 646)	(786 934)
Other operating income		159 402	3 944	146 284	2 158
Operating profit		**2 879 237**	**2 633 536**	**3 856 627**	**4 224 433**
Net monetary loss*		(64 127)	(613 593)	-	-
Net finance (charge) / income		(274 422)	120 303	(286 327)	157 297
Finance income		83 672	172 829	79 011	180 447
Finance costs		(358 094)	(52 526)	(365 338)	(23 150)
		2 540 688	**2 140 246**	**3 570 300**	**4 381 730**
Share of profit of associates		44 836	103 258	40 804	53 694
Profit before tax		**2 585 524**	**2 243 504**	**3 611 104**	**4 435 424**
Income tax expense*	1	(1 200 268)	(734 515)	(969 223)	(1 123 669)
Profit for the period		**1 385 256**	**1 508 989**	**2 641 881**	**3 311 755**
Other comprehensive (loss)/income, net of tax		(182 799)	107 620	(136 218)	144 141
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of post retirement provision		(150 849)	48 646	(136 886)	21 371
Items that will be reclassified subsequently to profit or loss					
Exchange differences on translation		(31 950)	58 974	668	122 770
Total comprehensive income		**1 202 457**	**1 616 609**	**2 505 663**	**3 455 896**
Number of Ordinary shares in Issue ("000" of shares)		193 021	193 021	193 021	193 021
Basic and diluted earnings per share (RTGS cents)		717,7	781,8	1 368,7	1 715,7
Headline earnings per share (RTGS cents)		717,7	781,8	1 368,7	1 715,7

* Inflation adjusted comparatives restated (see note 6).

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

	INFLATION ADJUSTED		HISTORICAL COST	
	30 Sept 2021	31 March 2021	30 Sept 2021	31 March 2021
	ZWL'000	ZWL'000	ZWL'000	ZWL'000
ASSETS				
Non-current assets	**6 254 501**	**6 278 137**	**886 469**	**573 803**
Property, plant and equipment	5 828 522	5 791 108	707 631	366 039
Intangible assets	92 443	125 591	13 502	2 722
Investments in associated companies	324 391	350 457	160 448	199 521
Right of use assets	9 145	10 981	4 888	5 521
Current assets	**14 716 421**	**9 600 718**	**14 241 942**	**7 855 979**
Biological assets	4 139 634	3 642 410	4 139 634	3 007 894
Inventories	6 907 403	2 471 624	6 487 667	1 968 789
Trade and other receivables	2 568 826	2 414 091	2 514 083	1 993 551
Cash and cash equivalents	1 100 558	1 072 593	1 100 558	885 745
Total Assets	**20 970 922**	**15 878 855**	**15 128 411**	**8 429 782**
EQUITY AND LIABILITIES				
Capital and reserves	**11 601 030**	**10 659 727**	**7 447 492**	**5 181 174**
Issued share capital	805 605	805 605	15 442	15 442
Other components of equity	(190 694)	(158 744)	210 262	209 594
Retained earnings	10 986 119	10 012 866	7 221 788	4 956 138
Non current liabilities	**3 636 912**	**2 634 019**	**1 950 201**	**1 113 832**
Deferred tax liabilities	2 901 111	2 200 004	1 214 400	755 424
Lease liability	3 394	5 226	3 394	4 315
Borrowings	78 602	-	78 602	-
Provisions	653 805	428 789	653 805	354 093
Current liabilities	**5 732 980**	**2 585 109**	**5 730 718**	**2 134 776**
Trade and other payables	5 284 442	2 394 077	5 282 180	1 977 022
Lease liability	3 663	3 871	3 663	3 197
Borrowings	78 032	-	78 032	-
Current tax liability	353 189	183 833	353 189	151 808
Provisions	13 654	3 328	13 654	2 749
Total equity and liabilities	**20 970 922**	**15 878 855**	**15 128 411**	**8 429 782**

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 2020	**805 605**	**(161 687)**	**9 488 461**	**10 132 379**
Comprehensive income for the period	-	58 974	1 557 635	1 616 609
Profit for the period	-	-	1 508 989	1 508 989
Other comprehensive income	-	58 974	48 646	107 620
Dividend			(160 688)	(160 688)
Balance at 30 September 2020	**805 605**	**(102 713)**	**10 885 408**	**11 588 300**
Balance at 31 March 2021	**805 605**	**(158 744)**	**10 012 866**	**10 659 727**
Total comprehensive income for the period	-	(31 950)	1 234 407	1 202 457
Profit for the period	-	-	1 385 256	1 385 256
Other comprehensive income/(loss) for the period	-	(31 950)	(150 849)	(182 799)
Dividend	-	-	(261 154)	(261 154)
Balance at 30 September 2021	**805 605**	**(190 694)**	**10 986 119**	**11 601 030**

GROUP STATEMENT OF CHANGES IN EQUITY

HISTORICAL COST

	Issued share capital ZWL'000	Non-distributable reserves ZWL'000	Retained earnings ZWL'000	Total ZWL'000
Balance at 31 March 2020	**15 442**	**78 748**	**1 246 350**	**1 340 540**
Comprehensive income for the period	-	122 770	3 333 126	3 455 896
Profit for the period	-	-	3 311 755	3 311 755
Other comprehensive income	-	122 770	21 371	144 141
Dividend	-	-	(69 488)	(69 488)
Balance at 30 September 2020	**15 442**	**201 518**	**4 509 988**	**4 726 948**
Balance at 31 March 2021	**15 442**	**209 594**	**4 956 138**	**5 181 174**
Total comprehensive income for the period	-	668	2 504 995	2 505 663
Profit for the period	-	-	2 641 881	2 641 881
Other comprehensive income/(loss) for the period	-	668	(136 886)	(136 218)
Dividend	-	-	(239 345)	(239 345)
Balance at 30 September 2021	**15 442**	**210 262**	**7 221 788**	**7 447 492**

ABRIDGED GROUP STATEMENT OF CASH FLOWS

	Notes	INFLATION ADJUSTED		HISTORICAL COST*	
		30 Sept 2021	30 Sept 2020	30 Sept 2021	30 Sept 2020
		ZWL'000	ZWL'000 Restated	ZWL'000	ZWL'000
Cash flows from operating activities					
Operating profit		2 879 237	2 633 536	3 856 627	4 224 433
Net monetary loss		(64 127)	(613 593)	-	-
Depreciation and amortization	2	395 416	278 510	21 532	7 686
Net movements in provisions		**128 556**	**(159 656)**	**128 782**	**(2 364)**
- Gross movements in provisions		328 940	(224 276)	310 618	(30 752)
- Movement attributable to revenue reserves		(200 384)	64 620	(181 836)	28 388
Changes in biological assets		(497 224)	1 341 977	(1 131 740)	(1 188 335)
Loss on disposal of property, plant and equipment		-	21	-	14
Cash generated from operations		**2 841 858**	**3 480 795**	**2 875 201**	**3 041 434**
Changes in working capital		(1 864 068)	(2 604 582)	(1 863 996)	(2 494 258)
Net cash generated from operations		**977 790**	**876 213**	**1 011 205**	**547 176**
Tax paid		(279 986)	(394 671)	(254 071)	(211 305)
Net finance income / (charges paid)		30 974	(27 129)	31 160	(338)
Net cash inflow from operating activities		**728 778**	**454 413**	**788 294**	**335 533**
Cash flows from investing activities					
Additions to property, plant, equipment, intangible and right of use assets		(397 099)	(109 790)	(372 523)	(53 383)
- Other property, plant, equipment and intangible assets		(237 518)	(44 794)	(226 022)	(25 930)
- Cane roots		(159 581)	(64 996)	(146 501)	(27 453)
Proceeds on disposal of property, plant and equipment		-	67	-	44
Dividends received from associated companies		77 910	115 912	70 699	71 168
Movement in non-current financial assets		-	8 706	-	22 549
Net cash (outflow) / inflow from investing activities		**(319 189)**	**14 895**	**(301 824)**	**40 378**
Net cash inflow before financing activities		**409 589**	**469 308**	**486 470**	**375 911**
Cash flows from financing activities					
Dividends paid		(261 154)	(160 688)	(239 345)	(69 488)
Proceeds from borrowings		1 070 547	561 914	971 457	230 000
Repayment of borrowings		(897 939)	(324 201)	(814 826)	(38 721)
Lease financing (paid) / raised		(1 490)	7 165	(1 397)	4 604
Net cash (outflow)/inflow from financing activities		**(90 036)**	**84 190**	**(84 111)**	**126 395**
Net increase in cash and cash equivalents		**319 553**	**553 498**	**402 359**	**502 306**
Net cash balance at the beginning of the period		**1 072 593**	**491 664**	**885 745**	**119 223**
Translation and Inflation effects on cash and cash equivalents		**(291 588)**	**147 434**	**(187 546)**	**165 410**
Net Cash and cash equivalents at end of period		**1 100 558**	**1 192 596**	**1 100 558**	**786 939**

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NOTES TO THE ABRIDGED GROUP FINANCIAL STATEMENTS

	INFLATION ADJUSTED		HISTORICAL COST	
	30 Sept 2021	30 Sept 2020	30 Sept 2021	30 Sept 2020
	ZWL'000	ZWL'000	ZWL'000	ZWL'000
1. Income tax expense				
Normal tax	(485 291)	(1 276 163)	(455 450)	(676 013)
Deferred tax	(714 977)	541 648	(513 773)	(447 656)
Charged to profit and loss	**(1 200 268)**	**(734 515)**	**(969 223)**	**(1 123 669)**
2. Depreciation and amortisation				
Depreciation of property, plant and equipment	200 801	154 764	6 559	3 598
Amortisation of intangible assets	44 881	5 812	926	115
Depreciation of roots	149 734	117 934	14 047	3 973
	395 416	**278 510**	**21 532**	**7 686**
3. Capital expenditure commitments				
Contracted and orders placed	186 584	49 676	169 313	21 770
Authorized by Directors but not contracted	8 907	198 784	8 083	51 763
	195 491	**248 460**	**177 396**	**73 533**

4. Historical reporting

The historical financial disclosure is shown as complementary 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 for Hyperinflationary Economies. As a result, the auditors have not issued a review conclusion on the historic financial information.

5. Basis of preparation and Statement of Compliance

The abridged consolidated interim financial statements of Hippo Valley Estates Limited (the 'Company'), together with its subsidiaries (the 'Group') for the six months ended 30 September 2021, have been extracted from the reviewed interim financial statements which are prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, the Companies and Other Business Entities Act (Chapter 24.31) and the Zimbabwe Stock Exchange regulations. The abridged consolidated interim financial statements 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 interim reporting period.

The abridged consolidated interim financial statements 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 and corresponding interim reporting period, except for the adoption of new and amended standards.

The abridged consolidated interim financial statements appearing in this announcement are the responsibility of the Directors. The Directors take full responsibility for the preparation of the abridged consolidated interim financial statements.

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 six months ended 30 September 2021.

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. 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 indexes and conversion factors were applied:

Date	General Price Index	Conversion factor
30 September 2021	3 342.0	1.000
31 March 2021	2 759.8	1.211
30 September 2020	2 205.2	1.515
01 October 2019	290.4	11.509
Average CPI for 6 months to:		
30 September 2021	3 043.5	
30 September 2020	1 630.7	

6. Restatement of prior year financial statements: Inflation adjusted cost of sales

IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29) requires all items in the statement of comprehensive income to be presented in terms of the measuring unit current at the end of the reporting period, by applying the change in the general price index from the dates when the items of income and expenses were initially recorded in the financial statements.

Since IAS 29 became applicable to entities in Zimbabwe, the Group has consistently used the direct method to adjust 'cost of sales' for hyperinflation. In terms of the direct method, monthly inflation indices are used to adjust the historical monthly 'cost of sales' expense. Management believed this method to be compliant with IAS 29 and had applied it in its previously audited annual financial statements. In the current year, as part of the auditor transition, management has reviewed the use of the direct method in respect of 'cost of sales'.

After due consideration, the Group has revised its aproach and retrospectively applied the indirect method to hyperinflate 'cost of sales'. In terms of the indirect method, each component used to determine the 'cost of sales' expense (opening stock, production costs and closing stock) is adjusted for hyperinflation separately rather than adjusting 'cost of sales' as a whole. The use of the indirect method aligns the method used to adjust 'cost of sales' with that used for 'depreciation' and 'fair value movements on biological assets' and improves the relationship between the inflation adjustments applied to the statement of financial position and those applied to the statement of comprehensive income.

This revision has resulted in a restatement of amounts in the statement of comprehensive income between 'cost of sales', 'taxation' and 'net monetary loss' with effect from 1 April 2020. While operating profit has decreased, there has been no impact on profit for the year, total earnings per share (basic and diluted), net cash flows nor the statement of financial position.

Impact of change in determination of inflation adjusted cost of sales on the Group Statement of Profit or Loss and Other Comprehensive Income

	INFATION ADJUSTED	
	Year ended 31 March 2021 ZWL'000	6 months ended 30 September 2020 ZWL'000
Increase in cost of sales	(2 173 532)	(1 350 692)
Decrease in operating profit	**(2 173 532)**	**(1 350 692)**
Decrease in monetary loss	1 636 235	1 017 004
Decrease in profit before tax	**(537 297)**	**(333 958)**
Decrease in tax expense	537 297	333 958
Change in profit for the year	-	-
Increase in basic and diluted earnings per share (ZWL cents)	-	-

Impact of change in determination of inflation adjusted cost of sales on the Group Statement of Financial Position

The change in the determination of inflation adjusted cost of sales had no impact on the Group Statement of Financial position.

7. Interim Results Conclusion

The Group's inflation adjusted interim consolidated financial statements as at 30 September 2021 from which these abridged results have been extracted have been reviewed by the Group's external auditors, Ernst & Young Chartered Accountants (Zimbabwe), who have issued a qualified review conclusion as a result of non-compliance with International Accounting Standard 21, "The Effects of Changes in Foreign Exchange Rates" in prior year and International Accounting Standard 8, "Accounting Polices, Changes in Accounting Estimates and Errors"; and IAS 29 –"Financial Reporting in Hyperinflationary Economies". The auditor's review conclusion on the Group's inflation adjusted interim financial statements is available for inspection at the Company's registered office.
The engagement partner for this review is Mr David Marange.

(PAAB Practicing Certificate Number 0436)

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

Pauline Kadembo
Company Secretary
08 December 2021

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Building a better
working world

Chartered Accountants (Zimbabwe)
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To the Shareholders of Hippo Valley Estates Limited

Report on the Review of the Consolidated Financial Statements

Introductions

We have reviewed the accompanying inflation adjusted interim condensed consolidated financial statements of Hippo Valley Estates Limited and its subsidiaries ("the Group") , as set out on pages 7 to 31, which comprise the inflation adjusted interim condensed consolidated statement of financial position as at 30 September 2021 and the related inflation adjusted interim condensed consolidated statement of profit or loss and other comprehensive income, the inflation adjusted interim condensed consolidated statement of changes in equity and the inflation adjusted interim consolidated statement of cash flows for the six-month period then ended and explanatory notes.

Management is responsible for the preparation and presentation of these inflation adjusted interim condensed consolidated financial statements in accordance with the International Financial Reporting Standards. Our responsibility is to express a review conclusion on the inflation adjusted interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of inflation adjusted interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified review conclusion

Non-compliance with International Financial Reporting Standards: IAS 21 - The Effects of Changes in Foreign Exchange Rates; IAS 8 - Accounting Polices, Changes in Accounting Estimates and Errors and IAS 29 -Financial Reporting in Hyperinflationary Economies.

As explained in note 3 to the inflation adjusted interim condensed consolidated financial statements, Hippo Valley Estates Limited's functional and presentation currency is the Zimbabwean Dollar (ZWL).

Due to the impact of the use of inappropriate exchange rates which did not meet IAS 21 requirements for a spot rate during the period 1 April 2020 to 22 June 2020 as well as the non-restatement per IAS 8 of the errors on comparatives for the period 1 April 2020 to 22 June 2020, we are of the opinion that these errors would have a material impact on prior period opinion leading to a qualified opinion. The misstatements could not be quantified as an IAS 21 compliant exchange rate was not available, however the impacted comparative amounts are as follows:

- USD Revenue equivalent of ZWL246 441 342 out of the total ZWL1 476 580 930
- USD equivalent expenses of ZWL 142 515 130 out of total ZWL 1 991 264 727 and
- Consequential impact on Taxation and Monetary gain or loss.

Management has not made retrospective adjustments in terms of *IAS 8 – Accounting Polices, Changes in Accounting Estimates and* Errors to correct the above matters

The effects of the above misstatements are material to the inflation adjusted interim condensed consolidated financial statements.

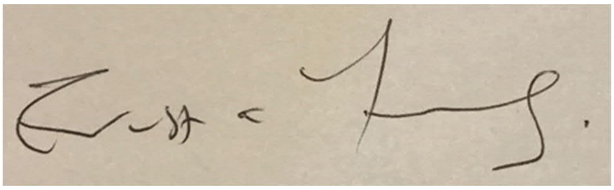
Other matter

The interim condensed consolidated financial statements and the annual consolidated financial statements of the prior period were audited by another auditor, and an unmodified review conclusion and audit opinion were issued respectively. The review conclusion for the half year ended 30 September 2020 is dated 26 November 2020, and the audit opinion for the year ended 31 March 2021 is dated 25 June 2021.

Qualified review conclusion

Based on our review procedures, except for the possible effects of the matters described in the Basis for Qualified Review Conclusion above, nothing has come to our attention that causes us to believe that the inflation adjusted interim condensed consolidated financial statements of the Group as at 30 September 2021 have not been prepared in all material respects, in accordance with the International Financial Reporting Standards.

The engagement partner on the review engagement resulting in this review conclusion report on the inflation adjusted interim condensed consolidated financial information is Mr. David Marange (PAAB Practicing Certificate Number 0436).



Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Audit
Harare

08 December 2021