



TongaatHulett®

Hippo Valley Estates Limited

Abridged Audited Financial Results for the Year Ended 31 March 2022

CHAIRMAN’S STATEMENT AND CHIEF EXECUTIVE’S REVIEW FOR YEAR ENDED 31 MARCH 2022

SALIENT FEATURES

	INFLATION ADJUSTED			HISTORICAL COST		
	Year ended 31.03.22	Year ended 31.03.21	Percentage Change	Year ended 31.03.22	Year ended 31.03.21	Percentage Change
Sugar production (tons)	209 510	204 384	↑ 3%	209 510	204 384	↑ 3%
Total industry sugar sales (tons)	394 000	440 000	↓10%	394 000	440 000	↓10%
Hippo share of industry sugar (%)	53.20%	50.0%	↑ 3%	53.20%	50.00%	↑ 3%
Revenue (ZWL'000)	30 107 757	28 930 605	↑ 4%	22 676 207	12 854 238	↑76%
Operating profit (ZWL'000)	6 256 281	4 833 228	↑29%	9 986 722	6 178 180	↑62%
Adjusted EBITDA* (ZWL'000)	3 134 830	6 115 437	↓49%	3 052 855	3 607 825	↓15%
Profit for the period (ZWL'000)	4 094 300	2 969 383	↑38%	7 419 692	4 814 503	↑54%

*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

Despite the relative slowdown in annual inflation from 241% in March 2021 to 72.7% in March 2022, the economic environment remains volatile and hyperinflationary. The Zimbabwe Dollar (ZWL) suffered a 69% depreciation on the Foreign Currency Auction System (FCAS) during the period under review. The increased volatility of the exchange rate towards the end of the period under review has made the operating environment challenging. The Company (Hippo Valley Estates Limited) continues however, to pursue value preservation strategies in the hyperinflationary environment. Unemployment remains high, with the bulk of the population managing on the back of informal businesses and agricultural projects. While efforts continue to be made to liberalise the currency regime to ease liquidity challenges and inflation gradually, policy uncertainty and the impact of capital controls continue to hamper economic turnaround.

COVID-19 Update

Over the past 3 months, cases from the Omicron-driven 4th wave have continued to decline globally. This trend has been mirrored within the Company’s operations. Midway through 2021, the Company, in a Public-Private Partnership, embraced vaccination as key in management of the COVID-19 pandemic. This program has been extremely successful and as at 15th May 2022, over 99% of the workforce had been vaccinated. This is ahead of the rest of Zimbabwe generally, where less than 50% of the population is vaccinated. The easing of lockdown restrictions and increased business hours in response to decline in COVID-19 cases is expected to continue aiding economic recovery efforts.

Operations

Cane and sugar production (tons) for the year ended 31 March 2022

	2022	2021	% Change
Tons cane harvested - Company	897 334	1 043 774	-14%
Tons cane harvested – Private farmers	768 804	592 722	+30%
Other third-party cane	26 065	55 439	-53%
Total tons cane milled – Company	1 692 203	1 691 935	+0%
Tons sugar produced – Company	209 510	204 384	+3%
Tons sugar produced - Industry Total	390 415	408 260	-4%

Cane deliveries from the Company’s plantations (miller-cum-planter) decreased by 14% from prior year. This was mainly due to lower yields that emanated from a combination of yellow sugarcane aphid infestations and water logging of soils induced by incessant rains received between December 2020 and March 2021 that adversely impacted crop development. In addition to this, early start-up of the milling season in April 2021 resulted in crushing of younger cane occasioned by a strategic decision to reposition the milling season so as to maximise growing and milling efficiencies in future seasons. Private farmer deliveries improved by 31% due to an increase in area harvested largely attributable to new developed area under the Kilimanjaro project and ‘carry-over’ cane from the previous season. Overall, total cane milled was in line with prior year, as the drop in miller-cum-planter was offset by private-farmer deliveries. Sugar produced by the Company increased by 3% due to better cane quality and favourable mill efficiencies. The requisite off-crop maintenance work was satisfactorily carried out from December until start-up of crushing season in May 2022 thereby positioning the mill for improved performance in the 2022/23 production year.

Marketing Performance

The Zimbabwe sugar industry has a single marketing desk at brown sugar level, administered by Zimbabwe Sugar Sales (Private) Limited (ZSS). The Company’s share of total industry sugar sales volume of 394 000 tons (2021: 440 000 tons) for the year ended 31 March 2022 was 53.2% (2021: 50.0%). Total industry sugar sales into the domestic market for the year at 356 000 tons (2021: 325 000 tons) were 10% higher than prior year, driven by strong domestic demand. Industry export sales however, decreased by 67% to 38 000 tons (2021: 115 000 tons) following redirection of supply to the local market in view of the increased demand. Price realisations on the local market also remained firm in current purchasing power terms. While local market USD sales were firm at the beginning of the year, these subsequently slowed down owing to limited availability of foreign currency within the economy. Management continues to align local prices to changes in cost structures where possible.

Financial Results

The financial results of the Group have been inflation adjusted to comply with the requirements of IAS 29 Financial Reporting in Hyperinflationary Economies ('IAS 29'). As such, the commentary on financial performance is based on inflation adjusted financial results except for revenue, operating profit and adjusted EBITDA where commentary is based on both historical and inflation adjusted financial results. Historical figures are included as supplementary information alongside the inflation adjusted financial results to enhance comprehension and analysis. In complying with the

requirements of IAS 29 and IAS 21: The effects of Changes in Foreign Currency Rates, the Directors applied, where appropriate, necessary judgements and assumptions with due care. However, users are cautioned that in hyperinflationary environments inherent economic distortions may have an impact on these financial statements. As such, the Directors would like to advise users to exercise caution in the use of these abridged inflation adjusted financial statements in relation to the reporting currency and conversion to comparative currencies.

In historical terms, revenue recorded a 76% increment to ZWL22,7 billion (2021:ZWL12,9 billion) driven by positive market and product mix. Operating profit improved by 62% from ZWL6,2 billion to ZWL10,0 billion. Adjusted EBITDA receded by 15% from ZWL3,6 billion to ZWL3,1 billion, weighed down mainly by raw material costs and currency dynamics. The increase in raw material costs was driven by global commodity price increments compounded by the conflict between Russia and Ukraine. The change in mix of cane supply emanating from increased deliveries from private farmers also contributed to increased operating costs, as private farmer associated costs are relatively high. Inflation adjusted revenue increased by 4% to ZWL30,1 billion (2021: ZWL28,9 billion), furthermore, operating profit and profit for the period increased by 29% to ZWL6,3 billion (2021: ZWL4,8 billion) and by 38% to ZWL4,1 billion (2021: ZWL3,0 billion) respectively. Adjusted EBITDA decreased by 49% to ZWL3,1 billion (2021: ZWL6,1 billion) owing mainly to the currency dynamics embedded in the Consumer Price Indices. Net cash outflow from operating activities was ZWL0,05 billion, compared to prior year net cash inflow of ZWL3,3 billion occasioned by decreased EBITDA. Capital expenditure was ZWL857 million (2021: ZWL631 million) out of which ZWL312 million (2021: ZWL389 million) was for root replanting. As a result of the decreased EBITDA, the Company had a net borrowing position of ZWL457 million at 31 March 2022 compared to a net cash balance of ZWL1,5 billion in prior year.

Dividend

The Board declared and paid an interim dividend of ZWL108 cents per share during the year ended 31 March 2022. In view of the uncertainties that prevail in the economic environment coupled with the desire to ensure that adequate working capital is maintained in the business, the Directors have not declared a final dividend for the year ended 31 March 2022.

Environmental, Sustainability & Governance

A total of 7 (2021: 4) Lost Time Injuries were recorded during the year, and a Lost Time Injury Frequency Rate of 0,063 (2021: 0,036). Regrettably, the Company witnessed 1 fatality (2021: nil) following an animal attack during an anti-poaching exercise in Mteri Game Park. This resulted in restructuring of the Game Park in order to ensure a better equipped anti-poaching unit. The year also saw resumption of certain activities that had been put on hold due to COVID-19 restrictions, as such several measures are being put in place to re-conscientise employees on safe work behaviour in response to this and the relatively unsatisfactory safety performance recorded.

During the year under review, the Company was however recognised and awarded as one of the top 100 Sustainable and Responsible businesses in the nation for its sustainability initiatives that continue to benefit not only the employees, but the communities around it. The Company is at an advanced stage of acquiring FSSC 22000 certification for its main production line of SunSweet brown sugar. To date, the system has been fully documented and verified through internal audits.

The Company continues to make efforts to strengthen its corporate governance and inculcate a culture of integrity and ethics daily in line with one of its key values. During the year, several audit findings were closed and new policies and procedures were introduced in order to enhance the control environment.

Projects and Initiatives

Hippo Valley Estates Limited, in partnership with sister company Triangle Limited, Government and banks continue to progress the cane expansion project, Project Kilimanjaro. Government has since allocated 700ha of the developed sections of the 4 000ha Kilimanjaro Project to 41 new beneficiaries as part of the economic empowerment and social transformation process. Harvesting of the 562 ha fully planted is in progress with a yield of 121 tons cane per hectare having been realised to date, whilst the balance of 138ha is currently being planted to complete the Empowerment Block. Development on the remaining 3 300ha (of which 1931ha are fully bush cleared, land preparations and other infrastructure substantially progressed) remain on hold pending resolution of tenure issues relating to this block, which are being progressed with Government, further to which appropriate funding mechanisms will be put in place.

In order to further contribute to socio-economic transformation and to facilitate inclusion of more local farmers in the sugar value chain, the Company together with Triangle Limited, is actively assisting new farmers who have been allocated virgin land with clear water rights and in areas close to the mills, with technical and commercial feasibility studies, mobilization of funding and where required actual development of the land to sugarcane on a full cost recovery basis. Good progress has been made with respect to the development of 1 168ha of Pezulu Project with one local bank having availed US\$5,2m (about 50% of the total development cost) with other banks indicating a willingness to fund the balance.

Following recommendations from the Ministry of Industry and Commerce, a Tribunal constituting of three arbitrators was set up to determine commercial issues relating to the sugar milling agreement for the 2022/23 milling season. The arbitration is at an advanced stage, with anticipation of concluding the process within the current milling season.

The inputs and extension support to private farmers is ongoing. The Company continues to implement various vertical and horizontal sugarcane growth programs. A partnership framework whereby Tongaat Hulett Zimbabwe is co-managing certain underperforming out-grower farms is progressing satisfactorily. To date, 61 farmers have volunteered to partner with the Company in the co-management arrangement. Under the co-management framework some 593ha have been ploughed out and replanted to new roots.

Land tenure

Further to the previous update on progress with regard to land tenure, the Company is encouraged to advise that as at 30 June 2022, the Minister of Lands, Agriculture, Fisheries, Water and Rural Development (Ministry) had initiated the process for the issuance of 99-year leases with 3 lease blocks (out of a total of 8 lease blocks) issued in respect of Hippo Valley North. In consultation with the Ministry, the Company has requested certain changes to be effected on the lease documents, a process now being undertaken by Government Attorneys.



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The Minister has assured the Company that the balance of leases will be signed once the review of the 99-year lease document has been completed. The Company is appreciative of the continued support it is getting from Government on this matter.

Directorate

During the period under review James P Maposa, a long serving and dedicated independent Non-Executive Director, passed away. The board wishes to express its condolences to J P Maposa's family and also gratitude for the time served. Further, Lennox Bruce retired and Owen Hopelife Manasah resigned from the Board. The Board is grateful for their valuable contribution during their tenure and wish them well in their future endeavours. The Board appointed two new independent Non-Executive Directors Nyasha Jill Jacqueline Mangwiza and Duduzile Kereditse Shinya, and a new Finance Director, Tapera Masarakufa. The Board will seek ratification of these appointments at the forthcoming Annual General Meeting.

Outlook

With Tugwi-Mukosi and Mtirikwi Dams close to full capacity, the industry is set to accelerate opportunities for horizontal expansion with new sugarcane projects, feeding off this robust water system, mainly for the benefit of new farmers who are keen to supply the cane to the mills. Water supply to the Mkwase out-growers is however currently constrained on account of challenges on the Siya-Manjirenji system, with ongoing work to attend to the issue. The industry is also working closely with the Zimbabwe National Water Authority to enhance the industry water conveyancing infrastructure, to cope with the increasing farming and irrigation activities in the Lowveld. Significant improvements in yields on existing farms are expected in coming years at the back of continued technical support being extended to the farmers by the Company and the Zimbabwe Sugarcane Experiment and Research Station (ZSAES) in replant programmes, introduction of new varieties, focus on best farming practices and mechanization. The resultant increase in cane supply to the mills should improve operating efficiencies and cost competitiveness. The current crop is projected to yield more than the prior season following improved irrigation regimes, repairs to pumping installations and proactive initiatives to contain the yellow sugar cane aphid discovered in the region.

Although local demand for sugar remains strong as industry recovers from the impacts of COVID-19, the sugar industry is engaging authorities to ensure an even competitive playing field against cheap imports of sugar originating from surplus producers who enjoy duty protection in their host countries. This is also in an attempt to safeguard the health of the local population as some of the sugar imported is not Vitamin A fortified, as required by law. The substantial off-crop maintenance programme has been successfully completed and the mills have started the new season well with focus being on increasing production and capitalising on efficiencies.

Operating and trading conditions are likely to remain challenging in the current milling season, with farmers and millers contending with high cost pressures on account of both local and global inflationary dynamics, exchange rate volatilities, high cost of funding and supply chain bottlenecks, resulting in pricing of local products difficult in the short to medium terms. Procurement strategies for key raw materials have been enhanced and the Company anticipates being able to secure the critical inputs required for operations. It is also pleasing to note that the Government is open to engagements with the industry on the key issues of duty-free imports of sugar and appropriate pricing models to ensure that the industry remains viable whilst protecting consumers.

By Order of the Board

C. F. Dube
Chairman

A. Mhere
Chief Executive Officer



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Abridged Audited Financial Results for the Year Ended 31 March 2022

ABRIDGED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INFLATION ADJUSTED		HISTORICAL COST	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Revenue	30 107 757	28 930 605	22 676 207	12 854 238
Cost of sales	(19 913 929)	(15 054 419)	(13 550 523)	(5 445 559)
Gross profit	10 193 828	13 876 186	9 125 684	7 408 679
Marketing and selling expenses	(3 185 178)	(4 274 168)	(2 327 903)	(1 876 435)
Administrative and other expenses	(5 320 643)	(4 043 295)	(3 974 317)	(1 828 284)
Expected credit losses	(67 558)	(93 948)	(67 558)	(54 401)
Fair value adjustment on biological assets	4 208 640	(529 706)	6 968 568	2 591 674
Other operating income / (expenses)	427 192	(101 841)	262 248	(63 053)
Operating profit	6 256 281	4 833 228	9 986 722	6 178 180
Monetary loss	192 393	(861 873)	-	-
Net finance (charges) / income	(261 682)	155 724	17 560	204 559
Finance costs	(907 163)	(278 093)	(525 512)	(108 947)
Finance income	645 481	433 817	543 072	313 506
	6 186 992	4 127 079	10 004 282	6 382 739
Share of associate companies' profit after tax	120 514	235 967	89 521	100 792
Profit before tax	6 307 506	4 363 046	10 093 803	6 483 531
Income tax expense	(2 213 206)	(1 393 663)	(2 674 111)	(1 669 028)
Profit for the year	4 094 300	2 969 383	7 419 692	4 814 503
Other comprehensive loss net of tax	(287 434)	(478 910)	(122 424)	(57 367)
Items that may be reclassified subsequently to profit or loss				
- Exchange (loss) /gain on translation of equity in foreign investment	(19 411)	65 923	74 158	154 894
- Tax effect	(3 328)	(61 725)	(3 328)	(24 048)
Items that will not be classified subsequently to profit or loss				
- Actuarial losses on post retirement provision	(351 614)	(641 748)	(256 714)	(250 018)
- Tax effect	86 919	158 640	63 460	61 805
Total comprehensive income for the year	3 806 866	2 490 473	7 297 268	4 757 136
Basic and diluted earnings per share (ZWL cents)	2 121	1 538	3 844	2 494
Headline earnings per share (ZWL cents)	2 123	1 538	3 835	2 494

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

	INFLATION ADJUSTED		HISTORICAL COST	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	ZWL'000	ZWL'000	ZWL'000	ZWL'000
ASSETS				
Non-current assets	8 859 082	8 953 332	1 252 875	573 803
Property, plant and equipment	8 138 269	8 258 774	979 550	366 039
Intangible assets	51 110	179 107	11 600	2 722
Investments in associate companies	661 139	499 792	258 169	199 521
Right of use asset	8 564	15 659	3 556	5 521
Current assets	22 434 773	15 053 723	21 153 530	8 644 661
Biological assets	10 765 143	6 556 503	10 765 143	3 796 576
Inventories	5 493 454	3 524 814	4 308 330	1 968 789
Accounts receivable	5 405 571	3 442 767	5 309 452	1 993 551
Cash and cash equivalents	770 605	1 529 639	770 605	885 745
Total assets	31 293 855	24 007 055	22 406 405	9 218 464
EQUITY AND LIABILITIES				
Capital and reserves	19 441 898	16 227 301	12 641 647	5 774 894
Issued share capital	1 148 884	1 148 884	15 442	15 442
Other components of equity	(249 125)	(226 386)	280 425	209 594
Retained earnings	18 542 139	15 304 803	12 345 780	5 549 858
Non-current liabilities	5 577 734	4 093 100	3 469 122	1 308 794
Deferred tax liabilities	4 673 523	3 474 145	2 564 911	950 386
Provisions	783 648	611 502	783 648	354 093
Lease liability	2 826	7 453	2 826	4 315
Borrowings	117 737	-	117 737	-
Current liabilities	6 274 223	3 686 654	6 295 636	2 134 776
Trade and other payables	4 539 976	3 346 936	4 561 389	1 938 061
Leave pay provision	303 409	67 286	303 409	38 962
Lease liability	3 511	5 520	3 511	3 197
Borrowings	1 109 857	-	1 109 857	-
Current tax liability	249 366	262 166	249 366	151 808
Provisions	68 104	4 746	68 104	2 748
Total equity and liabilities	31 293 855	24 007 055	22 406 405	9 218 464

GROUP STATEMENT OF CHANGES IN EQUITY

	INFLATION ADJUSTED			
	Issued share capital	Other components of equity	Retained earnings	Total
	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Balance at 31 March 2020	1 148 884	(230 584)	13 531 618	14 449 918
Total comprehensive income for the year	-	4 198	2 486 275	2 490 473
Profit for the year	-	-	2 969 383	2 969 383
Other comprehensive income /(loss) for the year	-	4 198	(483 108)	(478 910)
Dividend	-	-	(678 993)	(678 993)
Share based payment	-	-	(34 097)	(34 097)
Balance at 31 March 2021 (Restated)	1 148 884	(226 386)	15 304 803	16 227 301
Total comprehensive income for the year	-	(22 739)	3 829 605	3 806 866
Profit for the year	-	-	4 094 300	4 094 300
Other comprehensive income/(loss) for the year	-	(22 739)	(264 695)	(287 434)
Share based payment	-	-	17 292	17 292
Dividend	-	-	(609 561)	(609 561)
Balance at 31 March 2022	1 148 884	(249 125)	18 542 139	19 441 898

GROUP STATEMENT OF CHANGES IN EQUITY

	HISTORICAL COST			
	Issued share capital	Other components of equity	Retained earnings	Total
	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Balance at 31 March 2020	15 442	78 748	1 246 350	1 340 540
Total comprehensive income for the year	-	130 846	4 626 290	4 757 136
Profit for the year	-	-	4 814 503	4 814 503
Other comprehensive income /(loss) for the year	-	130 846	(188 213)	(57 367)
Dividend	-	-	(303 037)	(303 037)
Share based payment	-	-	(19 745)	(19 745)
Balance at 31 March 2021 (Restated)	15 442	209 594	5 549 858	5 774 894
Total comprehensive income for the year	-	70 831	7 226 438	7 297 269
Profit for the year	-	-	7 419 692	7 419 692
Other comprehensive income/(loss) for the year	-	70 831	(193 254)	(122 423)
Dividend	-	-	(447 808)	(447 808)
Share based payment	-	-	17 292	17 292
Balance at 31 March 2022	15 442	280 425	12 345 780	12 641 647

ABRIDGED GROUP STATEMENT OF CASH FLOWS

	INFLATION ADJUSTED		HISTORICAL COST	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Cash flows from operating activities				
Profit before tax	6 307 506	4 363 046	10 093 803	6 483 531
Depreciation and amortisation	1 087 187	752 503	34 701	21 319
Exchange loss / (gains)	(29 268)	103 485	23 876	152 894
Net movement in post retirement provisions	7 403	(555 061)	5 403	34 329
Gross movement in provisions	235 505	185 218	494 910	284 347
Movement attributable to reserves	(228 102)	(740 279)	(489 507)	(250 018)
Monetary loss	(192 393)	(774 362)	-	-
Net finance charges / (income)	445 293	42 141	111 567	(13 278)
Share of associate companies' profit after tax	(120 514)	(235 967)	(89 521)	(100 792)
Loss / (profit) on disposal of property, plant and equipment	4 121	132	(17 862)	49
Change in biological assets	(4 208 640)	529 707	(6 968 568)	(2 591 674)
Cash generated from operations	3 300 695	4 225 624	3 193 399	3 986 378
Changes in working capital	(2 557 860)	1 317 600	(2 771 950)	(1 684 812)
Net cash generated from operations	742 835	5 543 224	421 449	2 301 566
Net finance income received	444 897	56 669	402 520	51 826
Tax paid	(1 235 296)	(2 285 645)	(901 895)	(931 336)
Net cash (outflow) / inflow from operating activities	(47 564)	3 314 248	(77 926)	1 422 056
Cash flows from investing activities				
Additions to property, plant, equipment and intangible assets	(856 784)	(630 833)	(654 726)	(246 205)
- Other property, plant, equipment and intangible assets	(544 458)	(241 919)	(425 820)	(117 660)
- Cane roots	(312 326)	(388 914)	(228 906)	(128 545)
Proceeds on disposal of property, plant and equipment	21 821	76	18 210	44
Dividends received from associated companies	159 668	194 702	105 032	104 906
Net cash outflow from investing activities	(675 295)	(436 055)	(531 484)	(141 255)
Net cash (outflow) / inflow before financing activities	(722 859)	2 878 193	(609 410)	1 280 801
Cash flows from financing activities				
Proceeds from borrowings	3 895 559	757 894	2 844 165	295 267
Repayment of borrowings	(2 425 481)	(875 517)	(1 770 854)	(315 267)
Dividends paid	(609 561)	(678 993)	(447 808)	(303 037)
Lease financing raised	(4 544)	4 499	(2 108)	39
Net cash inflow / (outflow) from financing activities	855 973	(792 117)	623 395	(322 998)
Movement in cash and cash equivalents	1 529 639	701 168	885 745	119 223
Cash and cash equivalents at beginning of year				
Net cash (outflow) / inflow from operating activities	(47 564)	3 314 248	(77 926)	1 422 056
Net cash outflow from investing activities	(675 295)	(436 055)	(531 484)	(141 255)
Net cash inflow / (outflow) from financing activities	855 973	(792 117)	623 395	(322 998)
Inflation effects on cash and cash equivalents	(708 537)	(1 059 739)	-	-
Net foreign exchange difference	(183 611)	(197 866)	(129 125)	(191 281)
Cash and cash equivalents at end of year	770 605	1 529 639	770 605	885 745
Consisting of:	770 605	1 529 639	770 605	885 745
Cash on hand	768	139	768	81
Cash at bank	769 837	1 529 500	769 837	885 664



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NOTES TO THE ABRIDGED GROUP FINANCIAL STATEMENTS

	INFLATION ADJUSTED		HISTORICAL COST	
	Year ended 31.03.22 ZWL'000	Year ended 31.03.21 ZWL'000	Year ended 31.03.22 ZWL'000	Year ended 31.03.21 ZWL'000
1. Income tax expense				
Normal tax	(930 237)	(2 423 396)	(999 451)	(1 023 060)
Movement in current year deferred taxation	(1 282 969)	1 029 733	(1 674 660)	(645 968)
Charged to profit and loss	(2 213 206)	(1 393 663)	(2 674 111)	(1 669 028)
2. Depreciation and amortisation				
Depreciation of property, plant and equipment	698 864	440 196	13 139	6 784
Amortisation of intangible assets	144 730	16 264	2 824	228
Depreciation of right of use assets	7 843	5 230	2 713	1 775
Depreciation of roots	235 750	290 813	16 025	12 532
	1 087 187	752 503	34 701	21 319
3. Capital expenditure commitments				
Contracted and orders placed	164 898	323 369	164 898	187 248
Authorized by Directors but not contracted	76 988	27 080	76 988	15 681
	241 886	350 449	241 886	202 929

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.

5. Basis of preparation Statement of Compliance

The abridged consolidated financial statements of Hippo Valley Estates Limited (the 'Company'), together with its subsidiaries (the 'Group') for the year ended 31 March 2022 have been prepared in accordance with International Financial Reporting Standards ('IFRS'), and interpretations developed and issued by the International Financial Reporting Interpretations Committee (IFRIC).

The abridged consolidated 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.

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

The abridged consolidated financial statements appearing in this announcement are the responsibility of the Directors. The Directors take full responsibility for the preparation of the abridged consolidated 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 year ended 31 March 2022.

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

- In the financial year to March 2022, annual inflation rate significantly decelerated to 72.7%. However, this remains hyperinflationary in accordance with IAS 29.
- There was significant deterioration in the auction Zimbabwe Dollar (ZWL) exchange rate during the period. Trading commenced at an interbank rate of ZWL84.4001 to US\$1 as at 1 April 2021 and weakened to a rate of ZWL142.4237 to US\$1 at 31 March 2022.
- 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 restated 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 indices and conversion factors were applied:

Date	General Price Index	Conversion factor
31 March 2020	810.40	5.881
31 March 2021	2 759.83	1.727
31 March 2022	4 766.10	1.000
Average CPI for 12 months to:		
31 March 2020	382.92	
31 March 2021	2 083.51	
31 March 2022	3 582.86	

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 approach 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.

The impact of change in determination of inflation adjusted cost of sales on the Group Statement of profit or Loss and Other Comprehensive Income

	INFLATION ADJUSTED
	Year ended 31 March 2021 ZWL'000
Increase in cost of sales	(3 099 702)
Decrease in profit	(3 099 702)
Decrease in monetary loss	2 333 456
Decrease in profit before tax	(766 246)
Decrease in tax expense	766 246
Change in profit for the year	-
Increase in basic and diluted earnings per share	-

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

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

7. Change in presentation on consolidated Statement of Cash flow

	INFLATION ADJUSTED			HISTORICAL COST		
	Restated ZWL'000	Restate- ments ZWL'000	Previously reported ZWL'000	Restated ZWL'000	Restate- ments ZWL'000	Previously reported ZWL'000
Cash flows from operating activities						
Net finance charges (i)	42 141	197 865	(155 724)	(13 278)	191 281	(204 559)
Share based payments (ii)	-	(12 467)	12 467	-	(7 219)	7 219
Changes in working capital						
Movement in non-current financial assets (ii)	12 416	12 416	-	22 549	22 549	-
Share based payments (ii)	12 467	12 467	-	7 219	7 219	-
Cash flows from investing activities						
Right of use assets (iii)	-	12 792	(12 792)	-	5 919	(5 919)
Movement in non-current financial assets (ii)	-	(12 416)	12 416	-	(22 549)	22 549
Cash flows from financing activities						
Lease financing raised (iii)	(12 792)	(12 792)	-	(5 919)	(5 919)	-
Movement in cash and cash equivalents						
Net cash (outflow) / inflow from operating activities	67 023	210 280	(143 257)	16 490	213 830	(197 340)
Net cash outflow from investing activities	-	376	(376)	-	(16 630)	16 630
Net cash inflow / (outflow) from financing activities	(12 792)	(12 792)	-	(5 919)	(5 919)	-
Inflation effects on cash and cash equivalents	-	-	-	-	-	-
Net foreign exchange difference (i)	(197 862)	(197 865)	-	(191 281)	(191 281)	-
Net impact on cash and cash equivalents	(143 632)	-	(143 632)	(180 710)	-	(180 710)



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Hippo Valley Estates Limited

Abridged Audited Financial Results for the Year Ended 31 March 2022

(i) - In the prior year, net foreign exchange difference on cash balances was incorrectly omitted and not separately presented in the reconciliation of cash and cash equivalents at the end of the year. Net finance charges included net foreign exchange difference which has now been presented separately.

(ii) - The movement in non-current financial assets which was incorrectly presented under investing activities has now been presented under operating activities. Share based payment which were presented under cash flow from operating activities have now been presented under working capital changes.

(iii) - The movement in right of use asset which was incorrectly presented under investing activities, has now been presented under financing activities. This has now been corrected to reflect only cash flows arising from leasing activities.

These changes have no material impact on previously reported numbers.

8. Biological assets : disclosures requirements for a prior period error

IAS 8 paragraph 42 states that an entity shall correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by:

- (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

In applying paragraph 42 of IAS 8, an entity shall disclose the following:

- (a) the nature of the prior period error;
- (b) for each prior period presented, to the extent practicable, the amount of the correction:
 - i) for each financial statement line item affected; and
 - ii) if IAS 33 applies to the entity, the basic and diluted earnings per share;
- c) the amount of the correction at the beginning of the earliest prior period presented; and
- d) if retrospective restatement is impracticable [Refer: paragraphs 5 (definition of impracticable) and 50 - 53] for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected (IAS 8 paragraph 49).

Disclosure notes

As required by IAS 41 *Biological Assets*, the Group and Company measure standing cane at fair value less costs to sell. In the prior year, the fair value measurements were done in reference to a weighted average figure which is derived from the cost of sugar inventory. However, in the financial year ended 31 March 2022, management noted a significant difference between closing values and average values due the hyperinflationary economic environment in Zimbabwe. This prompted an assessment of whether the manner in which fair value was being determined is in line with IFRS 13 Fair Value. The assessment concluded that incorrect values were being used in the determination of fair value resulting in an error in the prior period.

The error has been corrected by restating each of the affected financial statement line items for the prior period affected as follows:

Impact on equity [(increase)/(decrease) in equity]

	INFLATION ADJUSTED 31 March 2021 ZWL'000	HISTORICAL COST 31 March 2021 ZWL'000
Biological assets	1 362 015	788 681
Total assets	1 362 015	788 681
Deferred tax	(336 690)	(194 962)
Total liabilities	(336 690)	(194 962)
Net impact on equity	1 025 325	593 719

Impact on statement of profit or loss [(increase)/(decrease) in profit]

	INFLATION ADJUSTED 31 March 2021 ZWL'000	HISTORICAL COST 31 March 2021 ZWL'000
Fair value (loss)/gain on biological assets	1 362 015	788 681
Income tax expense	(336 690)	(194 962)
Net impact on profit for the year	1 025 325	593 719
Attributable to:		
Equity holders of the parent	1 025 325	593 719
Non-controlling interests	-	-

Impact on basic and diluted earnings per share (EPS) [(increase)/(decrease) in EPS]

	INFLATION ADJUSTED ZWL (cents)	HISTORICAL COST ZWL (cents)
Earnings per share		
Basic, profit for the year attributable to ordinary equity holders of the parent	0.53	0.31
Diluted, profit for the year attributable to ordinary equity holders of the parent	0.53	0.31

The change had no impact on Other Comprehensive Income and on the Statement of Cashflows.

9. Inventory valuation : disclosures requirements for change in accounting estimate

IAS 8 paragraphs 38 and 39 state that an entity shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect. If the amount of the effect in future periods is not disclosed because estimating it is impracticable, an entity shall disclose that fact.

A change in accounting estimate has been applied in the current period at the end of the financial year. The effect on the current year is to increase the carrying amount of inventory at the end of the year by ZWL 1 018 076 396 for inflation adjusted and decrease by ZWL 32 146 225 for historical.

The effect of the change in estimate on future periods is not disclosed because it is not practicable to make the estimate. This is so as estimates of future inventory stocks and future estimates of the costing of inventory in a deteriorating and hyperinflationary environment are required. This increases uncertainty and increases the difficulty to distinguish objectively information about those estimates.

Impact on statement of profit or loss and other comprehensive income

	HISTORICAL COST 31 March 2022 ZWL'000	INFLATION ADJUSTED 31 March 2022 ZWL'000
(Increase) / decrease in cost of sales	(32 146)	1 018 076
(Decrease) / increase in profit	(32 146)	1 018 076
(Decrease) / increase in profit before tax	(32 146)	1 018 076
Decrease / (increase) in tax expense	7 946	(251 668)
(Decrease) / increase in profit for the year	(24 200)	766 408

Impact on statement of financial position

	HISTORICAL COST 31 March 2022 ZWL'000	INFLATION ADJUSTED 31 March 2022 ZWL'000
(Decrease) / increase in inventory	(32 146)	1 018 076
(Decrease) / increase in total assets	(32 146)	1 018 076
(Decrease) / increase in retained earnings	(24 200)	766 408
Decrease in current tax liability	(7 946)	(7 946)
Increase in deferred tax liability	-	259 615
(Decrease) / increase in total equity and liabilities	(32 146)	1 018 076

10. Subsequent events

After year-end the Government of Zimbabwe announced changes regarding the determination of the official exchange rate by introducing the willing buyer willing seller rate. While the business continues to assess these changes, it does not expect a significant impact to its operations. The Reserve Bank of Zimbabwe adjusted the minimum lending rate in ZWL for corporates to 200% with effect from 1 July 2022. The Company will continue to monitor their borrowings so as to manage interest rate exposure.

11. Going concern

The IFRS Conceptual Framework states that going concern is an underlying assumption in the preparation of financial statements of the Group. The financial statements presume that an entity will continue in operation in the foreseeable future or, if that presumption is not valid, disclosure and a different basis of reporting are required. The Directors believe that as of the date of this report, this presumption is still appropriate and accordingly the financial statements have been prepared on the going concern basis. IAS 1, Preparation of Financial Statements, requires management to make an assessment of the Group's ability to continue as a going concern. To this extent, IAS 1 states that when management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, such uncertainties should be disclosed.

12. Auditor's statement

The Group and Company's inflation adjusted financial statements as at 31 March 2022 from which these abridged results have been extracted have been audited by Ernst & Young Chartered Accountants (Zimbabwe), who have issued a qualified opinion 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 Policies, Changes in Accounting Estimates and Errors"; and the consequential impact of applying IAS 29 - "Financial Reporting in Hyperinflationary Economies" on an incorrect base in prior year.

The Key audit matters are the valuation of biological assets (standing cane), revenue recognition and valuation of inventory. The auditor's opinion on the Group and Company's inflation adjusted financial statements is available for inspection at the Company's registered office.

The engagement partner responsible for this audit 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


P Kadembo
Company Secretary

Independent Auditor's Report

To the Shareholders of Hippo Valley Estates Limited

Report on the Audit of the Inflation Adjusted Consolidated and Separate Financial Statements

Qualified opinion

We have audited the inflation adjusted consolidated and separate financial statements of Hippo Valley Estates Limited and its subsidiaries ("the Group and Company"), as set out on pages 34 to 120, which comprise the inflation adjusted consolidated and separate statements of financial position as at 31 March 2022 and the related inflation adjusted consolidated and separate statements of profit or loss and other comprehensive income, the inflation adjusted consolidated and separate statements of changes in equity and the inflation adjusted consolidated and separate statements of cash flows for the year ended 31 March 2022 and notes to the inflation adjusted consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for qualified opinion section, 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 and Company as at 31 March 2022, and their inflation adjusted consolidated and separate financial performance and their inflation adjusted consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and the manner required by the Companies and Business Entities Act (Chapter 24:31).

Basis for qualified opinion

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

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

In the prior year, the Group and Company translated foreign denominated transactions and balances to ZWL using the fixed interbank exchange rates of USD1: ZWL25 for the period 1 April 2020 to 23 June 2020. We concluded that the interbank exchange rates used during the period 1 April 2020 to 23 June 2020 did not meet the definition of a spot exchange rate as per IAS 21.

This matter relates to the prior year and has not been corrected through a restatement in terms of IAS 8 as an appropriate exchange rate could not be identified for the period. Consequently, the following corresponding (prior year amounts) are misstated:

Prior year consolidated and separate inflation adjusted statements of profit or loss

- USD Revenue equivalent of ZWL 1 396 034 083 out of the total ZWL 16 752 409 000
- Consequential impact on Taxation and Monetary gain or loss.

Independent Auditor's Report (Continued)

Hippo Valley Estates Limited

Prior year consolidated and separate inflation adjusted statements of financial position

- Retained earnings

Furthermore, notwithstanding that IAS 29 has been applied correctly, it is noted that its application was based on prior periods' financial information which was not in compliance with IAS 21 and IAS 8 as described above. Had the correct base numbers been used, the prior period Inflation Adjusted Consolidated and Separate financial statement amounts as stated above would have been materially different.

Our opinion on the current period's financial statements is therefore modified because of the possible effects of the above matter on the comparability of the current period's figures and the corresponding figures.

The misstatements are material but not pervasive to the financial statements.

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 Inflation Adjusted Consolidated and Separate Financial Statements section of our report. We are independent of the group and company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and other independence requirements applicable to performing audits of inflation adjusted consolidated and separate 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 qualified opinion.

Emphasis of Matter

We draw attention to Note 30 and Note 32 of the Inflation adjusted consolidated and separate financial statements, which describe the effects of the correction of prior year errors on Cost of sales on the Inflation adjusted consolidated and separate Statements of profit or loss and other comprehensive income and biological assets – Standing cane on the Inflation adjusted consolidated and separate Statements of financial position respectively. Our opinion is not modified in respect of these matters.

Other matter

The prior year consolidated, and separate inflation adjusted financial statements were audited by another auditor who issued an unmodified opinion on 25 June 2021.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Inflation adjusted consolidated and separate financial statements of the current period. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the Inflation adjusted consolidated and separate financial statements, 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.

Independent Auditor's Report (Continued)

Hippo Valley Estates Limited

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the inflation adjusted consolidated and separate 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 inflation adjusted 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 inflation adjusted financial statements.

Key Audit Matter	How our audit addressed the matter
1. Presumed risk of revenue recognition in accordance with IFRS 15 (Agent vs Principal) (Group and Company)	
<p>Included in revenue stated at ZWL30,107,757,000 (2021: ZWL28,930,605,000) is sugar revenue.</p> <p>As discussed on accounting policy Note 20.12 to the inflation adjusted consolidated and separate financial statements, Hippo Valley Estates Limited entered into sugar cane milling agreements with out-grower farmers in 2020. The sugar cane milling agreements replaced the previous cane purchase agreements. In terms of the sugar cane milling agreements, the farmers deliver sugar cane for milling to Hippo Valley Estates Limited, after which the output, sugar, is sold to external parties through Zimbabwe Sugar Sales, a jointly controlled investment of Hippo Valley Estates Limited.</p> <p>This arrangement is considered complex in terms of IFRS 15 – 'Revenue from contracts with customers' due to significant judgments applied in determining the principal versus agent relationship between Hippo Valley Estates Limited and the out-grower farmers. The impacts of the resultant conclusion on the matter are significant to the accounting for revenue and related balances on the inflation adjusted consolidated and separate statements of financial position.</p>	<p>Our procedures included independently assessing the reasonableness of the conclusions reached by the Group and Company against IFRS 15 requirements, including, but not limited to the following.</p> <ul style="list-style-type: none"> • We reviewed the relevant contract and other supporting information to understand the terms and conditions of the arrangement. • We reviewed the Group and Company's assessment on the appropriateness of the revenue recognition principles in line with IFRS 15 requirements. • We considered standard practice in the sugar industry as a benchmark. • We discussed the key judgments with Management and corroborated the assumptions and assertions to relevant supporting documentation. • We reviewed the legal opinion obtained by management and assessed its impact on the conclusion. • We assessed adequacy of the disclosure of key accounting judgments on the inflation adjusted consolidated and separate financial statements. • We involved our IFRS experts in the performance of the above procedures.

Independent Auditor's Report (Continued)

Hippo Valley Estates Limited

Key Audit Matter	How our audit addressed the matter
1. Presumed risk of revenue recognition in accordance with IFRS 15 (Agent vs Principal) (Group and Company)	
<p>Key judgements include assessment of which party controls the inventory and the selling/marketing; interpretation of the legal documentation relating to the matter and an assessment of the prevailing practices on the ground.</p> <p>Due to the complexities described above, Hippo Valley estates management engaged an external legal representative to provide an opinion on the legal implications of the agreements, including but not limited to when ownership of the sugar cane passes. Further, management also engaged an external IFRS specialist to perform an assessment of the accounting implications of the arrangement.</p> <p>This matter is therefore a key audit matter in the current year.</p>	
2. Valuation of Sugar Inventory in accordance with IAS 2 (Group and Company)	
<p>A portion of the sugar cane milled to produce sugar is acquired from third party out grower farmers. The relationship is governed by the Sugar cane milling agreements. The accounting treatment of the inventory and liabilities arising thereon are complex due to the complex provisions of the contracts.</p> <p>Included in Inventories stated at ZWL5,493,454,000 (2021: ZWL3,524,814,000) is sugar inventory of ZWL3,158,793,000 (2021: ZWL1,550,215,000) (Both Group and Company).</p> <p>As discussed on accounting policy Note 20.11 to the inflation adjusted consolidated and separate financial statements, a key input to the valuation of sugar inventory are the cane costs. Included in cane costs are amounts payable to the third party out grower farmers who deliver sugar cane throughout the year/season. Per the sugar cane milling agreements, the final amounts paid to farmers at the end of the season are determined based on sugar selling prices and costs for the full season as determined by Zimbabwe Sugar Sales. Consequently, at the time inventory is recognised at the beginning of the season, such final amounts would not have been determined. This makes the valuation process complex due to key considerations on how the variable payments should be accounted for, either through profit or loss, or inventory.</p>	<p>Our procedures included independently assessing the reasonableness of the conclusions reached by the Group and Company against IFRS requirements, including, but not limited to the following:</p> <p>Variable consideration:</p> <ul style="list-style-type: none"> • We obtained an understanding of the sugar production and sales process from initial delivery of the sugar cane to the sale of finished goods. Our procedures included reading relevant contracts such as the sugar cane milling agreement. • We assessed the appropriateness of inventory valuation accounting policy applied by management to ensure it is in line with IAS 8. • We reviewed management's accounting policy on the accounting for variable payments against relevant accounting literature. • In addition, we reviewed the underlying data relating to the subsequent price changes to confirm accuracy.

Independent Auditor's Report (Continued)

Hippo Valley Estates Limited

Key Audit Matter	How our audit addressed the matter
2. Valuation of Sugar Inventory in accordance with IAS 2 (Group and Company)	
<p>It is noted that IAS 2 does not provide specific guidance on similar arrangements. Therefore, as guided in IAS 8 – Accounting Policies, Changes in accounting estimates and errors, Management applied significant judgment in developing an appropriate accounting policy. Management's considerations included industry practice and other accounting literature.</p> <p>Further, during the year, management applied changes to the cost estimation technique for measurement of inventory from a simple average based on the full year production costs divided by the full year production units to a weighted average computed monthly using the opening average cost and the month's total production costs divided by the month's production for reasons discussed on accounting policy Note 20.11.</p> <p>Due to the complexities described above, and the significance of the inventory; Hippo Valley estates management engaged an external IFRS consultant to assess the accounting implications of the above matters.</p> <p>The valuation of sugar inventory is therefore a key audit matter in the current year.</p>	<ul style="list-style-type: none"> • We reperformed the inventory valuation to confirm that the subsequent price changes had been allocated between Cost of sales (for sugar sold) and inventory (sugar on hand). <p>Change in accounting estimate:</p> <ul style="list-style-type: none"> • We reviewed the Group's assessment and rationale on the change in accounting estimate in terms of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. • We reviewed the revised inventory valuation calculation and assessed whether the principles are still aligned with the requirements of IAS 2 – Inventories. • We evaluated the data on which the change in estimate is based to confirm that the estimate (i) is accurate, (ii) is complete, and (iii) is relevant for purposes of IAS 2 by performing recalculations, inspecting source documents and physically inspecting the sugar inventory. <p>Overall</p> <ul style="list-style-type: none"> • We assessed adequacy of the disclosure of key accounting judgments on the consolidated and separate inflation adjusted financial statements. • We involved our IFRS and audit experts in the performance of the above procedures.
3. Valuation of Biological Assets – Standing Cane in accordance with IAS 41 & IFRS 13 (Group and company)	
<p>Hippo Valley Estates Limited is required to value its biological assets at fair value in accordance with International Accounting Standard (IAS) 41 – 'Biological Assets' and International Financial Reporting Standards (IFRS) 13 'Fair value measurement'.</p> <p>As disclosed in note 6 to the inflation adjusted consolidated and separate financial statements, the carrying amount of the standing cane amounted to ZWL10,632,403,000 (2021: ZWL6,400,336,000).</p>	<p>With the assistance of our Valuation Experts we:</p> <ul style="list-style-type: none"> • Evaluated the method of measurement used, the appropriateness of the circumstances and whether they are in line with acceptable industry practice. • Reviewed whether the assumptions used by management are reasonable given the measurement requirements of International Financial Reporting Standards (IFRS). • We reviewed the skills and expertise of management's experts who performed the valuation process.

Independent Auditor's Report (Continued)

Hippo Valley Estates Limited

3. Valuation of Biological Assets – Standing Cane in accordance with IAS 41 & IFRS 13 (Group and company)	
<p>The valuation process includes significant judgements and assumptions relating to the sucrose content, expected yield per field, extraction ratios, selling prices and costs to sale, some of which are Level 3 inputs (unobservable).</p> <p>The valuation of standing cane is therefore a Key Audit Matter.</p>	<ul style="list-style-type: none">• We evaluated the data on which the estimate is based to confirm that the estimate (i) is accurate, (ii) is complete, and (iii) is relevant for purposes of IAS 41 by performing recalculations, inspecting source documents and physically inspecting the cane fields.• We assessed adequacy of the fair value disclosures on the consolidated and separate inflation adjusted financial statements in terms of the requirements of IFRS 13 Fair value measurement.

Other information

The directors are responsible for the other information. The other information comprises of the Chairman's Statement and Chief Executive's Review report, the Sustainability Report, the Corporate Governance report, the Statement of Directors' Responsibility for Financial Reporting, the Directors' Report, the Audit Committee Report and the historical financial statements which, but does not include the Inflation Adjusted consolidated and separate financial statements and our auditor's report thereon. Our opinion on the Inflation Adjusted consolidated and separate 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 and separate 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, the Group and Company did not comply with the requirements of IAS 21 – Effects of Changes in Foreign Exchange Rates in prior year, and IAS 8 Accounting Policies, Changes in Accounting Estimates, which had a consequential impact on the application of IAS 29 - Financial Reporting in Hyperinflationary Economies. We have concluded that the other information is materially misstated for the same reasons.

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 and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Other Business Entities Act (Chapter 24:31), and for such internal control as the directors determine is necessary to enable the preparation of inflation adjusted consolidated and separate 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 and 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 Group or Company, or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report (Continued)

Hippo Valley Estates Limited

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 based on these 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 inflation adjusted 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 enough 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 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 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 inflation adjusted 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 inflation adjusted consolidated and separate financial statements, including the disclosures, and whether the inflation adjusted 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 inflation adjusted 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.

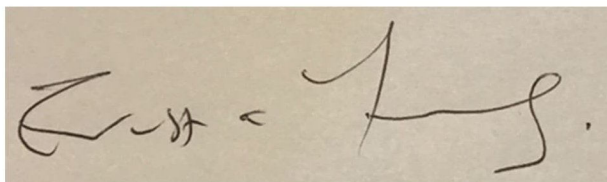
Independent Auditor's Report (Continued)

Hippo Valley Estates Limited

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the inflation adjusted 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 engagement resulting in this independent auditor's report on the inflation adjusted consolidated and separate financial statements is Mr David Marange (PAAB Practicing Certificate Number 436).

A handwritten signature in dark ink on a light-colored background. The signature appears to be 'David Marange' written in a cursive, stylized script.

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

Harare

26 August 2022

Independent Auditor's Report (Continued)

Hippo Valley Estates Limited