Hippo Valley Estates Limited

Abridged Audited Financial Results for the year ended 31 March 2023

CHAIRMAN'S STATEMENT AND CHIEF EXECUTIVE'S REVIEW FOR YEAR ENDED 31 MARCH 2023

SALIENT FEATURES

	INFLATION ADJUSTED			HISTORICAL COST		
	Year ended 31.03.23	Year ended 31.03.22	Percentage Change	Year ended 31.03.23	Year ended 31.03.22	Percentage Change
Sugar production (tons)	207 430	209 510	↓ 1%	207 430	209 510	↓ 1%
Total industry sugar sales (tons)	381 820	394 000	↓ 3%	381 820	394 000	↓ 3%
Hippo share of industry sugar (%)	52.25%	53.20%	↓ 2%	52.25%	53.20%	↓ 2%
Revenue (ZWL'000)	139 261 526	101 907 441	↑ 37%	100 578 926	22 676 207	↑ 344%
Operating profit (ZWL'000)	25 894 922	21 175 996	↑ 22%	55 193 055	9 986 722	↑ 453%
Adjusted EBITDA *(ZWL'000)	10 441 879	10 610 636	↓ 2%	10 776 720	3 052 855	↑ 253%
Profit for the year (ZWL'000)	17 221 757	13 858 215	↑ 24%	42 802 255	7 419 692	↑ 476%

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

Cautionary – reliance on hyperinflation adjusted financial statements

The consolidated financial results of Hippo Valley Estates Limited (the Company) have been prepared in accordance with the requirements of International Accounting Standard 29 - Financial Reporting in Hyperinflationary Economies (IAS 29). As such, the commentary on financial performance is based on inflation adjusted financial results, with historical figures presented as supplementary information alongside the inflation adjusted financial results to enhance comprehension and analysis. In complying with IAS 29, 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 results. 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.

Operating Environment

The difficult trading environment persisted during the year under review, characterized by severe hyperinflation, rapid depreciation of the local currency, rolling power outages and various regulatory pronouncements. These factors hampered industrial activity and slowed economic growth. The local currency depreciated by 553% from prior year, most of it coming through in the second half of the year. The Company was not spared from the effects of the above, which contributed to the muted growth in financial performance. The impact of the Ukraine/Russia war resulted in significant increases in respect of key agricultural input costs such as fuel and fertilisers. Profit margins were further eroded by the Company's inability to fully recover higher production costs in its pricing structure in an effort to balance affordability for consumers whilst also having to contend with competitive pressures from sugar imports in the six months period to November 2022. However, management continue to monitor these developments closely in order to respond appropriately to mitigate against value loss.

Operations

Cane and sugar production (tons) for the year ended 31 March 2023

	2023	2022	% Change
Agriculture Operations			
Tons cane harvested - Company	1 017 408	897 334	13%
Tons cane harvested – Private farmers	749 985	768 804	-2%
Tons cane harvested - Third-party	-	26 065	-100%
Total tons harvested	**1 767 393**	**1 692 203**	**4%**
Milling Operations			
Total tons cane from Agriculture	1 767 393	1 692 203	4%
Tons cane diverted to Triangle	(27 001)	-	-100%
Total tons cane milled – Company	**1 740 392**	**1 692 203**	**3%**
Cane to sugar ratio	8.39	8.09	-4%
Tons sugar produced – Company	207 430	209 510	-1%
Tons sugar produced – Industry Total	396 682	390 415	2%

Cane deliveries from the Company's own plantations (miller-cum-planter) were 13% above the prior year. The growth was driven by a 6% improvement in yields to 97.98 tons cane per hectare (tch) (2022: 92.23tch) in response to improved control of yellow sugarcane aphid infestations through aerial spraying, as well as an increased area of cane harvested compared to the prior year. Private farmer cane deliveries contributed 42% of the total cane supply, and were 2% below prior year having achieved yields of 71.85tch (2022: 73.75tch). In November 2022, one of the Company's two production lines suffered a major breakdown that resulted it being inoperative for the balance of the season. Consequently, the milling season was extended to 29 December 2022 to accommodate the reduced production capacity, while 27,001 tons of cane had to be diverted to the Triangle sugar mill for crushing. Repair work was satisfactorily carried out on that line which has since been reopened for the 2023/24 milling season.

Sugar produced by the Company decreased by 1,809 tons (1%) notwithstanding that an additional 48,189 tons (3%) of cane was delivered to the mill for crushing. Ordinarily, this additional volume of cane would have increased sugar production by approximately 6,000 tons. The decrease was occasioned by lower cane quality attributable to prolonged wet weather and significant rainfall received at both the onset and end of the season. Rainfall hinders both the harvesting and hauling of cane to the mills resulting in the cane remaining in the fields for extended periods and leading to reduced sugar content, while posing difficulties in achieving efficient milling recoveries. The off-crop maintenance programme which encompasses annual maintenance, including repositioning the mill for improved efficiencies, was successfully completed and the mill commenced crushing for the 2023/24 season in April 2023 as planned.

Marketing Performance

Local market share was compromised as a total of seventeen (17) brands were imported into the country during the Statutory Instrument 98's six month tenure which ended in November 2022. The sugar industry estimated the total impact of these imports to have been 5% of the annual local sugar sales volume. World sugar markets are residual markets for excess sugar supply and are affected by support policies and/or subsidies implemented by governments of sugar producing countries. Consequently, world sugar markets often trade below global costs of production, meaning that imported sugar has an unfair price advantage over sugar produced locally in Zimbabwe where production costs are relatively higher. In addition, some of sugar imported did not comply with the Labelling and Vitamin A fortification regulations, which would have formed part of the costs of locally produced sugar.

For the year ended 31 March 2023, the Company's share of total industry sugar sales volume of 381 820 tons (2022: 394 000 tons) was 52.25% (2022: 53.2%). Total industry sugar sales volume into the domestic market for the year, at 338 059 tons (2022: 356 253 tons) was 5% below prior year as a result of competition from low-cost imports. Industry export sales however, increased by 15% to 43 760 tons (2022: 38 000 tons) following an improvement of export volumes to the USA to 17 751 tons in 2023 compared to 13 087 tons in 2022.

While price realisations on the local market increased year-on-year, the improvement was constrained by the major 'Sunsweet' table sugar market where prices in real terms were marginally below those of the prior year. Average export prices were lower than previous year. The industry however continues to review local prices, cognisant of affordability by consumers, to changes in cost structures, and to negotiate better prices for exports.

Financial Results

Inflation-adjusted revenue rose by 37% to ZWL139.3 billion (2022: ZWL101.9 billion) on the back of price adjustments in response to increasing cost pressures, amplified by currency dynamics embedded in CPI indices. Resultantly, operating profit and profit for the year grew by 22% to ZWL25.9 billion (2022: ZWL21.2 billion) and by 24% to ZWL17.2 billion (2022: ZWL13.9 billion) respectively, with the majority of the growth attributable to changes in the value of biological assets. The Company registered a marginal decrease of 2% on Adjusted EBITDA to ZWL10.4 billion (2022: ZWL10.6 billion). Profit margins are measured using Adjusted EBITDA (to exclude any distortions from non-cash changes in the value of biological assets) and have declined from 10.4% in the prior year to 7.5% in 2023. This squeeze on margins arose from lower sugar production, significant increases in fertiliser and fuel costs, and the impact on manpower costs post the finalisation of the wage negotiations. Ultimately, the increase in price realisations achieved was not sufficient to offset these inflationary pressures on costs.

Net cash outflow from operating activities was ZWL3.4 billion (2022: ZWL3.3 billion) on account of decreased EBITDA and increased working capital requirements. A total amount of ZWL3.4 billion was spent on capital expenditure (2022: ZWL2.9 billion) out of which ZWL1.8 billion (2022: ZWL1.1 billion) was for root replanting. As at 31 March 2023, the Company had a net borrowing position of ZWL4.4 billion compared to a net borrowing of ZWL1.1 billion in prior year, with more cash being consumed due to increased level of investing activities and foreign currency translation dynamics.

Dividend

The Board declared and paid an interim dividend of US0.3 cents per share during the year ended 31 March 2023. In light of the heightened volatilities currently weighing down the economic and operating environments as well as the increased level of borrowings, the Directors have not declared a final dividend for the year ended 31 March 2023.

Environmental, Social & Governance

A total of 2 (2022: 7) Lost Time Injuries were recorded during the year, and a Lost Time Injury Frequency Rate of 0,018 (2022: 0,063). Regrettably, the Company recorded 1 fatality (2022: 1) following a third-party cane haulage perry loader that accidentally ran over a contractor employee at the end of an in-field loading task. The Company continues to raise awareness and training employees and other stakeholders to uphold the highest safety standards so as to attain zero harm at the workplace.

On 5 May 2023, WHO declared that COVID-19 is now an established and ongoing health issue which no longer constitutes a public health emergency of international concern. This saw the removal of all COVID restrictions within the Company. Almost all the staff compliment however have been vaccinated (1st vaccination 99%; 2nd vaccination 99%; 3rd vaccination 76%).

A cholera outbreak was reported in parts of Africa, with 14 countries currently affected. Zimbabwe has so far reported 237 cases and 6 cholera deaths with 2 confirmed cases in the Chiredzi community. Poor sanitation and unreliable water supplies coupled with increased people movements are key driving factors for the outbreak. The Company is working on increasing amount of potable water to the Chiredzi community in consultation with Chiredzi council authorities to address the health risk.

As Hippo Valley Estates, we believe we have a duty to act responsibly in how we impact the environment and to protect communities whose livelihoods depend on agriculture. We therefore make use of clean energy sources, a good waste management, and an active monitoring system of emissions from manufacturing to ensure it is at acceptable levels. We have a long-term strategy to walk towards a Net Zero position in the future. In line with this, such initiatives as fighting deforestation by planting new trees were rolled out in the period under review. This program involved employees, "one tree per employee" and will continue in the next financial year. The Company also successfully retained its certification in respect of the Environmental Management Systems (ISO 14001:2015).

Cane Supply Growth Initiatives

Hippo Valley Estates in partnership with Triangle Estates (also jointly known as Tongaat Hulett Zimbabwe, THZ) continues to work with Government and various financial institutions to progress the implementation of Project Kilimanjaro, a 4,000ha sugarcane development. An additional 138ha was planted to cane completing the 700ha Kilimanjaro Empowerment Block. The Government in liaison with THZ, has set up the Project Kilimanjaro Joint Steering Committee to oversee the development of the balance of the 3,300 ha, for the benefit of new farmers being identified by Government.

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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 2023/24 milling season. The arbitration was concluded on 13 April 2023 and parties are now engaging on modalities to implement the award whose discussions are now at the tail end.

In addition to Project Kilimanjaro, the Company continues to support private farmers through various initiatives to improve productivity on existing sugarcane farmland (i.e. vertical sugarcane growth programs). One such program developed is a partnership framework whereby the Company is co-managing certain underperforming out-grower farms. To date, 64 farmers have volunteered to partner with the Company in the co-management arrangement with 680ha having been ploughed out and replanted with new roots.

Land tenure

Engagements with the Minister of Lands, Agriculture, Fisheries, Water and Rural Development (Ministry) regarding issuance of 99-Year Leases are ongoing. A total of 5 leases (amounting to 3,804ha) with respect to Hippo Valley North have so far been issued, with the balance of 3 lease blocks (amounting 20,175ha) still to be issued. Encouraging assurances have been received from the Ministry that the remaining leases will be issued in due course, and that recommended changes to the wording of the lease documents are being finalized by the Attorney General's Office.

Directorate

During the year, Mr Ngoni Kudenga, a long serving dedicated Independent Non-Executive Director retired from the Board. Messrs Robin Goetzsche and Gavin Hudson also 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 Non-Executive Directors, Messrs Daniel Marokane and Tafadzwa Chigumbu. The Board will seek ratification of these appointments at the forthcoming Annual General Meeting.

Outlook

The major dams are holding sufficient water to support optimal irrigation regimes for the coming season. Yields in the 2023/24 season will reduce marginally, normalising after the reversal of the once-off benefit related to carry-over cane, and will continue to benefit from improved crop husbandry practices. Milling efficiencies are anticipated to recover on the back of improved cane quality, and after the satisfactory completion of the requisite annual maintenance programme.

The operating environment is anticipated to remain volatile and hyperinflationary in the short to medium term. With the recently introduced Statutory Instrument 80 of 2023 allowing duty free importation of several commodities including sugar, the sugar industry faces huge pressure to compete against imports coming from competitors operating in stable and subsidized environments. Additionally, the ongoing rolling power outages are set to compound recovery challenges across the economy. The Company continues to monitor and navigate these complexities and implement appropriate value preservation measures.

Following the arbitration process which was concluded at the beginning of the 2023/24 milling season, both millers and the private farmers are in the process of finalising the implementation of the outcome. The implementation thereof will result in there being two cane supply arrangements with private farmers, namely a sugar milling agreement and a cane purchase agreement. The sugar milling agreement aligns with the arrangements in the previous season and results in the Company and the private farmers sharing in the total revenue realised from the sale of sugar with both parties sharing in the risks and rewards of sugar prices. The cane purchase agreement results in the Company purchasing cane from private farmers for a fixed price with the company alone exposed to the risks and rewards of sugar prices. The cane purchase agreement is also likely to require additional borrowing facilities to support the upfront cash outflow. The process to finalise the agreements has resulted in delayed deliveries of cane by the private farmers which deliveries have since started with an anticipation to recover lost ground at the beginning of the second quarter.

The Collective Bargaining Agreement for the period 1 July 2022 to 30 June 2023 was eventually signed on 6 June 2023 following a protracted negotiation process that resulted in parties submitting themselves to initially arbitration and subsequently to the High Court on the 23rd of March 2023. The amicable settlement was achieved following mediation efforts by various stakeholders. Parties are engaging to withdraw the case from the High Court by mutual consent.

By Order of the Board

C. F. Dube	A. Mhere
Chairman	**Chief Executive Officer**

23 June 2023

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Hippo Valley Estates Limited

Abridged Audited Financial Results for the year ended 31 March 2023

ABRIDGED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	INFLATION ADJUSTED		HISTORICAL COST	
		31 March 2023	31 March 2022	31 March 2023	31 March 2022
		ZWL'000	ZWL'000	ZWL'000	ZWL'000
Revenue		139 261 526	101 907 441	100 578 926	22 676 207
Cost of sales		(84 521 277)	(67 403 809)	(51 649 077)	(13 550 523)
Gross profit		**54 740 249**	**34 503 632**	**48 929 849**	**9 125 684**
Marketing and selling expenses		(13 729 455)	(10 781 053)	(10 126 216)	(2 327 903)
Administrative and other expenses		(32 904 921)	(18 009 083)	(26 361 850)	(3 974 317)
Expected credit losses		(1 209 100)	(228 666)	(1 209 100)	(67 558)
Fair value adjustment on biological assets		18 868 669	14 245 224	44 540 920	6 968 568
Other operating income / (expenses)		129 480	1 445 942	(580 548)	262 248
Operating profit		**25 894 922**	**21 175 996**	**55 193 055**	**9 986 722**
Monetary loss		(3 779 692)	651 203	-	-
Net finance income / (costs)		3 222 055	(885 728)	2 544 098	17 560
Finance income		10 661 994	2 184 798	7 678 452	543 072
Finance costs		(7 439 939)	(3 070 526)	(5 134 354)	(525 512)
		25 337 285	20 941 471	57 737 153	10 004 282
Share of associate companies' profit after tax		547 343	407 910	421 591	89 521
Profit before tax		**25 884 628**	**21 349 381**	**58 158 744**	**10 093 803**
Income tax expense	1	(8 662 871)	(7 491 166)	(15 356 490)	(2 674 111)
Profit for the year		**17 221 757**	**13 858 215**	**42 802 254**	**7 419 692**
Other comprehensive loss net of tax		(3 885 068)	(972 897)	(1 913 697)	(122 424)
Items that may be reclassified subsequently to profit or loss					
- Exchange gain / (loss) on translation of equity in foreign investment		494 153	(65 702)	1 059 063	74 158
- Tax effect		(202 541)	(11 264)	(202 541)	(3 328)
Items that will not be classified subsequently to profit or loss					
- Actuarial losses on post retirement provision		(5 548 194)	(1 190 131)	(3 679 887)	(256 714)
- Tax effect		1 371 514	294 200	909 668	63 460
Total comprehensive income for the year		**13 336 689**	**12 885 318**	**40 888 557**	**7 297 268**
Basic and diluted earnings per share (ZWL cents)		8 922	7 180	22 175	3 844
Headline earnings per share (ZWL cents)		8 930	7 187	22 181	3 835

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

	INFLATION ADJUSTED		HISTORICAL COST	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	ZWL'000	ZWL'000	ZWL'000	ZWL'000
ASSETS				
Non-current assets	**30 733 874**	**29 985 838**	**5 071 635**	**1 252 875**
Property, plant and equipment	27 532 274	27 546 062	3 598 123	979 550
Intangible assets	217 085	172 995	7 797	11 600
Investments in associate companies	2 924 127	2 237 794	1 417 852	258 169
Right of use asset	60 388	28 987	47 863	3 556
Current assets	**118 270 667**	**75 936 258**	**110 949 275**	**21 153 530**
Biological assets	55 306 063	36 437 394	55 306 063	10 765 143
Inventories	28 098 275	18 594 007	21 353 886	4 308 330
Trade and other receivables	30 027 194	18 296 546	29 450 191	5 309 452
Cash and cash equivalents	4 839 135	2 608 311	4 839 135	770 605
Total assets	**149 004 541**	**105 922 096**	**116 020 910**	**22 406 405**
EQUITY AND LIABILITIES				
Capital and reserves	**78 713 817**	**65 806 104**	**53 160 621**	**12 641 647**
Issued share capital	3 888 694	3 888 694	15 442	15 442
Other components of equity	(551 614)	(843 226)	1 136 947	280 425
Retained earnings	75 376 737	62 760 636	52 008 232	12 345 780
Non-current liabilities	**26 322 766**	**18 879 271**	**18 895 825**	**3 469 122**
Deferred tax liabilities	21 109 955	15 818 738	13 683 014	2 564 911
Provisions	5 128 566	2 652 458	5 128 566	783 648
Lease liability	84 245	9 564	84 245	2 826
Borrowings	-	398 511	-	117 737
Current liabilities	**43 967 958**	**21 236 721**	**43 964 464**	**6 295 636**
Trade and other payables	32 873 592	15 366 718	32 870 098	4 561 389
Leave pay provision	956 812	1 026 967	956 812	303 409
Lease liability	51 017	11 883	51 017	3 511
Borrowings	9 262 618	3 756 597	9 262 618	1 109 857
Current tax liability	676 975	844 042	676 975	249 366
Provisions	146 944	230 514	146 944	68 104
Total equity and liabilities	**149 004 541**	**105 922 096**	**116 020 910**	**22 406 405**

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 2021	**3 888 694**	**(766 260)**	**51 803 038**	**54 925 472**
Total comprehensive income for the year	-	(76 966)	12 962 285	12 885 319
Profit for the year	-	-	13 858 215	13 858 215
Other comprehensive loss for the year	-	(76 966)	(895 930)	(972 896)
Dividend	-	-	(2 063 216)	(2 063 216)
Share based payment	-	-	58 529	58 529
Balance at 31 March 2022	**3 888 694**	**(843 226)**	**62 760 636**	**65 806 104**
Total comprehensive income for the year	-	291 612	13 045 077	13 336 689
Profit for the year	-	-	17 221 757	17 221 757
Other comprehensive income/(loss) for the year	-	291 612	(4 176 680)	(3 885 068)
Dividend	-	-	(459 563)	(459 563)
Share based payment	-	-	30 587	30 587
Balance at 31 March 2023	**3 888 694**	**(551 614)**	**75 376 737**	**78 713 817**

GROUP STATEMENT OF CHANGES IN EQUITY

HISTORICAL COST

	Issued share capital ZWL'000	Other components of equity ZWL'000	Retained earnings ZWL'000	Total ZWL'000
Balance at 31 March 2021	**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**
Total comprehensive income for the year	-	856 522	40 032 035	40 888 557
Profit for the year	-	-	42 802 254	42 802 254
Other comprehensive income/(loss) for the year	-	856 522	(2 770 219)	(1 913 697)
Dividend	-	-	(393 688)	(393 688)
Share based payment	-	-	24 105	24 105
Balance at 31 March 2023	**15 442**	**1 136 947**	**52 008 232**	**53 160 621**

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Abridged Audited Financial Results for the year ended 31 March 2023

ABRIDGED GROUP STATEMENT OF CASH FLOWS

	INFLATION ADJUSTED		HISTORICAL COST	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Cash flows from operating activities				
Profit before tax	25 884 628	21 349 381	58 158 744	10 093 803
Depreciation and amortisation	3 415 626	3 679 864	124 585	34 701
Exchange loss	4 476 820	1 341 076	2 817 837	130 408
Net movement in post retirement provisions	(98 209)	25 053	(65 138)	5 403
Gross movement in provisions	2 392 538	813 188	4 423 758	494 910
Movement attributable to reserves	(2 490 747)	(788 135)	(4 488 896)	(489 507)
Monetary loss	3 779 692	(651 203)	-	-
Net finance (income) / costs	(3 222 055)	885 728	(2 544 098)	(17 560)
Share of associate companies' profit after tax	(547 343)	(407 910)	(421 591)	(89 521)
Loss / (profit) on disposal of property, plant and equipment	15 604	13 949	11 519	(17 862)
Change in biological assets	(18 868 669)	(14 245 224)	(44 540 920)	(6 968 568)
Cash generated from operations	14 836 094	11 990 714	13 540 938	3 170 804
Changes in working capital	(16 369 286)	(12 624 892)	(15 018 422)	(2 749 355)
Net cash generated from operations	**(1 533 192)**	**(634 178)**	**(1 477 484)**	**421 449**
Net finance income received	2 820 996	1 505 869	2 385 836	402 520
Tax paid	(4 678 637)	(4 181 176)	(3 103 145)	(901 895)
Net cash outflow from operating activities	**(3 390 833)**	**(3 309 485)**	**(2 194 793)**	**(77 926)**
Cash flows from investing activities				
Additions to property, plant, equipment and intangible assets	(3 396 941)	(2 900 005)	(2 719 018)	(654 726)
- Other property, plant, equipment and intangible assets	(1 579 417)	(1 842 857)	(1 341 143)	(425 820)
- Cane roots	(1 817 524)	(1 057 148)	(1 377 875)	(228 906)
Proceeds on disposal of property, plant and equipment	-	73 859	-	18 210
Dividends received from associated companies	355 164	540 436	320 971	105 032
Net cash outflow from investing activities	**(3 041 777)**	**(2 285 710)**	**(2 398 047)**	**(531 484)**
Net cash outflow before financing activities	**(6 432 610)**	**(5 595 195)**	**(4 592 840)**	**(609 410)**
Cash flows from financing activities				
Proceeds from borrowings	15 765 366	13 185 521	10 456 513	2 844 165
Repayment of borrowings	(10 999 914)	(8 209 665)	(7 295 786)	(1 770 854)
Dividends paid	(459 563)	(2 063 216)	(393 688)	(447 808)
Lease financing repaid	(40 019)	(15 381)	(23 688)	(2 108)
Net cash inflow from financing activities	**4 265 870**	**2 897 259**	**2 743 351**	**623 395**
Movement in cash and cash equivalents				
Cash and cash equivalents at beginning of year	2 608 311	5 177 456	770 605	885 745
Net cash outflow from operating activities	(3 390 833)	(3 309 485)	(2 194 793)	(77 926)
Net cash outflow from investing activities	(3 041 777)	(2 285 710)	(2 398 047)	(531 484)
Net cash inflow from financing activities	4 265 870	2 897 259	2 743 351	623 395
Inflation effects on cash and cash equivalents	(3 526 336)	750 271	-	-
Net foreign exchange difference	7 923 900	(621 480)	5 918 019	(129 125)
Cash and cash equivalents at end of year	**4 839 135**	**2 608 311**	**4 839 135**	**770 605**
Consisting of:	**4 839 135**	**2 608 311**	**4 839 135**	**770 605**
Cash on hand	4 279	2 598	4 279	768
Cash at bank	4 834 856	2 605 713	4 834 856	769 837

NOTES TO THE ABRIDGED GROUP FINANCIAL STATEMENTS

	INFLATION ADJUSTED		HISTORICAL COST	
	31 March 2023 ZWL'000	31 March 2022 ZWL'000	31 March 2023 ZWL'000	31 March 2022 ZWL'000
1. Income tax expense				
Normal tax	(2 202 177)	(3 124 170)	(3 530 755)	(999 453)
Deferred tax	(6 460 694)	(4 366 996)	(11 825 735)	(1 674 658)
Charged to profit and loss	**(8 662 871)**	**(7 491 166)**	**(15 356 490)**	**(2 674 111)**
2. Depreciation and amortisation				
Depreciation of property, plant and equipment	2 151 670	2 365 483	53 295	13 138
Amortisation of right of use assets	45 066	26 548	20 336	2 713
Amortisation of intangible assets	217 759	489 877	4 922	2 827
Depreciation of roots	1 001 131	797 956	46 032	16 023
	3 415 626	**3 679 864**	**124 585**	**34 701**
3. Capital expenditure commitments				
Contracted and orders placed	719 060	558 141	719 060	164 898
Authorized by Directors but not contracted	1 235 000	260 586	1 235 000	76 988
	1 954 060	**818 727**	**1 954 060**	**241 886**

4. Historical reporting

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

5. Basis of preparation

Statement of Compliance

The abridged consolidated financial statements of Hippo Valley Estates Limited (the Company), together with its subsidiaries (the Group) for the year ended 31 March 2023 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. Accordingly, these statements are to be read in conjunction with the annual financial statements for the year ended 31 March 2023 and any public announcements made by Hippo Valley Estates Limited during the reporting period. 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 2023.

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

- In the financial year to March 2023, the local currency depreciated by 553% from prior period. This is 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 ZWL142.4237 to US$1 as at 1 April 2022 and weakened to a rate of ZWL929.8618 to US$1 at 31 March 2023.
- Access to foreign currency to settle foreign currency denominated liabilities remains constrained.

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

The carrying amounts of non-monetary assets and liabilities carried at historic cost have been stated to reflect the change in the general price index from the date of acquisition to the end of the reporting period. No adjustment has been made for those non-monetary assets and liabilities measured at fair value. 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.

Hippo Valley Estates Limited

Abridged Audited Financial Results for the year ended 31 March 2023

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 2021	2 759.83	5.845
31 March 2022	4 766.10	3.385
31 March 2023	16 132.08	1.000
Average CPI for 12 months to:		
31 March 2021	2 083.51	
31 March 2022	3 582.86	
31 March 2023	11 860.28	

Estimated Consumer Price Indices (CPI): disclosure requirements for other major sources of estimation uncertainty

Given the absence of the ZWL Consumer Price Index (CPI) following the promulgation of Statutory Instrument 27 of 2023 on 3 March 2023, the Group and Company estimated the General Price Index (GPI) for February and March 2023 by using the the relative devaluation of the Zimbabwe Dollar against the United States Dollar over the same two month time period. The application of the exchange rate to estimate the general rate of inflation, is a source of estimation uncertainty. Directors applied the estimated GPI to hyperinflate all financial statement line items. The Directors are of the opinion is that the exchange rate method is more prudent and reflective of real inflation in Zimbabwe.

6. Subsequent events

The Group and Company performed a review of events subsequent to the reporting date and determined that there were no such events requiring recognition or disclosure in the financial statements.

7. Going concern

The IFRS Conceptual Framework states that going concern is an underlying assumption in the preparation of IFRS 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. In terms of IAS 1 Preparation of Financial Statements, management is required 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.

8. Auditor's statement

The Group and Company's inflation adjusted financial statements as at 31 March 2023 from which these abridged results have been extracted have been audited by Ernst & Young Chartered Accountants (Zimbabwe), who have issued an unmodified audit opinion.

The Key audit matters are the valuation of biological assets (standing cane) and the determination of cost of goods sold. 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

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Building a better working world

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Independent Audit Opinion

To the Shareholders of Hippo Valley Estates Limited

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

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 27 to 118, which comprise the inflation adjusted consolidated and separate statements of financial position as at 31 March 2023 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 2023 and notes to the inflation adjusted consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying inflation adjusted consolidated and separate financial statements present fairly, in all material respects the inflation adjusted financial position of the Group and Company as at 31 March 2023, and their inflation adjusted financial performance and their inflation adjusted cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and the manner required by the Companies and Other Business Entities Act (Chapter 24:31).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 opinion.

Key Audit Matters

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

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

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the matter</th></tr>
<tr><td colspan="2">1. Valuation of Biological Assets – Standing Cane in accordance with IAS 41 & IFRS 13 (Group and Company)</td></tr>
<tr><td>

Hippo Valley Estates Limited is required to value its biological assets at fair value in accordance with International Accounting Standard (IAS) 41 – ' Agriculture and International Financial Reporting Standards (IFRS) 13 'Fair value measurement'.
As disclosed in note 6 to the consolidated and separate inflation adjusted financial statements, the carrying amount of the standing cane is significant and amounted to ZWL55 306 063 000 (2022: 36 437 394 000). The valuation process includes significant judgements, estimates 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).

The valuation of standing cane is therefore a Key Audit Matter.

</td><td>
With the assistance of our Valuation Experts we:

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.
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.

These inputs included the following:

Estimated Residual Crystal (ERC)
Division of profits (DOP)
Average Mill-door price (MDP)
Average yield per hectare
Equivalent hectarage of cane

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.

</td></tr>
</table>

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the matter</th></tr>
<tr><td colspan="2">2. Determination of Cost of goods sold (Group and Company)</td></tr>
<tr><td>
Cost of sales for Group & Company are significant and amount to ZWL 84 521 277 000 (2022: 67 403 809 000). As disclosed in note 15 of the consolidated and separate inflation adjusted financial statements, Cane purchases included in the cost of sales amounts to ZWL48 745 562 000 (2022: 32 563 230 000).
In determining the cost of sales, the following have been considered significant:
Cane cost from out grower farmers
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 cane purchased and cane accrual arising thereon are complex due to the complex provisions of the contracts.
A significant portion (more than 50%) of cost of sales for both Group & Company are 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 (mill door prices) as determined by Zimbabwe Sugar Sales. Consequently, at the time cane is delivered, the cane costs will be included in cost of sales at the mill-door price prevailing at the date of delivery. As the mill-door-price change in subsequent months, the top-ups that should be paid to the farmers for previous deliveries will be accounted for as cost of sales whilst the reduction in the mill-door price will be accounted for as a reversal to the previously recognised cost of sales. There is a large number of these out grower farmers with large volumes of deliveries per month that should be accounted for by each farmer, the value of their supplies of which is dependent on the ERC and mill-door prices. This makes the accounting for the cost of sales complex due to key components used in coming up with the value of farmer's cane delivery.
</td><td>
We performed the following among other procedures, for the significant components of cost of sales:
Third party out grower cane costs
For third party cane costs, we reviewed the computations of third-party cane costs to confirm that they have been calculated using the correct mill-door price and Division of Profit (DOP) ratio and that reliable ERC tonnages have been used.
We also tested that the top-up payments for prior year crop have been correctly accounted for in current year using the current year mill-door prices.
We tested the completeness of the accrued cane cost at the end of the year to determine that the correct cost has been accounted for in cost of sales. We tested the completeness of this cost through confirming the tonnages delivered by the farmers for the current season.
</td></tr>
</table>

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the matter</th></tr>
<tr><td colspan="2">2. Determination of Cost of goods sold (Group and Company)</td></tr>
<tr><td>Own grown cane component
Own grown cane included in the cost of sales involves cost accumulation from the point of planting till harvest. The process of accumulating these costs is a complex exercise as there is a lot of line items to be included. After own cane is delivered to the mill, the cost accumulation process will continue considering all the manufacturing cost.
Own grown cane is transferred to the mill at fair value less cost to sell (FVLCTS) plus a margin. When the mill receives this cane, it is recorded as a cost at FVLCTS. Upon the consolidation of the results of the agriculture department and the mill department, the margin element (cost in the mill and income in the agriculture department) is set-off against each other. The remaining cost to the company will be the cost accumulated in growing the cane.</td><td>Cost accumulated in own grown cane
For the cane cost delivered to the mill, we recalculated the cost per tonne of cane delivered by the agriculture department.
Our calculations included testing the cost accumulated per hectare and dividing the cost per hectare by the tonnes harvested per hectare. We also selected a sample and inspected that the cost met the criteria to be recognised as cost of sale.
For the cost accumulated in the mill, we selected a sample to test the occurrence of the manufacturing cost and whether these costs relate to the manufacturing process.
We also tested that for own cane delivered from agriculture department to the mill, the cost to the milling department had been correctly set off against an equal amount of income in the agriculture department to confirm that the only cost remaining accounted for are the cost incurred by the agriculture department.
We also tested if the reversals for the top-ups initially recognised had been recognised in the first place.</td></tr>
<tr><td>Closing sugar inventory component
The determination of cost of sales figure includes closing sugar inventory. The valuation of sugar inventory is based on monthly weighted average cost (WAC) calculation. This exercise of calculating the monthly WAC is cumbersome and includes the estimation of average mill-door prices. The estimation process of the inputs to this exercise may not be subject to errors.
Due to the complexities described above, and the significance of cane purchases, the accounting treatment of cost of sales has been concluded as a key audit matter.</td><td>Weighted average cost for closing sugar inventory
For the closing inventory that has been deducted in determining cost of sales, we recalculated the monthly weighted average cost of the inventory and confirmed that the value was accurate.
We also confirmed that the correct mill-door prices were used in determining the weighted average cost of the closing sugar inventory. In addition, we reviewed the underlying data relating to the subsequent price changes to confirm accuracy of the Mill Door prices used in accounting for the top-ups. We tested the adjustments made by management to cost of sales and performed recalculations of the changes to confirm accuracy.
We tested the mill-door prices used by management to account for the top-up payments against the ones provided by Zimbabwe Sugar Sales to confirm that these amounts were the same.</td></tr>
</table>

Other information

The directors are responsible for the other information. The other information comprises of the Chairman's Statement and Chief Executive's Review, Sustainability Report, Statement of Directors' Responsibility for Financial Reporting, Directors' Report and Audit Committee Report but does not include the Inflation Adjusted 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. We have nothing to report in this regard.

Responsibilities of the Directors for the Inflation adjusted Financial Statements

The directors are responsible for the preparation and fair presentation of the inflation adjusted 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Inflation adjusted Financial Statements

Our objectives are to obtain reasonable assurance about whether the inflation adjusted 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 inflations adjusted 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 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 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 consolidated and separate inflation adjusted financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 information is Mr David Marange (PAAB Practicing Certificate Number 436).

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

Harare

26 June 2023