Hippo Valley Estates Limited

Reviewed Abridged Interim Financial Results for the six months ended 30 September 2023

CHAIRMAN'S STATEMENT AND CHIEF EXECUTIVE'S REVIEW FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

SALIENT FEATURES

	INFLATION ADJUSTED			HISTORICAL COST		
	Period ended 30.09.23	**Period ended 30.09.22**	**Percentage Change**	**Period ended 30.09.23**	**Period ended 30.09.22**	**Percentage Change**
Sugar production (tons)	147 072	157 810	-7%	147 072	157 810	-7%
Export Market Sales Volumes (tons)	27 195	18 768	45%	27 195	18 768	45%
Local Market Sales Volumes (tons)	80 130	94 322	-15%	80 130	94 322	-15%
Revenue (ZWL'000)	452 235 038	256 749 192	76%	381 512 307	49 218 700	675%
Operating profit (ZWL'000)	170 033 160	49 486 258	244%	341 931 366	31 611 770	982%
Adjusted EBITDA* (ZWL'000)	135 722 472	89 962 527	51%	181 205 716	21 399 380	747%
Profit for the period (ZWL'000)	140 014 753	19 894 730	604%	243 059 045	24 314 448	900%
Net Borrowings(ZWL'000)	51 532 158	6 132 176	740%	51 532 158	1 507 418	3 319%
Cash flow from operating activities (ZWL'000)	(67 760 433)	16 552 025	-509%	(21 181 860)	4 783 002	-543%

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

COMMENTARY

Overview

During the second quarter of the financial year, the business environment in which Hippo Valley Estates Limited ("the Company") operates remained volatile and unpredictable, characterised by liquidity challenges within the general economy. On a positive note, there has been some stability in exchange rates and a slowdown of inflationary pressures, following progressive monetary policy measures implemented by the Reserve Bank of Zimbabwe that allow foreign currency to be traded more freely at market-determined exchange rates through financial institutions. The multi-currency regime continued within the domestic economy, spurred by the constrained liquidity of the Zimbabwe Dollar ("ZWL"), whilst the cost of key inputs was impacted by geo-political events in the Eastern Europe.

The suspension of duties on basic commodities, including sugar, for twelve of the past eighteen months, has resulted in an influx of cheaper imported sugar which has displaced locally produced sugar in the domestic market. There has also been a significant increase in employment costs after the minimum wage applicable to the sugar milling industry (including the Company's farming operations) doubled to US$280 per month. In addition, the majority of private farmers opted for the reintroduced cane purchase arrangement over the existing cane milling arrangement, which increased the Company's working capital requirements significantly, as the Company is required to pay for the cane on delivery to the mill rather than when the sugar produced is sold to the customer. These factors have placed considerable pressure on the Company's revenue, profit margins and cash flows, which has led to various other challenges, such as difficulties in ensuring the availability of spares and other key inputs to maintain operations at an acceptable level. Regrettably, with the distortions in financial reporting caused by hyperinflation accounting, these realities are not adequately reflected in these results.

Operations

Cane and sugar production (tonnes) for the half year ended 30 September 2023

	2023	2022	% Change
Tonnes cane crushed - Company	648 158	735 064	-12%
Tonnes cane harvested - Private farmers	524 786	575 278	-9%
Total tonnes cane milled - Company	1 172 944	1 310 342	-10%
Tonnes sugar produced - Company	147 072	157 810	-7%
Tonnes sugar produced - Industry Total	**281 231**	**293 050**	**-4%**

Cane harvested from the Company's plantations ("Miller-Cum-Planter") was 12% lower than that reported for the prior period, resulting from an 8% drop in yields to 98.9 tonnes cane per hectare ("tch") (2022: 107.3 tch). The lower yield arose mainly from a reduced area of 'plant cane' harvested in the current period, with 'plant cane' having the potential to attain higher yields than older 'ratoon cane'. Cane deliveries from private farmers were 9% below the prior period, largely on account of the late finalisation of the cane supply contractual agreements. Sugar production trailed the prior year by 7% due to the reduced volume of cane crushed and decreased mill time efficiencies, with 'lost time available' (a measure of plant reliability) increasing to 14.7% (2022: 13.4%) following low cane throughput in the early weeks of the milling season. Sugar production did benefit from good cane quality which contributed to an improved cane to sugar ratio (i.e. the tonnes of cane required to be crushed to produce one tonne of raw sugar).

Marketing Performance

Following the promulgation of Statutory Instrument 80 of 2023 on 12 May 2023, which suspended duties on sugar imported into the country, sales into the domestic market experienced significant pressure with volumes declining by 25 241 tonnes (14%) to 152 013 tonnes (2022: 177 254 tonnes). Imported sugar enjoys unfair comparative cost advantages over locally-produced sugar such as lower minimum wages, as it is not subject to the same mandatory local fortification regulations among other factors. Most of the sugar originates from countries where the host government has implemented policies and/or subsidies to support sugar production.

In order to mitigate against the revenue losses and generate the cash flow necessary to sustain the Company's operations, sugar that was initially intended for sale into the domestic market has been redirected into regional and international export markets. As international sugar markets are residual markets for excess sugar, export market prices are lower than the domestic market, despite the recent benefit of higher world sugar prices. Consequently, export sales volumes for the industry increased by 47% to 51 744 tonnes (2022: 35 265 tonnes) following an increase in the United States quota allocation to 18 276 tonnes (2022: 17 751 tonnes) and maiden exports to the United Kingdom of 25 000 tonnes. However, sales into regional markets reduced by 9 046 tonnes with no sugar sold into Kenya or Namibia during the past six months.

For the period ended 30 September 2023, the Company's share of total industry sugar sales volume of 203 756 tonnes (2022: 212 519 tonnes) was 52.82% (2022: 53.10%).

Financial Results

The financial results of the Company 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. 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 have applied, where appropriate, necessary judgements and assumptions with due care. Users are, however, cautioned that in hyperinflationary environments, there are inherent economic distortions that may have a material impact on these financial statements and their interpretation. In particular, the promulgation of Statutory Instrument 27 of 2023, which has resulted in the discontinuance of an unblended consumer price index, has resulted in the need to use an estimated index for hyperinflating the historical financial statements. As such, the Directors advise users to exercise caution in the use of these inflation-adjusted financial statements, with respect to the inflation index applied, the reporting currency and the conversion to comparative currencies.

Despite a 4% decrease in industry sales volumes, the Company's revenue increased in ZWL terms by 76% to ZWL452.2 billion (2022: ZWL256.7 billion) in line with local inflation and higher net realisations from exports. Operating profit increased by 244% to ZWL170.0 billion (2022: ZWL49.5 billion) as a result of higher revenue and a favourable movement in the fair value of biological assets. Adjusted EBITDA, which excludes the distortion from non-cash movements in the fair value of biological assets, increased by 51% to ZWL.135.7 billion. The effective tax rate was 23.3% (2022: 50.1%) and was impacted by the net monetary gain of ZWL24.4 billion (2022: loss of ZWL4.2 billion) which is a permanent difference for income tax purposes. Overall, profit for the period increased to ZWL140.0 billion (2022: ZWL19.9 billion).

During the period under review, operating cash flows after interest, tax and working capital changes decreased by ZWL83.6 billion to a negative ZWL67.8 billion (2022: inflow of ZWL 16.6 billion). The major reason for the operating cash outflow was the high levels of sugar stocks brought about by competition from imported sugar, which was worsened by the early payment for the cane component of the sugar. A total of ZWL14.2 billion (2022: ZWL4.9 billion) was spent on capital expenditure of which ZWL9.2 billion (2022: ZWL2.8 billion) was spent on replanting cane roots. At 30 September 2023, the Company had net borrowings of ZWL51.5 billion compared to ZWL5.7 billion at 30 September 2022. The Company has established borrowing facilities in both local and foreign currency to finance its operating and capital expenditure requirements, but with the reintroduction of the cane purchase agreements, these facilities have been stretched over the current season's peak working capital requirements. Consequently, in addition to utilising the available borrowing facilities, the Company has had to defer payments to suppliers in order to manage liquidity.

Dividend

The competition from imported sugar persisted after 30 September 2023 and the Company continued to lose domestic market sales, which has resulted in a higher sugar stockholding despite promotional activity to incentivise sales. This, together with the working capital requirements of the cane purchase arrangements and the inability to recover cost pressures through higher selling prices, has placed a strain on the Company's liquidity and resulted in increased borrowing levels and the delayed settlement of amounts owed to suppliers. For these reasons, and the uplift of Statutory Instrument 80 of 2023 only taking effect on the 31st of January 2024, the Directors have resolved not to declare an interim dividend for the six month period ended 30 September 2023.

Safety, Health and Environment

A total of 2 (March 2023: 1) 'lost time injuries' were recorded during the period under review, resulting in a deterioration of the 'lost time injury frequency rate' to 0,04 (2022: 0,018). Improved safety measures, focused on behavioural changes and heightened vigilance amongst peers, have since been introduced to curtail similar incidents, in line with the Company's target of zero harm at the workplace.

A cholera outbreak was reported in parts of Africa, with 14 countries currently affected, including Zimbabwe, which has reported 237 cases and 6 cholera deaths to date. There were 2 confirmed cases in the Chiredzi community where the Company's operations are based. Poor sanitation and unreliable water supplies coupled with increased people movement are key driving factors for the outbreak. The Company is working on increasing the supply of potable water to the Chiredzi community in consultation with the Chiredzi Council authorities, in order to address this health risk.

The Company also successfully retained its certification in respect of the Environmental Management Systems (ISO 14001:2015). The Company is committed to acting responsibly and to impact the environment positively in order to protect communities whose livelihoods depend on agriculture, and for the benefit of future generations. The Company continues to invest in clean renewable energy sources, sustainable waste management systems and proactive emission monitoring and control systems to maintain a sustainable carbon credit status. The Company is currently lining its waste disposal sites with impermeable material to prevent ground water pollution from leachate.

Cane Supply Growth Initiatives

The Company, in partnership with Triangle Limited (jointly known as Tongaat Hulett Zimbabwe or THZ) continues to work with Government and various financial institutions to progress the implementation of Project Kilimanjaro, a 4 000 hectare new sugarcane development. As previously reported, the first 700 hectares (called the Project Kilimanjaro Empowerment Block and benefiting 41 new farmers) has been planted with cane, of which approximately 594 hectares is earmarked for harvesting this milling season. Government has already identified 116 new beneficiary farmers who have been allocated sugarcane plots on the balance of the 3300 hectares of the greater Project Kilimanjaro. Modalities for funding the completion of the project are being determined through the auspices of a joint steering committee comprising Government and THZ.

Reviewed Abridged Interim Financial Results for the six months ended 30 September 2023

The Company remains focused on improving both cane yields and quality on its own plantations, whilst providing support to private farmers to improve their productivity. The co-management framework, whereby the Company farms land on behalf of willing farmers, continues to deliver positive results, with improved yields being realised for the benefit of the farmers. The Company and Triangle Limited continue to support other cane development projects (including the Pezulu Project in Western Triangle of close to 1 000 hectares and benefitting 28 new farmers). These projects are intended to increase cane supply and maximise the existing installed sugar milling capacity within the industry, which is currently only 66% utilised.

Whilst these cane supply growth initiatives have been a significant focus of the Company for a number of years, the continued competition in the domestic market from duty-free imported sugar has undermined the commercial viability and sustainability of these projects for all participants and stakeholders within the industry. In light of the uncertainty as to when duties will be reinstated, these cane expansion plans may need to be reassessed.

The commercial issues relating to the cane supply agreements for the current season were finalised well after the season started, with farmers choosing either a cane purchase agreement or a cane milling agreement. Due to volatilities and market risks in the economy, the parties will be re-engaging ahead of the coming season to review the cane supply agreements to ensure equitable outcomes for both parties. Government has further engaged interested stakeholders to make the necessary inputs to the Sugar Bill to pave way for the repeal of the outdated Sugar Production Control Act of 1973, and the enactment of the new Sugar Act. These measures will help to resolve longstanding legacy issues for the mutual benefit of all parties.

Land tenure

Engagements with Government regarding the issuance of the balance of the 99-year leases, as well as amendments to the wording of current leases for bankability, transferability and other necessary changes are ongoing. A total of 5 leases (amounting to 3 804 hectares) with respect to Hippo Valley North have been issued to date, with the balance of 3 lease blocks (amounting 20 175 hectares) still to be issued.

Directorate

During the period under review the Board appointed Mr Pfungwa Gore Serima as an Non-Executive Independent Director, effective 1 July 2023.

Outlook

An El Nino weather pattern has been predicted for the period between December 2023 and March 2024. Despite this, the Company has secured irrigation water cover for approximately two seasons (at normal levels of irrigation) within the current water supply dams. Latest national and regional weather forecasts indicate erratic and below normal rainfall, triggered by the El Nino. The Company is actively engaging authorities to take measures to eliminate the risk of illegal water abstraction by third parties without such water rights from the Company's canal systems.

In conjunction with the Triangle mill, the Company has extended the milling season and implemented a revised cane delivery plan to catch-up some of the lost milling capacity, maximise sugar production and minimise the amount of cane carried over to the following season. Despite these mitigations, the industry's forecast sugar production for the 2023/24 season of 409 301 tonnes (2022/23: 396 682 tonnes) is unlikely to be achieved due to initial delays in the delivery of private farmers' cane, logistical challenges resulting from changes to the cane supply agreements, as well as intermittent mill break downs due to non-availability of certain spares. Although sugar production is expected to be below the prior season production, the industry will produce adequate stocks to meet the balance of the domestic market requirements in full, as well as its export commitments. Preparations for an effective off crop maintenance shutdown are progressing according to plan to ensure an efficient and reliable milling campaign in the 2024/25 season.

With the suspension of duties on imported basic commodities only being removed at the end of January 2024, the current marketing focus is on balancing profitability and cash flows, specifically through prioritising domestic market requirements but quickly identifying surplus stocks and allocating these to regional and international markets. This season, with approximately 70% of cane supply arrangements shifting from a variable pricing model to a fixed price model, the impact of any discounts required to incentivise domestic market sales or price reduction arising from shifting volumes to lower priced export markets will be borne by the Company entirely and not shared across all industry participants.

The Company continues to cushion its working capital from the potential impact of liquidity constraints and currency distortions through both local and foreign currency borrowing facilities with reputable financial institutions. Once the milling season is complete and payments for cane decline, the Company expects it will be able to bring suppliers balances up to date and focus on reducing borrowing levels.

Declining inflation and prospects of stable exchange rates are expected to create a more conducive business environment. Efforts were made to align with Government on the need to reinstate duties on sugar in order to protect the local sugar industry from dumped imports, and resultantly Statutory Instrument 80 of 2023 will be uplifted with effect from 31 January 2024. However, there is still need for industry-wide initiatives to improve productivity and address overall cost structures. If effective, the Company will remain a sustainable business and be in a position to pursue its growth objectives and continue its significant contribution to the local, provincial and national economy. These outcomes are underpinned by the Company's ongoing efforts to identify and manage current and emerging risks, and the continued adoption and improvement of its Environmental, Social and Governance (ESG) footprint throughout the business value chain and within the community.

By Order of the Board

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

20 December 2023

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Building a better working world

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To the Shareholders of Hippo Valley Estates Limited

Report on the Review of the Interim Condensed Inflation Adjusted Consolidated Financial Information

Introductions

We have reviewed the accompanying interim condensed inflation adjusted consolidated financial information of Hippo Valley Estates Limited and its subsidiaries ("the Group"), as set out on pages 7 to 32, which comprise the interim condensed inflation adjusted consolidated statement of financial position as at 30 September 2023 and the related interim condensed inflation adjusted consolidated statement of profit or loss and other comprehensive income, the interim condensed inflation adjusted consolidated statement of changes in equity and the interim condensed inflation adjusted consolidated statement of cash flows for the six-month period then ended and explanatory notes.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed inflation adjusted consolidated financial information of the Group as at 30 September 2023 have not been prepared in all material respects, in accordance with the International Financial Reporting Standards. The engagement partner on the review engagement resulting in this review conclusion report on the interim condensed inflation adjusted consolidated financial information is Mr David Marange (PAAB Practicing Certificate Number 436).

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

Harare

18 December 2023

A member firm of Ernst & Young Global Limited

Hippo Valley Estates Limited

Reviewed Abridged Interim Financial Results for the six months ended 30 September 2023

ABRIDGED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	INFLATION ADJUSTED 30 Sept 2023 ZWL'000 Reviewed	INFLATION ADJUSTED 30 Sept 2022 ZWL'000 Reviewed Restated^	HISTORICAL COST 30 Sept 2023 ZWL'000 Unaudited	HISTORICAL COST 30 Sept 2022 ZWL'000 Unaudited Restated^
Revenue		**452 235 038**	**256 749 192**	**381 512 307**	**49 218 700**
Cost of sales		(202 927 296)	(99 112 323)	(118 480 530)	(12 648 649)
Gross profit		**249 307 742**	**157 636 869**	**263 031 777**	**36 570 051**
Marketing and selling expenses		(7 752 050)	(45 856 983)	(5 591 675)	(9 851 532)
Administrative and other expenses		(120 884 010)	(43 179 691)	(82 301 519)	(7 912 288)
Expected Credit losses		(3 844 327)	(1 614 774)	(3 844 327)	(396 951)
Fair value adjustment on biological assets		39 049 981	(31 185 967)	161 044 021	10 283 591
Other operating income		14 155 824	13 686 804	9 593 089	2 918 899
Operating profit		**170 033 160**	**49 486 258**	**341 931 366**	**31 611 770**
Net monetary gain /(loss)		24 435 008	(4 204 658)	-	-
Net finance (charges) / income		(13 254 192)	(6 235 200)	(13 775 771)	903 467
Finance costs		(17 410 260)	(30 255 044)	(16 474 437)	(3 874 566)
Finance income		4 156 068	24 019 844	2 698 666	4 778 033
		181 213 976	**39 046 400**	**328 155 595**	**32 515 237**
Share of profit of associates		1 237 011	838 298	827 709	169 753
Profit before tax		**182 450 987**	**39 884 698**	**328 983 304**	**32 684 990**
Income tax expense		(42 436 234)	(19 989 968)	(85 924 259)	(8 370 542)
Profit for the period		**140 014 753**	**19 894 730**	**243 059 045**	**24 314 448**
Other comprehensive loss net of tax		(31 260 152)	(5 407 288)	(16 385 017)	(492 513)
Actuarial loss on post retirement provision		(33 691 512)	(5 944 251)	(21 656 901)	(987 953)
Exchange gain on translation of foreign investments		2 431 360	536 963	5 271 884	495 440
Total comprehensive income		**108 754 601**	**14 487 442**	**226 674 028**	**23 821 935**
Number of Ordinary shares in Issue ("000" of shares)		193 021	193 021	193 021	193 021
Basic and diluted earnings per share (RTGS cents)		72 539	10 307	125 924	12 597
Headline and diluted headline earnings per share (RTGS cents)		72 539	10 307	125 924	12 597

^ Refer to note 7 for more detail on restatement.

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

	INFLATION ADJUSTED 30 Sept 2023 ZWL'000 Reviewed	INFLATION ADJUSTED 31 March 2023 ZWL'000 Audited Restated	HISTORICAL COST 30 Sept 2023 ZWL'000 Unaudited	HISTORICAL COST 31 March 2023 ZWL'000 Unaudited Restated
ASSETS				
Non-current assets	**112 022 385**	**98 526 611**	**24 464 852**	**5 071 635**
Property, plant and equipment	98 135 405	88 262 926	16 477 458	3 598 123
Intangible assets	396 600	695 930	11 737	7 797
Investments in associated companies	13 372 369	9 374 163	7 938 251	1 417 852
Right of use assets	118 011	193 592	37 406	47 863
Current assets	**676 465 987**	**379 151 946**	**654 597 475**	**110 949 275**
Biological assets	216 350 083	177 300 102	216 350 084	55 306 063
Inventories	283 814 143	90 077 412	263 597 359	21 353 886
Trade and other receivables	122 608 094	79 150 617	120 956 365	24 112 825
Amounts owed by related parties^	38 473 909	17 110 522	38 473 909	5 337 366
Cash and cash equivalents	15 219 758	15 513 293	15 219 758	4 839 135
Total Assets	**788 488 372**	**477 678 557**	**679 062 327**	**116 020 910**
EQUITY AND LIABILITIES				
Capital and reserves	**361 095 250**	**252 340 649**	**279 834 649**	**53 160 621**
Issued share capital	12 466 369	12 466 369	15 442	15 442
Other components of equity	662 997	(1 768 363)	6 408 831	1 136 947
Retained earnings	347 965 884	241 642 643	273 410 376	52 008 232
Non current liabilities	**119 378 743**	**84 385 485**	**95 191 693**	**18 895 825**
Deferred tax liabilities	80 407 601	67 674 264	56 220 551	13 683 014
Provisions	38 635 565	16 441 148	38 635 565	5 128 566
Lease liability	335 577	270 073	335 577	84 245
Current liabilities	**308 014 379**	**140 952 423**	**304 035 985**	**43 964 464**
Trade and other payables	194 129 555	105 386 116	190 151 161	32 870 098
Leave pay provision	12 482 114	3 067 348	12 482 114	956 812
Lease liability	301 213	163 552	301 213	51 017
Borrowings	66 115 125	29 694 089	66 115 125	9 262 618
Current tax liability	34 229 761	2 170 245	34 229 761	676 975
Provisions	756 611	471 073	756 611	146 944
Total equity and liabilities	**788 488 372**	**477 678 557**	**679 062 327**	**116 020 910**

^ This relates to loans advanced to and repayable by Triangle. This balance was previously incorrectly included under trade and other receivables. This has now been disclosed separately as amounts owed by related parties and correct disclosure has been made under note 15.1: Related Party Transaction and Balances.

ABRIDGED 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 2022 (Audited)	**12 466 369**	**(2 703 214)**	**201 197 963**	**210 961 118**
Total comprehensive income for the period	-	**536 963**	**13 950 478**	**14 487 441**
Profit for the period	-	-	19 894 729	19 894 729
Other comprehensive income/ (loss) for the period	-	536 963	(5 944 251)	(5 407 288)
Share based payments	-	-	261 580	261 580
Balance at 30 September 2022 (Reviewed, Restated)^	**12 466 369**	**(2 166 251)**	**215 410 021**	**225 710 139**

ABRIDGED 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 2023 (Audited)	**12 466 369**	**(1 768 363)**	**241 642 643**	**252 340 649**
Total comprehensive income for the period	-	2 431 360	106 323 241	108 754 601
Profit for the period	-	-	140 014 753	140 014 753
Other comprehensive income/ (loss) for the period	-	2 431 360	(33 691 512)	(31 260 152)
Balance at 30 September 2022 (Reviewed)	**12 466 369**	**662 997**	**347 965 884**	**361 095 250**

ABRIDGED 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 2022 (Unaudited)	**15 442**	**280 425**	**12 345 780**	**12 641 647**
Total comprehensive income for the period	-	495 440	23 326 496	23 821 936
Profit for the period	-	-	24 314 449	24 314 449
Other comprehensive income /(loss) for the period	-	495 440	(987 953)	(492 513)
Share based payments	-	-	24 107	24 107
Balance at 30 September 2022 (Unaudited, Restated)^	**15 442**	**775 865**	**35 696 383**	**36 487 690**
Balance at 31 March 2023 (Unaudited)	**15 442**	**1 136 947**	**52 008 232**	**53 160 621**
Total comprehensive income for the period	-	5 271 884	221 402 144	226 674 028
Profit for the period	-	-	243 059 045	243 059 045
Other comprehensive income for the period	-	5 271 884	(21 656 901)	(16 385 017)
Share based payments	-	-	-	-
Balance at 30 September 2023 (Unaudited)	**15 442**	**6 408 831**	**273 410 376**	**279 834 649**

^ Refer to note 7 for more detail on restatement.

ABRIDGED GROUP STATEMENT OF CASH FLOWS

	INFLATION ADJUSTED 30 Sept 2023 ZWL'000 Reviewed	INFLATION ADJUSTED 30 Sept 2022 ZWL'000 Reviewed Restated #	HISTORICAL COST 30 Sept 2023 ZWL'000 Unaudited	HISTORICAL COST 30 Sept 2022 ZWL'000 Unaudited Restated #
Cash flows from operating activities				
Profit before tax	182 450 987	39 884 698	328 983 304	32 684 990
Net monetary (gain) /loss	(24 435 008)	4 204 658	-	-
Depreciation and amortization	4 739 293	9 290 303	318 371	71 201
Exchange loss	49 399 761	5 218 712	24 670 906	918 005
Net finance charges / (income)	13 254 192	6 235 200	13 775 771	(903 468)
Other non-cash income	1 036	-	944	-
Share of profits from associates	(1 237 011)	(838 298)	(827 709)	(169 753)
Net movements in provisions	**(482 898)**	**21 165**	**(310 407)**	**3 518**
- Gross movements in provisions	22 479 954	2 068 372	34 116 666	1 928 674
- Movement attributable to revenue reserves	(22 962 852)	(2 047 207)	(34 427 073)	(1 925 156)
Changes in biological assets	(39 049 981)	31 185 967	(161 044 021)	(10 283 591)
Cash generated from operations	**184 640 371**	**95 202 405**	**205 567 159**	**22 320 902**
Changes in working capital	(247 011 361)	(92 688 378)	(222 929 410)	(20 578 588)
Net cash (utilized in) / generated from operations	**(62 370 990)**	**2 514 027**	**(17 362 251)**	**1 742 316**
Tax paid	(6 218 289)	(7 329 545)	(3 997 114)	(1 218 193)
Finance income received	4 156 068	24 019 844	2 698 666	4 778 033
Finance cost paid	(3 327 222)	(2 652 301)	(2 521 161)	(519 154)
Net cash (outflow)/ inflow from operating activities	**(67 760 433)**	**16 552 025**	**(21 181 860)**	**4 783 002**
Cash flows from investing activities				
Loans advanced to related parties^	(17 660 383)	(7 463 908)	(17 983 583)	(1 633 797)
Repayments by related parties^	12 612 407	1 574 083	12 824 898	380 000
Additions to property, plant and equipment	**(14 237 896)**	**(4 937 941)**	**(13 192 134)**	**(910 453)**
-Other property, plant and equipment	(4 990 773)	(2 215 938)	(4 496 381)	(447 856)
- Cane roots	(9 247 123)	(2 722 003)	(8 695 753)	(462 597)
Dividends received from associated companies	944 907	321 961	853 937	71 526
Net cash outflow from investing activities	**(18 340 965)**	**(10 505 805)**	**(17 496 882)**	**(2 092 724)**
Net cash (outflow)/ inflow before financing activities	**(86 101 398)**	**6 046 220**	**(38 678 742)**	**2 690 278**
Cash flows from financing activities				
Proceeds from borrowings	94 549 134	13 883 186	60 776 177	2 307 428
Repayment of borrowings	(71 912 981)	(5 207 428)	(46 225 659)	(865 491)
Lease financing paid	(131 670)	(54 591)	(80 091)	(7 623)
Net cash inflow from financing activities	**22 504 483**	**8 621 167**	**14 470 427**	**1 434 314**
Net (decrease)/ increase in cash and cash equivalents	**(63 596 915)**	**14 667 387**	**(24 208 315)**	**4 124 592**
Net cash balance at the beginning of the period	**15 513 293**	**8 361 721**	**4 839 135**	**770 605**
Net-monetary gain on cash	**28 714 443**	**3 573 386**	**-**	**-**
Net foreign exchange differences	**34 588 938**	**(14 077 465)**	**34 588 938**	**(1 816 233)**
Net Cash and cash equivalents at end of period	**15 219 758**	**12 525 029**	**15 219 758**	**3 078 962**

^ This relates to loans advanced to and repaid by Triangle Limited. Previously reported under operating activities, this has now been reclassified to investing activities due to the nature of the balance which is a loan receivable to enhance understanding.

^ Refer to note 7 for more detail on restatement.

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NOTES TO THE ABRIDGED GROUP FINANCIAL STATEMENTS

	INFLATION ADJUSTED		HISTORICAL COST	
	30 Sept 2023 ZWL'000	**30 Sept 2022 ZWL'000**	**30 Sept 2023 ZWL'000**	**30 Sept 2022 ZWL'000**
1. Income tax expense				
Normal tax	(19 914 221)	(5 280 806)	(37 549 900)	(3 718 315)
Deferred tax	(22 522 013)	(14 709 162)	(48 374 359)	(4 652 227)
Charged to profit and loss	**(42 436 234)**	**(19 989 968)**	**(85 924 259)**	**(8 370 542)**
2. Depreciation and amortisation				
Depreciation of property, plant and equipment	(3 644 685)	(6 058 807)	(261 373)	(30 413)
Amortisation of intangible assets	(305 241)	(335 036)	(1 972)	(1 902)
Depreciation of roots	(789 367)	(2 896 460)	(55 026)	(38 886)
	(4 739 293)	**(9 290 303)**	**(318 371)**	**(71 201)**
3. Capital expenditure commitments				
Contracted and orders placed	719 060	4 866 981	719 060	1 196 424
Authorized by Directors but not contracted	1 235 000	6 176 178	1 235 000	1 518 257
	1 954 060	**11 043 159**	**1 954 060**	**2 714 681**

4. Historical reporting

The historical financial disclosure is shown as complementary information. The information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 - Financial Reporting for Hyperinflationary Economies. As a result, the auditors have not issued a review conclusion on the historic financial information.

5. Basis of preparation and Statement of Compliance

The abridged consolidated interim financial statements of Hippo Valley Estates Limited (the 'Group') for the six months ended 30 September 2023 have been prepared in accordance with International Financial Reporting Standards ('IFRS'), interpretations developed and issued by the International Financial Reporting Interpretations Committee (IFRIC), the Companies and Other Business Entities Act (Chapter 24.31) and the Zimbabwe Stock Exchange regulations.

The abridged consolidated interim financial statements do not include all the disclosures required for complete annual financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board. Accordingly, these statements are to be read in conjunction with the annual financial statements for the year ended 31 March 2023 and any public announcements made by Hippo Valley Estates Limited during the interim reporting period.

The abridged consolidated interim financial statements are presented in Zimbabwean Dollars (ZWL), which is the Group's functional and presentation currency. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards effective 1 January 2024. The Group has not early adopted any standards, interpretation or amendment that has been issued but is not yet effective.

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

IAS 29 Financial Reporting in Hyperinflationary Economies

On 11 October 2019, the Public Accountants and Auditors Board of Zimbabwe classified Zimbabwe as a hyperinflationary economy in accordance with the provisions of IAS 29 Financial Reporting in Hyperinflationary Economies ('IAS 29'), applicable to entities operating in Zimbabwe with financial periods ending on or after 1 July 2019. Hyperinflationary accounting has therefore been applied by the Group for the six months ended 30 September 2023.

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

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

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

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

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

The Group and Company have elected to use the Zimbabwe Total Consumption Poverty Line (TCPL) inflation rates in determining the Consumer Price Index (CPI) as the General Price Index (GPI) to restate amounts as it provides an official observable indication of the change in the price of goods and services.

Due to the economy being multi-currency, in 2020 Zimbabwe National Statistical Agency (ZIMSTAT) began issuing two CPIs, that is a CPI for ZWL only and a blended CPI for both ZWL and USD. As a result, on 3 March 2023, the government of Zimbabwe gazetted SI 27 of 2023 which is cited as "The Census and Statistics (General) Notice, 2023, which revised the definition of inflation to "rate of inflation" means the general increase in price levels of goods and services measured as a weighted average based on the use of Zimbabwean dollars and United States dollars over a given period of time".

For the purposes of financial reporting, an assessment was conducted at the beginning of the current year by the Group and Company to determine which of the two CPIs was appropriate for IAS 29 computations. The conclusion reached was that, the Blended CPI is not in compliance with the International Financial Reporting Standards (IFRS), that is International Accounting Standard 29 (IAS 29) due to the inclusion of the USD which is not a currency of a hyperinflationary economy. The resultant effect of this SI was that, ZIMSTAT ceased the release of pure ZWL Inflation and CPI figures, with last release being for January 2023.

Given that the Company has a March year end, the entity needed to be able to make inflation adjustments for February and March 2023 for the purposes of year end reporting. Stemming from this, management made the decision to make use of movement in exchange rates to estimate the CPI and adjusting factors for use in the compilation of inflation adjusted financial statements.

Subsequent to this, further guidance was advised by practitioners to make use of movements in TCPL for the purposes of estimating inflation adjustment factors. Following which, at the time of reporting the Group and Company adopted the use of movements in TCPL in order to match the rest of the market and this is also permissible by IFRS.

The selection of a GPI for hyperinflation accounting is provided for in IAS 29.37. The standard states that, "The restatement of financial statements requires the use of a general price index that reflects changes in general purchasing power". This means that any instrument that tracks the general purchasing power of a currency within an economy may be used as a GPI for IAS 29. In Zimbabwe, the most common instruments that were used to track the purchasing power of the ZWL prior to the abolishment of pure ZWL CPI were:
(a) the ZWL CPI;
(b) the ZWL: USD exchange rate; and
(c) the ZWL TCPL

IAS 29 par 17 provides further guidance in circumstances where a general price index does not exist. The standard reads, "A general price index may not be available, and in such circumstances, the inflation rate may be estimated. Consequently, the inflation rate was estimated as per the provisions of IAS 29 using published movements in TCPL.

The following general price indices and conversion factors were applied:

CPI Sensitivity Analysis

Date	General Price Index	Conversion factor
30 September 2023	51 716.21	1.000
31 March 2023	16 132.08	3.206
30 September 2022	12 713.1	4.068
01 October 2021	2 301.67	22.469
Average CPI for 6 months to:		
30 September 2023	40 650.21	
30 September 2022	9 468.41	

The following analysis aims to demonstrate how sensitive the TCPL, which is used to estimate CPIs, is to some key financial line items in financial statements.

Estimated CPI September 2023	51 716 .21
Average CPI September 2023	40 650.21

Management determined that the change in the inflation measurement technique, that is, use of estimated CPIs in April to September 2023 constitutes a change in accounting estimate, rather than a prior period error. The effect of the change in estimate on future periods is not disclosed because it is impractical to determine an estimate for future inflation under volatile and hyperinflationary conditions. This increases the estimation uncertainty in objectively evaluating information about those misstatements. It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year will be materially different from the current forecasts and current assumptions could require a material adjustment to the carrying amount of the assets or liabilities affected.

	Effect of 10% increase in TCPL reviewed inflation adjusted 2023	Effect of 10% decrease in TCPL reviewed inflation adjusted 2023
Profit for the period (ZWL '000)	(26 710)	26 710
Equity (ZWL '000)	(1 291 663)	1 291 663

Reviewed Abridged Interim Financial Results for the six months ended 30 September 2023

6. Impact of Tongaat Hulett South Africa Business Rescue

In the prior year, the parent company Tongaat Hulett informed the public that, South African operations will now move ahead under the business rescue process, while international businesses which include Hippo Valley Estates Limited are not in business rescue. Recently, the business rescue practitioners have announced the commitment to publish the amended business rescue plan by 29 November 2023 and hold the creditors meeting to vote on the plan by 8 December 2023.

It should be noted that Hippo Valley Estates sugar operations are not financially distressed, will not enter business rescue and will continue trading. In addition, with regards to related party balances with the South African operations, Hippo Valley Estates Limited is in a net owing position hence exposure due to this development is also minimal. In relation to the processes, there are no key processes with the parent company that would threaten the company's going concern.

7. Inventory valuation: disclosures requirements for a prior period error

In the prior period (September 2022), cost of production included the accrual of costs which were only incurred during off-crop period from December 2022 to March 2023. These costs were for the maintenance of the milling plant at a latter date, meaning these were yet to be incurred. When the accrual was recognized, a liability was recorded, an expense (cost of sales) was recorded for sold goods and part of it was accumulated in inventory for the unsold goods. The error has been corrected by restating each of the affected financial statement line items for the prior period affected as follows:

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

	Inflation adjusted 30.09.22 ZWL'000	Historical cost 30.09.22 ZWL'000
Cost of sales	13 093 817	1 759 268
Net Monetary Gain	1 461 222	-
Income tax expense	(4 711 496)	(434 891)
Net impact on profit for the year	**9 843 543**	**1 324 377**
Attributable to:		
Equity holders of the parent	9 843 543	1 324 377
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	5 100	686
Diluted, profit for the year attributable to ordinary equity holders of the parent	5 100	686

Impact on interim condensed consolidated cashflow statement [increase/(decrease) in Net cashflows]

	Inflation adjusted 30.09.22 ZWL'000	Historical cost 30.09.22 ZWL'000
Profit before tax	14 555 039	1 759 268
Net Monetary Gain	(1 461 222)	-
Changes in working capital	(13 093 817)	(1 759 268)
Net cash (outflow)/ inflow from operating activities	**-**	**-**
Net impact on statement of cashflows	-	-

NB: IAS 34 requires the comparative for the statement of financial position to be the balance as of the end of the immediately preceding financial year (31 March 2023). As at 31 March 2023, the inventory and the accrual were not misstated, since the maintenance costs were actually incurred by the end of March 2023, as such no prior period error disclosure was made for the inventory and the accrual.

8. Interim Results Conclusion

The Group's inflation-adjusted consolidated interim financial statements as at 30 September 2023 from which these abridged results have been extracted have been reviewed by the Group's external auditors, Ernst & Young Chartered Accountants (Zimbabwe), who have issued an unmodified review conclusion. The engagement partner for this review is Mr David Marange (PAAB Practicing Certificate Number 436).

By order of the Board

Hippo Valley Estates Limited
Registration No. 371/1956
Registered Office: Hippo Valley Estates Limited, Chiredzi

Pauline Kadembo
Company Secretary

20 December 2023

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