



TongaatHulett[®]

Hippo Valley Estates Limited

Unaudited Abridged Interim Financial Results for the six months ended 30 September 2019

SALIENT FEATURES (INFLATION ADJUSTED)

- Sugar production of 152 076 tons (2018: 153 343 tons) -1%
- Revenue of ZWL748 million (2018: ZWL425 million) +76%
- Operating profit of ZWL404 million (2018: ZWL36 million) +1022%
- Adjusted EBITDA* of ZWL353 million (2018: ZWL101 million) +250%
- Profit for the period of ZWL188 million (2018: ZWL22 million) +755%

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

COMMENTARY

Introduction

Results for the six months period ended 30 September 2019 were achieved in a challenging economic environment following the re-introduction of the local currency in February 2019 and the subsequent abandonment of the multi-currency system in June 2019. Consequently, Zimbabwe's inflation accelerated substantially as the local currency continued to devalue against the major currencies. Accordingly, the Public Accountants and Auditors Board (PAAB) pronounced Zimbabwe as a hyperinflationary economy, effective for reporting periods ended on or after 1 July 2019. The requirements of IAS 29 Financial Reporting in Hyperinflationary Economies ("IAS 29") have therefore been applied to the financial results for the six months ended 30 September 2019.

Operations

Sugar production for the period of 152 076 tons (2018: 153 343 tons) was marginally lower than the same period in prior year with total cane deliveries to the mill amounting 1 233 300 tons (2018: 1 204 957 tons). The Company's own cane deliveries amounted to 763 386 tons (2018: 733 036 tons), an increase of 4%, whilst private farmers collectively delivered 469 914 tons (2018: 471 920 tons). Industry cane quality for the period was 2% lower than prior season with a cane to sugar ratio of 8.11 (2018:7.95) partially offsetting the benefits of higher yields achieved by the Company. The high incidence of Yellow Sugarcane Aphids (YSA) experienced in the region negatively impacted cane quality but robust crop management practices to contain the pest are being successfully implemented. Other initiatives to restore cane yields to optimal levels are on-going with some 1 074 hectares (2018: 1 670 hectares) having been ploughed out and replanted during the period.

Marketing

Local sales of sugar declined by 11.2% during the period (183 000 tons v 206 000 tons) at the back of low consumer disposable incomes. Timely adjustments of local sugar prices in line with inflation have been successful in minimizing speculative trading and illegal exports to neighbouring countries, practices historically common in hyperinflationary environments. Despite infrastructural damage and other logistical challenges occasioned by Cyclone Idai which impacted exports via Beira, industry export volumes increased to 47 000 tons compared to 37 000 tons exported in the same period last year, representing 20% of total sales volumes (Sep 2018: 15%).

Financial Results

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

Total revenue and operating profit for the period increased to ZWL748 million (76% above 2018: ZWL425 million) and ZWL404 million (1 022% above 2018:ZWL36 million) respectively driven by timely price adjustments in the local market in line with inflation and higher net realisations from exports. Consequently the Company achieved a net profit for the period of ZWL188 million (2018: ZWL22 million).

Net operating cash flow after interest, tax and working capital changes improved to ZWL153 million (2018: ZWL43 million) driven by the increase in operating profit. Capital expenditure totalled ZWL8 million (2018: ZWL30 million) of which ZWL7 million (2018: ZWL18 million) was for root replanting. At 30 September 2019, the Company had a net cash balance of ZWL55 million compared to a net debt position of ZWL86 million in the previous corresponding period.

The effective tax rate on the inflation adjusted accounts was 36.11% (2018: 27.73%), impacted by the net monetary loss of ZWL116 million that was treated as a permanent difference for income tax purposes.

Dividend

In light of the uncertainties in the economic environment and resulting liquidity pressures, combined with the seasonal nature of the Company operations, the Directors have decided not to declare an interim dividend for the six month period ended 30 September 2019.

Outlook

While the commissioning of the Tugwi-Mukosi Dam in May 2017 provided security of irrigation water to the industry, subsequent poor rains have resulted in minimal inflows presenting a key risk to the industry. Notwithstanding the current comparative low dam levels, the industry has irrigation water cover in excess of one season with expectations of improved rainfall activity in the February to April 2020 period.

Total industry sugar production from the recently concluded 2019/20 harvesting season was 441 000 tons (2018: 453 000 tons) following a reduced contribution of cane from third party farmers and low cane quality across the region. With adequate water, the industry is accelerating efforts to maximize sugar production through yield improvement initiatives and the development of 4 000 hectares of virgin land to sugarcane by end of 2020 in partnership with Government and local banks (Project Kilimanjaro). Significant progress has been made to date following the official launch of the Project by HE, President E D Mnangagwa on 9 November 2019. To date a total of 2 700 hectares of virgin land have already been bush cleared and ripped, 400 hectares planted to sugarcane, 6 of 12 storage dams built, two pump stations installed and canals constructed. On completion, Project Kilimanjaro will contribute significantly to the industry target of full utilization of installed milling capacity of 600 000 tons sugar by 2023/24.

Marketing focus remains on ensuring fulfilment of local market requirements whilst growing export sales in regional premium markets to generate additional foreign currency to fund foreign input costs.

The Company remains optimistic that notwithstanding the current challenges, the Zimbabwe sugar industry is well positioned to be one of the most competitive in the region by 2023 off the back of increased production and operating efficiencies.

By Order of the Board

D L Marokane
Chairman

A Mhere
Chief Executive Officer

10 February 2020



Est. 1892

HIP 15833

TongaatHulett®

Hippo Valley Estates Limited

Unaudited Abridged Interim Financial Results for the six months ended 30 September 2019

ABRIDGED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INFLATION ADJUSTED		HISTORICAL COST	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	ZWL'000	ZWL'000	ZWL'000	ZWL'000 Restated
Revenue	748 367	424 518	530 183	93 663
Operating profit	404 108	35 753	465 452	7 887
Net monetary loss	(116 448)	-	-	-
Net finance charge	(6 553)	(7 766)	(3 964)	(1 714)
	281 107	27 987	461 488	6 173
Share of profit of associated companies	12 533	2 834	9 320	625
Profit before tax	293 640	30 821	470 808	6 798
Income tax expense	(106 034)	(8 548)	(121 955)	(1 886)
Profit for the period	187 606	22 273	348 853	4 912
Other comprehensive income, net of tax	6 363	(1 138)	9 995	(251)
Actuarial losses on post retirement provision	9 030	-	(2 029)	-
Exchange gain/(loss) on translation of foreign investment	(2 667)	(1 138)	12 024	(251)
Total comprehensive income for the period	193 969	21 135	358 848	4 661
Number of shares in issue ('000 of shares)	193 021	193 021	193 021	193 021
Basic and diluted earnings per share (ZWL cents)	97.2	11.5	180.7	2.5
Headline earnings per share (ZWL cents)	97.2	17.4	180.7	3.8

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

	INFLATION ADJUSTED		HISTORICAL COST	
	30 September 2019	31 March 2019	30 September 2019	31 March 2019
	ZWL'000	ZWL'000	ZWL'000	ZWL'000
ASSETS				
Non-current assets	594 947	614 507	167 017	142 173
Property, plant and equipment	546 350	566 315	127 845	126 517
Intangible assets	12 203	12 638	2 778	2 874
Investments in associated companies	30 704	19 728	30 704	7 092
Long term receivables	5 690	15 826	5 690	5 690
Current assets	990 286	601 137	983 839	216 115
Biological assets	337 353	257 776	337 353	92 673
Inventories	403 128	116 399	396 681	41 847
Trade and other receivables	157 920	172 804	157 920	62 125
Current tax asset	4 982	-	4 982	-
Cash and cash equivalents	86 903	54 158	86 903	19 470
Total assets	1 585 233	1 215 644	1 150 856	358 288
EQUITY AND LIABILITIES				
Capital and reserves	872 731	678 762	543 758	184 910
Issued share capital	69 988	69 988	15 442	15 442
Non-distributable reserves	5 965	8 632	65 535	53 511
Retained earnings	796 778	600 142	462 781	115 957
Non-current liabilities	287 178	212 370	181 774	56 713
Deferred tax liabilities	275 937	189 390	170 533	48 451
Provisions	11 241	22 980	11 241	8 262
Current liabilities	425 324	324 512	425 324	116 665
Trade and other payables	386 067	143 461	386 067	51 576
Borrowings	32 222	157 352	32 222	56 569
Dividend payable	7 035	3 878	7 035	1 394
Current tax liability	-	19 821	-	7 126
Total equity and liabilities	1 585 233	1 215 644	1 150 856	358 288

ABRIDGED GROUP STATEMENT OF CASH FLOWS

	INFLATION ADJUSTED		HISTORICAL COST	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	ZWL'000	ZWL'000	ZWL'000	ZWL'000 Restated
Cash flows from operating activities				
Operating profit	404 108	35 753	465 452	7 887
Net monetary loss	(116 448)	-	-	-
Depreciation and amortisation	28 804	39 458	6 449	8 706
Exchange loss on foreign denominated dividend	3 157	-	5 641	-
Net movements in provisions	423	152	248	34
- Gross movement in provisions	(11 739)	152	2 979	34
- Movement attributable to revenue reserves	12 162	-	(2 731)	-
Changes in biological assets	(79 577)	25 793	(244 680)	5 691
Loss on disposal of property, plant and equipment	-	11 276	-	2 488
Cash generated from operations	240 467	112 432	233 110	24 806
Changes in working capital	(29 239)	(43 226)	(116 138)	(2 515)
Net cash generated from operations	211 228	69 206	116 972	22 291
Tax paid	(51 336)	(18 489)	(15 191)	(4 079)
Net finance charges paid	(6 553)	(7 766)	(3 964)	(1 714)
Net cash inflow from operating activities	153 339	42 951	97 817	16 498
Cash flows from investing activities				
Additions to property, plant, equipment and intangible assets	(8 404)	(29 963)	(7 681)	(6 611)
Other property, plant, equipment and intangible assets	(1 090)	(11 587)	(596)	(2 557)
- Cane roots	(7 314)	(18 376)	(7 085)	(4 054)
Dividends received from associated companies	2 803	3 830	1,644	845
Movement in non-current financial assets	10 137	-	-	-
Net cash inflow/(outflow) from investing activities	4 536	(26 133)	(6 037)	(5 766)
Net cash inflow before financing activities	157 875	16 818	91 780	10 732
Cash flow from financing activities				
Proceeds from borrowings	27 331	202 872	16 034	44 760
Repayment of borrowings	(152 461)	(224 311)	(40 381)	(56 512)
Net cash outflow from financing activities	(125 130)	(21 439)	(24 347)	(11 752)
Net increase/(decrease) in cash and cash equivalents	32 745	(4 621)	67 433	(1 020)
Net cash balance at the beginning of the period	19 470	41 847	19 470	9 233
Inflation effects on cash and cash equivalents	34 688	-	-	-
Net cash balance at the end of the period	86 903	37 226	86 903	8 213

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

	INFLATION ADJUSTED			Total ZWL'000
	Issued share capital ZWL'000	Non-distributable reserves ZWL'000	Retained earnings ZWL'000	
Balance at 31 March 2018	69 988	228 458	147 642	446 088
Total comprehensive income for the period	-	13 551	236 620	250 171
Profit for the period	-	-	246 420	246 420
Other comprehensive income/(loss) for the period	-	13 551	(9 800)	3 751
Transfer from non-distributable reserve	-	(233 377)	233 377	-
Dividend	-	-	(17 497)	(17 497)
Balance at 31 March 2019	69 988	8 632	600 142	678 762
Total comprehensive income for the period	-	(2 667)	196 636	193 969
Profit for the period	-	-	187 606	187 606
Other comprehensive income/(loss) for the period	-	(2 667)	9 030	6 363
Balance at 30 September 2019	69 988	5 965	796 778	872 731



Est. 1892

TongaatHulett®

Hippo Valley Estates Limited

Unaudited Abridged Interim Financial Results for the six months ended 30 September 2019

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

	Issued share capital ZWL'000	HISTORICAL COST		Total ZWL'000
		Non-distributable reserves ZWL'000	Retained earnings ZWL'000	
Balance at 31 March 2018 (Restated)	15 442	50 406	48 567	114 415
Total comprehensive income for the period	-	3 105	71 250	74 355
Profit for the period	-	-	73 776	73 776
Other comprehensive income/(loss) for the period	-	3 105	(2 526)	579
Dividend	-	-	(3 860)	(3 860)
Balance at 31 March 2019	15 442	53 511	115 957	184 910
Total comprehensive income for the period	-	12 024	346 824	358 848
Profit for the period	-	-	348 853	348 853
Other comprehensive income/(loss) for the period	-	12 024	(2 029)	9 995
Balance at 30 September 2019	15 442	65 535	462 781	543 758

NOTES TO THE ABRIDGED GROUP FINANCIAL STATEMENTS

	INFLATION ADJUSTED		HISTORICAL COST	
	30 September 2019 ZWL'000	30 September 2018 ZWL'000	30 September 2019 ZWL'000	30 September 2018 ZWL'000 Restated
1 Net Finance Charges				
Interest paid	(6 633)	(8 141)	(3 970)	(1 869)
Interest received	80	375	6	155
	(6 553)	(7 766)	(3 964)	(1 714)
2 Income tax expense				
Normal tax	(22 202)	(12 990)	(3 083)	(2 866)
Deferred tax	(86 547)	4 920	(122 082)	1 365
Transfer to non-distributable reserve	3 914	(478)	3 914	521
Transfer from revenue reserve	(1 199)	-	(704)	(906)
Charged to profit or loss	(106 034)	(8 548)	(121 955)	(1 886)
3 Depreciation and amortisation				
Depreciation of property, plant and equipment	15 569	14 679	3 450	3 239
Amortisation of intangible assets	435	706	96	156
Depreciation of roots	12 800	24 073	2 903	5 311
	28 804	39 458	6 449	8 706
4 Capital expenditure commitments				
Contracted and orders placed	18 562	9 858	18 562	2 175
Authorized by Directors but not contracted	487	68	487	15
	19 049	9 926	19 049	2 190

5. Basis of preparation

Statement of Compliance

The abridged consolidated interim financial statements of Hippo Valley Estates Limited (the 'Company'), together with its subsidiaries (the 'Group') for the six months ended 30 September 2019 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 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 2019 and any public announcements made by Hippo Valley Estates Limited during the interim reporting period.

The abridged consolidated interim financial statements are presented in Zimbabwean Dollars (ZWL), which is the Group's functional and presentation currency. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards. The adoption of IFRS 16 Leases had no impact on the Group results for the six months ended 30 September 2019.

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 2019.

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

- There was a rapid increase in official inflation rates. As at March 2019, the annual inflation rate was 67% resulting in a three-year cumulative inflation rate of 72%. The annual inflation rate through to June 2019 increased to 176% resulting in a three-year cumulative inflation rate for Zimbabwe of 185%.
- There was significant deterioration in the interbank Zimbabwe Dollar (ZWL) exchange rate during the period. Trading commenced at a closing interbank rate of ZWL2.5 to US\$1 during February 2019 and weakened to a rate of ZWL15.19 to US\$1 at 30 September 2019.
- 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 re-measured amount of a non-monetary asset exceeds the recoverable amount.

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

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

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

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

The following general price indices and conversion factors were applied:

Date	General Price Index	Conversion factor
30 September 2019	290.4	1.000
31 March 2019	104.4	2.783
1 October 2018	64.0	4.532
Average CPI for 6 months to:		
30 September 2019	192.1	
30 September 2018	63.1	

6. Restatement of prior financial results

The prior year restatements as discussed in the results for the year ended 31 March 2019 were carried forward for the September 2019 interim results. The accounting principles established for the restatement of the March 2018 financial statements have been applied in preparing the restated September 2018 interim financials and have been amended to provide for the split of profits between the two halves of the financial year.

Impact of the restatements on the Statement of Profit or Loss for the period ended

	HISTORICAL COST		
	30 September 2018 ZWL'000 Previously reported	Restatements ZWL'000	30 September 2018 ZWL'000 Restated
Revenue	93 212	451	93 663
Operating Profit	10 098	(2 211)	7 887



Est. 1892

TongaatHulett®

Hippo Valley Estates Limited

Unaudited Abridged Interim Financial Results for the six months ended 30 September 2019

Impact of the restatements on the Statement of Financial Position as at

	HISTORICAL COST		
	30 September 2018	Restatements	30 September 2018
	ZWL'000	ZWL'000	ZWL'000
	Previously reported		Restated
ASSETS			
Non-current assets	225 409	(123 057)	102 352
Property, plant and equipment	219 000	(128 411)	90 589
Intangible assets	3 165	(336)	2 829
Investments in associated companies	3 244	-	3 244
Long term receivables	-	5 690	5 690
Current assets	154 320	(32 119)	122 201
Biological assets	40 948	(9 812)	31 136
Deferred plant maintenance costs	5 886	(5 886)	-
Inventories	68 942	(11 672)	57 270
Trade and other receivables	28 537	(4 431)	24 106
Current tax asset	1 794	(318)	1 476
cash and cash equivalents	8 213	-	8 213
Total Assets	379 729	(155 176)	224 553
EQUITY AND LIABILITIES			
Capital and reserves	235 746	(120 529)	115 217
Issued capital	15 442	-	15 442
Non-distributable reserves	127 584	(77 430)	50 154
Retained earnings	92 720	(43 099)	49 621
Non-current liabilities	70 519	(38 337)	32 182
Deferred tax liabilities	65 748	(38 337)	27 411
Provisions	4 771	-	4 771
Current liabilities	73 464	3 690	77 154
Trade and other payables	66 004	(19 794)	46 210
Borrowings	3 600	23 484	27 084
Dividend payable	3 860	-	3 860
Total	379 729	(155 176)	224 553

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

B Shava
Company Secretary

10 February 2020