Est. 1892

TongaatHulett®

Hippo Valley Estates Limited

Abridged Audited Financial Results for the Year Ended 31 March 2022

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

SALIENT FEATURES

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

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

Operating Environment

Despite the relative slowdown in annual inflation from 241% in March 2021 to 72.7% in March 2022, the economic environment remains volatile and hyperinflationary. The Zimbabwe Dollar (ZWL) suffered a 69% depreciation on the Foreign Currency Auction System (FCAS) during the period under review. The increased volatility of the exchange rate towards the end of the period under review has made the operating environment challenging. The Company (Hippo Valley Estates Limited) continues however, to pursue value preservation strategies in the hyperinflationary environment.

Unemployment remains high, with the bulk of the population managing on the back of informal businesses and agricultural projects. While efforts continue to be made to liberalise the currency regime to ease liquidity challenges and inflation gradually, policy uncertainty and the impact of capital controls continue to hamper economic turnaround.

COVID-19 Update

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

Operations

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

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

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

Marketing Performance

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

Financial Results

The financial results of the Group have been inflation adjusted to comply with the requirements of IAS 29 Financial Reporting in Hyperinflationary Economies ('IAS 29'). As such, the commentary on financial performance is based on inflation adjusted financial results except for revenue, operating profit and adjusted EBITDA where commentary is based on both historical and inflation adjusted financial results. Historical figures are included as supplementary information alongside the inflation adjusted financial results to enhance comprehension and analysis. In complying with the requirements of IAS 29 and IAS 21: The effects of Changes in Foreign Currency Rates, the Directors applied, where appropriate, necessary judgements and assumptions with due care. However, users are cautioned that in hyperinflationary environments inherent economic distortions may have an impact on these financial statements. As such, the Directors would like to advise users to exercise caution in the use of these abridged inflation adjusted financial statements in relation to the reporting currency and conversion to comparative currencies.

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

Dividend

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

Environmental, Sustainability & Governance

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

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

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

Projects and Initiatives

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

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

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

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

Land tenure

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

DIRECTORS: C F Dube (Independent Non-executive Chairman), A Mhere* (Chief Executive Officer), R D Aitken, R M Goetzsche, J G Hudson, N Kudenga, T Masarakufa*, R T Masawi, G Sweto, R J Moyo, N J J Mangwiza, D K Shinya *Executive

TongaatHulett
Est. 1892

Hippo Valley Estates Limited

Abridged Audited Financial Results for the Year Ended 31 March 2022

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

Directorate

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

Outlook

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

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

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

By Order of the Board

C. F. Dube
Chairman

A. Mhere
Chief Executive Officer

DDH&M_HV16110

Est. 1892

TongaatHulett®

Hippo Valley Estates Limited

Abridged Audited Financial Results for the Year Ended 31 March 2022

ABRIDGED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

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

GROUP STATEMENT OF CHANGES IN EQUITY

INFLATION ADJUSTED

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

GROUP STATEMENT OF CHANGES IN EQUITY

HISTORICAL COST

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

ABRIDGED GROUP STATEMENT OF CASH FLOWS

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

DDH&M_HV16110

Hippo Valley Estates Limited

Abridged Audited Financial Results for the Year Ended 31 March 2022

NOTES TO THE ABRIDGED GROUP FINANCIAL STATEMENTS

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

4. Historical reporting

The historical financial disclosure is shown as supplementary information. The information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 - Financial Reporting in Hyperinflationary Economies.

5. Basis of preparation

Statement of Compliance

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

The abridged consolidated financial statements do not include all the disclosures required for complete annual financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board.

The abridged consolidated financial statements are presented in Zimbabwean Dollars (ZWL), which is the Group's functional and presentation currency. The accounting policies adopted are consistent with those of the previous financial year and corresponding reporting period, except for the adoption of new and amended standards.

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

IAS 29 Financial Reporting in Hyperinflationary Economies

On 11 October 2019, the Public Accountants and Auditors Board of Zimbabwe classified Zimbabwe as a hyperinflationary economy in accordance with the provisions of IAS 29 Financial Reporting in Hyperinflationary Economies ('IAS 29'), applicable to entities operating in Zimbabwe with financial periods ending on or after 1 July 2019. Hyperinflationary accounting has therefore been applied by the Group for the year ended 31 March 2022.

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

- In the financial year to March 2022, annual inflation rate significantly decelerated to 72.7%. However, this remains hyperinflationary in accordance with IAS 29.
- There was significant deterioration in the auction Zimbabwe Dollar (ZWL) exchange rate during the period. Trading commenced at an interbank rate of ZWL84.4001 to US$1 as at 1 April 2021 and weakened to a rate of ZWL142.4237 to US$1 at 31 March 2022.
- Access to foreign currency to settle foreign currency denominated liabilities remains constrained.

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

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

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

Gains or losses on the net monetary position have been recognised as part of profit or loss before tax in the statement of profit or loss and other comprehensive income. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

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

The following general price indices and conversion factors were applied:

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

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

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

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

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

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

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

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

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

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

7. Change in presentation on consolidated Statement of Cash flow

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

DDH&M_HV16110

Est. 1892

TongaatHulett

Hippo Valley Estates Limited

Abridged Audited Financial Results for the Year Ended 31 March 2022

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

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

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

These changes have no material impact on previously reported numbers.

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

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

(a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or

(b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

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

(a) the nature of the prior period error;

(b) for each prior period presented, to the extent practicable, the amount of the correction:

i) for each financial statement line item affected; and

ii) if IAS 33 applies to the entity, the basic and diluted earnings per share;

c) the amount of the correction at the beginning of the earliest prior period presented; and

d) if retrospective restatement is impracticable [Refer: paragraphs 5 (definition of impracticable) and 50 - 53] for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected (IAS 8 paragraph 49).

Disclosure notes

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

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

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

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

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

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

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

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

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

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

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

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

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

Impact on statement of profit or loss and other comprehensive income

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

Impact on statement of financial position

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

10. Subsequent events

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

11. Going concern

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

12. Auditor's statement

The Group and Company's inflation adjusted financial statements as at 31 March 2022 from which these abridged results have been extracted have been audited by Ernst & Young Chartered Accountants (Zimbabwe), who have issued a qualified opinion as a result of non-compliance with International Accounting Standard 21, "The Effects of Changes in Foreign Exchange Rates" in prior year and International Accounting Standard 8, "Accounting Polices, Changes in Accounting Estimates and Errors"; and the consequential impact of applying IAS 29 - "Financial Reporting in Hyperinflationary Economies" on an incorrect base in prior year.

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

The engagement partner responsible for this audit is Mr David Marange.
(PAAB Practicing Certificate Number 0436)

By order of the Board

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

P Kadembo
Company Secretary

DDH&M_HV16110