Hippo Valley Estates Limited

ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2024

CHAIRMAN'S STATEMENT AND CHIEF EXECUTIVE'S REVIEW FOR YEAR ENDED 31 MARCH 2024

Statistical Highlights

	Year ended 31.03.24	Year ended 31.03.23	% Change
Sugar production (tons)	194 684	207 430	↓ 6%
Total industry sugar sales (tons)	391 662	381 820	↑ 3%
Hippo share of industry sugar (%)	52.5%	52.3%	↑ 1%

Financial Highlights

	INFLATION ADJUSTED			HISTORICAL COST		
	Year ended 31.03.24 ZWL'000	Year ended 31.03.23 ZWL'000	% Change	Year ended 31.03.24 ZWL'000	Year ended 31.03.23 ZWL'000	% Change
Revenue (ZWL'000)	7 509 396 798	4 284 860 880	↑ 75%	1 337 882 807	100 578 926	↑1 230%
Operating (loss)/profit (ZWL'000)	(1 273 738 228)	796 746 545	↓ 260%	1 085 979 770	55 193 055	↑1 868%
Adjusted EBITDA *(ZWL'000)	(430 129 979)	321 280 396	↓ 234%	250 608 151	10 776 720	↑2 225%
Profit for the year (ZWL'000)	535 134 200	529 886 726	↑ 1%	728 928 097	42 802 255	↑1 603%

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

Message from the Chairman

C.F. Dube

"Through sustainable business practices, the company guarantees product availability to its valued customers globally, as we see opportunities ahead of challenges."

Message from the CEO

R.T. Masawi

"In the face of ongoing macroeconomic and other operational challenges, the year has ended with limited progress on key metrics but through our experience, focus remains on taking critical steps to recoup in the ensuing year and beyond."

Cautionary – reliance on hyperinflation adjusted financial statements

The consolidated financial results of Hippo Valley Estates Limited (the Company) have been prepared in accordance with the requirements of International Accounting Standard 29 - Financial Reporting in Hyperinflationary Economies (IAS 29). As such, the commentary on financial performance is based on inflation adjusted financial results, with historical figures presented as supplementary information alongside the inflation adjusted financial results to enhance comprehension and analysis. In complying with IAS 29, the Directors applied, where appropriate, necessary judgements and assumptions with due care. However, users are cautioned that in hyperinflationary environments inherent economic distortions may have an impact on these financial results. As such, the Directors would like to advise users to exercise caution in the use of these abridged inflation adjusted financial statements in relation to the reporting currency and conversion to comparative currencies.

Operating Environment

The 2024 financial year will be remembered for the difficult economic climate with overwhelming hyperinflation which saw the extreme depreciation of the local currency against the United States Dollar (USD). The official exchange rate to the ZWL devalued by 2 272% from ZWL930:US$1 at the beginning of the year April 2023 to ZWL22 055:US$1 at the end of March 2024. Imperfections in the financial markets continued with constrained Zimbabwe Dollar (ZWL) and United States Dollar (USD) liquidity, making it difficult to draw on short term facilities for working capital requirements which was amplified by the change in cane supply arrangements which required the payment for cane on delivery to the mill, rather than when the sugar was sold. The complexities in the monetary and fiscal policies persisted and various regulatory pronouncements were issued in an effort to stabilize exchange rates and reduce inflation. Notwithstanding progressive monetary policy measures implemented by the Reserve Bank of Zimbabwe in the first quarter that allowed foreign currency to be traded more freely at market-determined exchange rates through financial institutions, the greater part of the financial year experienced severe exchange rate volatility resulting from market forces of the USD demand and supply.

Statutory Instrument 80 of 2023 introduced at the onset of the financial year saw the suspension of import duty on basic commodities including sugar, affected the industry significantly. The Company was not spared from the effects of the above, which contributed to the decline in financial performance. The Statutory Instrument was subsequently repealed in the last quarter. Amongst other fiscal policy measures was the introduction of more aggressive corporate taxes, effective 1 January 2024, thus increasing the cost of doing business for the whole economy. In relation to the Company, the change in the treatment of sugar and sugarcane was zero rated to exempt increased the cost of producing sugar as VAT credits could no longer be recovered from the revenue authority. The multi-currency regime continued with the USD transactions dominating the trading platforms and post 31 March 2024, the economy saw the pronouncements of the 2024 Monetary Policy Statement which focused on a number of interventions. One such was the introduction of the Zimbabwe Gold (ZiG) currency (a currency anchored on gold and USD reserves), replacing the ZWL effective 05 April 2024 under the theme "recalibrating the monetary policy framework to anchor currency, exchange rate and price stability". In the event that the ZiG currency holds, expectations are that this will lower inflation and improve exchange rate stability. The rising geopolitical tensions have created far reaching consequences to a wide spectrum of industries, intensifying the volatility and complexity of the business operating environment and commodity prices remain threatened amidst fears of global inflation. The Company continues to proactively drive initiatives aimed at protecting the local market and procuring at competitive prices in order to foster a positive business case that generates sustainable profits.

Operations

Cane and sugar production (tons) for the year ended 31 March 2024

	Year ended 31.03.24	Year ended 31.03.23	% Change
Tons cane harvested - Company	863 075	1 017 408	↓ -15%
Tons cane harvested - Private farmers	746 355	749 985	↓ 1%
Total tons harvested	**1 609 430**	**1 767 393**	↓ **9%**
Tons cane diverted to Triangle	-	(27 001)	↑100%
Total tons cane milled	**1 609 430**	**1 740 392**	↓ **8%**
Sugar cane yield per hectare -Company	89.20	95.38	↓ 6%
Sugar cane yield per hectare -Private farmers	68.82	73.40	↓ 6%
Cane to sugar ratio	8.27	8.39	↑ 1%
Tons sugar produced - Company	194 684	207 430	↓ 6%
Tons sugar produced - Industry	370 600	396 682	↓ 7%

Cane deliveries from the Company's own plantations (miller-cum-planter) fell 15% below the prior year, due to lower cane yields and a reduction in the area harvested arising from a 4 week delay to the milling season while cane delivery agreements were being negotiated. Cane yields dropped to 89.20 tons cane per hectare (tch) (2023: 95.38tch) resulting from reduced volume of higher-yielding 'plant cane' harvested in the current year, and adverse weather conditions coming from a strong El Nino event occurring between October 2023 and March 2024. Private farmer cane deliveries contributed 46% (2023:42%) of the total cane supply, and were 1% below prior year having experienced a 6% drop in yields after achieving 68.82tch (2023: 73.40tch).

The milling season ended on 21 December 2023 with reduced sugar production by 12 476 tons, a 6% drop from prior year. The decrease was occasioned by the late season start-up, delays in processing harvested cane given the removal of rateable delivery quotas from cane supply agreements, as well as low milling efficiencies owing to the limited availability of critical spares (affected by cashflow constraints on account of the impact of cheap sugar imports). This resulted in unscheduled mill stoppages and lost time available (a measure of plant reliability) increased to 17.8% from 14.6% and recorded in the prior year. Overall, 652 hectares of cane was not able to be crushed and was carried over to the following season.

However, the season registered improved recovery efficiencies with cane quality (measured as the estimated recoverable crystal in sugar cane (ERC)) increasing to 12.10% (2023: 11.64%) and the cane-to-sugar ratio (i.e. tons of cane required to be crushed to produce one ton of sugar) improved to 8.27 (2023: 8.39). The off-crop maintenance program performed between December 2023 and April 2024 which encompasses annual maintenance, including repositioning the mill for improved efficiencies, was successfully completed and the mill commenced crushing for the 2024/25 season in April 2024 as planned.

Marketing Performance

Following the publication in May 2023 of Statutory Instrument 80 of 2023 as detailed in the overview of the operational environment, domestic market sales for the sugar industry experienced immense pressure with volumes declining by 54 770 tons (16%) to 283 289 tons (2023: 338 059 tons). Notwithstanding the repeal of Statutory Instrument 80 in January 2024, the eight-month period with imported sugar brands had unfair comparative cost advantages over locally-produced sugar as imported sugar was not subjected to Vitamin A fortification as required by law [i.e. SI 120 of 2016] among other factors. Local market purchasing power was depressed due to inflationary pressures, with price becoming a key driver of consumer behavior and consequently, the cheaper duty free and non-fortified sugar imports eroded the local market share. Continuous engagements with the relevant authorities during the eight-month period resulted in the reinstatement of import duty on sugar and other basic commodities with recovery only having commenced towards the end of the financial year, owing to high stocks of imported sugar in the country. To date, the market share of locally produced sugar remains on the recovery path.

During the period under review, export sales volume for the industry increased by 148% to 108 374 tons (2023: 43 761 tons) partly arising from the sales volume redirected to the export market to mitigate against the drop in domestic market revenue and to generate the cash required to sustain business operations. Additionally, export sales volume growth was driven by the increased United States Tariff Rated Quota [USTRQ] allocation to 22 420 tons (2023: 17 751 tons) and exports to the United Kingdom of 55 000 tons. Sales into regional markets also increased by 4 943 tons with most of this going to the Botswana & East African markets. International sugar markets are however residual markets for excess sugar and accordingly export market prices are typically lower than domestic market prices.

For the period ended 31 March 2024, the Company's share of total industry sugar sales volume of 205 779 tons (2023: 199 709 tons) was 52.5% (2023: 52.3%).

Financial Overview

The year was not plain sailing for the sugar industry mainly owing to lost revenue in the local market which generates higher returns compared to the export market. Unscheduled mill stoppages, combined with the decline in yields, increase in the minimum wage, high input costs due to price volatility and

DIRECTORS: C F Dube (Chairman), R T Masawi* (Chief Executive Officer), D K Shinya, R D Aitken, T Masarakufa*, G Sweto, R J Moyo, N J J Mangwiza, T Chigumbu, P G Serima, J J van Rooyen.
* - Executive

a member of Tongaat

ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2024

global inflation from geopolitical events in Eastern Europe negatively impacted the financial performance of the Company. Resultingly, an inflation adjusted operating loss of ZWL1.3 trillion (2023: operating profit of ZWL0.8 trillion) was recorded for the year. Currency and inflationary dynamics continued to cause distortions in financial reporting. The Company recorded a net monetary gain of ZWL2.6 trillion (2023: monetary loss of ZWL0.1 trillion). This was influenced by the indexing of the actuarial loss on the post-retirement medical aid obligation (PRMA) and Retirement Gratuity (RG), which accounted for ZWL1.3 trillion, while the remaining balance was mainly due to the net indexing effect on other income statement related items. The net monetary gain was significant enough to turn the operating loss for the year into an overall inflation-adjusted profit of ZWL0.5 trillion (2023: ZWL0.5 trillion). Without the indexing effect on the actuarial loss on PRMA and RG, the profit before tax would have been a loss of ZWL0.2 trillion. The table below shows an analysis of the indexing effect:

	PRMA and RG indexed at an average factor of 10	PRMA and RG indexed at the closing factor of 1	Movement
Impact on Other Comprehensive Income			
Actuarial Loss (ZWL000)			
Gross	(1 398 450 960)	(139 772 050)	1 258 678 910
Tax Impact	345 697 077	34 551 651	(311 145 426)
After Tax	(1 052 753 882)	(105 220 399)	947 533 483
Impact on Statement of Profit or Loss			
Net monetary gain (ZWL000)	2 647 217 116	1 388 538 207	(1 258 678 910)
Profit /(loss) before tax (ZWL000)	781 090 251	(477 588 658)	(1 258 678 910)
Taxation (ZWL000)	(245 956 051)	271 613 227	517 569 278
Profit /(loss) for the period (ZWL000)	535 134 200	(205 975 431)	(741 109 631)
Impact on Statement of Financial Position			
Equity (ZWL000)	1 844 683 099	2 051 106 950	206 423 852

Exchange rates and high inflation disrupted liquidity flows, creating cashflow gaps which were covered through utilization of short-term loans with the financial institutions struggling to satisfy working capital requirements due to general liquidity constraints experienced in the economy. The introduction of a cane purchase agreement (as an alternate to a cane milling agreement) placed further pressure on the working capital requirements of the business as the cane was required to be paid for on delivery and not when the sugar was sold. This challenge, largely experienced between June 2023 and March 2024, resulted in the Company carrying long outstanding supplier obligations most of which were subsequently settled post 31 March 2024 after receipt of a significant portion of the export inflows.

Dividend

The Company experienced immense competition in the local market from cheap sugar imports, lasting for eight months from May 2023 up until the repeal of Statutory Instrument 80 effective 1 February 2024, squeezing cash resources as excess sugar stocks were redirected to comparatively low yielding export markets. This, together with the working capital requirements of the new cane purchase arrangements for the season and the inability to recover cost pressures due to the relatively lower export prices, placed a strain on the Company's liquidity. As a result, there was an increase in the borrowing levels of the Company and delays in settlement of amounts owed to suppliers. For these reasons, and the uplift of Statutory Instrument 80 of 2023 only taking effect on the 1st of February 2024, the Directors have resolved not to declare a dividend for the year ended 31 March 2024.

Safety, Health and Environment (SHE)

A total of 3 Lost Time Injuries (LTIs) were recorded during the period under review, compared to 2 LTIs recorded during the prior year. This resulted in a Lost Time Injury Frequency Rate (LTIFR) of 0,028 (2023: 0,018). Fortunately, there were no fatal incidents recorded during the year. Improved safety measures focusing on behavioral changes and heightened vigilance amongst peers were implemented to curtail the incident trends as well as to avoid a repeat of the fatality experienced in the prior year. For the ensuing year, a number of initiatives, including review of controls over fatality risk areas,, assessment of compliance of contractors to SHE protocols, enforcement of change management procedures on all new changes, will be implemented to further improve the Company's SHE performance.

The Company also successfully retained its certification in respect of the Occupational Safety and Health Management System (ISO 45001:2018) and Environmental Management Systems (ISO 14001:2015). This reaffirms its commitment to act responsibly and to impact the environment positively in order to protect communities whose livelihoods depend on agriculture, and for the benefit of future generations. Hippo Valley continues to invest in clean renewable energy sources, reforestation and general tree planting programs, sustainable waste management systems and proactive emission monitoring and control systems to reduce its overall environmental footprint.

A cholera outbreak was reported in parts of Africa and Zimbabwe has been grappling with the outbreak since 12 February 2023 (as at 26 April 2024, 33 004 cholera cases and 703 deaths were reported in Zimbabwe). Chiredzi, the community in which the Company is located, saw a localized outbreak early 2024 with the epicenter being Mapanza. Local reports as of 29 April 2024 indicated 1 685 cholera cases and 34 deaths. In response to this threat, the Company activated its Emergency Response Protocol and rolled out a comprehensive public health cholera awareness campaign designed for the communities of Hippo Valley Estates, Chiredzi town and surrounding districts. The campaign's aim was to raise awareness, educate the public about prevention methods, encourage treatment for those affected, and promote sanitation and hygiene practices to prevent the spread of cholera.

Cholera awareness activities included,
- Broadcasting alerts and education on local radio stations and flyers distribution in the community.
- Vaccine roll out in hot spots.
- Community Water, Sanitation and Hygiene issues being assessed, and shortcomings addressed.
- Water quality monitoring being implemented.

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 348 hectares were harvested this season. Government has already allocated offer letters to 116 new beneficiary farmers for development to new sugarcane plots on the balance of the 3 300 hectares of 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. In addition to the Project Steering Committee, Government has also set up a Company as part of the project governance structure through which the interests of the new beneficiaries will be managed.

The Company is also actively supporting Triangle Limited in other cane development projects meant for third parties such as Pezulu Project in Western Triangle of close to 1 000 hectares (benefitting 28 new farmers) and Chiredzi River North (1 000ha). Project planning for these developments has been completed and once funding modalities have been completed, implementation will commence. In addition to furthering participation in the value chain by more farmers, these projects are intended to increase cane supply and maximize the existing installed sugar milling capacity within the industry, which is currently only about 70% utilized.

The commercial issues relating to the cane supply agreements for the current season have been concluded and this has not created any delays in cane supply from private farmers as the case was in the last milling season. 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. This work is reported to be at an advanced stage.

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. Considerable progress has been made on the signing of the leases by the Minister of Lands, Agriculture, Fisheries, Water and Rural Development. The total surveyed area for Hippo Valley has now been established to be 17 644ha from the original estimate of 23 979ha. Of the 17 644ha about 16 802ha have been signed off (i.e. 95%) by the Minister and only 802ha now remain. Engagements with the Ministry to have the remaining area also signed off are in progress.

Directorate

During the year Mr. Daniel Leseja Marokane resigned from the Board whilst Mr. Aiden Mhere retired as Chief Executive Officer and Executive Director after a long service to the Company. The Board is grateful for their valuable contribution during their tenure and wish them well in their future endeavors.

Mr. Tendai Rosian Masawi was appointed as Chief Executive Officer and Executive Director of the Company, as well as a new Non-Executive Director, Mr. Johannes Jacobus van Rooyen. The Board will seek ratification of Mr. Johannes Jacobus van Rooyen's appointment at the forthcoming Annual General Meeting.

Outlook

Looking ahead, Directors and Management remain focused on preserving business sustainability through designing plans to maximize on business opportunities and contingencies to mitigate the negative impact of the business environment and entrenching operational agility and flexibility.

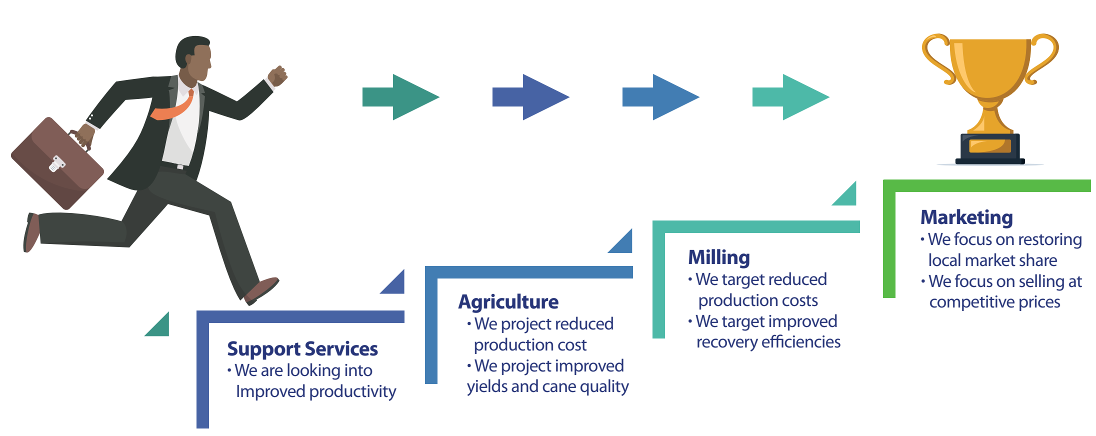
In light of El Niño weather phenomenon, slowed economic growth is projected across many business sectors which depend on water for irrigation.

The Company's major dams are holding sufficient water to support optimal irrigation regimes for the coming season. With low water levels at Manjirenji and Siya Dams at 39.8% and 59.3% respectively as of 6 May 2024, the Zimbabwe National Water Authority (ZINWA) plans to rationalize water supplies from these dams in order to mitigate impacts on the crop until such time the water stocks improve.

The Company through its strategic focus to improve yields is looking forward to harvesting 945 471 tons cane and receive 739 329 tons cane from private farmers in the 2024/25 season, a 4% increase from the current year.

Milling efficiencies are anticipated to recover on the back of improved cane quality, and after the satisfactory completion of the requisite annual maintenance program, with a forecast to produce 202 860 tons of sugar at a cane to sugar ratio of 8.26.

With the recent repeal of Statutory Instrument 80 of 2023 effective 1 February 2024, the local market anticipates to enjoy protection against unfair competition from cheap world market imports as the local market share is restored. Additionally, the reconfiguration of the route to market and implementation of innovative work streams to contain the cost of goods and services through Project Zambuko (a revenue enhancement and cost reduction project) will enable the business to achieve key metrics around profit maximization.



Efficient fiscal and monetary policies which include the introduction of ZiG replacing ZWL as one of the currencies in the multicurrency basket effective 05 April 2024, is expected to foster a sustainable business environment in the short to medium term. The Zimbabwe government through the Reserve Bank of Zimbabwe, announced five key measures under the monetary policy, aimed at addressing exchange rate and price volatility, which if achieved will set a successful path for the business.

The Company continues to proactively engage with key stakeholders, promoting open and constructive engagements with Farmers, Trade Unions, Suppliers and Customers in order to advance mutually beneficial relationships.

Hippo Valley Estates Limited

ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2024

ABRIDGED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INFLATION ADJUSTED		HISTORICAL COST*	
	Year ended 31.03.24 ZWL'000	Year ended 31.03.23 ZWL'000	Year ended 31.03.24 ZWL'000	Year ended 31.03.23 ZWL'000
Revenue	**7 509 396 798**	**4 284 860 880**	**1 337 882 807**	**100 578 926**
Cost of sales	(6 068 265 902)	(2 600 588 421)	(648 965 397)	(51 649 077)
Gross profit	**1 441 130 896**	**1 684 272 459**	**688 917 410**	**48 929 849**
Marketing and selling expenses	(252 662 442)	(422 434 007)	(26 374 415)	(10 126 216)
Administrative and other expenses	(1 140 425 257)	(1 012 433 351)	(222 408 229)	(26 361 850)
Expected credit losses	(15 066 838)	(37 202 115)	(15 066 838)	(1 209 100)
Fair value adjustment on biological assets	(810 674 126)	580 559 649	835 701 482	44 540 920
Other operating (expenses)/income	(496 040 461)	3 983 910	(174 789 640)	(580 548)
Operating (loss)/profit	**(1 273 738 228)**	**796 746 545**	**1 085 979 770**	**55 193 055**
Net monetary gain/(loss)	2 647 217 116	(116 295 257)	-	-
Net finance (cost) / income	**(597 816 304)**	**99 137 620**	**(89 456 302)**	**2 544 098**
Interest received	233 961 062	328 053 000	193 914 199	7 678 452
Interest paid	(831 777 366)	(228 915 380)	(283 370 501)	(5 134 354)
	775 662 584	**779 588 908**	**996 523 468**	**57 737 153**
Share of associate companies' profit after tax	5 427 667	16 840 908	5 427 667	421 591
Profit before tax	**781 090 251**	**796 429 816**	**1 001 951 135**	**58 158 744**
Income tax expense	(245 956 051)	(266 543 090)	(273 023 038)	(15 356 490)
Profit for the year	**535 134 200**	**529 886 726**	**728 928 097**	**42 802 254**
Other comprehensive loss net of tax	**(1 112 353 015)**	**(119 537 517)**	**(76 734 832)**	**(1 913 697)**
Actuarial (loss) / gains on post retirement provision	(1 052 753 882)	(128 509 979)	(105 220 400)	(2 770 219)
Exchange (loss)/gain on translation of foreign investments	(59 599 133)	8 972 462	28 485 568	856 522
Total comprehensive (loss)/ income	**(577 218 815)**	**410 349 209**	**652 193 265**	**40 888 557**
Number of Ordinary shares in Issue ("000" of shares)	193 021	193 021	193 021	193 021
Basic and diluted earnings per share (ZWL cents)	277 241	274 523	377 642	22 175
Headline earnings per share (ZWL cents)	279 031	274 772	377 200	22 181

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ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

	INFLATION ADJUSTED		HISTORICAL COST*	
	Year ended 31.03.24 ZWL'000	Year ended 31.03.23 ZWL'000	Year ended 31.03.24 ZWL'000	Year ended 31.03.23 ZWL'000
ASSETS				
Non-current assets	**1 019 872 427**	**945 633 568**	**65 456 667**	**5 071 635**
Property, plant and equipment	981 293 649	847 125 309	27 964 483	3 598 123
Intangible assets	758 418	6 679 359	9 413	7 797
Investments in associated companies	37 428 930	89 970 849	37 428 930	1 417 852
Right of use assets	391 430	1 858 051	53 841	47 863
Current assets	**2 710 724 141**	**3 639 004 759**	**2 126 565 415**	**110 949 275**
Biological assets	891 007 545	1 701 681 671	891 007 545	55 306 063
Inventories	711 082 101	864 540 285	255 049 667	21 353 886
Trade and other receivables	925 794 970	759 667 841	797 668 678	24 112 831
Amounts owing by group companies^	153 847 816	164 222 292	153 847 816	5 337 360
Cash and cash equivalents	28 991 709	148 892 670	28 991 709	4 839 135
Total Assets	**3 730 596 568**	**4 584 638 327**	**2 192 022 082**	**116 020 910**
EQUITY AND LIABILITIES				
Capital and reserves	**1 844 683 099**	**2 421 901 914**	**705 353 886**	**53 160 621**
Issued share capital	119 649 067	119 649 067	15 442	15 442
Other components of equity	(76 571 433)	(16 972 300)	29 622 515	1 136 947
Retained earnings	1 801 605 465	2 319 225 147	675 715 929	52 008 232
Non current liabilities	**708 142 545**	**809 910 605**	**310 617 636**	**18 895 825**
Deferred tax liabilities	556 273 243	649 520 521	158 748 334	13 683 014
Provisions	151 152 983	157 797 995	151 152 983	5 128 566
Lease liability	716 319	2 592 089	716 319	84 245
Current liabilities	**1 177 770 924**	**1 352 825 808**	**1 176 050 560**	**43 964 464**
Trade and other payables	716 252 256	1 011 469 366	714 531 892	32 870 098
Leave pay provision	62 911 505	29 439 632	62 911 505	956 812
Lease liability	1 320 532	1 569 728	1 320 532	51 017
Borrowings	274 725 210	284 996 380	274 725 210	9 262 618
Current tax liability	116 803 343	20 829 463	116 803 343	676 975
Provisions	299 045	4 521 239	299 045	146 944
Amounts owing to group companies	5 459 033	-	5 459 033	-
Total equity and liabilities	**3 730 596 568**	**4 584 638 327**	**2 192 022 082**	**116 020 910**

*IAS 29 discourages the publication of historical results as the inflation adjusted results are the primary financial statements. However, the historical cost results are included as supplementary information to allow for some user requirements. As a result, the auditors have not expressed an opinion on this historical information.

^This relates to loans advanced to and repayable by Triangle and LSDT. This balance for Triangle was previously incorrectly included under trade and other receivables. This has now been disclosed separately as amounts owing by group companies.

Following the implementation of two cane supply agreements at the beginning of prior year (namely a sugar milling agreement and a cane purchase agreement), both agreements remain in use for the 2024/25 season and discussions of the current year's cane purchase price have been concluded.

Management has put in place mechanisms that will allow smooth supply of critical goods and services from suppliers especially in light of improved cashflows from the recovering local market share, which provided the much-needed working capital post 31 March 2024 to enable accelerated settlement of overdue obligations with suppliers, thereby strengthening confidence in the supply chain.

Discussions with trade unions progressed well at the beginning of the new financial year and existing plans will ensure a positive relationship is maintained with employees who remain a key asset to the business.

The Company continues to pursue strategies that minimize risk to the business, create value and exploit opportunities that arise. A new year awaits with more opportunities to seize and complexities to navigate, while ensuring the core business operates sustainability.

By Order of the Board

C F Dube
Chairman

R T Masawi
Chief Executive Officer

19 June 2024

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	**119 649 067**	**(25 944 762)**	**1 931 047 312**	**2 024 751 617**
Total comprehensive income for the period	-	8 972 462	401 376 747	410 349 209
Profit for the year	-	-	529 886 726	529 886 726
Other comprehensive income/(loss) for the year	-	8 972 462	(128 509 979)	(119 537 517)
Dividend	-	-	(14 140 032)	(14 140 032)
Share based payments	-	-	941 120	941 120
Balance at 31 March 2023	**119 649 067**	**(16 972 300)**	**2 319 225 147**	**2 421 901 914**
Total comprehensive loss for the period	-	(59 599 133)	(517 619 682)	(577 218 815)
Profit for the year	-	-	535 134 200	(535 134 200)
Other comprehensive loss for the year	-	(59 599 133)	(1 052 753 882)	(1 112 353 015)
Balance at 31 March 2024	**119 649 067**	**(76 571 433)**	**1 801 605 465**	**1 844 683 099**

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	**15 442**	**280 425**	**12 345 780**	**12 641 647**
Total comprehensive income for the year	-	856 522	40 032 035	40 888 557
Profit for the year	-	-	42 802 254	42 802 254
Other comprehensive income/(loss) for the year	-	856 522	(2 770 219)	(1 913 697)
Dividend	-	-	(393 688)	(393 688)
Share based payments	-	-	24 105	24 105
Balance at 31 March 2023	**15 442**	**1 136 947**	**52 008 232**	**53 160 621**
Total comprehensive income for the year	**-**	**28 485 568**	**623 707 697**	**652 193 265**
Profit for the year	-	-	728 928 097	728 928 097
Other comprehensive income / (loss) for the year	-	28 485 568	(105 220 400)	(76 734 832)
Balance at 31 March 2024	**15 442**	**29 622 515**	**675 715 929**	**705 353 886**

*IAS 29 discourages the publication of historical results as the inflation adjusted results are the primary financial statements. However, the historical cost results are included as supplementary information to allow for some user requirements. As a result, the auditors have not expressed an opinion on this historical information.

DIRECTORS: C F Dube (Chairman), R T Masawi* (Chief Executive Officer), D K Shinya, R D Aitken, T Masarakufa*, G Sweto, R J Moyo, N J J Mangwiza, T Chigumbu, P G Serima, J J van Rooyen.
* - Executive

a member of Tongaat

Hippo Valley Estates Limited

ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2024

ABRIDGED GROUP STATEMENT OF CASH FLOWS

	INFLATION ADJUSTED		HISTORICAL COST*	
	Year ended 31.03.24 ZWL'000	Year ended 31.03.23 ZWL'000 Restated^	Year ended 31.03.24 ZWL'000	Year ended 31.03.23 ZWL'000 Restated^
Cash flows from operating activities				
Profit before tax	781 090 251	796 429 816	1 001 951 135	58 158 744
Depreciation and amortisation	32 934 123	105 093 500	329 864	124 585
Exchange loss	725 921 741	137 744 812	(131 591 544)	2 817 837
Net movement in post retirement provisions	**(14 547 913)**	**(3 021 741)**	**12 421 320**	**(65 138)**
Gross movement in provisions	4 804 765	73 614 668	161 618 248	4 423 758
Movement attributable to reserves	(19 352 678)	(76 636 409)	(149 196 928)	(4 488 896)
Monetary (gain)/loss	(2 647 217 116)	116 295 257	-	-
Net finance charges / (income)	597 816 304	(99 137 620)	89 456 302	(2 544 098)
Share of associate companies profit	(5 427 667)	(16 840 908)	(5 427 667)	(421 591)
Loss/(profit) on disposal of property, plant and equipment	3 454 739	480 103	(852 536)	11 519
Fair value loss/ (gain) on biological assets	810 674 126	(580 559 649)	(835 701 482)	(44 540 920)
Cash (utilized) / generated by operations	**284 698 588**	**456 483 570**	**130 585 392**	**13 540 938**
Changes in working capital	**(289 855 911)**	**(320 534 706)**	**(266 999 826)**	**(10 131 867)**
Net cash (utilized) / generated by operations	**(5 157 323)**	**135 948 864**	**(136 414 434)**	**3 409 071**
Finance income received	46 775 580	148 001 521	6 728 716	3 893 207
Finance cost paid	(37 711 190)	(61 203 849)	(9 668 804)	(1 507 371)
Tax paid	(48 982 089)	(143 954 380)	(4 269 180)	(3 103 145)
Net cash (outflow)/ inflow from operating activities	**(45 075 022)**	**78 792 156**	**(143 623 702)**	**2 691 762**
Cash flows from investing activities				
Additions to property, plant and equipment	**(164 632 378)**	**(104 518 577)**	**(24 752 166)**	**(2 719 018)**
- Other property, plant and equipment	(53 411 803)	(48 596 222)	(9 482 453)	(1 341 143)
- Cane roots	(111 220 575)	(55 922 355)	(15 269 713)	(1 377 875)
Loans advances to related parties^	(175 603 884)	(307 127 614)	(18 683 583)	(8 569 532)
Loan repayments by related parties^	120 858 426	124 004 800	15 642 394	3 682 976
Proceeds on disposal of property, plant and equipment	1 490 890	-	929 033	-
Dividends received from associated companies	4 864 202	10 927 834	4 395 905	320 971
Net cash outflow from investing activities	**(213 022 744)**	**(276 713 557)**	**(22 468 417)**	**(7 284 603)**
Net cash outflow before financing activities	**(258 097 766)**	**(197 921 401)**	**(166 092 119)**	**(4 592 841)**
Cash flows from financing activities				
Proceeds from borrowings	1 342 356 132	485 075 832	179 636 617	10 456 513
Repayment of borrowings	(1 201 996 348)	(338 450 263)	(176 220 276)	(7 295 786)
Dividends paid	-	(14 140 032)	-	(393 688)
Lease financing paid	(1 706 857)	(1 231 329)	(357 131)	(23 688)
Net cash inflow from financing activities	**138 652 927**	**131 254 208**	**3 059 210**	**2 743 351**
Net decrease in cash and cash equivalents	(119 444 839)	(66 667 193)	(163 032 909)	(1 849 490)
Net cash balance at the beginning of the period	148 892 670	80 253 688	4 839 135	770 606
Net-monetary gain/(loss) or gain on cash	(187 641 605)	(108 499 931)	-	-
Net foreign exchange differences	187 185 483	243 806 106	187 185 483	5 918 019
Net Cash and cash equivalents at end of period	**28 991 709**	**148 892 670**	**28 991 709**	**4 839 135**

^ This relates to loans advanced to and repaid by Triangle Limited, which was previously reported under operating activities and which has now been reclassified to investing activities, to enhance understanding.

*IAS 29 discourages the publication of historical results as the inflation adjusted results are the primary financial statements. However, the historical cost results are included as supplementary information to allow for some user requirements. As a result, the auditors have not expressed an opinion on this historical information.

NOTES TO THE ABRIDGED GROUP FINANCIAL STATEMENTS

	INFLATION ADJUSTED		HISTORICAL COST	
	Year ended 31.03.24 ZWL'000	Year ended 31.03.23 ZWL'000	Year ended 31.03.24 ZWL'000	Year ended 31.03.23 ZWL'000
1. Income tax expense				
Normal tax	-	(67 757 556)	(99 899 815)	(3 530 755)
Deferred tax	(218 892 696)	(198 785 534)	(172 553 097)	(11 825 735)
Tax rate change	(27 063 355)	-	(570 126)	-
Charge to profit and loss	**(245 956 051)**	**(266 543 090)**	**(273 023 038)**	**(15 356 490)**
2. Depreciation and amortisation				
Depreciation of property, plant and equipment and right of use assets	22 010 044	67 590 107	180 744	73 631
Amortisation of intangible assets	5 977 679	6 700 127	4 296	4 922
Depreciation of cane roots	4 946 400	30 803 266	144 824	46 032
	32 934 123	**105 093 500**	**329 864**	**124 585**
3. Capital expenditure commitments				
Contracted and orders placed	6 260 860	22 124 364	6 260 860	719 060
Authorized by Directors but not contracted	11 920 556	37 999 036	11 920 556	1 235 000
	18 181 416	**60 123 400**	**18 181 416**	**1 954 060**

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 an audit opinion on the historic financial information.

5. Basis of preparation and Statement of Compliance

The abridged consolidated annual financial statements of Hippo Valley Estates Limited (the 'Company'), together with its subsidiaries (the 'Group') for the year ended 31 March 2024 have been prepared in accordance with International Financial Reporting Standards (hereafter referred to as 'IFRS') Accounting Standards as issued by the International Accounting Standards Board (IASB), 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 annual 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 2024 and any public announcements made by Hippo Valley Estates Limited during the annual reporting period.

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

The abridged consolidated annual financial statements appearing in this announcement are the responsibility of the Directors. The Directors take full responsibility for the preparation of the abridged consolidated annual 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 2024.

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 Total Consumption Poverty Line (TCPL) as the general price index to restate amounts as it provides an official observable indication of the change in the price of goods and services.

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

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

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

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.

Use of the TCPL was applied subsequent to ZIMSTAT ceasing the release of pure ZWL Inflation and CPI figures, with last release being for January 2023. Currently ZIMSTAT is releasing Blended CPIs which do not comply 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. To overcome these challenges and in line with the determinants of currency of the primary economic environment, the Company will now be reporting in USD beginning 1 April 2024.

The following general price indices and conversion factors were applied:

Date	General Price Index	Conversion factor
31 March 2022	4 766.10	104.14
31 March 2023	16 132.08	30.77
31 March 2024	496 359.13	1.00
Average TCPL for 12 months to:		
31 March 2022	3 582.86	
31 March 2023	11 860.28	
31 March 2024	111 896.34	

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* - Executive

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ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2024

CPI Sensitivity Analysis

Management determined that the change in the inflation measurement technique, that is, use of estimated CPIs in April 2023 to March 2024 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 noting that the Company is moving to USD reporting in the ensuing year and 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 from hyperinflation accounting within the next financial year (which will not be relevant when the Company adopts USD reporting) 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.

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.

	Effect of 10% increase in TCPL reviewed inflation adjusted 2024	Effect of 10% decrease in TCPL reviewed inflation adjusted 2024
Profit for the year (ZWL '000)	(184 042 295)	184 042 295
Equity (ZWL '000)	49 150 812	(49 150 812)

6. Subsequent events

After year end the Government of Zimbabwe, through the monetary policy, announced measures to address currency instability, exchange rate and price stability with one of the key measures being the introduction of the Zimbabwe Gold (ZiG) currency (a new structured currency) which replaced the ZWL at the rate of ZIG1: ZWL2 498.72 , effective 05 April 2024. The Reserve Bank of Zimbabwe adjusted the bank policy rate from 130% per annum to 20% per annum consistent with the new monetary policy framework and the Company will continue to monitor their borrowings so as to manage interest rate exposure. The rest of the measures are expected to arrest exchange rate volatility through a refined interbank foreign exchange market under a willing-buyer-willing-seller (WBWS) trading arrangement and consequently reduce inflation. In light of the above the business continues to assess these changes and it does not expect a significant impact to its operations.

7. Going concern

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

8. Borrowings

The borrowings are unsecured and are at an average finance cost of 9.1% per annum (2023: 7.5%).

9. Auditor's statement

The Group and Company's inflation adjusted financial statements for the year ended 31 March 2024 from which these abridged results have been extracted have been audited by Ernst & Young Chartered Accountants (Zimbabwe), who have issued an unqualified audit opinion.

A key audit matter relating to the valuation of sugar inventory was identified and due to the large number of complex cost variables involved in the valuation process and the materiality of the sugar inventory balance to the financial statements, auditors performed relevant procedures to address the matter. The inflation-adjusted balance for sugar inventory is significant, amounting to ZWL 306 582 865 000 as of the reporting date, with a prior year comparative of ZWL 551 352 769 000. The valuation of this inventory is complex due to the unique steps involved in determining the production costs and the subsequent calculation of the lower of Net Realizable Value (NRV) or cost.

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

19 June 2024

Building a better working world

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Independent Auditor's Report

To the Shareholders of Hippo Valley Estates Limited

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

Opinion

We have audited the inflation adjusted consolidated and separate financial statements of Hippo Valley Estates Limited and its subsidiaries ('the Group and Company') set out on pages 30 to 116, which comprise the inflation adjusted consolidated and separate statement of financial position as at 31 March 2024, and the inflation adjusted consolidated and separate statement of profit or loss and other comprehensive income, the inflation adjusted consolidated and separate statement of changes in equity and the inflation adjusted consolidated and separate statement of cash flows for the year then ended, and notes to the inflation adjusted consolidated and separate financial statements, including material accounting policy information.

In our opinion, the inflation adjusted consolidated and separate financial statements present fairly, in all material respects, the inflation adjusted consolidated and separate financial position of the Group and the Company as at 31 March 2024, and its inflation adjusted consolidated and separate financial performance and inflation adjusted consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies and Other Business Act of Zimbabwe Chapter 24:31.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the inflation adjusted consolidated and separate Financial Statements* section of our report. We are independent of the Group and the Company in accordance with International Code of ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and other independence requirements applicable to performing audits of inflation adjusted financial statements of the Group and the Company in Zimbabwe. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated and separate inflation adjusted financial statements section of our report, including in relation to these matters. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the Audit of the inflation adjusted consolidated and* separate *Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	**How the matter was addressed in the audit**
Valuation of Sugar Inventory	
As disclosed on Note 8 of the annual financial statements, the inflation-adjusted balance for sugar inventory is significant, amounting to ZWL 306 582 865 000 as of the reporting date, with a prior year comparative of ZWL 551 352 769 000. The valuation of this inventory is complex due to the unique steps involved in determining the production costs and the subsequent calculation of the lower of Net Realizable Value (NRV) or cost. The valuation of sugar inventory includes cane costs which arise from deliveries by out-grower farmers under Cane Milling Agreement (CMA) and Cane Purchase Agreement (CPA) as well as own grown cane. The other costs included in the valuation of inventory is milling costs which is an accumulation of various cost elements. Costs for own-grown cane are determined at the point of harvest, in line with IAS 41 and IAS 2 which requires transfers from biological assets to inventories to be recorded at fair value less costs to sell The fair valuation process includes significant judgements, estimates and assumptions relating to the sucrose content, expected yield per field, extraction ratios, selling prices and costs to sale, some of which are Level 3 inputs (unobservable). For out-growers, cane purchase costs are based on contractual agreements, with the cost being fixed throughout for CPA and the cost being adjusted monthly until the final price is determined for CMA. In determining the cane cost from out-grower farmers under the CMA, the entity determines the costs for the current year deliveries based	We recalculated own cane costs based on the Estimated Recoverable Crystal (ERC) tonnage determined from the cane delivered for crushing to the mill from the sugar cane fields and the related fair value less costs to sell at the point of harvest. We evaluated the data on which the fair value less costs to sell is based to confirm that the estimate (i) is accurate, (ii) is complete, and (iii) is relevant for purposes of IAS 41 by performing recalculations, inspecting source documents, and physically inspecting the cane fields. The following are the inputs that feed into the fair value calculation: i. Estimated Residual Crystal (ERC) ii. Division of proceeds (DOP) iii. Average Mill-door price (MDP) iv. Average yield per hectare v. Equivalent hectarage of cane We recomputed out grower cane costs at a disaggregated level as follows; Recalculated the cane purchases costs based on CPA prices and cane tonnage delivered through the CPA agreement period. Recalculated the cane purchases costs using MDPs (including the top ups) and ERC tonnage and molasses tonnage obtained from cane delivered through the CMA agreement. We performed testing of controls to confirm accuracy and completeness of the following non-financial data points;

on Mill-Door Price (MDP). Changes in MDP results in top-ups on a monthly basis. These top-ups are accounted for in the value of inventory for both the current and prior year deliveries which have not yet been sold. The valuation process is complicated by these various ways to determine respective costs of cane used in the production of the sugar. The Group and Company uses a weighted average cost method to determine the cost of inventory production. Determining inventory production costs is a complex process that requires significant audit attention due to the large number of cost variables involved in the valuation process. Due to the large number of complex cost variables involved in the valuation process and the materiality of the sugar inventory balance to the financial statements, we have determined that the valuation of sugar inventory is a Key Audit Matter.	➢ ERC tonnage ➢ Cane tonnage ➢ Farmers listing Our audit procedures involved testing the reliability of the underlying data, reviewing contractual agreements, and analyzing the consistency of the cost allocation. We assessed the appropriateness of inventory valuation accounting policy applied by management to ensure it is in line with IAS 2. We recomputed the weighted average production costs, compared against the NRV and applied the lower of the two for inventory valuation.

Other Information

The directors are responsible for the other information. The other information comprises the information included in document titled Hippo Valley Estates Limited Annual Report 2024 which includes the consolidated financial summary, the Management and Administration information, Statistical Summary, Chairman's statement and Chief Executive Review, Sustainability Report, Statement of Director's Responsibility for Financial Reporting, Corporate Governance, Directors' Report, the Audit Committee's Report. The other information does not include the inflation adjusted consolidated and separate financial statements and our auditor's reports thereon.

Our opinion on the inflation adjusted consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the inflation adjusted consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the inflation adjusted consolidated and separate Financial Statements

The directors are responsible for the preparation and fair presentation of the inflation adjusted consolidated and separate financial statements in accordance with International Financial Reporting Standards (IFRS) Accounting Standards as issued by International Accounting Standards Board (IASB) and the requirements of the Companies and other Business Act (Chapter 24:31), and for such internal control as the directors determine is necessary to enable the preparation of inflation adjusted consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the inflation adjusted consolidated and separate *Financial Statements*

Our objectives are to obtain reasonable assurance about whether the inflation adjusted consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these inflation adjusted consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the inflation adjusted consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the inflation adjusted consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the inflation adjusted consolidated and separate financial statements, including the disclosures, and whether the inflation adjusted consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Company to express an opinion on the inflation adjusted consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group and company audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the inflation adjusted consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit engagement resulting in this independent auditor's report on the inflation adjusted consolidated and separate financial information is Mr David Marange (PAAB Practicing certificate number 436).

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

Harare

30 June 2024