Hippo Valley Estates Limited

REVIEWED ABRIDGED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

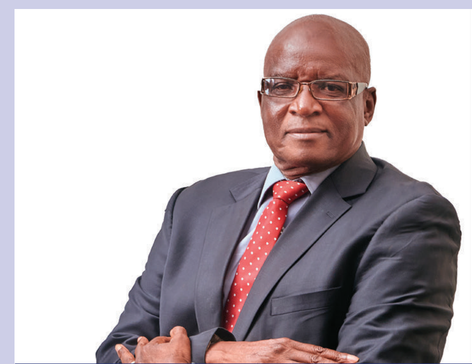
Salient Features

	Period ended 30.09.24	Period ended 30.09.23 Restated	% Change
Sugar production (tons)	159 426	147 072	↑ 8%
Export market sales volumes	8 517	27 195	↓ -69%
Local market sales volumes	94 088	80 130	↑ 17%
Revenue (US$'000)	102 630	82 725	↑ 24%
Operating profit (US$'000)	13 709	31 103	↓ -56%
Adjusted EBITDA^ (US$'000)	28 970	24 827	↑ 17%
Profit for the period (US$'000)	18 188	25 612	↓ -29%
Net borrowings(US$'000)	10 938	9 426	↑ 16%
Cash flow from operating activities (US$'000)	4 402	(12 395)	↑ 136%

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

*The financial results for the six months ended 30 September 2023 were previously reported in ZWL. These were restated by converting to the Group's new presentation currency, US$.

MESSAGE FROM THE CHAIRMAN



C F Dube

"In the face of a complex business environment enclosed with financial challenges, the business surpassed prior year operational performances with our 'Huletts SunSweet' sugar brand making positive strides in the local commercial space. Our employees' dedication and their wealth of experience has brought us back on track as we project a good ending."

MESSAGE FROM THE CEO

T R Masawi

"With diligence and commitment to our product availability goals, the business has achieved good performances despite continued pressures from the external environment regarding the USD and ZWG currency mismatch and high operational costs, resulting in margin squeeze. We continue to uphold our full year production targets and this will see us coming out with increased production and improved revenues at a time when the business require positive results to stimulate future prospects."

Operating Environment Overview

The half-year period presented a complex business environment characterised by changes in the monetary policy that came into effect on the 5th of April 2024. A new currency, the Zimbabwe Gold (ZWG) was introduced along with other measures aimed at curbing inflation and reducing US$ dominance in the long term. Initially, the official rate between the ZWG and the United States Dollars (US$) was US$1: ZWG13.56 and remained stable up until late September, when significant devaluation of the ZWG occurred following recent monetary policy pronouncements. As at 30 September 2024, the currency had devalued to US$1:ZWG25.88.

During the period under review, the business faced liquidity challenges arising from a mismatch between the ZWG and US$ as providers of goods and services mostly preferred settlement in US$, a currency the Company was not able to adequately generate from normal trade.

Fortunately, the El Niňo weather phenomenon did not adversely affect current sugar cane farming as the major dams supplying irrigation water were above 70% full for the six-month period. However, due to a limited water supply from dams servicing private farmers under the Mkwasine area, water plans were implemented at industry level to rationalize water in order to mitigate against crop failure.

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Business Performance

Production Operations:

	Area under cane (hectares)			Sugar cane yield per hectare (tons)	
	Company	Private Farmers	Total	Company	Private Farmers
Change	2% ↓	2% ↑	0.1% ↑	3% ↑	2% ↓
Sept-24	10 793	12 288	23 081	102.0	72.1
Sept-23	11 016	12 043	23 059	98.9	73.7

	Sugar cane production (tons)			Sugar production (tons)		Cane to Sugar ratio*
	Company	Private Farmers	Total	Company	Industry	
Change	12% ↑	7% ↑	9% ↑	8% ↑	11% ↑	1% ↓
Sept-24	725 027	558 910	1 283 937	159 426	312 600	8.05
Sept-23	648 158	524 786	1 172 944	147 072	281 231	7.98

*Tons of cane required to be crushed to produce one ton of sugar.

Agriculture and Manufacturing, our main business operations, recorded a 12% and 8% growth in cane harvested from the Company's plantations ("Miller-Cum-Planter") and sugar production respectively. This improvement in sugar production was largely driven by a combination of higher yields, a more consistent rate of delivery of sugar cane and improved mill uptime after a successful off crop (annual) maintenance programme which ensured more plant reliability. Private farmer performance increased following early cane deliveries unlike prior year that was affected by delays emanating from late conclusion of cane supply agreements.

Sales and Marketing:

Sep 24 Industry sales (tons)		Change	Sep 23 Industry sales (tons)	
Local	183 729	21% ↑	Local	152 013
Export	16 454	68% ↓	Export	51 744
Total	**200 183**	2% ↓	**Total**	**203 757**

Following the repeal of Statutory Instrument 80 of 2023 on 31 January 2024, import duties were reinstated on low-cost non-fortified imported sugar brands that had resulted in an erosion of the local sugar industry market share by as much as 25%.

Resultantly, the industry's customers have largely switched back to locally produced sugar, with the domestic market industry sales volumes recovering by 31 716 tons. There are adequate sugar stocks to satisfy demand locally and meet critical export markets requirements, even after the earlier closure of the crushing season at the end of November. While prioritization of the local market remains key, export market sales volumes were largely affected by delays in obtaining shipment approvals from the USA authorities which has since been delivered and paid for post the reporting period. Unfortunately, unfortified sugar brands not compliant with regulations are still being illegally imported and relevant authorities have been alerted.

The company's share of total industry sugar sales volume is shown below;

Sept 24	Sept 23
50.96%	52.5%

Financial Results:

Cautionary – reliance on the translation of hyperinflation adjusted financial statements to determine US$ equivalent opening balances and comparative financial statements.

The consolidated financial results of Hippo Valley Estates Limited (the Group) have been prepared in accordance with the requirements of International Accounting Standard (IAS) 21 - The Effects of Changes in Foreign Exchange Rates (IAS 21) in determining the US$ opening balances and comparative information. At the beginning of the current financial year, the Company adopted the US$ as its functional currency, and will continue assessing and monitoring the level of its dominance for further guidance and implementation. With this development, the Company therefore did not apply the provisions of IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29) in the period under review. The comparative financial information, which were previously reported in Zimbabwe Dollars (ZWL) after applying IAS 29, has been restated and presented in US$ after applying the relevant translations detailed in note 6.

Users are cautioned that the interim financial statements have opening balances and comparative information derived from translating hyperinflation balances and transactions that existed in a hyperinflationary environment where inherent economic distortions may have impacted these balances. The Directors advise users of the interim financial statements to exercise caution in relation to the reported comparative information.

↑ Revenue

- ↓ Marginal drop in sales volumes by 4% from prior period.
- ↑ 24% increase in revenue to US$102.6 million (2023: US$82.7 million) after a strong recovery of local market sales volumes where higher price realisations are generated and the deliberate prioritisation of the local market in place of the lower priced exports which saw a 69% volume decrease.

The local market recovery was supported by the reimposition of duties on sugar imports and the heightened awareness initiatives that promoted the Huletts sugar brand. Critical export sales volumes are still expected to be fulfilled with no impact on the planned local market prioritisations.

↓ Profit

Operating profit decreased by 56% to US$13.7 million (2023: US$31.1 million) resulting from pricing distortions in the movement of fair value of biological assets which arose from exchange rate and inflation dynamics embedded in the opening balance prior to it being converted to US$. Following the same effects on fair value distortions, profit for the period decreased by 29% to US$18.2 million (2023: US$ 25.6 million).

↑ Adjusted EBITDA

Resultantly, adjusted EBITDA, which excludes the distortion from non-cash movements in the fair value of biological assets, increased by 17% to US$29.0 million (2023: US$24.8 million). The benefit of the improved revenue was not fully realised by the Group as it experienced cost pressure on goods and services (which were largely priced in US$), cane purchases and manpower costs. This resulted in a decline in profit margins from 30% to 28%. Consequently, the Company took decisive actions to improve margins and returns through "Project Zambuko", a rigorous rationalisation and optimisation exercise currently underway to reduce the cost of doing business and ensure sustainable competitiveness.

↑ Cashflows

During the period under review, operating cash flows after interest, tax and working capital changes increased by US$16.8 million to US$4.4 million (2023: negative of US$12.4 million) with the positive impact coming from improved working capital after the Group successfully regained the local market share which generates better returns.

DIRECTORS: C F Dube (Chairman), T R 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.
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A total of US$2.5 million (2023: US$2.6 million) was incurred on capital expenditure with US$0.9 million (2023: US$1.7 million) spent on replanting cane roots and retooling priorities for the business' key operations. At 30 September 2024, the Group had net borrowings of US$10.9 million compared to US$ 9.4 million as at 30 September 2023. The Group continued to rely on borrowing facilities to finance liquidity gaps on operating and capital expenditure requirements. Further, with a cane purchase agreement (CPA) at US$71 per ton of cane supplied and with just over 90% of the private farmers opting for CPA over the cane milling agreement (an agreement under which payments occur after the sugar is sold), these facilities were stretched over the current and prior season's peak working capital requirements.

Dividend

At the start of the financial year, the level of borrowings and overdue supplier obligations were abnormally high as a result of a challenging 2023/24 season where competition from duty-free imported sugar, the higher working capital requirements associated with the revised cane supply arrangements, increased manpower costs, and the need for a critical investment required in the offcrop maintenance programme to improve plant reliability in the 2024/25 season.

Whilst there has been some normalisation of supplier obligations, borrowings levels remain above target levels. In order to maintain sufficient headroom in the Company's facilities to navigate any potential challenges during the remainder of the financial year, the Directors have resolved not to declare an interim dividend for the six months ended 30 September 2024.

Safety Health and Environment

A total of 2 Lost Time Injuries (LTIs) were recorded during the period under review, same as the 2 LTIs recorded during the same period last year. This resulted in a Lost Time Injury Frequency Rate (LTIFR) of 0,033 (2023: 0,035).

The Company underwent a re-certification audit in respect of the Occupational Safety and Health Management System (ISO 45001:2018) and Environmental Management Systems (ISO 14001:2015). A recommendation for re-certification was given on condition that the organisation clears its major findings, with the clearing process now at an advanced stage.

The Company's manufacturing operations were awarded a Gold Medal for achieving best SHE performance in the manufacturing sector within Masvingo region. This reaffirms the Company's commitment to act responsibly and positively impact the environment in order to protect communities whose livelihoods depend on agriculture, and for the benefit of future generations. The Company continues to invest in clean renewable energy sources, reforestation and general tree planting programs, sustainable waste management systems, proactive emission monitoring and control systems in order to reduce its overall environmental footprint.

Project Kilimanjaro and Industry Matters

Efforts to progress the implementation of Project Kilimanjaro, a 4 000-hectare new sugarcane development venture continued. A total of about 682ha of the 700 hectares Project Kilimanjaro Empowerment Block where 41 new farmers have been allocated is to be harvested by end of November this year.

As reported previously, Government has already given 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 company, Kilimanjaro Irrigation Scheme Business Unit Cooperation (KISBUC), whose Board has been appointed by the Minister of Lands, Agriculture, Fisheries, Water and Rural Development.

Government continues to engage interested stakeholders to make the necessary inputs to the Sugar Bill to pave way for the repeal of the outdated Sugar Production Control Act of 1973, and the enactment of the new Sugar Act. These measures will help to resolve longstanding legacy issues for the mutual benefit of all parties.

Land tenure

Engagements with Government regarding the issuance of the balance of the 99-year leases, as well as amendments to the wording of current leases for bankability, transferability and other necessary changes are ongoing. There have not been any significant changes to the reported progress on the signing of the leases by the Minister of Lands, Agriculture, Fisheries, Water and Rural Development. The total surveyed area for Hippo Valley was revised to 16 802ha from the original estimate of 23 979ha following a verification exercise. Of the 16 802ha, leases covering approximately 15 960ha (95%) have been signed off by the Minister with only 842ha remaining outstanding.

Directorate

Mr. Johannes Jacobus van Rooyen was appointed as a Non-Executive Director with effect from 15 May 2024. The appointment was ratified at the company's Annual General Meeting held on 7 October 2024.

Outlook

With the key business operations having been performing well during the first six months of the year, the Company is expecting increased production from prior year and improved sales supported by;

Production
- Better yields and cane quality
- Adequate irrigation water
- Efficient cane delivery system
- Improved mill recoveries

Sales and marketing
- Adequate sugar supply in the local market and critical export markets.
- Reinstatement of duty on sugar imports
- A positive business environment

Focus in the second half of the year remains to translate increased operational performance into improved cash generation and resultantly maintain a sustainable level of borrowings with a target to reduce cashflow pressures at the start of the ensuing year.

The Company assures adequate sugar stocks for the remaining six months including meeting all sugar sales requirements before the commencement of the next season, covering both the domestic market and critical export market demands.

The drought experienced in the past season will not affect the industry's anticipated current year performance including the Mkwasine area farmed by private farmers, where water rationalisation plans were implemented at industry level.

Following the development in the Division of Proceeds (DoP) arrangement with farmers on the cane milling agreement (CMA), to increase DoP in favour of private farmers, the Company immediately lodged a challenge through the high court and further updates will be provided as the case hearing progresses.

The Company launched "Project Zambuko" at the beginning of the year, an initiative focused on enhancing revenue, improving operational efficiencies and cost optimization taking the learnings from prior years and addressing new challenges arising from the current operating environment. The project is progressing well having been introduced at the right time when navigating the complex business environment continues to be a challenge. The Company will continue to focus on the remainder of the year priorities, while efforts to identify and manage current and emerging risks are ongoing. Further, adoption and improvement of its Environmental, Social and Governance (ESG) footprint will be intensified.

By Order of the Board

C F Dube
Chairman

T R Masawi
Chief Executive Officer

26 November 2024

DIRECTORS: C F Dube (Chairman), T R 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

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REVIEWED ABRIDGED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

ABRIDGED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	30 September 2024 US$'000 Reviewed	30 September 2023* US$'000 Reviewed Restated
Revenue		**102 630**	**82 725**
Cost of sales		(42 884)	(37 121)
Gross profit		**59 746**	**45 604**
Marketing and selling expenses		(10 546)	(1 418)
Administrative and other expenses		(25 128)	(22 112)
Expected credit losses		(574)	(703)
Fair value adjustment on biological assets		(12 436)	7 143
Other operating income		2 647	2 590
Operating profit		**13 709**	**31 104**
Net monetary gain		-	4 470
Net finance charges		**(2 220)**	**(2 425)**
Finance costs		(2 688)	(3 185)
Finance income		468	760
		11 489	**33 149**
Share of profit of associates		241	226
Profit before tax		**11 730**	**33 375**
Income tax credit /(expense)	1	6 458	(7 763)
Profit for the period		**18 188**	**25 612**
Other comprehensive loss net of tax		176	(44 210)
Actuarial loss on post-retirement provision		(442)	(6 163)
Exchange (loss) /gain on translation of foreign investments		618	445
Effects of changes in presentation currency		-	(38 492)
Total comprehensive income/(loss)		**18 364**	**(18 598)**
Number of Ordinary shares in Issue ("000" of shares)		193 021	193 021
Basic and diluted earnings per share (US$ cents)		9	13
Headline and diluted headline earnings per share (US$ cents)		9	13

*The consolidated Statement of Profit or Loss and Other Comprehensive Income for the six months ended 30 September 2023 was previously reported in ZWL, and has been restated and re-presented in US$, being the Group's new Presentation Currency, following the change in Functional and Presentation Currency by the Group's Significant Entity, HVE. Refer to note 5 for details of the change in the functional and presentation currencies.

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

	30 September 2024 US$'000 Reviewed	31 March 2024* US$'000 Audited Restated
ASSETS		
Non-current assets	**46 737**	**46 242**
Property, plant and equipment	44 557	44 492
Intangible assets	48	34
Investments in associated companies	1 936	1 698
Right of use assets	196	18
Current assets	**140 789**	**122 904**
Biological assets	27 962	40 398
Inventories	65 328	32 241
Trade and other receivables	37 556	41 976
Amounts owed by related parties	6 785	6 975
Cash and cash equivalents	3 158	1 314
Total Assets	**187 526**	**169 146**
EQUITY AND LIABILITIES		
Capital and reserves	**101 589**	**83 638**
Issued share capital	5 425	5 425
Other components of equity	(2 854)	(3 472)
Retained earnings	99 018	81 685
Non current liabilities	**24 847**	**32 107**
Deferred tax liabilities	16 785	25 222
Provisions	7 907	6 853
Lease liability	155	32
Current liabilities	**61 090**	**53 401**
Trade and other payables	39 684	32 475
Leave pay provision	2 801	2 852
Lease liability	93	60
Borrowings	13 848	12 456
Amounts owing to group companies	-	248
Current tax liability	4 612	5 296
Provisions	52	14
Total equity and liabilities	**187 526**	**169 146**

*The consolidated Statement of Financial Position as at 31 March 2024 and 30 September 2023 was previously reported in ZWL, and has been restated and re-presented in US$, being the Group's new Presentation Currency, following the change in Functional and Presentation Currency by the Group's Significant Entity, HVE. Refer to note 5 for details of the change in the functional and presentation currencies.

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

	Issued share capital US$'000	Non-distributable reserves US$'000	Retained earnings US$'000	Total US$'000
Balance at 31 March 2023 (Restated)*	**4 182**	**(593)**	**81 062**	**84 651**
Total comprehensive (loss)/income for the period	**(1 902)**	**715**	**(17 412)**	**(18 599)**
Profit for the period	-	-	25 611	25 611
Other comprehensive income /(loss) for the period	-	445	(6 163)	(5 718)
Effects of change in presentation currency	(1 902)	270	(36 860)	(38 492)
Balance at 30 September 2023 (Restated)*	**2 280**	**122**	**63 650**	**66 052**
Balance at 31 March 2024 (Restated)*	**5 425**	**(3 472)**	**81 685**	**83 638**
Other restatement adjustments^	-	-	(413)	(413)
Total comprehensive income for the period	-	618	17 746	18 364
Profit for the period	-		18 188	18 188
Other comprehensive income/(loss) for the period	-	618	(442)	176
Balance at 30 September 2024	**5 425**	**(2 854)**	**99 018**	**101 589**

*The consolidated Statement of Changes in Equity for the periods ended 31 March 2023, 30 September 2023 and 31 March 2024, was previously reported in ZWL, and has been restated and re-presented in US$, being the Group's new Presentation Currency, following the change in Functional and Presentation Currency by the Group's Significant Entity, HVE. Refer to note 5 for details of the change in the functional and presentation currencies.

^This relates to the adjustments of differences between restated hyperinflation balances from ZWL to US$ at the closing rate of US$1: 22 055.47 and conversions of unit assets performed on 1 April 2024 on Property, plant and equipment, intangible assets, right of use, inventory and debtors.

ABRIDGED GROUP STATEMENT OF CASH FLOWS

	Notes	30 September 2024 US$'000 Reviewed	30 September 2023* US$'000 Reviewed Restated
Cash flows from operating activities			
Profit before tax		11 730	33 375
Net monetary gain		-	(4 470)
Depreciation and amortization	2	2 824	867
Exchange loss		1 462	9 035
Net finance charges		2 221	2 425
Other non-cash gain		(11)	-
Share of profits from associates		(241)	(226)
Net movements in provisions		577	(88)
- Gross movements in provisions		1 667	4 112
- Movement attributable to revenue reserves		(1 090)	(4 200)
Fair value adjustment on biological assets		12 436	(7 143)
Cash generated from operations		**30 998**	**33 775**
Changes in working capital		(23 769)	(45 184)
Net cash generated by / (utilized in) from operations		**7 229**	**(11 409)**
Tax paid		(2 449)	(1 137)
Finance income received		468	760
Finance cost paid		(846)	(609)
Net cash inflow/(outflow) from operating activities		**4 402**	**(12 395)**
Cash flows from investing activities			
Loans advanced to related parties		**(4 000)**	**(3 231)**
Repayments by related parties		**3 943**	**2 307**
Additions to property, plant and equipment		**(2 525)**	**(2 605)**
- Other property, plant and equipment		(1 618)	(913)
- Cane roots		(907)	(1 692)
Proceeds on disposal of fixed assets		17	-
Dividends received from associated companies		-	173
Net cash (outflow) from investing activities		**(2 565)**	**(3 356)**
Net cash inflow before financing activities		**1 837**	**(15 751)**
Cash flows from financing activities			
Proceeds from borrowings		6 416	17 295
Repayment of borrowings		(5 024)	(13 155)
Lease financing paid		(38)	(24)
Net cash inflow from financing activities		**1 354**	**4 116**
Net increase / (decrease) in cash and cash equivalents		**3 191**	**(11 635)**
Net cash and cash equivalents at the beginning of the period		**1 314**	5 205
Net monetary gain on cash		-	5 253
Net foreign exchange differences		(1 347)	6 327
Effects of changes in presentation currency		-	(2 366)
Net cash and cash equivalents at end of period		**3 158**	**2 784**

*The consolidated Statement of Cash Flows for the six months ended 30 September 2023 was previously reported in ZWL, and has been restated and re-presented in US$, being the Group's new Presentation Currency, following the change in Functional and Presentation Currency by the Group's Significant Entity, HVE. Refer to note 5 for details of the change in the functional and presentation currencies.

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NOTES TO THE ABRIDGED GROUP FINANCIAL STATEMENTS

	30 September 2024 US$'000 Reviewed	30 September 2023 US$'000 Reviewed Restated
1. Income tax credit/(expense)		
Normal tax	(1 765)	(3 643)
Deferred tax	(684)	(4 120)
Effects of currency translation*	8 907	-
Charged to profit and loss	**6 458**	**(7 763)**
2. Depreciation and amortisation		
Depreciation of property, plant and equipment	744	667
Amortisation of intangible assets	14	56
Depreciation of roots	2 066	144
	2 824	**867**
3. Capital expenditure commitments		
Contracted and orders placed	974	132
Authorized by Directors but not contracted	2 977	226
	3 951	**358**

*Prior year deferred tax included temporary differences from IAS 29 adjustments which are no longer relevant in the current year.

4. Statement of compliance

The abridged consolidated interim financial statements of the Group for the six months ended 30 September 2024 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the interpretations applicable to companies reporting under IFRS as developed by the IFRS Interpretations Committee and issued after approval by the IASB, the Companies and Other Business Entities Act (Chapter 24.31), the Zimbabwe Stock Exchange regulations, and as a minimum contain the information required by IAS 34 - Interim Financial Reporting (IAS 34).

The abridged consolidated interim financial statements do not include all the disclosures required for complete annual financial statements prepared in accordance with IFRS as issued by the IASB. 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 the Group during the interim reporting period.

5. Basis of preparation

The abridged consolidated interim financial statements are presented in US$ following the change in functional and presentation currency by the Group's significant entity Hippo Valley Estates (hereafter referred to as the Company) from 1 April 2024. Comparative financial statements for the six months ended 30 September 2023 and as at 31 March 2024, were initially prepared in ZWL under the inflation-adjusted accounting basis in line with the provisions of IAS 29 and thereafter converted to US$ using the spot rate as at 30 September 2023 and 31 March 2024 respectively.

Following the Company's change in functional currency on 1 April 2024, the Group's interim condensed consolidated financial statements have since been prepared based on the statutory records that are maintained under the US$ historical cost basis.

According to IAS 21, entities operating in hyperinflationary economies must translate their previously reported inflation-adjusted financial statements using the exchange rate at the last reporting date when changing their presentation currency.

The following exchange rates were used in the conversion of comparative statements:

Date	Exchange rate
31 March 2023	USD1: ZWL 929.86
30 September 2023	USD1: ZWL 5 466 .75
31 March 2024	USD1: ZWL 22 055.47

6. Functional currency

In June 2022, the Government of Zimbabwe promulgated SI 118A of 2022 which enacted the multi-currency into law until 31 December 2025. Furthermore, the use of multi-currency was extended to 31 December 2030 through SI 218 of 2023, assuring business regarding the continuity of the multi-currency regime. Resultantly, the Company witnessed a steady increase in the use of foreign currency in its operations. This prompted management to re-look into its functional currency as guided by IAS 21 (''The effects of Changes in Foreign Exchange Rates'').

The following primary and secondary factors were considered in assessing the functional currency of the business:

- the currency that mainly influences the sales prices for the goods and services (the currency in which sales prices for its goods and services are denominated and settled);
- the currency that mainly influences labour, material and other costs of providing goods or services;
- the currency in which funds from financing activities are generated;
- the currency in which receipts from operating activities are usually retained; and
- the currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services.

The Directors concluded based on the above factors that, there has been a change in the Company's functional currency including the appropriateness to present the financial statements in US$. The change in functional currency was with effect from 1 April 2024.

Following the Company's change in functional currency, the Group's comparative interim condensed consolidated financial statements which were previously reported in Zimbabwe Dollars (ZWL) after applying IAS 29, have been restated and presented in US$ after applying the following translations:

- For the purposes of the determining the US$ opening balances at 1 April 2024 (that were used to determine the Statement of Financial Position), the closing ZWL hyperinflation balances as at 31 March 2024 were converted from ZWL to US$ using the closing exchange rate at 31 March 2024 of US$1 : ZWL22 055.
- For the purposes of the US$ interim comparative information, the closing ZWL hyperinflation balances at 31 March 2023 (that were used to determine the comperative Statement of Cash flows) have been converted from ZWL to US$ using the closing exchange rate at 31 March 2023 of US$1 : ZWL 929.86.
- For the purposes of the US$ interim comparative information, the closing ZWL hyperinflation balances at 30 September 2023 (that were used to determine the Statement of Financial Position) and the ZWL hyperinflation transactions (that were used to determine the Statement of Cash flows and the Statement of Profit or Loss and Other Comprehensive Income) have been converted from ZWL to US$ using the closing exchange rate at 30 September 2023 of US$1 : ZWL 5 466.

7. Impact of Tongaat Hulett South Africa Business Rescue

The South African operations of Tongaat Hulett Limited, the Company's major shareholder, have been under a business rescue process, with the business rescue plan still ongoing in terms of finalizing Equity Subscription by the Vision partners. It should be noted that the international businesses which include Hippo Valley Estates (HVE) are not in business rescue. HVE operations are not financially distressed, will not enter into business rescue and will continue trading.

As reported at the past year end and at the AGM in respect of the South Africa operations that are under business rescue process, nothing has changed for Hippo Valley Estates sugar operations which are not financially distressed and are continuing trading as usual. Despite HVE being in a net owing position with an entity under business rescue, HVE is in a position to meet this obligation, should it be called upon by the business rescuer, without putting a strain on HVE itself.

8. Contingent liability

Private farmers who deliver cane to the Group are paid using either a fixed price per ton of sugarcane or a predetermined apportionment of the sugar sales proceeds based on the ruling Division of Proceeds (DoP). The DoP refers to the share of sugar sales proceeds between the farmer and the miller for each ton of sugar sold. On 08 October 2024, following the completion of an exercise by a consultant to validate the DoP that was determined in 2016, the Ministry of Industry and Commerce announced an increase in the DoP with effect from 1 April 2022. As a consequence, the Group became aware of a potential liability. The Group is challenging the process and results of the validation exercise. The case is currently in its preliminary stages at the High Court, and as such it is too early to predict with certainty the nature, timing, and extent of any potential exposure.

9. Subsequent events

There were no material subsequent events affecting financial information for the half year ended 30 September 2024 except for the Division of Proceeds (DoP) case referred to in note 8.

10. 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.

In terms of IAS 1 Presentation of Financial Statements (IAS 1), 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. Below were major highlights in the going concern assessment.

- The drought did not adversely affect sugar cane farming supported by adequate irrigation water from supplying dams.
- Following the repeal of the statutory instrument that allowed duty free non-fortified sugar imports and the continued effectiveness of border controls, the Group is expecting increases in sales volumes.
- Other dynamics in the business environment have been mitigated by our sustainable business strategies including engagements with relevant stakeholders.
- Our good operational performances demonstrate a positive business trajectory.

Accordingly, the Directors believe that as of the date of this report, the going concern presumption is still appropriate after having assessed the ability of the Company to continue as a going concern. Management and the Directors are not aware of any such material uncertainties.

11. Borrowings

The borrowings are unsecured and are at an average finance cost of 11% per annum (2023: 9%).

12. Interim Results Conclusion

The Group's consolidated interim financial statements as at 30 September 2024 from which these abridged results have been extracted have been reviewed by the Group's external auditors, Ernst & Young Chartered Accountants (Zimbabwe), who have issued an unmodified review conclusion. The engagement partner for this review is Mr David Marange (PAAB Practicing Certificate Number 436).

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

Pauline Kadembo
Company Secretary

26 November 2024

DDH&M_HV16524

DIRECTORS: C F Dube (Chairman), T R 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

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To the Shareholders of Hippo Valley Estates Limited

Report on the review of the Interim Condensed Consolidated Financial Statements.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Hippo Valley Estates Limited and its subsidiaries ("the Group") as set out on pages 7 to 27, which comprise the interim condensed consolidated statement of financial position as at 30 September 2024 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows and notes to the interim condensed consolidated financial statements.

Management is responsible for the preparation and presentation of this interim condensed consolidated financial information prepared in accordance with International Financial Reporting Standards (IFRS®) as issued by the International Accounting Standards Board (IASB). Our responsibility is to express a review conclusion on this interim condensed financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of the Group as at 30 September 2024 have not been prepared in all material respects in accordance with International Financial Reporting Standards (IFRS®) as issued by the International Accounting Standards Board (IASB)). The engagement partner on the review engagement resulting in this review conclusion report on the interim condensed consolidated financial information is Mr David Marange (PAAB Practicing Certificate Number 436).

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Harare

02 December 2024