

ZIMBABWE NEWSPAPERS (1980) LIMITED

AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Market leader in Publishing, Broadcasting, Digital, Printing & Packaging

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2021



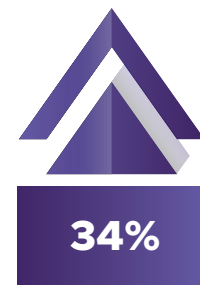
REVENUE



BROADCASTING DIVISION



NEWSPAPER DIVISION



COMMERCIAL DIVISION



GROSS PROFIT

CHAIRMAN'S STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021



T.A.G Sithole
BOARD CHAIRMAN

- 1. Overview**
I am delighted to present the financial results for Zimbabwe Newspapers (1980) Limited (Zimpapers) for the year ended 31 December 2021.
- 2. The Operating Environment**
The country was reported to have recorded a positive GDP growth rate of 7.8% in 2021 despite the negative impact from Covid-19 that affected global supply chains. Although inflationary pressures remained evident in the economy, Government's effort to contain the headwinds resulted in Year on Year (YoY) inflation coming down to 60.7% compared to 348.6% recorded for the same period in 2020. The Reserve Bank of Zimbabwe continued to fine-tune the foreign currency auction system where some improvements in the foreign currency availability from the official market were recorded. There were however some delays in accessing the liquidity from the auction allocation that resulted in some late payments for foreign goods and services.
- 3. The Media Environment**
The period under review saw a positive change in the media environment, which is likely to be carried into 2022. Globally, there are signs that mainstream media platforms are regaining the trust of audiences, who now understand the value of fact-based and fact-checked journalism. The Covid-19 period, dominated by misinformation and conspiracy theories on social media, helped audiences differentiate between sources of verified and unverified information. According to the Reuters Institute 2021 Report, the value of such information became a matter of life and death and it is projected that media organisations will continue to leverage on this appetite for trustworthy information to achieve growth.

The Zimbabwe All Media and Products Survey (ZAMPS) report for the second half of 2021 released in February this year, shows that there was all round audience growth for established media

platforms. Readership of daily newspapers grew from 13 percent in the first half of the year to 20 percent in the second half with Zimpapers' publications The Herald (52 percent), Chronicle (29 percent) and H Metro (24 percent) being the most preferred publications. The same pattern was seen in weekly papers, while radio listenership grew marginally from 54 percent to 56 percent. According to ZAMPS, the local market still shows an appetite for printed copies of newspapers, even though online readership is on the increase globally. This is likely to be maintained in 2022.

The year 2021 closed with the Government media reform agenda at an advanced stage. However, the Media Practitioner Bill is yet to be concluded. The issue of co-regulation of the media remains under discussion, with indications that there could be an agreement on the need to continue with statutory regulation by the Zimbabwe Media Commission and self-regulation by the Voluntary Media Council of Zimbabwe.

The first community radio stations came on stream and 2022 should see an accelerated setting up of more stations, bringing tight competition in the radio sector. None of the licensed television stations were able to launch by the close of the year but indications are that some of the stations will go live this year.

To that end, our preparations for launch of free-to-air Zimbabwe Television Network (ZTN) are at an advanced stage. Government is coordinating the identification of a suitable set-top box that would accommodate all the current and future television stations.

- 4. Digital Media**
The Company continued to take advantage of opportunities in the digital media space as it adapts and fully embraces the fast changing technological environment. The 360-degree fully integrated media house strategy where content is accessed on all platforms continues to be a source of competitive advantage as it takes care of all customers' needs.

The rolling out of 5G services in Zimbabwe already has the company working on delivering content and services on new and improved platforms that are optimized for the new "enhanced mobile broad band" era. The company is focusing on futuristic platform building and acquisitions that allow for agile adaptation to the changes in technology in order to maintain a good and uninterrupted customer experience.

- 5. Financial Performance**

Application of International Accounting Standard (IAS) 29: Inflation Adjusted Financial Statements

Following the pronouncement by the Public Accountants and Auditors Board (PAAB) that the Zimbabwean economy was trading in hyperinflation, the Directors have applied the principles of IAS 29 to prepare the Group's inflation adjusted accounts for the year ended 31 December 2021. IAS 29 requires that inflation adjusted financial statements become the entity's primary financial statements. Accordingly, the Company has complied with this requirement for the reporting period under review.

- 6. Financial Performance Overview**
In a challenging operating environment characterised by the negative impact of Covid-19, high inflationary pressures and declining disposable incomes, the Company recorded a revenue growth of 56% in inflation adjusted terms. To that end, revenue of ZWL\$3.4 billion was recorded compared to ZWL\$2.2 billion for same period last year. All the operational divisions of the Group recorded revenue growth led by the Broadcasting Division that had an 81% growth followed by the newspapers at 56% and 34% for the Commercial Printing Division.

In line with the revenue growth, the Company recorded a gross profit of ZWL\$2.2 billion. This was an increase of 53% when compared to same period last year. Owing to a high operating cost base, the net profit margin before financing cost, exchange gains and monetary adjustments declined to 9% compared to 12% for the same period last year. Major cost increases were incurred on raw material supplies and general operating costs such as administration, selling and distribution as they were increasing in line with inflation. The Company increased the use of its borrowing facilities to fund the increased cash requirements of the business in line with its growth plans. This resulted in a high interest cost bill for the period under review.

Net profit before tax improved by 498% to ZWL\$144.0 million compared to same period last year. The growth was driven by a lower monetary loss when compared to same period last year.

- 7. Newspaper Division**
The Newspapers Division increased its top line by 56%. This was driven by volume recovery on both circulation and advertising coupled by advertising price reviews to protect the Company's profit margins. In line with the revenue growth, the Division's profit for the period under review also went up by 53%. The profit growth was a result of better cost management that was meant to protect the Company's profit margins in a volatile operating environment.

- 8. Commercial Printing Division**
Despite the 34% revenue increase to ZWL\$492.2 million recorded by the Division, net profit declined by 29% to ZWL\$43.6 million on account of local sourcing as foreign currency availability on the formal market was limited. There were also increased costs on plant maintenance to ensure better operational efficiencies. Management is pursuing strategies to improve the generation of foreign exchange through increased exports. In line with this thrust, the Division is participating in improved foreign currency retention scheme introduced by the Reserve Bank of Zimbabwe.

- 9. Broadcasting Division**
The Broadcasting Division's revenue performance improved by 81% to ZWL\$645.2 million driven by both radio and television broadcasting services that recorded 71% and 136% respectively. Despite the good revenue performance, the Division's profit declined by 123% owing to high set up costs associated with the television channel as the Company prepares to get ZTN television channel on air.

- 10. Corporate Governance**
In compliance with good Corporate Governance, the company's Finance and Risk Committee, Business Development Committee and the Human Resources, Ethics and Remuneration Committee, met three times each during the year under review to assess operations and adequacy of systems and procedures that safeguard the company's assets.

- 11. Corporate Social Investment**
The company remains committed to investing in the community in various ways as underpinned by its social responsibility policy. To that end, a number of learning institutions were supported in various ways that includes the procurement of furniture, computers and printers. The Company's bursary scheme remained in place and its advocacy for cancer and health related matters continued during the period under review.

- 12. Dividend**
In line with the Company's dividend payment policy, the Board of Directors recommends the payment of a dividend of RTGS\$0.0387 per share. This dividend is in respect of the financial year ending 31 December 2021 and will be payable in full to all the shareholders of the Company registered at the close of business on Friday 27th May 2022. The payment of this dividend will take place on or about the 22nd of June 2022. The Company shares will be trading cum-dividend on the Zimbabwe Stock Exchange up to the 23th of May 2022 and ex-dividend as from the 24th of May 2022.

- 13. Outlook**
The Company is on course to launch its television channel in the near future and remains strategically positioned to be the Zimbabwean channel of choice in television broadcasting. Focus will remain on ensuring improved customer service across the Group and fine tuning our product offering to meet the growing needs of our wide customer base.

The impact of Covid-19 across the business divide and the associated economic slowdown cannot be ruled out as global infection cases were reported to be increasing once again. The Zimbabwean Government's focus on vaccinations and the administration of booster jobs is expected to bring some relief that would result in less hospitalisations and deaths in the future.

The continued Russia/Ukraine geopolitical conflict is expected to bring more challenges on the global supply chain market. There will be increased product shortages that will fuel price increases on some materials used by the Company. In view of these challenges, management will remain focused at ensuring the survival and growth of the Company, albeit, at low margins.

- 14. Appreciation**
We are delighted by the unwavering support of our esteemed customers, readers, listeners, viewers, advertisers and all stakeholders, who have made it possible for us to remain standing to this day. Indeed, we are grateful for the support, which forms the source of our solid future prospects. Our workers and the Board have continued to look at opportunities that make the Company a better place. I am extending my appreciation to all these critical stakeholders, not least, our loyal workforce who we rely upon to ensure the continued survival of the Company.

T.A. Ganda Sithole
Board Chairman

24 March 2020



Best Daily Print Media Award
2021

A double delight!

Superbrand
Brand Of The Year 2021



Winner of the MAZ Superbrands
Electronic Media(Radio) Category.

Branded to Serve the Zimbabwean Story 360-24/7

Thank you to our valued listeners, readers, advertisers and stakeholders on this success. Zimpapers brands keep evolving and stay abreast with the ever changing media landscape by upholding best standards to keep you informed, entertained and in the know.

Digital & Publishing

Commercial Printing

RADIO

ZTN
Get the picture

Market leader in Publishing, Broadcasting, Digital, Printing & Packaging

ZIMBABWE NEWSPAPERS (1980) LIMITED

AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Market leader in Publishing, Broadcasting, Digital, Printing & Packaging

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are required by the Companies and Other Business Entities' Act (Chapter 24:31) to maintain adequate accounting records and are responsible for the content and integrity of the Company's abridged financial statements and related financial information included in this report. It is their responsibility to ensure that the Company's abridged financial statements fairly present the state of affairs of the Company as at the end of the period and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards.

AUDITOR'S STATEMENT

These abridged financial results should be read in conjunction with the full set of inflation adjusted statements for the year ended 31 December 2021, which have been audited by BakerTilly and a qualified opinion issued thereon. The basis of the qualified opinion pertains to misstatements in opening balances that arose due to non-compliance with International Standard 21 " The Effects of Changes in Foreign Exchange Rates" in 2018 financial period and the application of the exchange rate of 1:1 between ZWL\$ dollar and USD during the period 1 January to 21 February 2019. Despite market conditions indicating that there was no longer parity between the two currencies, the Directors maintained an exchange rate of 1:1 in compliance with SI 33/19.

The audit report also includes an emphasis of matter paragraph relating to the fact that the radio licences for Capital and Nyaminyami were awarded to Kingstons by the Broadcasting Authority of Zimbabwe and Zimpapers is operating the radio stations under a management agreement.

The following key audit matter is also included in the report and no exceptions were noted in respect of this:

❖ Hyperinflation Accounting (High risk area and significant judgement)

The auditor's report on these inflation adjusted financial statements is available for inspection at the Company's registered office. The Engagement partner on the audit resulting in the Independent Auditor's report is Courage Matsa.

BakerTilly

BakerTilly
Harare, Zimbabwe
PAAB Number 0607

STATEMENT OF COMPLIANCE

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the Companies and Other Business Entities Act (Chapter 24:31). The Company's financial statements are based on the statutory records maintained under the historical cost convention as restated in line with IAS 29 principles. The operating environment was declared on the 1st of July 2019 to have met the conditions for hyperinflation reporting.

IAS 29 requires that prior year comparatives and current year's transactions be restated to take account of the effects of the changes in the general purchasing power of the local currency. To that effect, the indices and conversion factors used were as follows:

Month	CPI	Factor
Dec-19	551.63	7.21
Dec-20	2,474.50	1.61
Dec-21	3,977.46	1.00

Audited Condensed Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2021

	Inflation Adjusted		Historical Cost	
	Audited 2021 ZWL\$	Audited 2020 ZWL\$	Audited 2021 ZWL\$	Audited 2020 ZWL\$
Revenue	3,367,979,140	2,161,925,113	2,708,274,032	985,358,884
Gross profit	2,222,217,400	1,452,533,290	1,770,780,218	681,898,440
Other operating income	43,716,683	40,707,869	36,016,556	18,023,559
Operating expenses	(1,959,156,626)	(1,227,661,919)	(1,593,004,955)	(557,536,616)
Selling & distribution expenses	(316,755,718)	(233,808,366)	(259,942,235)	(114,626,936)
Administration expenses	(1,642,400,908)	(993,853,553)	(1,333,062,720)	(442,909,680)
Profit from operations before financing cost, exchange gain and monetary adjustments	306,777,457	265,579,240	213,791,819	142,385,383
Net financing cost	(84,335,413)	(14,421,914)	(67,446,774)	(7,573,718)
Exchange gain	12,862,223	9,111,816	11,569,839	13,164,732
Monetary loss	(91,338,181)	(236,211,067)	-	-
Profit before tax	143,966,086	24,058,075	157,914,884	147,976,397
Tax (expense)/ credit	(47,063,360)	81,176,740	(44,137,093)	(36,140,318)
Profit after tax	96,902,726	105,234,815	113,777,791	111,836,079
Other Comprehensive income	-	-	-	-
Gain on property revaluation net of tax	-	-	-	-
Total Other Comprehensive income	-	-	-	-
Total comprehensive income for the year	96,902,726	105,234,815	113,777,791	111,836,079
Number of shares in issue(000s)	576,000	576,000	576,000	576,000
Basic earnings per share (cents)	16.82	18.27	19.75	19.42
Diluted earnings per share (cents)	16.82	18.27	19.75	19.42
Headline earnings per share (cents)	14.46	18.34	17.21	19.10

Condensed Statement of Financial Position

as at 31 December 2021

	Inflation Adjusted		Historical Cost	
	Audited 2021 ZWL\$	Audited 2020 ZWL\$	Audited 2021 ZWL\$	Audited 2020 ZWL\$
ASSETS				
Non-current assets				
Property, plant and equipment	3,067,454,993	2,754,585,720	825,023,090	423,331,277
Intangible asset	2,733,478	2,368,414	61,032	52,880
Long term investment	3,231,771	5,194,680	3,231,771	3,231,771
	3,073,420,242	2,762,148,814	828,315,893	426,615,928
Current assets				
Inventories	88,303,460	73,654,384	83,494,861	43,966,060
Trade and other receivables	646,238,822	416,604,728	472,313,099	257,875,410
Financial assets at fair value through profit and loss	16,443,122	3,867,596	16,443,122	2,406,151
Bank and cash	25,922,309	81,630,508	25,922,309	50,784,863
	776,907,713	575,757,216	598,173,391	355,032,484
Total assets	3,850,327,955	3,337,906,030	1,426,489,284	781,648,412
EQUITY AND LIABILITIES				
Equity and reserves				
Share capital	2,579,767	2,579,767	57,600	57,600
Accumulated profit	1,263,528,120	1,166,625,394	238,557,017	124,779,226
Revaluation reserve	1,105,498,039	1,105,498,039	286,920,461	286,920,461
	2,371,605,926	2,274,703,200	525,535,078	411,757,287
Non-current liabilities				
Long term borrowings	107,447,936	1,218,086	107,447,936	757,809
Long term liabilities	-	-	-	-
Deferred tax	626,586,223	594,687,520	66,727,100	78,413,258
	734,034,159	595,905,606	174,175,036	79,171,067
Current liabilities				
Trade and other payables	563,990,451	336,273,529	546,081,751	209,206,166
Short term borrowings	66,642,543	1,469,085	66,642,543	913,963
Bank overdraft	116,798,928	46,200,258	116,798,928	28,742,609
Tax (refundable)/ payable	(2,744,052)	83,354,352	(2,744,052)	51,857,320
	744,687,870	467,297,224	726,779,170	290,720,058
Total liabilities	1,478,722,029	1,063,202,830	900,954,206	369,891,125
Total equity and liabilities	3,850,327,955	3,337,906,030	1,426,489,284	781,648,412

Abridged Statement of Cash flows

for the year ended 31 December 2021

	Inflation Adjusted		Historical Cost	
	Audited 2021 ZWL\$	Audited 2020 ZWL\$	Audited 2021 ZWL\$	Audited 2020 ZWL\$
Net cash inflows from operations	383,857,467	160,837,972	244,748,697	92,946,155
Net cash outflows from investing activities	(596,888,506)	(106,431,814)	(462,425,661)	(55,289,847)
Net cash inflows /(outflows) from financing activities	86,724,170	(69,064,304)	104,758,091	(22,560,705)
Net increase in cash and cash equivalents	(126,306,869)	(14,658,146)	(112,918,873)	15,095,603
Cash and cash equivalents at the beginning of the year	35,430,250	50,088,396	22,042,254	6,946,651
Cash and cash equivalents at end of the period	(90,876,619)	35,430,250	(90,876,619)	22,042,254

Condensed Statement of Changes in Equity

for the year ended 31 December 2021

	Share capital ZWL\$	Revaluation reserve ZWL\$	(loss)/ profit ZWL\$	Retained Total ZWL\$
HISTORICAL COST				
Balance at 31 December, 2019	57,600	286,920,461	24,463,147	311,441,208
Total comprehensive income for the period	-	-	111,836,079	111,836,079
Dividend paid	-	-	(11,520,000)	(11,520,000)
Balance at 31 December, 2020	57,600	286,920,461	124,779,226	411,757,287
Total comprehensive income for the period	-	-	113,777,791	113,777,791
Balance at 31 December, 2021	57,600	286,920,461	238,557,017	525,535,078

INFLATION ADJUSTED

	Share capital ZWL\$	Revaluation reserve ZWL\$	Retained (loss)/ profit ZWL\$	Total ZWL\$
Balance at 31 December, 2019	1,604,953	687,764,512	671,843,897	1,361,213,362
Total comprehensive income for the period	-	-	65,469,833	65,469,833
Dividend paid	-	-	(11,520,000)	(11,520,000)
Balance at 31 December, 2020	1,604,953	687,764,512	725,793,730	1,415,163,195
Balance at 31 December, 2020	2,579,767	1,105,498,039	1,166,625,394	2,274,703,200
Total comprehensive income for the period	-	-	96,902,726	96,902,726
Balance at 31 December, 2021	2,579,767	1,105,498,039	1,263,528,120	2,371,605,926

ZIMBABWE NEWSPAPERS (1980) LIMITED

Business segment report

The commercial printing segment is involved in the printing of books, labels, security documents, diaries, calendars and offering of origination services. The newspaper segment is involved in newspaper and magazine printing and publishing. The broadcasting segment is a commercial free-to-air radio station and online television channel. The corporate segment comprises Head Office administrative operations.

	Commercial Printing 2021 ZWL\$	Newspapers 2021 ZWL\$	Broadcasting 2021 ZWL\$	Corporate 2021 ZWL\$	Consolidated 2021 ZWL\$
External revenue	492,211,577	1,691,059,811	525,002,644	-	2,708,274,032
Results					
Segment profit/ (loss)	38,337,703	200,104,916	(17,033,340)	(7,817,460)	213,791,819
Net finance expenses					(67,446,774)
Exchange gain					11,569,839
Income tax expense					(44,137,093)
Profit for the period					113,777,791

As at 31 December 2021 reportable segment assets and liabilities

	244,737,699	748,149,286	357,236,658	76,363,641	1,426,489,284
Segment assets					
Current Assets	152,905,396	307,942,425	115,543,323	21,972,247	598,173,391
Non current Assets	91,832,303	440,206,861	241,885,335	54,391,394	828,315,893
Segment liabilities	112,220,926	425,510,417	219,697,122	76,798,641	834,227,106
Current liabilities	94,196,684	417,994,303	145,632,679	68,955,504	726,779,170
Non current liabilities	18,024,242	7,516,114	74,064,443	7,843,137	107,447,936
Deferred tax liability	-	-	-	-	66,727,100

Inflation adjusted

	Commercial Printing 2021 ZWL\$	Newspapers 2021 ZWL\$	Broadcasting 2021 ZWL\$	Corporate 2021 ZWL\$	Consolidated 2021 ZWL\$
External revenue	602,721,941	2,120,093,632	645,163,567	-	3,367,979,140
Results					
Segment profit/ (loss)	43,604,435	273,783,106	(7,192,420)	(3,417,664)	306,777,457
Net finance expenses					(84,335,413)
Exchange gain					12,862,223
Monetary loss					(91,338,181)
Income tax expense					(47,063,360)
Profit for the period					96,902,726

As at 31 December 2021 reportable segment assets and liabilities

	857,964,126	2,348,798,241	548,610,907	94,954,681	3,850,327,955
Segment assets					
Current Assets	323,819,788	314,510,256	116,543,907	22,933,764	776,907,713
Non current Assets	534,144,340	2,034,287,985	432,067,000	72,920,917	3,073,420,242
Segment liabilities	112,220,926	425,510,417	219,697,122	94,707,341	852,135,806
Current liabilities	94,196,684	417,994,303	145,632,679	68,864,204	744,687,870
Non current liabilities	18,024,242	7,516,114	74,064,443	7,843,137	107,447,936
Deferred tax liability	-	-	-	-	626,586,223

Historical Cost

As at 31 December 2020 reportable segment assets and liabilities

	Commercial Printing 2020 ZWL\$	Newspapers 2020 ZWL\$	Broadcasting 2020 ZWL\$	Corporate 2020 ZWL\$	Consolidated 2020 ZWL\$
External revenue	190,462,604	628,752,029	166,144,251	-	985,358,884
Results					
Segment profit / (loss)	21,553,239	108,018,496	16,429,814	(3,616,166)	142,385,383
Net finance expenses					(7,573,718)
Exchange loss					13,164,732
Gain on revaluation					-
Income tax expense					(36,140,318)
Profit for the period					111,836,079

As at 31 December 2020 reportable segment assets and liabilities

	134,918,040	503,539,600	100,079,707	43,111,065	781,648,412
Segment assets					
Current Assets	58,573,861	195,244,578	62,082,327	39,131,718	355,032,48
Non current Assets	76,344,179	308,295,022	37,997,380	3,979,347	426,615,928
Segment liabilities	30,536,444	147,700,690	33,078,008	80,162,725	291,477,867
Current liabilities	30,536,444	147,700,690	32,320,199	80,162,725	290,720,058
Non current liabilities	-	757,809	-	757,809	(516,734,539)
Deferred tax liability	-	-	-	-	78,413,258

Inflation adjusted

As at 31 December 2020 reportable segment assets and liabilities

	Commercial Printing 2020 ZWL\$	Newspapers 2020 ZWL\$	Broadcasting 2020 ZWL\$	Corporate 2020 ZWL\$	Consolidated 2020 ZWL\$
External revenue	448,387,380	1,357,237,773	356,299,960	-	2,161,925,113
Results					
Segment profit / (loss)	61,562,760	178,578,402	30,632,528	(5,194,450)	265,579,240
Net finance expenses					(14,421,914)
Exchange loss					9,111,816
Monetary gain					(236,211,067)
Income tax expense					81,176,740
Profit for the period					105,234,815

As at 31 December 2020 reportable segment assets and liabilities

Segment assets	628,660,036	2,361,614,574	274,305,693	73,325,727	3,337,906,030
Current Assets	94,206,236	318,336,865	100,314,627	62,899,488	575,757,216
Non current Assets	534,453,800	2,043,277,709	173,991,066	10,426,239	2,762,148,814
Segment liabilities	46,429,855	240,064,727	53,168,885	128,851,843	468,515,310
Current liabilities	46,429,855	240,064,727	51,950,800	128,851,843	467,297,224
Non current liabilities	-	-	1,218,085	-	1,218,086
Deferred tax liability	-	-	-	-	594,687,520

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Zimbabwe Newspapers 1980 Limited ("Zimpapers")

Report on the Audit of the Inflation Adjusted Consolidated Financial Statements

Qualified Opinion

We have audited the inflation adjusted consolidated financial statements of Zimbabwe Newspapers 1980 Limited ("Zimpapers") and its subsidiaries which comprise the inflation adjusted consolidated statement of financial position as at 31 December 2021, the inflation adjusted consolidated statement of profit or loss and other comprehensive income, inflation adjusted consolidated statement of changes in equity, inflation adjusted consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes to the financial statements.

In our opinion, except for the matters discussed in the Basis for Qualified Opinion section of our report, the inflation adjusted consolidated financial statements present fairly, the statement of financial position of Zimpapers as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31).

Basis for Qualified Opinion

Impact of prior year non-compliance with International Financial Reporting Standards IAS 21 – 'Effects of changes in foreign exchange rates'

The basis for qualification is due to misstatements contained in the opening balance for retained earnings. The opening balances for 2019 financial period were reported as USD end of 2018 financial year and translated to ZWL on the rate of 1:1 at the beginning of 2019. Additionally, transactions between 1 January 2019 and 21 February 2019 were recorded at the rate of 1:1 in compliance with SI 33/19. Although the evidence in the market suggested that there was no longer parity between the USD and "local currency" up to 21 February 2019, the directors maintained an exchange rate of 1:1 in compliance with SI 33/19. This constituted a departure from the requirements of IAS 21. As a result, the misstatements on the prior years' income statement is still carried forward in the current retained earnings balance.

ADVISORY • AUDIT • TAX • ACCOUNTING

Baker Tilly Chartered Accountants trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

Emphasis of Matter**Ownership of Radio Licences for Capitalk and Nyaminyami**

We draw attention to the notes of the inflation adjusted financial statements which brings to attention of users of financial statements that the radio licences for Capitalk and Nyaminyami were awarded to Kingstons by the Broadcasting Authority of Zimbabwe. Zimpapers is managing the radio stations on behalf of Kingstons under a management agreement. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the inflation adjusted financial statements of the current year. Key audit matters are selected from the matters communicated with those charged with governance, but are not intended to represent all matters that were discussed with them. In addition to the matters described in the Basis for Adverse Opinion section of our report, we have determined the matters described below to be the key audit matters. These matters were addressed in the context of our audit of the financial statements as a whole. Our opinion on the inflation adjusted financial statements is not modified with respect to any of the key audit matters described below, and we do not provide a separate opinion on these matters.

1.	Hyperinflation Accounting (High risk area and significant judgement)	
	<p>Following the Public Accountants and Auditors Board (PAAB) designation of Zimbabwe as hyperinflationary economy, management also evaluated and determined the economy of Zimbabwe to be hyperinflationary. Zimpapers applied the requirements of IAS 29 – Financial reporting in Hyperinflationary Economies.</p> <p>Hyperinflationary accounting was determined to be a matter of most significance to the audit due to high risk and the significance of the balances and transactions, and the complexity and subjectivity relating to the application of the Standard.</p> <p>IAS 29 requires significant judgments to be made by management considering the guidelines provided in IAS 29 are limited. Zimpapers accounting policy on hyperinflation accounting is disclosed in the notes.</p>	<p>We obtained an understanding of the Zimpapers process for identifying hyperinflationary economies and evaluated the policy in relation to hyperinflation accounting. Our audit procedures included, among others:</p> <ul style="list-style-type: none"> • We assessed and tested the indicators of hyperinflation on the Zimbabwean economy by corroborating these with industry report and our own understanding of the economy; • We recomputed and tested the hyperinflation workings prepared by management by evaluating the rationale for the economic indicators included (such as the inflation rate, cumulative inflation rate, consumer price indices from various sources). • We tested the source data used by agreeing it to supporting schedules. • We assessed the reasonability of the assumptions used by comparing these to externally available industry, financial and economic data; and; • We tested restatement of statement financial position and income statement items for compliance to the requirements of IAS 29. • We assessed whether disclosures in the financial statements appropriately reflected the effects of the adoption of IAS 29. <p>We found that the inflation adjusted financial statements have been properly restated in terms of IAS 29.</p>

Other Information

The directors are responsible for the other information. The other information comprises the Directors Report Chairman's Report, Chief Executive Officer's Report and the Corporate Governance Report. Other information does not include the inflation adjusted financial statements and our auditor's report thereon.

Our opinion on the inflation adjusted 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 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 financial statements or our knowledge obtained during 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 on this other information, we are required to report that fact. We have nothing to report in this regard.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the 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 entity'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 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 the auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the inflation adjusted consolidated financial statements, including the disclosures, and whether the inflation adjusted consolidated 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 to express an opinion on the inflation adjusted consolidated financial statements.

We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for the 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 complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be brought to bear on our independence, and where applicable related safeguards.

From the matters communicated with the Directors, we determine those matters that were significant in the audit of the inflation adjusted financial statements of the current period and therefore the key audit matters. We describe those matters in our auditors' 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 resulting in the Independent Auditor's report is Courage Matsa

Report on Other Legal and Regulatory Requirements

Companies and Other Business Entities Act (Chapter 24:31)

In our opinion, the accompanying inflation adjusted financial statements have in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31).



Partner: Courage Matsa

PAAB Practising Number: 0607

Baker Tilly Chartered Accountants (Zimbabwe)

Harare

Date: 24/03/2022