

ZIMBABWE NEWSPAPERS (1980) LIMITED

REVIEWED CONDENSED FINANCIAL RESULTS

FOR THE HALF YEAR ENDED 30 JUNE 2022

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

FINANCIAL HIGHLIGHTS

For the half year ended 30 June 2022

GROUP REVENUE

Up by 68%
to ZWL\$5.2 billion

NEWSPAPER DIVISION REVENUE

Up by 67%
to ZWL\$3.5 billion

BROADCASTING DIVISION REVENUE

Up by 75%
to ZWL\$973.3 million

COMMERCIAL DIVISION REVENUE

Up by 58%
to ZWL\$764.9 million

CHAIRMAN'S STATEMENT

FOR THE HALF YEAR ENDED 30 JUNE 2022



T.A.G Sithole
BOARD CHAIRMAN

1. Operations review

1.1 Operating environment

The operating environment remained challenged by hyperinflation, exchange rate volatilities at the background of the general global recession.

During the period under review, a year-on-year inflation rate of 191% was recorded as at 30 June 2022. The interbank exchange rate depreciated by 237.1% against the United States Dollar as it moved from ZWL\$108.67 on 1st January to ZWL\$366.27 by 30 June. The rapid currency depreciation was a result of the unsustainable inflationary pressures on the economy and the resultant effects of the imported global inflation. The remnant impact of the Covid-19 pandemic and the Russia/Ukraine geo-political conflict had negative effects on the global commodity markets and supply chains, leading to slowdown in global growth.

The Government of Zimbabwe continued to make some policy interventions in an effort to keep the economy on the growth path. Resultantly, a positive GDP growth of 4.6% is being projected for the year ending 31 December 2022. Some improvements in the construction sector, mainly on road infrastructure rehabilitation, mining and the hospitality sectors were recorded.

The operating environment continued to be positive as the effects of the Covid-19 pandemic eased. The world is slowly returning to normalcy and economies are rebounding, providing the media with a wider story-range.

2.2 Media environment

Audiences continue to demand fact-based and checked news and information. The latest Zimbabwe All Media and Products Survey confirmed audience growth for all news platforms that included

newspapers, radio and television. Interest in the media is forecast to grow even more as the country moves deeper into the election period, which is characterised by high spending across all platforms.

Media reforms continued with a push to further professionalise journalism through the Media Practitioners Bill, which seeks to bring in co-regulation of media. Standards of journalism are likely to improve as journalists will hold each other accountable just as in other professions. The principles of the Bill have been agreed by all media stakeholders, and the Bill is expected to pass during the life of the current Parliament.

The Data Protection Act came into effect and seeks to increase data protection in order to build confidence and trust. Furthermore, the bill seeks to secure use of information and communication technologies by data controllers, their representatives and data subjects. It will engender discipline in the distribution of information in the cyberspace.

More community radio stations were introduced, putting pressure on mainstream radio stations as some communities can now access hyper-local content from the community radio stations.

Zimpapers Television Network (ZTN) and 3KTV, went live on the DStv platform, giving viewers a wider choice to choose from. This has the effect of squeezing the available television advertising budgets, which previously were monopolised by ZTV before the opening of the air space. None of the new stations is on the digital terrestrial television platform yet, as set-top boxes are not yet available.

2.3 Digital Media

The Company has been on a digital transformation journey and has invested in the required tools and skills to cater for both local and global customers. The available media distribution technology for both digital newspapers and online radio streaming enables the Company to get insights into customer needs, thereby equipping it with the required business intelligence to provide improved products and services.

The Company's transformation drive for digital media has seen improvements on existing digital platforms. This brings value added products and services to the Company's clients and customers. The focus on agile and scalable digital solutions to cater for the ever-changing digital media forms, including video and interactive content remains a priority for the company that is in pursuit of customer service excellence.

3.0 Financial Performance

3.1 Overview

In compliance with the dictates of IAS 29 - Financial Reporting in Hyperinflationary Economies, the Company's financial commentary was based on restated numbers.

The revenue for the Company increased by 68% to ZWL\$5.2 billion during the period under review when compared to ZWL\$3.1 billion for the same period last year. The growth in revenue was supported by volume recoveries across the operating divisions of the Company.

Despite the gross profit margin remaining flat at 69% as recorded last year, net operating profit before interest, exchange loss and monetary adjustments improved to 17% compared to 14% for the same period last year. This was a result of better cost management. However, the operational cost savings were eroded by increased interest costs and exchange losses resulting in a net profit margin being flat at 13%. The interest costs increased due to high borrowings to fund new projects. Exchange losses arose from exchange rate depreciation, coupled with late payments to foreign raw material suppliers. In absolute terms, net profit before tax and monetary adjustments, increased by 63% to ZWL\$639 million compared to ZWL\$391 million for 2021.

A monetary loss of ZWL\$353 million compared to ZWL\$7 million for prior year, was recorded owing to the hyperinflationary environment. This reduced the Company's net profit before tax to ZWL\$287 million compared to ZWL\$384 million.

3.2 Newspaper Division

The Newspaper Division recorded 67% revenue growth to ZWL\$3.5 billion compared to ZWL\$2.1 billion for same period last year owing to volume recoveries. The division's advertising volume increased by 24% whilst newspaper circulation went up by 6%. Resultantly, the division recorded a 120% growth in operating profit to ZWL\$813.4 million compared to ZWL\$368.9 million for last year.

3.3 Commercial Printing Division

The Commercial Printing Division recorded a strong volume recovery of 45%, driven by labels that grew by 48%. In line with the volume growth, revenue for the division increased by 58% to ZWL\$764.9 million compared to ZWL\$485.0 million for 2021. The division recorded a significant

growth in operating profit to ZWL\$77.4 million compared to ZWL\$6.5 million for the same period in the prior year.

3.4 Broadcasting Division

The Radio Broadcasting Division's revenue improved by 75% to ZWL\$973.3 million compared to ZWL\$555.5 million for the same period last year. The revenue growth was supported by a 14% volume growth and price recoveries. The Radio broadcasting division's operating profit of ZWL\$168.1 million was 137% better than the ZWL\$71.0 million recorded for the same period in 2021. However, the overall division's performance was affected by the ZTN project that is still in its infancy. The newly established ZTN channel is gaining traction on revenue generation and audiences following its launch on the DStv platform on the 24th May 2022.

4. Corporate Governance

The Board of Directors and Management remain committed to high standards of good corporate governance. The Board and its established four Sub Committees of Audit and Risk, Business Development and Marketing, Human Resources and Remuneration Committees and CSR, met virtually on two occasions during the period under review to assess operations and the adequacy of systems and procedures that safeguard the Company's assets.

5. Corporate Social Investment

The Company remains committed to investing in sustainable development in communities as underpinned by its corporate social responsibility policy. To that end, mentorship programmes to nurture talent and raise future media practitioners have been introduced through the Zimpapers Junior Media Club.

In line with the Company's resolve to reduce environmental footprints, afforestation programmes to combat global warming have been put in place.

The Company continued to support less privileged students by sustaining its bursary scheme. There was also focus at advocacy for cancer, mental health and other health related matters to ensure a health-conscious society.

6. Dividend

In view of the challenging operating environment, the Board resolved not to declare an interim dividend for the period under review.

7. Outlook

Although the macroeconomic outlook continues to be uncertain, there is hope for a better second half of the year as shown by the resilience and recovery in the mining, construction, tourism and manufacturing sectors, amongst others. This has been the basis for a general economic optimism as the Government has projected a 4.6% GDP growth for the year 2022.

The Company will continue to strengthen its product offering by improving performance of its new and old products to give better profit margins. The ZTN footprint is expected to continue growing as the unit is gaining trust from its audiences. The digitalisation strategy remains core to the operations and growth of the Company, arising from the growing demand for digital products in the country and the world over.

8. Directorate

There were no directorship changes during the period under review.

9. Appreciation

I am grateful to my fellow Board members, senior management and all members of staff for their continued support. My greatest appreciation goes to our valued clients and customers who continued to give invaluable support to the business.

T.A.G Sithole
Board Chairman

22 September 2022

EXPLORE CAPTIVATING

NEWS · SPORT · DRAMA · MUSIC · LIFESTYLE

Channel 294



DStv
Zimbabwe

ZTN PRIME

GET THE PICTURE

Independent auditor's report on review of the inflation adjusted consolidated interim financial information to the shareholders of Zimbabwe Newspapers 1980 Limited ("Zimpapers")

Introduction

We have reviewed the accompanying inflation adjusted abridged interim statement of financial position of Zimpapers as at 30 June 2022 and the interim inflation adjusted statement of profit or loss and other comprehensive income, interim inflation adjusted statement of changes in equity and interim inflation adjusted statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Directors are responsible for the preparation and fair presentation of these interim financial statements in accordance with International Financial Reporting Standards ("IFRS"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 (Revised), "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim 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 on these interim financial statements.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these interim financial statements in accordance with International Accounting Standard 34- Interim Financial Reporting and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent reviewer's responsibility

Our responsibility is to express a conclusion on these interim financial statements based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410 (Revised), "Review of Interim Financial Information Performed by the Independent Auditor of the Entity. ISRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework.

A review of financial statements in accordance with ISRE 2410 (Revised) is a limited assurance engagement and also requires us to comply with relevant ethical requirements. The independent reviewer performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the inflation adjusted financial position of the entity as at 30 June 2022, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Accounting Standard 34- Interim Financial Reporting and the requirements of the Zimbabwe Stock Exchange Listing Regulations.

The image shows a handwritten signature in blue ink that reads "Baker Tilly". Below the signature is a horizontal dotted line.

Baker Tilly Chartered Accountants
Partner: Courage G Matsa
PAAB Practising Number: 0607
Baker Tilly Chartered Accountants (Zimbabwe)
Harare

Date: 15 September 2022

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.