



CHAIRMAN'S STATEMENT

1. Overview

I hereby present the financial results for the Company for the year ended 31 December 2020.

2. The Operating Environment

The operating environment remained challenged by the Covid-19 pandemic worsened by inflationary pressures at the background of declining disposable incomes and foreign exchange shortages. Following the introduction of the foreign currency auction system in July 2020, notable improvements in foreign exchange availability on the formal banking platforms and the stability of the Zimbabwe dollar exchange rate to all major currencies were recorded. The Company remained under pressure to maintain profitability and viability in a volatile operating environment.

3. The Media Environment

The media environment was tough given the impact of the Covid-19 on businesses and lifestyles

which brought about changes in consumption patterns. The resilience of our media products was tested and confirmed standing. The biggest test was on the print products as most consumers were working from home consuming a lot of digital media, resulting in the demand for digital products continuing to rise. In line with the evolution of the digital landscape, the broadcasting segment also enjoyed huge audience growth.

Five (5) of Zimpapers' newspapers continued to circulate in digital format and performing relatively well. The print products like the Herald, Sunday Mail, Chronicle, Sunday News and Manica Post remained stable underpinned by good subscriptions and retail sales.

The rise of the social media notwithstanding, demand for content remained high as consumers continued to prefer accurate, reliable and verified information on Covid-19, the economy, especially

agriculture and mining, politics and social issues that affected them. This bodes well for the industry as audiences were demonstrating faith in professionally produced content, which has been verified and can be relied upon in making important decisions.

Government continued to liberalise the electronic media landscape as television licenses were issued to six applicants, including Zimpapers Television Network (ZTN), creating a lot of excitement and expectations. Several community radio licences were also issued making the media business more competitive. Government also announced that 14 of the 48 digital transmitters had been installed as it pushes to achieve national reach for broadcast content.

On the global scale, The Global Media Intelligence Report shows that television is still the most widespread content-based medium, although video-on-demand is eating into that market with digital video advertising budgets increasing. Print newspapers are expected to remain stable, with weekly papers performing better than dailies.

4. Digital Media

The Company's business model remains premised on availing content on both the traditional and new digital platforms to ensure that content and advertising platforms are readily available for its clients. To that end, investments in digital platforms is a key focus area for the Company to allow delivery of content in audio, text and video format.

5. Financial Performance

Application of International Accounting Standard (IAS) 29: "Financial Reporting in Hyperinflationary Economies"

As the economy remained in hyper-inflationary mode with year on year inflation at 348.6% at 31 December 2020, the Company's primary set of accounts is hyper-inflationary numbers in compliance with the requirements of IAS 29.

6. Financial Performance Overview

The Company's total revenue of ZWL\$1,345,0 million was 3% better than the ZWL\$1,300,1 million recorded for the same period in 2019. Gross profit margin remained flat at 67% whilst net profit margin from operations declined from 17% in previous year to 12% owing to an inflationary increase in operating costs. The increase in operating costs was mainly driven by selling costs as the Company vigorously defended its market share in the very challenging operating environment.

The Company recorded a gross profit of ZWL\$903.7 million compared to ZWL\$876.2 million for the same period last year. In line with the increase in interest rates in the market and an increase in borrowings to fund new capital expenditure projects, the Company's net financing cost increased to ZWL\$9.0 million. Owing to a monetary loss of ZWL\$147.0 million (2019: gain of ZWL\$193,1 million), the Company recorded a net profit before tax of ZWL\$15.0 million compared to ZWL\$419.0 million for same period last year.

Capital expenditure was mainly on the ZTN project, motor vehicles and critical maintenance projects amounting to ZWL\$73.1 million compared to ZWL\$59.6 million for the prior year.

7. Newspaper Division

The Division recorded a 6% increase in revenue to ZWL\$844.4 million compared to ZWL\$794.9 million for 2019. Net profit for the period under review at ZWL\$111.1 million was 9% adverse to ZWL\$121.6 million for 2019. The decrease in profitability was a result of high operating costs in line with the general cost increases during the period under review.

8. Commercial Printing Division

The Commercial Printing Division recorded a 13% revenue decline to ZWL\$279.0 million from the ZWL\$315,8 million recorded in 2019. The decline in revenue was a result of low demand mainly for the Typocrafters business as schools remained largely closed and raw material supply related logistical constraints arising from the Covid-19 pandemic. Owing to a high cost base at the background of volume under performance, profit for the Division declined to ZWL\$38.3 million compared to ZWL\$99.2 million for last year.

9. Broadcasting Division

The Division's revenue performance improved by 17% to \$221.7 million compared to ZWL\$189.5 million for 2019. The increase in revenue was a result of the improved performance by ZTN that recorded a revenue increase of ZWL\$36.0 million from ZWL\$19.2 million for 2019. Despite the good revenue performance, the Division's profit declined by 7% to ZWL\$19.1 million (2019: ZWL\$20.5 million) owing to a high cost base and the associated inflationary pressures.

10. Corporate Governance

The company's Audit and Risk Committee, Business Development Committee and the Human Resources, Ethics and Remuneration Committee, met four 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 (CSI)

The Company's sustainable CSI business model is based on the following four pillars, environment, social, economic and governance.

In view of the Covid-19 pandemic, first and foremost, we sought the safety of our staff by providing them with appropriate personal protective equipment, transport and decongesting workplaces. We also ran Covid-19 awareness programmes in all our media platforms.

Following the devastation caused across the country by Cyclone Idai, the Company adopted Chikukwa Primary School, a rural school in Chimanimani with more than 1,000 learners. The Company constructed a classroom block that accommodates 100 learners. The completed and furnished classroom block was handed over to the school in November 2020.

Advocacy for cancer and health related matters continued in 2020 under the partnership between Zimpapers and Island Hospice. Under this partnership, the annual Zimpapers Cancer Power Walk was held virtually in Harare, Bulawayo, Mutare and Kariba. Thousands of Zimbabweans participated in the walk while funds were raised and handed over to Island Hospice for their palliative programmes.

The Covid-19 pandemic and subsequent lockdowns globally have come with several negative effects chief among them stress and depression. Zimpapers will run an awareness campaign on wellness and mental health in partnership with the Zimbabwe Obsessive Compulsive Disorder (OCD) Trust which was founded to support those suffering from mental health challenges.

12. Dividend

The Board of Directors declared an interim dividend of ZWL2.0 cents per share in September 2020. The dividend was paid on 18 December 2020 to shareholders registered in the books of the Company at the close of business on 4th December 2020. In view of the uncertainties associated with the negative impact of Covid-19 and the drive to capacitate the business by investing in new technologies for all the Divisions of the Group, the Board has recommended not to pay a final dividend. The ZWL2.0 cents per share interim dividend is therefore recommended to be the final dividend for the period under review.

13. Outlook

As a result of the optimism in the economy arising from above normal rainfall in the 2020/21

agricultural season and the positive prospects for the mining sector, we are expecting that 2021 will be a better year for the Company where profitability will be sustained. We are however aware of the possibility of a third wave of the Covid-19 pandemic that may reverse all the optimism and gains recorded to date.

The Company is focusing on the launch of its television project and further technology enhancement across the products divide in order to improve operational efficiencies.

14. Directorate

During the year Ms Primrose Kurasha resigned from the Board on the 3rd of August 2020. The Board hereby extends its gratitude to her for the invaluable contribution to the growth and sustenance of the Company and wish her well in her future endeavours.

15. Appreciation

I am grateful that the Company sailed through a very difficult year that saw the entire world being shaken by the covid-19 pandemic. To that effect, I am appreciative of the support we got from our customers, readers, listeners, viewers, advertisers and all stakeholders during the year ended 31 December 2020. I'm particularly grateful to our workers and the management team who have continued to defy the tenuous environment and served with dedication. I would also like to extend my gratitude to my fellow directors for their continued dedication and commitment to the success of the company.



T.A. Ganda Sithole
BOARD CHAIRMAN

25 March 2021