



ZIMBABWE NEWSPAPERS (1980) LIMITED

Market leader in Publishing, Broadcasting, Printing and Packaging

UNAUDITED CONDENSED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2019



CHAIRMAN'S STATEMENT



Mr T. A. G. Sithole
Chairman

1. Overview
On behalf of the Board of Directors, I am pleased to present the financial results for Zimbabwe Newspapers (1980) Limited (Zimpapers) for the six months ended 30 June 2019.

2. Operations review

2.1 Operating environment

The country's macroeconomic environment during the period under review continued to be characterised by foreign currency shortages, high inflation and low manufacturing sector capacity utilisation. The official Government of Zimbabwe (GoZ) year on year inflation rate for the month of June 2019 was at 175.66% compared to 2.91% for June 2018.

In line with the currency reforms tone set in October 2018, the GoZ introduced the Zimbabwe dollar (ZWL\$) as the sole legal tender on 24 June 2019, bringing an end to the multi-currency regime and the fixed exchange rate policy. Statutory Instrument (SI) 142 of 2019 and the Exchange Control Directive RU102/2019 were instituted to operationalise the introduction of the Zimbabwe dollar.

The country experienced unstable weather patterns, mainly from the El-Nino phenomenon and Cyclone Idai. The situation was exacerbated by foreign exchange shortages as well as inadequate power and energy supplies amongst other challenges. As a result, the IMF projected the Country's Gross Domestic Product (GDP) to contract to negative 2.1% by year end. In the same vein, the Ministry of Finance also forecasted a contraction to the economy.

2.2 Media environment

The media landscape remained challenged, with publishers and broadcasters optimistic that the on-going process to open up the media space will be good for their businesses. The prevailing economic difficulties, however, continue to impact negatively on

disposable incomes.

Consumption of content on digital platforms is growing and this is in keeping with global trends where digital revenues are rising while print remains stable. In Zimbabwe, the print business continues to be the mainstay of media companies, followed by radio and television.

The World Association of Newspapers 2018 World Press Trends report shows that globally, print circulation declined marginally by 0.5 percent while digital circulation revenues increased by more than 18 percent. Digital advertising revenues also increased by more than 5 percent. In Zimbabwe and most of Africa, internet access is still largely restricted to urban areas and this means digital platforms will continue to lag behind print and broadcasting. The Zimbabwe All Media Products Survey for the period under review showed that internet usage is highest among the 21 to 25-years age group (48 percent) but declines to as low as 9 percent among those over the age of 56 years.

Increasingly, more people are migrating to internet for news, with a high use of social media platforms such as Facebook and Twitter amongst others. In light of these developments, Zimpapers has been consolidating its digital footprint to take advantage of the changing news consumption habits of audiences. Digital products under focus in this regard include digital newspapers (www.news.co.zw), electronic newsletters, digital magazines, (farming magazine, BH24), mobile news (breaking news, farming news), news apps (Kwayedza app) and mobile sites since users are increasingly shunning desktops for more mobile sources. Research is underway to experiment with web-based pay walls over and above currently running SMS-based paid content platforms.

Worldwide, publishers are increasingly concerned about declining audience trust in their products and calling on their editors to take measures to regain trust. Zimpapers remains committed to professional and ethical journalism, which is the bedrock of its business.

Exciting developments are on the horizon in the broadcasting sector. The reconstitution of the boards of directors for key institutions such as the Broadcasting Authority of Zimbabwe and Transmedia, will speed up activities in broadcasting, where Zimpapers has interests.

Community radio stations are set to be launched, offering more choices for audiences. Already, online radio stations are in operation but not having a significant impact on the market.

The Company is continuously looking at synergies in the market and opportunities for growth to remain competitive. Innovation remains key, with new revenue streams being adopted.

3.0 Financial Performance

3.1 Overview

Revenue for the period increased by 63% to ZWL\$32.9 million compared to ZWL\$20.2 million recorded in the prior comparable period. The Company revenue growth of 63% was below the official inflation of 175.66% as the Company could not increase either sales volumes nor selling prices to match inflation owing to the liquidity challenges that were obtaining in the economy. Therefore, below inflation revenue growth was recorded across all

the Divisions, with a significant percentage growth being recorded from the Commercial Printing Division. The Company's gross profit margin improved to 67% compared to 64% for 2018. As a result, a 70% increase in gross profit to ZWL\$22.0 million was recorded during the period under review.

As the gross profit margin of the Company was below inflation at 67%, operating costs were curtailed at ZWL\$17.0 million. This was an increase of 57% from ZWL\$10.9 million that was recorded during the same period last year. The management team remained focused at cost management to improve operating profit margins. To that end, the Company's EBITDA grew by 97% to ZWL\$6.8 million compared to ZWL\$3.5 million recorded for the same period last year. Subsequently, the Company recorded a 165% increase in net profit before tax to ZWL\$5.7 million from the ZWL\$2.1 million recorded in 2018.

The Company's trade receivables at ZWL\$9.6 million were 5% above same period last year. However, the increase was 61% when compared to 31 December 2018. The increase in receivables was driven by the price reviews at the background of credit sales as the Company was focused at value preservation. Management is enforcing various strategies to improve debt collections.

Cash generated from operations after changes in working capital increased by 56% to ZWL\$6.7 million compared to ZWL\$4.3 million for the same period in prior year. The improved cash flow from operating activities was a result of better gross profit margins.

3.2 Newspaper Division

The Newspaper Division recorded a 52.0% growth in revenue to ZWL\$21.6 million from ZWL\$14.1 million recorded for the same period last year. Operating profit for the Division improved by 121% to ZWL\$4.2 million compared to ZWL\$1.9 million for 2018.

3.3 Commercial Printing Division

The Commercial Printing Division recorded a 100% revenue growth to ZWL\$7.0 million as a result of an increase in market share. Operating profit increased by 293% to ZWL\$2.0 million compared to ZWL\$0.5 million following optimisation of the Division's operating efficiencies and improved sourcing strategy.

3.4 Broadcasting Division

The Radio Broadcasting Division's revenue improved by 58% to ZWL\$3.5 million on the backdrop of market consolidation whilst operating profit increased by 212% from ZWL\$0.2 million to ZWL\$0.7 million on account of both revenue growth and better cost management.

4. Corporate Governance

The Board of Directors and Management remain committed to high standards of good corporate governance. The Board and its established Sub Committees; Audit, Finance and Risk, Business Development and Marketing and the Human Resources, Ethics and Remuneration Committees, met twice during the period under review to assess operations and adequacy of systems and procedures that safeguard the Company's assets. The meetings were all fully constituted.

5. Corporate Social Investment

During the first half of 2019, the Company's Community Social Responsibility initiatives included the refurbishment of a Speech Therapy ward at St Giles Medical Rehabilitation Centre and the publishing of an Arts coffee table book whose objective was to promote art. In days leading to Cyclone Idai in March, Zimpapers used all its

media platforms, particularly radio and print, to warn the public as a community service.

Following the devastation caused by Cyclone Idai in Chimanimani and Chipinge, the Company mobilised donations using all its media platforms. Foodstuffs, blankets and clothing were collected from businesses and members of the public for distribution to affected communities.

The Company also adopted Chikukwa Primary School in Chimanimani, which was badly damaged by the Cyclone and also started reconstructing a classroom block. So far ZWL\$100, 000 has been committed to this initiative.

6. Dividend

The Board of Directors has resolved not to declare an interim dividend in view of the need to finance new business growth initiatives and service the legacy statutory obligations.

7. Outlook

Performance of the Company for the second half of the year is expected to be better than the first half as the Company is working on revamping some of its products and making headway on new strategies. The Board and Management is focused at initiatives that improve the Company's product portfolio in the wake of disruptive innovations. Focus will remain on the digitalisation strategy and new projects as the Company diversifies to broaden its revenue base.

8. Directorate

Subsequent to the half year end, on the 7th August 2019, the Company announced new Board members following the retirement of Messrs. D Lupepe, T. Hussein, G. Manyere, F. Moyo, Dr N. Madzingira, Dr R. Mbire, Mrs D. Sibanda and Bishop T. Manhanga. The Board extends its gratitude to the outgoing members for their contribution to the Company.

Following the retirement of the above members, the Company appointed to the Board Mr T. A. G. Sithole, Ms P. Kurasha, Mrs S. Madzikanda, Ms T. Chibvongodze, Messrs T. Chiweshe, L. Mhango and Dr S. Munyeza. Mr T. A. G. Sithole was appointed the new chairman of the Board with effect from 29 August 2019. The Board welcomes the new members to the Zimpapers family.

9. Appreciation

I would like to extend my appreciation to our shareholders, customers, readers, listeners, and all stakeholders for their unwavering support to the Company. Furthermore, I would also like to applaud the management team and all members of staff, for their continued dedication and commitment which has contributed to the success of the Company.

Mr T. A. G. Sithole
Board Chairman
19 September, 2019

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are required by the Companies Act (Chapter 24:03) to maintain adequate accounting records and are responsible for the content and integrity of the Company's interim abridged financial statements and related financial information included in this report. It is their responsibility to ensure that the Company's interim 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.

Unaudited Condensed Statement of Profit or Loss and Other Comprehensive Income for the half year ended 30 June 2019

	Unaudited 30 June 2019 ZWL\$	Unaudited 30 June 2018 ZWL\$
Revenue	32,887,734	20,182,742
Gross profit	21,996,001	12,975,449
Other operating income	456,515	261,702
Operating expenses	(17,044,700)	(10,859,181)
Selling & distribution expenses	(3,174,228)	(1,895,404)
Administration expenses	(13,870,472)	(8,963,777)
Profit from operations before financing cost	5,407,816	2,377,970
Net financing cost	(148,849)	(224,319)
Exchange gain/(loss)	418,858	(12,584)
Profit before tax	5,677,825	2,141,067
Income tax expense	(1,703,231)	(586,204)
Profit after tax	3,974,594	1,554,863
Other Comprehensive income	-	-
Total comprehensive income for the period	3,974,594	1,554,863
Basic earnings per share (cents)	0.69	0.27
Diluted earnings per share (cents)	0.69	0.27
Headline earnings per share (cents)	0.67	0.27

Condensed Statement of Financial Position as at 30 June 2019

Notes	Unaudited 30 June 2019 ZWL\$	Unaudited 31 Dec 2018 ZWL\$
ASSETS		
Non-current assets		
Property, plant and equipment	27,661,027	27,105,872
Intangible asset	68,840	368,349
Long term investment	2,845,880	2,449,317
	30,575,747	29,923,538
Current assets		
Inventories	2,877,632	1,588,703
Trade and other receivables	9,680,209	6,029,646
Financial assets at fair value through profit and loss	319,251	172,463
Bank and cash	3,326,685	1,222,715
	16,203,777	9,013,527
Total assets	46,779,524	38,937,065
EQUITY AND LIABILITIES		
Equity and reserves		
Share capital	57,600	57,600
Non distributable reserve	10,963,423	10,963,423
Accumulated loss	(206,375)	(3,426,409)
Revaluation reserve	6,305,830	6,305,830
	17,120,478	13,900,444
Non-current liabilities		
Long term borrowings	439,279	834,454
Long term liabilities	7,666,928	8,360,590
Deferred tax	5,503,369	5,167,870
	13,609,576	14,362,914
Current liabilities		
Trade and other payables	14,577,916	8,608,925
Short term borrowings	1,099,527	1,589,715
Bank overdraft	372,027	475,067
	16,049,470	10,673,707
Total liabilities	29,659,046	25,036,621
Total equity and liabilities	46,779,524	38,937,065

Abridged Statement of Cash flows for the half year ended 30 June 2019

	Unaudited 30 June 2019 ZWL\$	Unaudited 30 June 2018 ZWL\$
Net cash inflows from operations	6,702,305	4,327,069
Net cash outflows from investing activities	(2,044,642)	(1,793,053)
Net cash outflows from financing activities	(2,450,653)	(2,701,688)
Net increase in cash and cash equivalents	2,207,010	(167,672)
Cash and cash equivalents at the beginning of the year	747,648	(9,063)
Cash and cash equivalents at end of the period	2,954,658	(176,735)

Condensed Statement of Changes in Equity for the half year ended 30 June 2019

	Share capital ZWL\$	Revaluation reserve ZWL\$	Non distributable reserve ZWL\$	Retained loss ZWL\$	Total ZWL\$
Balance at 31 December, 2017	57,600	6,315,830	10,963,423	(7,210,850)	10,126,003
Total comprehensive income for the period	-	-	-	1,554,863	1,554,863
Realisation of revaluation surplus on disposed assets	-	(10,000)	-	10,000	-
Balance at 30 June, 2018	57,600	6,305,830	10,963,423	(5,645,987)	11,680,866
Balance at 31 December, 2018	57,600	6,305,830	10,963,423	(3,426,409)	13,900,444
Total comprehensive income for the period	-	-	-	3,974,594	3,974,594
Dividend Paid	-	-	-	(754,560)	(754,560)
Balance at 30 June, 2019	57,600	6,305,830	10,963,423	(206,375)	17,120,478



**ZIMBABWE NEWSPAPERS
(1980) LIMITED**

Market leader in Publishing, Broadcasting, Printing and Packaging

UNAUDITED CONDENSED FINANCIAL RESULTS

FOR THE HALF YEAR ENDED 30 JUNE 2019



Business segment report
for the half year ended 30 June 2019

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 stations. The corporate segment comprises of Head Office administrative operations and all new projects including television.

	Commercial Printing 30 June 2019 ZWL\$	Newspapers 30 June 2019 ZWL\$	Broadcasting 30 June 2019 ZWL\$	Corporate & Projects 30 June 2019 ZWL\$	Consolidated 30 June 2019 ZWL\$
External revenue	7,031,554	21,568,468	3,954,552	333,160	32,887,734
Results					
Segment profit/(loss)	1,959,337	4,184,946	662,370	(1,398,837)	5,407,816
Net finance expenses					(148,849)
Exchange gain					418,858
Income tax expense					(1,703,231)
Profit for the period					3,974,594

As at 30 June 2019 reportable segment assets and liabilities

	Commercial Printing 30 June 2019 ZWL\$	Newspapers 30 June 2019 ZWL\$	Broadcasting 30 June 2019 ZWL\$	Corporate & Projects 30 June 2019 ZWL\$	Consolidated 30 June 2019 ZWL\$
Segment assets	11,817,462	25,745,455	3,511,127	5,705,479	46,779,523
Current Assets	3,924,068	9,154,058	1,937,883	1,187,768	16,203,777
Non current Assets	7,893,394	16,591,397	1,573,246	4,517,711	30,575,746
Segment liabilities	2,286,357	13,172,138	1,618,234	7,078,948	24,155,677
Current liabilities	1,707,300	9,026,326	1,147,690	4,168,164	16,049,470
Non current liabilities	579,057	4,145,812	470,544	2,910,794	8,106,207

Deferred tax liability 5,503,369

As at 30 June 2018 reportable segment assets and liabilities

	Commercial Printing 30 June 2018 ZWL\$	Newspapers 30 June 2018 ZWL\$	Broadcasting 30 June 2018 ZWL\$	Corporate & Projects 30 June 2018 ZWL\$	Consolidated 30 June 2018 ZWL\$
External revenue	3,516,572	14,156,483	2,509,687	-	20,182,742
Results					
Segment profit/(loss)	498,080	1,931,319	212,463	(263,892)	2,377,970
Net finance expenses					(224,319)
Exchange loss					(12,584)
Income tax expense					(586,204)
Profit for the period					1,554,863

As at 30 June 2018 reportable segment assets and liabilities

	Commercial Printing 30 June 2018 ZWL\$	Newspapers 30 June 2018 ZWL\$	Broadcasting 30 June 2018 ZWL\$	Corporate & Projects 30 June 2018 ZWL\$	Consolidated 30 June 2018 ZWL\$
Segment assets	9,896,734	22,422,684	3,326,915	4,090,486	39,736,819
Current Assets	2,337,632	5,804,932	1,966,993	1,616,048	11,725,605
Non current Assets	7,559,102	16,617,752	1,359,922	2,474,438	28,011,214
Segment liabilities	2,170,997	12,699,190	1,610,384	5,755,947	22,236,518
Current liabilities	1,812,690	7,299,180	1,266,356	1,417,797	11,796,023
Non current liabilities	358,307	5,400,010	344,028	4,338,150	10,440,495

Deferred tax liability 5,441,108

Notes to the Unaudited Condensed Interim Financial Statements
for the half year ended 30 June 2019

1. General information

Zimbabwe Newspapers (1980) Limited and its subsidiaries are incorporated in Zimbabwe. The Company's main business is that of newspaper proprietors, printers, publishers and broadcasters. The Company's registration number is 600/B280.

2. Currency

2.1 Functional and presentation currency

The Company's functional and presentation currency is the Zimbabwean Dollars (ZWL). The Company changed its functional currency from United States dollars (US\$) to Zimbabwean dollar (ZWL) on 22 February 2019 following the promulgation of Statutory Instrument 33 (SI.33) of 2019 and Statutory Instrument 142 (SI.142) of 2019. The SI prescribes that all assets and liabilities that were expressed in US\$ immediately before 20 February were deemed, for accounting purposes, on and after the effective date, to be valued in local currency at a rate of 1:1 to the United States dollar. Resultantly, no adjustment was made to prior year figures, which were expressed in United States dollars in prior years.

2.2 Comparative Financial Information

To comply with IAS34 Interim Financial Reporting, that requires comparatives, the Company has shown comparatives for the prior periods in ZWL converted from US\$ at 1:1 as prescribed by the SI 33 of 2019.

3. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are consistent with those applied in the previous periods

4. Basis of preparation

The same accounting policies and methods of computation that were followed in preparing the Company's audited financial statements for the year ended 31 December 2018 were followed in preparing these financial statements. The financial statements are based on statutory records maintained under the historical cost convention as modified by the revaluation of property, plant and equipment.

	June 2019 ZWL\$	June 2018 ZWL\$
5. Significant transactions		
5.1 Additions to property, plant and equipment	1,979,040	1,712,106
5.2 Revaluation surplus on property, plant and equipment	-	-
5.2 Deferred Tax liability	5,503,369	5,441,108
6. Earnings per share		
Profit for the period	3,974,594	1,554,863
Number of shares used in calculating earnings per share		
Shares in issue	576,000,000	576,000,000
Weighted average number of shares in issue	576,000,000	576,000,000

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent company by the average number of ordinary shares in issue during the year.

Headline earnings per share

Headline earnings per share is calculated by dividing headline earnings for the period attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares in issue during the year.

	June 2019	June 2018
Headline earnings is calculated as follows:		
Profit for the year attributable to ordinary equity holders	3,974,594	2,358,698
(Loss) / profit on disposal of property, plant and equipment	9,145	32,661
Fair value gain on equities	(146,788)	(65,471)
Headline profit	3,834,951	2,325,888
6.1 Basic earnings per share - cents	0.69	0.27
6.2 Diluted earnings per share - cents	0.69	0.27
6.3 Headline earnings per share - cents	0.67	0.27

7. Borrowings

FBC Bank Limited:

	June 2019	Dec-18
Long term portion	439,279	834,454
Short term portion of long term borrowings	1,099,527	1,589,715
	1,538,806	2,424,169

The FBC Bank Limited borrowing was obtained at an interest rate of 9% per annum and is repayable over 3 years. The loan is secured by land and building valued at \$4,250,000 and a Notarial General Covering Bond including cession of book debts of \$4million.

	June 2019 ZWL\$	Dec 2018 ZWL\$
8 Long term liabilities		
Zimbabwe Revenue Authority total liability	9,852,403	10,315,272
Short term portion	(2,185,475)	(1,954,682)
Long term portion	7,666,928	8,360,590

The Company agreed on a payment plan with ZIMRA to extinguish the accumulated past debt. The current portion is included in the trade and other payables in Note 10.

9 Related party payable

The following were the balances with related parties:

	June 2019 ZWL\$	Dec 2018 ZWL\$
Zimpapers Medical aid Society	260,025	260,025
Zimpapers Pension Fund	-	174,831
	260,025	434,856

The amounts outstanding to related party entities relating to Zimpapers Medical aid Society, which are included in trade and other payables are unsecured, interest free and have no fixed repayment terms. Zimpapers Medical Aid Society ceased operations on the 1st of November 2014.

	June 2019 ZWL\$	June 2018 ZWL\$
Zimpapers Pension Fund	-	174,831
Short term portion	-	174,831
Long term portion	-	-

The amounts outstanding to related party entities relating to Zimpapers Pension Fund, which are included in trade and other payables are unsecured and have no fixed repayment terms. The company was given a paid-up status from 1 November 2014. The amount due to the Zimpapers Pension fund accrue interest at 5% per annum.

10 Trade and other payables

	June 2019 ZWL\$	June 2018 ZWL\$
Trade	2,464,440	1,897,259
Accruals	9,667,976	4,322,128
Tax related payables (refer to Note 8)	2,185,475	1,954,682
Related party payables (refer to Note 9)	260,025	434,856
	14,577,916	8,608,925

Cyclicality of operations

A significant portion of the Company's revenue is derived from newspapers sales and advertising. Due to the nature of the Company's income, there is no defined pattern of cyclicality or seasonality of operations and profitability.

12 Supplementary information

12.1 Capital commitments

	June 2019 ZWL\$	June 2018 ZWL\$
Approved and not contracted	-	-
Contracted (cwip)	1,979,040	4,520,075
	1,979,040	4,520,075

Capital commitments will be funded from a combination of internal and external resources.

13 Contingent liability

	June 2019 ZWL\$	June 2018 ZWL\$
Foreign creditors balance	9,309,052	-
	9,309,052	-

The Company recognised a contingent liability relating to a possible exchange loss arising from its legacy foreign creditors that were registered with and paid to the Reserve Bank of Zimbabwe (RBZ) at 1:1 in line with Exchange Control Directive RU28 of 2019 dated 22 February 2019. The Exchange control directive RU28 of 2019 and Exchange Control Circular 08 dated 24 July 2019, required all companies with legitimate foreign creditors to register them with and pay to the RBZ the equivalent outstanding amount at a rate of 1:1 to the United States Dollar. The Company had a legacy debt of USD\$1,086,554.06 that was paid to the Central Bank in line with the directive. The RBZ took over the foreign debt at 1:1 to the US\$ and then will pay the company's suppliers in foreign currency. Pending final remittance to the respective foreign creditors by the Central Bank, the Company has recognised a contingent liability taking into account exchange losses therefrom. A contingent liability arising from the exchange rate volatility before the RBZ fully settles the foreign creditor. The contingent liability takes into consideration that the RBZ may fail to pay the creditor and the whole amount may then have to be paid by Zimpapers by securing the foreign exchange on the interbank market. The foreseeable exchange loss was calculated using the interbank rate as at 30 June 2019.



Directors: Mr T. A. G. Sithole (Chairman), Ms T. Chibvongodze, Mr. T. Chiweshe, Mr P. Deketeke (CEO)*, Ms K. Dube, Ms P. Kurasha, Mrs S. Madzikanda, Mr F Mafanhire (CFO)*, Mr. L. Mhango, Dr S. Munyeza, Ms. R. Nharaunda-Makawa. *(Executive)

