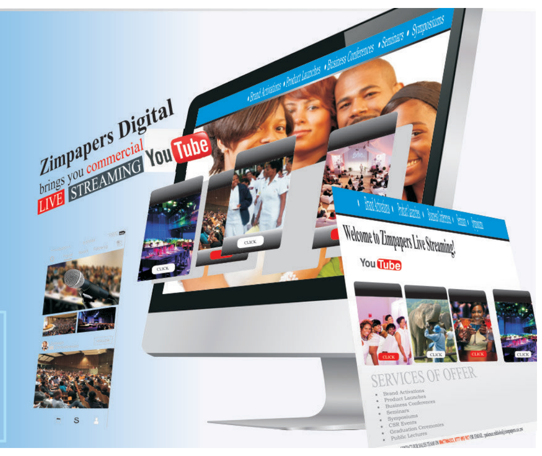
ZIMBABWE NEWSPAPERS (1980) LIMITED

Market leader in Publishing, Broadcasting, Printing and Packaging

AUDITED CONDENSED FINANCIAL STATEMENTS

for the year ended 31 December 2018



KEY HIGHLIGHTS

- ▲ Revenue 10% up to US$43.0 million
- ▲ Gross Profit 8% up to US$28.1 million
- ▲ EBITDA 19.5% up to US$8.2 million
- ▲ Profit after tax 68% up to US$3.8 million
- ▲ Earnings per share 60% up to 0.66 cents
- ▼ Bank borrowings down by 29% to US$2,9 million

CHAIRMAN'S STATEMENT

for the year ended 31 Dec 2018

1. Overview

It is my pleasure to present to our stakeholders the financial results for Zimbabwe Newspapers (1980) Limited (Zimpapers) for the year ended 31 December 2018.

2. Operations review

2.1 Media environment

The dawn of the second republic has ushered in a new environment characterised by openness and freedom of expression. The Government is working on improving the media environment by aligning media laws to the Constitution and allowing more local participation in the media space. A number of players, including Zimpapers, was awarded television content distribution licenses. This, coupled with the issuing of webcasting licenses, has resulted in more players taking an interest in the television business. Telecom companies have shown a great appetite for the content business, especially through offering video-on-demand services.

The radio broadcasting market is faced with increased competition following the introduction of online radio stations. Further competition is expected from the looming introduction of community radio stations.

Newspapers have remained resilient in the face of the economic challenges which have eroded the ability of companies to advertise and of readers to buy newspapers. Only one new financial newspaper was introduced on the market in the period under review, suggesting that the appetite for newspapers is waning.

2.2 Digital Media

The Company continued to make strides towards realisation of its digital first strategy vision. Some progress on digital product development, updating and enhancing the functionality of the digital infrastructure and modernising the technology has been achieved. The development of diversified and sustainable digital revenue models is a critical pillar towards the realisation of the company's digital vision.

The Government's digitalisation programme is now in its final stages, therefore, more television and radio stations are set to be launched when Digital Terrestrial Television licenses are issued. Zimpapers has made substantial investments into television and is well poised to participate in this highly competitive business.

The shift to digital media is becoming more pronounced. Resultantly, some local newspapers have already taken steps to introduce paid content online to offset the decline in print revenue and this is a trend that is likely to continue in the next few years. To this end, Zimpapers is investing in capabilities to compete both in terms of content and technology.

3.0 Financial Performance

3.1 Overview

The Company recorded total revenue of $43.0 million compared to $39.1 million recorded in 2017. The 9.8% growth in revenue compared to the same period last year was driven by the 42.5% growth from the Commercial Printing Division following improved capacity utilisation and the commissioning of an exercise book printing machine. The Newspapers and the Radio Broadcasting Divisions recorded 3.9% and 6.6% revenue growth respectively. The revenue growth was driven by volumes as there were no selling price increases during the period under review. In line with the revenue growth, the Company's gross profit increased by 7.5% to $28.1 million from $26.1 million attained last year. The gross profit margin improved to 34.6% compared to 33.3% for the same period last year.

Operational costs increased by 3.5% to $23.1 million from $22.3 million recorded in 2017. The adverse operating expenses was a result of high administration costs as the Company re-launched Typocrafters and increased capacity at ZTN and the radio broadcasting division. The Company's earnings before interest, tax, depreciation and amortisation (EBITDA) grew by 19.5% to $8.2 million compared to $ 6.8 million for the same period last year.

Consequently, the Company recorded a 29.7% increase in profit before finance charges and exchange loss and tax to $5.8 million from the $4.4 million recorded in 2017. The cost of borrowing was reduced by 21.1% to $0.5 million as the company reduced its loans and overdraft.

The Company's trade debtors were reduced by 33.7% to $6.0 million compared to $9.1 million for 2017. In line with improved cash collections, the Company's total liabilities were reduced by 10.7% to $25.1 million compared to $28.1 million recorded for the prior year.

3.2 New Projects - Capital Investments

In line with its innovation drive, the Company has revived Typocrafters and BoldAds. These entities were shutdown years back owing to product obsolescence and operational viabilities. These companies have been re-modelled and refreshed to be able to compete in today's highly technological operating environment. Typocrafters remains within the printing sector, initially focusing on the printing of exercise books with a view to expand the product portfolio. BoldAds was relaunched in the media space under the creative ambit. Further investments in the television business were undertaken. To this end, investment in capital expenditure was increased to $4.5 million compared to $1.9 million for the same period last year as the Board focused on equipping the business to deliver better efficiencies.

The Board and management remain focused on pursuing and applying resources to strategies that enable the Company to take advantage of emerging opportunities to grow the business.

3.3 Newspaper Division

The Newspaper Division recorded a 3.9% growth in revenue to $29.5 million whilst the profitability at $4.8 million was 27.3% better than same period last year. The improvement in profitability recorded during the year by the Division is a result of better cost management.

3.4 Commercial Printing Division

The Commercial Printing Division recorded a 42.5% revenue growth to $7.9 million as a result of an increase in demand for the Company's products and the re-launch of Typocrafters, which is involved in exercise book manufacturing. In line with the revenue growth, the Division's profit before tax increased by 23.3% to $1.2 million compared to $0.9 million for 2017.

3.5 Broadcasting Division

The Broadcasting Division's revenue performance improved by 6.6% to $5.6 million on the back of increased advertising volumes while operating profit grew by 19.6%. Resultantly, the Division recorded an operating profit of $0.8 million compared to $0.6 million for the same period last year.

4. Corporate Governance

In pursuance of our resolve, the Board of Directors and management remain committed to high standards of good corporate governance. The Company's Audit, Finance 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.

5. Corporate Social Investment

The Company remains committed to investing in the community in various ways as underpinned by its social responsibility policy. Consequently, the Company supported learning institutions in their pursuit of becoming digital literate through availing computers and printers to State Universities and rural schools. The Company also sponsored awards of excellence for journalism and communication as a way of improving journalism standards. Advocacy for cancer and health related matters continued with funds being raised and channelled towards palliative care for those living with cancer.

6. Dividend

In line with the Company's dividend payment policy, the Board of Directors recommend the payment of a dividend of RTGS$0.00131 per share. This dividend is in respect of the financial year ending 31 December 2018 and will be payable in full to all the shareholders of the Company registered at the close of business on Friday 17th May 2019. The payment of this dividend will take place on or about the 21st of June 2019. The Company shares will be trading cum-dividend on the Zimbabwe Stock Exchange up to the 14th of May 2019 and ex-dividend as from the 15th of May 2019.

7. Outlook

The Company is in a new phase where the vision of becoming a fully integrated media house is now being realised as it expects to launch its television business in 2019. This vision will allow the Company to reach out to its audiences through radio, print, online and television.

The Company's 2019 financial performance has started on a relatively low note as performance was affected by the change in functional currency and the general slowdown of demand in the economy. The Board and management is still optimistic of recovery and therefore expects that performance for the year 2019 will be better than what was recorded in 2018.

8. Appreciation

I would like to express my appreciation to the Ministry of Information, Publicity and Broadcasting Services, our customers, readers, listeners, viewers, advertisers and all stakeholders for their support during the year ended 31 December 2018. I would also like to extend my warm regards to my fellow directors, the management team and all members of staff, for their continued dedication and commitment to the success of the company as we continue to grow from strength to strength.

Mr D Lupepe
Board Chairman
21 March 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 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 FOR THE YEAR ENDED 31 DECEMBER 2018

These financial results should be read in conjunction with the full set of financial statements for the year ended 31 December 2018, which have been audited by Baker Tilly Chartered Accountants Zimbabwe. An adverse opinion was issued thereon, in respect to non-compliance with the requirements of IAS 21 -*The Effects of Changes in Foreign Exchange Rates*. The auditors', report includes Key Audit Matters (KAMs) that are not impacted by the basis for adverse opinion indicated. The KAMs include implementation of new standards and interpretations effective 01 January 2018, impact of trading environment on the entity's operations and Property, Plant and Equipment valuations. The Auditors' Report on these financial statements is available for inspection at the Company's registered office.

Audited Condensed Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018

	Audited 2018 US$	Audited 2017 US$
Revenue	42,963,270	39,145,610
Gross profit	28,086,740	26,124,397
Other operating income	732,260	596,409
Operating exenses	**(23,063,401)**	**(22,282,669)**
Selling & distribution expenses	(4,072,936)	(4,577,559)
Administration expenses	(18,990,465)	(17,705,110)
Profit from operations before financing cost	**5,755,599**	**4,438,137**
Net financing cost	(544,421)	(689,760)
Exchange loss	(5,854)	(4,431)
Profit before tax	5,205,324	3,743,946
Income tax expense	(1,430,883)	(1,385,248)
Profit after tax	3,774,441	2,358,698
Other Comprehensive income	-	-
Total comprehensive income for the year	**3,774,441**	**2,358,698**
Basic earnings per share (cents)	**0.66**	**0.41**
Diluted earnings per share (cents)	**0.66**	**0.41**
Headline earnings per share (cents)	**0.66**	**0.40**

Condensed Statement of Financial Position as at 31 December 2018

	Notes	Audited 2018 US$	Audited 2017 US$
ASSETS			
Non-current assets			
Property, plant and equipment		27,105,872	25,000,258
Intangible asset		368,349	85,333
Long term investment		2,449,317	2,217,346
		29,923,538	27,302,937
Current assets			
Inventories		1,588,703	1,145,361
Trade and other receivables		6,029,646	9,088,398
Financial assets at fair value through profit and loss		172,463	118,637
Bank and cash		1,222,715	525,289
		9,013,527	10,877,685
Total assets		**38,937,065**	**38,180,622**
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital		57,600	57,600
Non distributable reserve		10,963,423	10,963,423
Accumulated loss		(3,426,409)	(7,210,850)
Revaluation reserve		6,305,830	6,315,830
		13,900,444	10,126,003
Non-current liabilities			
Long term borrowings	7	834,454	1,712,902
Long term liabilities	8	8,360,590	10,718,728
Related party payables	9	-	206,359
Deferred tax		5,167,870	5,233,230
		14,362,914	17,871,219
Current liabilites			
Trade and other payables	10	8,608,925	7,804,729
Short term borrowings		1,589,715	1,844,319
Bank overdraft		475,067	534,352
		10,673,707	10,183,400
Total liabilities		25,036,621	28,054,619
Total equity and liabilities		**38,937,065**	**38,180,622**

Abridged Statement of Cash flows for the year ended 31 December 2018

	Audited 2018 US$	Audited 2017 US$
Net cash inflows from operations	10,140,266	6,726,363
Net cash outflows from investing activities	(5,138,592)	(2,308,487)
Net cash outflows from financing activities	(4,244,963)	(3,934,629)
Net increase in cash and cash equivalents	**756,711**	**483,247**
Cash and cash equivalents at the beginning of the year	(9,063)	(492,310)
Cash and cash equivalents at end of the period	**747,648**	**(9,063)**

Condensed Statement of Changes in Equity for the year ended 31 December 2018

	Share capital US$	Revaluation reserve US$	Non distributable reserve US$	Retained loss US$	Total US$
Balance at 31 December, 2016	**57,600**	**6,394,630**	**10,963,423**	**(9,648,348)**	**7,767,305**
Total comprehensive income for the period	-	-	-	2,358,698	2,358,698
Realisation of revaluation surplus on disposed assets	-	(78,800)	-	78,800	-
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	-	-	-	3,774,441	3,774,441
Realisation of revaluation surplus on disposed assets	-	(10,000)	-	10,000	-
Balance at 31 December, 2018	**57,600**	**6,305,830**	**10,963,423**	**(3,426,409)**	**13,900,444**

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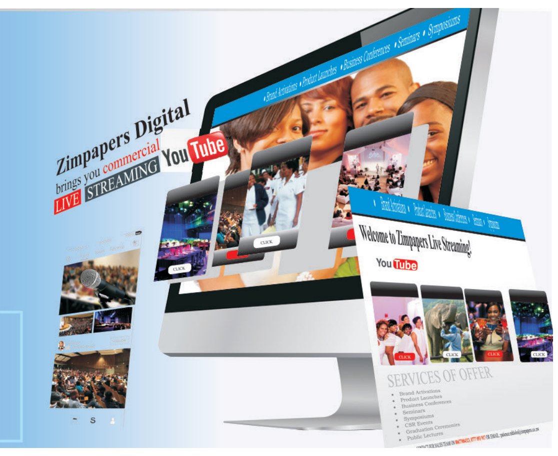

Business segment report
for the year ended 31 December 2018

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. The corporate segment comprises Head Office administrative operations.

	Commercial Printing 2018 US$	Newspapers 2018 US$	Broadcasting 2018 US$	Corporate 2018 US$	Consolidated 2018 US$
External revenue	**7,913,720**	**29,462,944**	**5,586,606**	**-**	**42,963,270**
Results					
Segment profit/ (loss)	1,156,616	4,805,680	757,596	(964,294)	5,755,599
Net finance expenses					(544,421)
Exchange loss					(5,854)
Income tax expense					(1,430,883)
Profit for the period					3,774,441
As at 31 December 2018 reportable segment assets and liabilities					
Segment assets	**10,373,620**	**20,545,383**	**3,015,495**	**5,002,567**	**38,937,065**
Current Assets	2,268,645	4,230,557	1,491,157	1,023,170	9,013,529
Non current Assets	8,104,975	16,314,826	1,524,338	3,979,397	29,923,536
Segment liabilities	**2,206,789**	**9,908,719**	**1,305,670**	**4,951,329**	**18,372,507**
Current liabilities	1,950,777	5,774,311	1,179,851	272,524	9,177,463
Non current liabilities	256,012	4,134,408	125,819	4,678,804	9,195,044
Deferred tax liability	-	-	-	-	**5,167,870**

As at 31 December 2017 reportable segment assets and liabilities

	Commercial Printing 2017 US$	Newspapers 2017 US$	Broadcasting 2017 US$	Corporate 2017 US$	Consolidated 2017 US$
External revenue	**5,553,640**	**28,352,828**	**5,239,142**	**-**	**39,145,610**
Results					
Segment profit /(loss)	938,189	3,776,221	633,674	(909,946)	4,438,138
Net finance expenses					(689,760)
Exchange loss					(4,431)
Income tax expense					(1,385,248)
Profit for the period					2,358,699
As at 31 December 2017 reportable segment assets and liabilities					
Segment assets	**9,574,185**	**21,630,559**	**3,083,389**	**3,892,489**	**38,180,622**
Current Assets	1,884,036	5,663,813	1,862,103	1,467,733	10,877,685
Non current Assets	7,690,149	15,966,746	1,221,286	2,424,756	27,302,937
Segment liabilities	**2,198,794**	**13,376,769**	**1,347,420**	**5,898,406**	**22,821,389**
Current liabilities	1,835,697	6,049,454	1,019,720	1,278,529	10,183,400
Non current liabilities	363,097	7,327,315	327,700	4,619,877	12,637,989
Deferred tax liability	-	-	-	-	**5,233,230**

Notes to the Audited Condensed Financial Statements
for the year ended 31 December 2018

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. Functional Currency

The financial statements are expressed in United States of America dollars (''US$'') which was both the functional and presentation currency of the Company for the year ended 31 December 2018.

The continued scarcity of the US$ in 2018 resulted in pricing and market distortions. The Real Time Gross Settlement (RTGS) balances and bond notes appeared to have a different inflation rate compared to the US$. This was particularly more observable in the last quarter of 2018 and resulted in a 3 – tier pricing system mostly in the informal market. There were huge settlement discounts for market participants settling in US$.

This initiated debate on whether the US$ remained as the functional currency of most entities. Despite all this, the official exchange rate between RTGS balances/Bond Notes and US$ remained at 1:1.

The Monetary Policy Statement (MPS) of 20 February 2019, pointed out that the foreign exchange premiums on the parallel market ranged from 1:40 to 1:80 to the US$ up to September 2018 and increased to levels of between 3.0 to 4.0 in February 2019. The Company is of the opinion that the functional currency of the entity was the US$ for the entirety of 2018. This was in order to comply with local laws and regulations, particularly SI 33, and based on the guidance of Public Accountants and Auditors Board issued on 21 March 2019. As such, the Company adopted the US$ as its presentation currency.

3. Accounting policies

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

Statement of compliance

The Company's Financial Statements did not fully comply with the International Financial Reporting Standards (IFRSs) as SI 33 precluded the Company from applying an independent assessment and resultant change of functional currency as provided for under International Accounting Standard 21 ''The Effects of Change in Foreign Exchange Rates''.

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 2017 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.

Use of judgement and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an on-going basis and necessary adjustments are recognised in the period in which estimates are revised and in any future period.

		2018 US$	2017 US$
5.	**Significant transactions**		
5.1	Additions to property,plant and equipment	4,520,075	1,989,789
5.2	Deferred Tax liability	5,167,870	5,233,230
6	**Earnings per share**		
	Profit for the year	3,774,441	2,358,698
	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.

		2018	2017
	Headline earnings is calculated as follows:		
	Profit for the year attributable to ordinary equity holders	3,774,441	2,358,698
	(Loss) / profit on disposal of property, plant and equipment	(4,343)	32,661
	Fair value gain on equities	(2,289)	(65,471)
	Headline profit	3,767,809	2,325,888
6.1	Basic earnings per share - cents	0.66	0.41
6.2	Diluted earnings per share - cents	0.66	0.41
6.3	Headline earnings per share - cents	0.66	0.40
7	**Borrowings**		
	FBC Bank Limited:		
	Long term portion	834,454	1,712,902
	Short term portion of long term borrowings	1,589,715	1,844,319
		2,424,169	3,557,221

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 with a carrying amount of $4,250,000 and a Notarial General Covering Bond including cession of book debts of $4million.

		2018	2017
8	**Long term liabilities**		
	Zimbabwe Revenue Authority total liability	10,315,272	12,504,962
	Short term portion	(1,954,682)	(1,786,234)
	Long term portion	8,360,590	10,718,728

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

	2018	2017
The following were the balances with related parties:		
Zimpapers Medical Aid Society	260,025	648,796
Zimpapers Pension Fund	174,831	456,359
	434,856	1,105,155

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.

	2018	2017
Zimpapers Pension Fund	174,831	456,359
Short term portion	174,831	250,000
Long term portion	-	206,359

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

	2018	2017
Trade	1,897,259	1,248,585
Accruals	4,322,128	4,519,910
Tax related payables (refer to Note 8)	1,954,682	1,786,234
Related party payables (refer to Note 9)	434,856	250,000
	8,608,925	7,804,729

11 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

	2018	2017
Approved and not contracted	-	1,079,797
Contracted	4,520,075	1,989,789
	4,520,075	3,069,586

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

13. Subsequent Events

Subsequent to the Company's financial year end, the Reserve Bank of Zimbabwe Governor announced the monetary policy statement on 20th February 2019. The monetary policy collectively denominated RTGS balances, bond notes and coins as RTGS dollars. An interbank foreign exchange market was established where the exchange rate of the US$ to the RTGS $ was to be determined by market forces. The interbank market started trading at an opening exchange rate of US$ 1 to RTGS $ 2.5. To bring legal effect to the proposed currency reforms, Statutory Instrument 33 of 2019 was gazetted on 22 February 2019. According to the statutory instrument, certain assets and liabilities on the effective date would be deemed to be RTGS dollars at a rate of 1:1 to the US$ and would become opening RTGS dollar values.

Based on their interpretation of IFRS, the general guidance given by the Public Accountants and Auditors Board (PAAB) and taking cognisance of S.I.33 prescription, the Directors are of the view that the 20th February Monetary Policy statement and the subsequent currency reforms pronouncements are non-adjusting events in terms of International Accounting Standard 10, events after the reporting period.

The Public Accountants and Auditors Board (PAAB) in consultation with the Reserve Bank Zimbabwe (RBZ) issued some guidance on disclosures to address the matter. The disclosures intent to provide users with sensitivities of the amounts presented in the financial statements to the application of different deemed exchange rates between the USD and Real Time Gross Settlement (RTGS) balances.

Sensitivity of the statement of financial position to application of different exchange rates

The functional currency of most reporting entities domiciled in Zimbabwe has become a matter of significant judgement. The Public Accountants and Auditors Board (PAAB) came up with recommended disclosures to provide the users of financial statements with more information assuming the application of different exchange rates to elements disclosed on the statement of financial position. The Company has split its Nostro USD valued assets and liabilities from the assets and liabilities held/contracted in local RTGS balances, refer to the sensitivity analysis table below:-

Key Assumptions:

The Company applied the following assumptions in coming up with this disclosure:

- Nostro refers to the international USD that is tradable on international markets
- Additional rates of RTGS$2,50, $3,0 and $3,50/USD were applied in coming up with the sensitivity analysis. The rates are believed to be the parallel market rates prevailing as §at 31 December 2018.
- Although share capital is denominated in Nostro USD following adoption of USD in 2009, it is assumed to be in RTGS dollars.The same applies to all other reserves not withstanding that they were accumulated in a Nostro USD environment.
- The difference between net assets and the resultant equity at translation (the balancing figure) has been treated as a translation reserve in equity.
- Non-monetary assets are ordinarily translated at the spot rate at date of purchase. The assumed spot date is 31 December 2018.

As at 31 December 2019	TOTAL RTGS$ denominated monetary and non-monetary balances	TOTAL US$ denominated monetary assets and liabilities	TOTAL US$ denominated non-monetary assets and liabilities	Total translated at a rate of US$1: RTGS$1	Total translated at a rate of US$1: RTGS$2.5	Total translated at a rate of US$1: RTGS$3.0	Total translated at a rate of US$1: RTGS$3.5
ASSETS	`						
Property, plant and equipment	4,227,515	-	22,878,357	27,105,872	61,423,408	95,740,943	118,619,300
Intangible asset	368,349	-	-	368,349	368,349	368,349	368,349
Long term investment	2,449,317	-	-	2,449,317	2,449,317	2,449,317	2,449,317
Inventories	994,712	593,991	-	1,588,703	2,479,690	2,776,685	3,073,681
Trade and other receivables	5,881,233	148,413	-	6,029,646	6,252,266	6,326,472	6,400,679
Financial assets at fair value through profit and loss	172,463	-	-	172,463	172,463	172,463	172,463
Bank and cash	1,119,567	103,148	-	1,222,715	1,377,437	1,429,011	1,480,585
Total assets	**15,213,156**	**845,552**	**22,878,357**	**38,937,065**	**74,522,929**	**109,263,240**	**132,564,373**
LIABILITIES							
Long term borrowings	834,454	-	-	834,454	834,454	834,454	834,454
Long term liabilities	8,360,590	-	-	8,360,590	8,360,590	8,360,590	8,360,590
Deferred tax	-	-	5,167,870	5,167,870	12,919,675	15,503,610	18,087,545
Trade and other payables	7,504,365	1,104,560	-	8,608,925	10,265,765	10,818,045	10,818,045
Short term borrowings	1,589,715	-	-	1,589,715	1,589,715	1,589,715	1,589,715
Bank overdraft	475,067	-	-	475,067	475,067	475,067	475,067
Total liabilities	18,764,191	1,104,560	5,167,870	25,036,621	34,445,266	37,581,481	40,165,416
SHAREHOLDER'S EQUITY							
Equity and reserves							
Share capital	57,600	-	-	57,600	57,600	57,600	57,600
Non distributable reserve	10,963,423	-	-	10,963,423	10,963,423	10,963,423	10,963,423
Accumulated loss	(3,426,409)	-	-	(3,426,409)	(3,426,409)	(3,426,409)	(3,426,409)
Revaluation reserve	6,305,830	-	-	6,305,830	6,305,830	6,305,830	6,305,830
Translation Reserve	-	-	-	-	26,177,219	57,781,315	78,498,513
Total Shareholders's equity	**13,900,444**	**-**	**-**	**13,900,444**	**40,077,663**	**71,681,759**	**92,398,957**
Total shareholders' equity & liabilities	**32,664,635**	**1,104,560**	**5,167,870**	**38,937,065**	**74,522,929**	**109,263,240**	**132,564,373**

14. Going Concern

The Company's operations have been significantly affected and may continue to be affected by the challenging environment particularly the lack of liquidity in the Zimbabwean economy. However, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Directors have assessed the ability of the Company to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate.

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Independent Auditors Report

To the Members of Zimbabwe Newspapers (1980) Limited

Report on the Audit of the financial statements

Opinion

We have audited the financial statements of Zimbabwe Newspapers (1980) Limited set out on pages 9 to 25, which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion section of our report, the financial statements do not present fairly the financial position of Zimbabwe Newspapers (1980) Limited as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Adverse Opinion

As described in Note 1.5, during the year ended 31 December 2018, the entity transacted using a combination of the United States Dollars (USD), bond notes and bond coins, electronic money and other foreign currencies. Acute shortage of USD cash and other foreign currencies in the country resulted in an increase in utilization of different modes of payment for goods and services such as settlement via the Real Time Gross Settlement (RTGS) system overseen by the Central Bank and mobile money platforms. The note further explains that during the year there was a significant divergence in the market of the relative values between the USD, and the bond note, bond coin, mobile money platforms and RTGS, collectively referred to as "local currency". Although RTGS and mobile money platforms were not legally recognized as currency during the year ended 31 December 2018, the substance of the economic phenomenon suggested that it was currency.

In February 2019, an electronic currency called the RTGS dollar was introduced through Statutory Instrument 33 of 2019 (S.I 33) with an effective date of 22 February 2019 and the currency commenced trading at a rate of 2.5 to the USD. In addition, S.I 33 fixed the exchange rate between RTGS dollar and the USD at a rate of 1:1 for periods before the effective date.

The rate of 1:1 is consistent with the rate mandated by the Central Bank at the time it issued the bond notes and coins as currency.

Although there was a functional currency change and the market exchange rate between the USD and the local currency was not 1:1,the directors have maintained the USD as the functional currency of the Company and have presented the financial statements in USD using an exchange rate of 1:1, in compliance with S.I 33. This constitutes a departure from the requirements of IAS 21.

The directors have performed a sensitivity analysis of how different exchange rates would impact the Company's statement of financial position in note 30 to the financial statements however, the amounts presented may not reflect the opening balances in RTGS dollars going forward. This confirms that had the local currency been translated to USD in accordance with IAS 21, elements in the statement of financial position would have been materially affected therefore the departure from the requirements of IAS 21 is considered to be pervasive. The effects of this departure on the Company's financial statements have not been determined.

Key audit matters

Key audit matters are those matters that, in our professional judgment were of the most significance in our audit of the financial statements of the current period and which are not materially impacted by the matter described in the *Basis for Adverse Opinion* section. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our adverse opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Adverse Opinion* section we determined the matters below to be key audit matters to communicate in our report.

Key audit matter	How our audit addressed the key audit matter
Implementation of new standards and interpretations effective 01 January 2018	
A number of new standards and amendments to standards were effective for annual periods beginning after 01 January 2018, of significant impact to the reporting framework of the Entity was; - IFRS 15, 'Revenues from Contracts with Customers'; and - IFRS 9, 'Financial Instruments' Managements review indicated that IFRS 15 - *Revenues from Contracts with Customers* would not have a material impact on the timing of recognition of measurement of revenues. Managements review of IFRS 9 – *Financial Instruments* concluded that the Entity was required to apply this standard initially on the effective date.	Our procedures were focused on assessing the accurate interpretation and implementation of the new standards' guidelines by management together with the correct migration from IAS 39 to IFRS 9 on financial reporting as such this has been addressed by performing the following procedures: - Discussions were held with management to understand their interpretation, the revised processes, related controls and control activities based on the new impairment framework as well as the detailed implementation plan; - Evaluated the design and implementation of controls in this area; - Gained an understanding of, and assessed the work performed by the IFRS 9 on the implementation strategy and management's implementation controls;

This new standard required the Entity to revise its accounting processes and internal controls related to reporting financial instruments particularly impairment of trade receivables. This standard was replacing the previous 'incurred loss' model in IAS 39 on impairment of financial assets for recording the underlying impairment allowance on trade receivables. In determining the impairment allowance, the following assumptions were considered by management; -Forward looking anticipated losses on default based on historic loss experience, identification of accounts that exhibit indicators of impairment and the credit quality of the respective accounts, from the date the credit was granted to implementation date, based on the review of the past payment history; and -Expected shortfalls between the present value of discounted future expected cash flows, and the carrying value of the receivables balance. As disclosed in *Note 8*, the determination of the allowance for impairment losses on trade accounts receivable is highly judgmental due to the subjectivity of the assumptions and estimates applied by management. This is a significant area which impacts the financial and operating reporting across the Entity. Due to the qualitative magnitude of this new standards implementation and pervasive risks involved in migrating to a new impairment framework this has been noted as a key audit matter.	- Re-computing the impairment allowance based on the entity model and considering specific behavioral circumstances unique to some customers; - Obtained an understanding of the changes to significant Entity processes and key internal controls as well as IT general controls and the extent to which these have been amended; and - Our IT specialists were engaged to assess the work performed by management in modelling the impairment frameworks through sufficient data analytics as well as the results of the testing performed to identify risks and additional work to perform; and - Assessed and challenged the appropriateness of management's key assumptions used in determining the impairment of selected trade accounts receivable; This involved: (a) Assessment of the potential impact of discounting cash flows for past due receivables; and (b) Performance of sensitivity analyses in relation to the key assumptions in order to assess the potential for management bias. Based on the procedures performed above the implementation of new standards and interpretations effective during the current financial year has not resulted in material misstatement on the financial statements.
Impact of trading environment on the entity's operations	
The Entity's ability to acquire imported raw materials is depended on its ability to obtain adequate and affordable foreign currency. The continuing adverse macro-economic environment and critical shortage of foreign currency affects the Entity's ability to access adequate foreign currency to import raw materials. The remittance of funds to foreign accounts required approval from the Reserve Bank of Zimbabwe. As the amount of foreign currency is critically short, the amount available to businesses have been categorised into priorities. Although Zimbabwe Newspapers (1980) Limited ranks as a priority due the importance of its press media, the	We inquired of management, in order to obtain an understanding of the strategies and procedures which are being implemented or to be implemented to improve the Entity's ability to access foreign currency and to reduce the negative impacts associated with the challenging macroeconomic environment in Zimbabwe. We obtained an understanding of managements budgetary process and challenged assumptions, including the forecasted production levels, prices change and inflation for the 2019 budgets by conducting the following procedures;

potential for reduced foreign currency allocations due to the increasing trade deficit could negatively impact the operations of the business. We considered the impact of the current trading conditions on the entity's operations as a matter of most significance to the current year audit as the environment constrains trading. The following are some of the initiatives adopted by management in order to minimise the impact of the challenging environment: - Development of an export market for the generation of foreign currency cash inflows that could settle the demand for foreign currency. - Securing relatively more favourable payment terms with key suppliers to facilitate consistent importation of required raw material quantities. This area is therefore considered a key audit matter.	- Obtained an understanding from management on the process followed in the budgetary process and the controls thereof; - We inspected the operational reports and management accounts for the year to assess the reasonability of monthly budgets against actual outcomes. We found the monthly budgets to be reasonable; - We compared the budgeted revenue to the actual revenue recorded during the year. E found managements explanations to be reasonable. We found that the Directors applied reasonable judgments in assessing the impact of trading conditions on the operations of the Entity.
Property, plant and equipment	
The Property, Plant and Equipment balance, comprises 92% (2017: 93%) of total non-current assets. This amounts to $27,105,871 (2017: $25,000,258) as, shown in *Note 4*. Judgement is exercised in, determining the useful lives and residual values and when assessing whether there are any indicators of impairment present and when performing impairment assessments where indicators have been identified. Based on the value of the balance as well as the judgements involved in determining useful lives and residual values this has been identified as a key audit matter.	The following was performed on the assessment of useful lives and residual values: - Obtained the useful lives and residual values assessment and confirmed that this was reviewed and considered in the year under review; - Followed up on changes made to useful lives and corroborated by inspection of assets and discussion with operational personnel that the amendment was appropriate; and - Confirmed by inspection of the fixed asset register and discussion with operational management that there were no material assets still in use with a nil value, and where residual values had been increased corroborated such increases to market values where possible. In considering whether impairments are required the Entity's consideration of impairment indicators such as reduced capacity, forecasts, market demand for products, and the condition of the plants was reviewed. In addition, the following was performed: - In corroborating the view, production analyses at the various plants was performed and compared to

	standard capacity to assist in identifying possible impairment indicators; - Various vehicles, the plant and machinery and other buildings were inspected to identify any damages or non-operating assets; and - Discussions were held with the engineers and other technicians to identify any other potential impairments. Based on the testing performed the property, plant and equipment appears to be valued appropriately.

Other Information

The Directors are responsible for the other information. The other information comprises of the Director's Report, Notice to Members, Annual Financial Review, Chairman's Statement, Audit Committee's Report and the Corporate Governance Statement. Other information does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in 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 of this other information, we are required to report that fact.

As described in the *Basis of Adverse Opinion* section above, we have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Annual Financial Review, Chairman's Statement and Directors Report affected by the failure to translate the local currency transactions and balances using a rate which complies with the requirements of IAS 21.

Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with the organisation's basis of accounting, and for such internal control as management determines is necessary to enable the preparation of financial statements that is free from material misstatement whether due to fraud and error.

In preparing the financial statements, management is responsible for assessing the organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organisation or cease operations, or has no realistic alternative but to do so.

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 is free from material misstatement, whether due to fraud or error, and to issue an auditor's statements 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 this financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

As part of an audit in accordance with ISAs, 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 director's 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 Zimbabwe Newspapers (1980) Limited'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 statements to the related disclosures in the financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's statements. However future events and conditions may cause Zimbabwe Newspapers (1980) Limited to cease to continue as a going concern.

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.

From the matters communicated with those charges with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstance, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the financial statements have been drawn up so as to comply, in all material respects with the disclosure requirements of the Companies Act [Chapter 24:03] and the relevant statutory instruments (S.I 33/99 and S.I 62/96).

The engagement partner on the audit resulting in this independent auditor's report is Phibion Gwatidzo.

Baker Tilly

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Partner: Phibion Gwatidzo
PAAB Practising Number: 0365
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Date: 24 / 04 / 2019