



ZIMBABWE NEWSPAPERS (1980) LIMITED

Market leader in Publishing, Broadcasting, Printing and Packaging

AUDITED CONDENSED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2019



CHAIRMAN'S STATEMENT



Mr . T. A. G. Sithole
Board Chairman

1. Overview
On behalf of the Zimbabwe Newspapers (1980) Limited (Zimpapers) Board of Directors, I am pleased to present the financial results for the Company for the year ended 31 December 2019.

2. The Operating Environment
The period under review was characterised by rising inflation, declining disposable incomes, foreign exchange shortages and limited energy supplies. The local trading environment was severely affected by the lower than normal rainfall that affected agricultural production output. To ensure food security for the country, the Government of Zimbabwe had to allocate foreign currency to the importation of grain to avert hunger amongst some of the needy people. This put further pressure on the availability of foreign currency required to meet imported production materials.

3. The Media Environment
The media environment remained stable in the face of the economic challenges. Media companies continued to innovate to remain in business. There is now increased collaboration even among competitors such as in the distribution channels to cut costs.

There is great anticipation around radio and television broadcasting, after the Broadcasting Authority of Zimbabwe invited applications for community radio and digital terrestrial television licenses. Zimpapers is bidding for one of the licenses as the Company seeks to complete its journey of becoming a fully integrated media house which offers a one stop shop solution to advertisers and its audiences.

Zimpapers' print, digital and broadcasting platforms continued to dominate the market. Audiences have continued to show confidence in legacy products as sources of credible news despite the rise in social media and the harsh realities of fake news.

At the time of preparing this report, a raft of bills which were aimed at enhancing the media environment had either passed or were in the process of being prepared for debate in the National Assembly and later in the Senate. The Freedom of Information Bill had already sailed through the two chambers and awaiting Presidential Assent while the two others, the Zimbabwe Media Commission Bill and the Protection of Personal Information Bill, were being prepared for public hearings and debate in the lower chamber. Once all passed, this will bring the Zimbabwe media environment in line with international best practices and in line with the Constitution.

4. Digital Media
The Company continues to adapt and fully embrace the fast changing technological environment and in the process matching that to the consumption patterns of its audiences and advertisers. The Company's business model is premised on availing content on both the traditional and new digital platforms which are coming up and therefore making sure that content and advertising platforms are readily available.

The Company will continue to create and invest in more digital platforms to deliver its content, in audio, text and video format and thereby ensuring that its audiences are informed, educated and entertained.

Going into the future the Company continues to seek partnerships, relations with different stakeholders in the technology space to enhance and grow its digital footprint and avail content and advertising platforms at affordable rates.

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

Following the pronouncement by the Public Accountants and Auditors Board (PAAB) that the Zimbabwean economy was trading in hyperinflation, the Directors have applied the principles of IAS 29 to prepare the Company's inflation adjusted accounts for the year ended 31 December 2019. IAS 29 requires that inflation adjusted financial statements becomes the entity's primary financial statements. Accordingly, the Company has complied with this requirement for the reporting period under review.

6. Financial Performance Overview
The Company recorded total revenue of \$289.8 million compared to \$266.9 million recorded in 2018. The 9.0% growth in revenue compared to the same period last year was driven by the 43% growth from the Commercial Printing Division arising from growth in market share. The Radio Broadcasting Division recorded a 10% revenue growth whilst the television project grew by 492% to ZWL4.3 million. In line with the global print newspaper performance, which declined by 3% (WAN 2019), the Newspapers Division recorded a 3% revenue decline to ZWL177.2 million.

The Board and management team agrees with the 2019 WAN report that says, "quality news has never been in more demand than today, reflected in the growth of paying audiences for news content (+0.5% YoY)". Therefore, the Company recorded growth in subscribers as well as the digital revenue that increased by 12% in 2019. The Company recorded a gross profit of ZWL195.3 million.

This was 67% to revenue compared to 65% recorded for the same period last year. Profit before financing, exchange gain/ (loss) and monetary gains was at ZWL49.8 million compared to ZWL35.8 million for the same period last year.

The Company's current ratio improved to 1.30 times compared to 0.84 times recorded for 2018 following a reduction in current liabilities as the Company seek to clear its legacy debts.

7. Newspaper Division
In line with the 3% drop in revenue for the Newspaper Division, profit for the period under review also went down by 3% to ZWL29.0 million. The drop in revenue was mainly driven by low circulation and advertising volumes owing to the challenging economic environment.

8. Commercial Printing Division
The Commercial Printing Division recorded a 43% revenue growth to \$70.4 million as a result of an increase in volumes and ability to timely recover input costs in an inflationary environment. The Division continued to make good profit margins from both the printing and the exercise book manufacturing businesses. Profit for the Division was ZWL22.1 million.

9. Broadcasting Division
The Broadcasting Division's revenue performance improved by 22% to ZWL42.2 million on the back of increased advertising volumes as the Division rode on its brand equity to win clients. Despite the good revenue performance, the Division's profit declined by 3% owing to underperformance during the early months of the year.

10. Corporate Governance
In compliance with 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.

11. Corporate Social Investment
The Company remains committed to investing in the community guided by its Social Responsibility Policy. Following the devastation caused across the country by Cyclone Idai in March 2019, the Company got on board the Cyclone Idai Reconstruction Agenda. The Company's radio station in Mutare, Diamond FM, played a critical role in informing and educating the public about the Cyclone Idai developments.

Subsequent to the devastation, the Company adopted Chikukwa Primary School, a rural school with more than 1,000 learners. The Company is constructing a classroom block that will accommodate 100 learners. The business also launched an Educational Support initiative, with the first 10 beneficiaries being taken from Chikukwa. The Company is paying their full school fees and supplying them with uniforms and stationery under this initiative.

A partnership was agreed with the National University of Science and Technology (NUST) in a Media Innovation challenge which saw students coming up with proposals on how to reposition some of the business' products. The

business will continue entering into partnerships with media training institutions for the growth and development of journalism in the country.

Advocacy for cancer and health related matters continued in 2019 under the partnership between Zimpapers and Island Hospice. Under this partnership the annual Zimpapers Cancer Power Walk was rolled out in Kariba for the first time running simultaneously with the Harare, Bulawayo and Mutare editions. Thousands of Zimbabweans participated in the event while funds were raised and handed over to Island Hospice for their palliative programmes.

12. Dividend
In view of the negative impact of COVID 19 and the ensuing uncertainties in the business environment, the Board has taken a prudent view on the need to preserve cash to sustain business operations. Therefore, the Board has recommended not to pay a dividend for the period under review.

13. Outlook
The Company remains on track of becoming a fully integrated media house as it expects to launch its television business in 2020, if licenced by the authorities. This vision will allow the Company to reach out to its audiences through radio, print, online and television.

Due to the current socio-economic challenges the country is going through, the impact of COVID 19 across the business divide and the associated economic slowdown, performance of the Company for the year is expected to be constrained.

In view of the pandemic, the Board and management will be focusing on survival of the Company and ensuring the safety of its employees and stakeholders as we go through this difficult patch.

14. Appreciation
I would like to express my appreciation to our customers, readers, listeners, viewers, advertisers and all stakeholders for their support during the year ended 31 December 2019. 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 T.A.G Sithole
BOARD CHAIRMAN
26 March 2020

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 full year abridged financial statements and related financial information included in this report. It is their responsibility to ensure that the Company's full year abridged financial statements fairly present the state of affairs of the Company as at the end of the period and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards.

AUDITOR'S STATEMENT

These abridged financial results should be read in conjunction with the full set of inflation adjusted financial statements for the year ended 31 December 2019, which have been audited by Baker Tilly Chartered Accountants and an adverse opinion issued thereon. The basis for the adverse opinion pertains to misstatements in opening balances that arose due to non-compliance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" in 2018 financial period and the application of the exchange rate of 1:1 between the RTGS dollar and USD during the period 1 January to 21 February 2019 despite market conditions indicating that there was no longer parity between the two currencies. The audit report also includes an emphasis of matter paragraph, a report on other legal and regulatory requirements and key audit matters.

The auditor's report on these inflation adjusted financial statements is available for inspection at Company's registered office.

STATEMENT OF COMPLIANCE

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the Company's Act of Zimbabwe, (Chapter 24:03). The Company's financial statements are based on the statutory records maintained under the historical cost conversion, as restated in line with IAS29 principles as the operating environment was declared on the 1st July 2019 to have met the conditions for hyperinflation reporting.

IAS29 requires that prior year comparatives and current year's transactions be restated to take account of the effect of the changes in the general purchasing power of the local currency. To that effect, the indices and conversion factors used were as follows

DATE	INDICES	CONVERSION FACTOR
December 2019	551.57	1.000
December 2018	88.81	6.211

Audited Condensed Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019

	Inflation Adjusted		Historical Cost	
	Audited 2019 ZWL\$	Audited 2018 ZWL\$	Audited 2019 ZWL\$	Audited 2018 ZWL\$
Revenue	289,833,207	266,866,301	122,231,260	42,963,270
Gross profit	195,328,279	174,460,750	82,804,073	28,086,740
Other operating income	5,696,710	4,548,433	2,537,515	732,260
Operating expenses	(151,260,687)	(143,258,288)	(64,400,235)	(23,063,401)
Selling & distribution expenses	(22,616,349)	(25,299,036)	(9,394,093)	(4,072,936)
Administration expenses	(128,644,338)	(117,959,252)	(55,006,142)	(18,990,465)
Profit from operations before financing cost, exchange gains/(losses) and monetary gains	49,764,302	35,750,895	20,941,353	5,755,599
Net financing cost	(907,606)	(3,381,671)	(335,372)	(544,421)
Exchange gain/(loss)	1,504,591	(36,362)	3,350,881	(5,854)
Monetary gain	43,038,932	-	-	-
Profit before tax	93,400,219	32,332,862	23,956,862	5,205,324
Income tax expense	(25,627,327)	(8,887,928)	(6,276,169)	(1,430,883)
Profit after tax	67,772,892	23,444,934	17,680,693	3,774,441
Other Comprehensive income				
Gain on property revaluation net of tax	153,319,126	-	280,614,631	-
Total Other Comprehensive income	153,319,126	-	280,614,631	-
Total comprehensive income for the year	221,092,018	23,444,934	298,295,324	3,774,441
Number of shares in issue(000s)	576,000	576,000	576,000	576,000
Basic earnings per share (cents)	11.77	4.07	3.07	0.66
Diluted earnings per share (cents)	11.68	4.02	2.99	0.66
Headline earnings per share (cents)	11.77	4.07	3.07	0.66

Condensed Statement of Financial Position as at 31 December 2019

	Inflation Adjusted		Historical Cost	
	Audited 2019 ZWL\$	Audited 2018 ZWL\$	Audited 2019 ZWL\$	Audited 2018 ZWL\$
ASSETS				
Non-current assets				
Property, plant and equipment	398,417,622	168,368,084	398,417,622	27,105,872
Intangible asset	411,841	2,287,999	66,303	368,349
Long term investment	3,231,771	15,213,930	3,231,771	2,449,317
	402,061,234	185,870,013	401,715,696	29,923,538
Current assets				
Inventories	8,885,412	9,868,227	7,623,394	1,588,703
Trade and other receivables	31,125,106	37,453,139	27,993,397	6,029,646
Financial assets at fair value through profit and loss	603,221	1,071,254	603,221	172,463
Taxation	-	-	-	-
Bank and cash	7,172,881	7,594,893	7,172,881	1,222,715
	47,786,620	55,987,513	43,392,893	9,013,527
Total assets	449,847,854	241,857,526	445,108,589	38,937,065
EQUITY AND LIABILITIES				
Equity and reserves				
Share capital	357,782	357,782	57,600	57,600
Non distributable reserve	-	68,099,289	-	10,963,423
Accumulated loss	149,770,041	17,885,517	24,463,147	(3,426,409)
Revaluation reserve	153,319,126	-	286,920,461	6,305,830
	303,446,949	86,342,588	311,441,208	13,900,444
Non-current liabilities				
Long term borrowings	7 1,047,464	5,183,210	1,047,464	834,454
Long term liabilities	8 3,236,290	51,931,795	3,236,290	8,360,590
Related party payables	9 -	-	-	-
Deferred tax	105,317,792	32,100,219	94,235,267	5,167,870
	109,601,546	89,215,224	98,519,021	14,362,914
Current liabilities				
Trade and other payables	10 35,485,811	53,474,323	33,834,812	8,608,925
Short term borrowings	1,087,318	9,874,513	1,087,318	1,589,715
Bank overdraft	226,230	2,950,878	226,230	475,067
	36,799,359	66,299,714	35,148,360	10,673,707
Total liabilities	146,400,905	155,514,938	133,667,381	25,036,621
Total equity and liabilities	449,847,854	241,857,526	445,108,589	38,937,065

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FOR THE YEAR ENDED 31 DECEMBER 2019



Condensed Statement of Changes in Equity

INFLATION ADJUSTED					
	Share capital ZWL\$	Revaluation reserve ZWL\$	Non distributable reserve ZWL\$	Retained (loss)/ profit ZWL\$	Total ZWL\$
Balance at 31 December, 2017	357,782	-	68,099,289	(5,559,417)	62,897,655
Total comprehensive income for the period	-	-	-	23,444,934	23,444,934
Reclassification of reserves	-	-	-	-	-
Balance at 31 December, 2018	357,782	-	68,099,289	17,885,517	86,342,589
Total comprehensive income for the period	-	-	-	67,772,892	67,772,892
Revaluation surplus	-	153,319,126	-	-	153,319,126
Reclassification of reserves	-	-	(68,099,289)	68,099,289	-
Dividend paid	-	-	-	(3,987,658)	(3,987,658)
Balance at 31 December, 2019	357,782	153,319,126	-	149,770,041	303,446,949

As at 31 December 2019 reportable segment assets and liabilities					
Segment assets	91,267,370	319,277,979	27,974,759	6,588,481	445,108,589
Current Assets	14,794,591	19,805,261	7,692,396	1,100,645	43,392,892
Non current Assets	76,472,779	299,472,718	20,282,364	5,487,836	401,715,696
Segment liabilities	5,893,034	18,232,460	4,067,625	11,147,995	39,432,114
Current liabilities	5,881,556	15,694,811	3,703,346	9,868,646	35,148,359
Non current liabilities	11,478	2,628,649	364,279	1,279,349	4,283,755
Deferred tax liability	-	-	-	-	94,235,267

As at 31 December 2018 reportable segment assets and liabilities					
Segment assets	64,435,728	127,617,622	18,730,744	31,073,439	241,857,533
Current Assets	14,091,686	26,278,100	9,262,320	6,355,419	55,987,525
Non current Assets	50,344,042	101,339,522	9,468,424	24,718,020	185,870,008
Segment liabilities	13,707,467	61,547,996	17,404,085	30,755,168	123,414,717
Current liabilities	12,117,249	35,867,126	16,622,561	1,692,782	66,299,718
Non current liabilities	1,590,218	25,680,870	781,525	29,062,385	57,114,999
Deferred tax liability	-	-	-	-	32,100,219

4.1 Adoption of IAS 29 (Financial Reporting in Hyperinflationary Economies)
In October 2019, the Public Accountants and Auditors Board (PAAB) issued a pronouncement prescribing that the adoption of financial reporting in hyper inflationary economies had become effective for the reporting

Supplementary information				
Capital commitments				
Approved and not contracted	-	-	-	-
Contracted	-	28,076,440	-	4,520,075
	-	28,076,440	-	4,520,075

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



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)