



ZIMBABWE NEWSPAPERS (1980) LIMITED

Market leader in Publishing, Broadcasting, Printing and Packaging

AUDITED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

CHAIRMAN'S STATEMENT

KEY HIGHLIGHTS

Revenue	: ▼ 6.3% to US\$37.6million
Operating costs	: ▼ 23.5% to US\$21.8 million
Operating profit before tax	: ▲ 14.6% to US\$2.5million
Borrowings	: ▼ 37.4% to US\$4.3million

1. **Overview**
I am pleased to present to our stakeholders the financial performance of Zimbabwe Newspapers (1980) Limited (Zimpapers) for the year ended 31 December 2016.

2. **Operations review**
2.1 **Media environment**
The investments that we have made into the print, broadcasting and digital arms of the group have seen us consolidate our position as the most dominant force as reflected by the Zimbabwe All Media Products Survey (ZAMPS). We now effectively operate as a content factory that churns out relevant information for our readers and audiences using platforms and devices of their choice. Our readership continues to grow as there is a discernible and measurable appetite for our content which is personalized, shareable, verified and attributable. By being sufficiently present in our readers, listeners and viewers' lives we are able to fully understand and anticipate their content needs and interests. Zimpapers continues to change more to adapt to the future requirements whilst retaining the passion, drive and innovative spirit combined with world class technology. We continue to pursue smart publishing through development of savvy and diverse products, which all contribute to our revenue.

2.2 **Digital Media**
The company continues to push its Digital First Strategy by ensuring that we are embracing the change brought on the media industry by the digital revolution. A good number of our readers have migrated to Digital platforms and it is our mandate to continue providing them with the same quality content they previously enjoyed on our print platforms.

Digital platforms have also become a good alternative revenue stream helping our business diversify its sources of income. As a company we commit to investing more in the digital space because we believe that we will continue to discover new possibilities that will help our business grow stronger in this digital age.

3.0 Financial Performance

3.1 Performance Background

The year under review was characterised by some financial challenges that led to shortages of bank notes and payments logjam among other issues. A number of banks faced difficulties in remitting foreign payments as most Nostro accounts were not adequately funded. The deflationary trends and pressures on consumer disposable income continued. The economy remained in a deflationary mode, as a result -0.93% inflation was recorded for the year ended 31 December 2016. The Government of Zimbabwe intervened by introducing stimulating policy measures aimed at growing the economy through enhancing production and productivity across all the sectors of the economy. These stimuli measures resulted in increased capacity utilization especially after the introduction of \$1 64. With this background, Zimpapers is driven by the quest for excellence across all disciplines of publishing, broadcasting and printing with a committed and well trained workforce.

3.2 Operating Results

The company's revenue declined by 6.3% to \$37.6 million during the year under review compared to \$40.1 million recorded during the same period last year. The decrease in revenue was caused by the continued general economic environment slowdown characterised by liquidity constraints that affected consumers' disposable incomes. Resultantly, both circulation and advertising revenues were adverse to the same period last year. In line with the revenue decline and editorial costs reclassification, the company's gross profit declined to \$24.7 million from \$29.9 million attained last year. Other income declined to \$0.6 million compared to \$2.2 million recorded in 2015 mainly as a result of the absence of mobile news in 2016.

The company continued to make notable steps on its various cost reduction initiatives. To this end, operating expenses decreased by 23.5% to \$21.8 million from \$28.5 million recorded in 2015. The optimisation of the company's cost base remains a key focus area in the period ahead. Despite the 6% drop in revenue, the company's net profit from operations before finance cost declined by just \$0.1 million to \$3.5 million. A net operating profit margin on sales of 9.4% was recorded compared to 9.1% for 2015. This was a result of better cost management.

The interest bill came down to \$1.0 million compared to \$1.5 million for 2015. Following a better management of the interest bill, the company recorded a profit before tax of \$2.5 million compared to \$2.2 million recorded in the prior year. The company is in a net current liability position of \$0.5 million compared to \$16.5 million in the previous year. This net current liability position is attributed to statutory obligations which had accumulated over the years as the company was not able to pay. The company has since reached a settlement agreement with authorities to pay off the liability over an agreed period.

To ensure its future existence, the company will continue with its cost containment strategies amongst other critical revenue generation strategies so as to grow the top line. The debt collection strategy adopted by the company has started to bear fruit as trade and other receivable have declined by 8% to \$10.3 million compared to \$11.2 million recoded for 2015. In line with the Board's resolve to remain focused on pursuing and applying resources on strategies that enable the company to take advantage of emerging opportunities and grow the business, management believes the future of the company is brighter.

3.2 Newspaper Division

Zimpapers continues to dominate the newspaper industry in terms of market share. The Herald is still the most widely read daily newspaper with a readership market share of 31% whilst H-Metro has 20%, and Chronicle 17% according to ZAMPS 2016 4th quarter survey results. The Sunday Mail has maintained its dominance under the weekly newspaper readership with a market share of 27%. Zimpapers weekly publications have a combined market share of 68%. The newspaper division recorded a revenue of \$29.2 million compared to \$33.1 million recorded in 2015. This was 11.8% adverse to 2015 performance as a result of the deteriorating operating environment. The divisional operating costs were affected by a high fixed cost structure. Resultantly, the division recorded an operating profit of \$2.6 million compared to \$3.6 million for the comparative period. Performance for the division was mainly affected by the drop in circulation volumes, despite the brands being the most preferred in the market.

3.3 Commercial Printing Division

There has been a pleasing improvement in performance where the benefits of capital investment and restructuring of operations have improved profitability of the unit. Revenue performance for the commercial division continued to increase, recording a 13.2% favourable variance against the \$3.6 million recorded in 2015. This growth was driven by improved capacity utilisation, duty increase on imported packaging materials and improved demand for the firm's products spurred by Statutory Instrument 64 that promotes local manufactures. Consequently, the commercial printing division recorded an operating profit of \$0.4 million compared to a loss of \$0.3 million for 2015.

3.4 Broadcasting Division

The broadcasting flagship, Star FM has achieved 51% of the urban radio listenership in Zimbabwe whilst the rest shared the balance as per ZAMPS report. Diamond FM has already achieved 9% of the market share in the first year of broadcasting.

Riding on the reputable brands, the broadcasting division's revenue performance improved by 27.3% from \$3.4 million to \$4.3 million. The division recorded an operating profit before interest and tax of \$0.5 million compared to \$0.2 million for the same period in 2015.

4. Corporate Governance

The Board of Directors and management remain committed to high standards of good corporate governance. The company's Audit, Finance and Risk Committee, Ethics Committee, Business Development Committee and the Human Resources and Remuneration Committee, met regularly throughout the period under review to assess operations and adequacy of systems and procedures that safeguard the company's assets.

5. Corporate Social Responsibility

In line with the company's commitment on corporate social responsibility agenda, a number of initiatives were undertaken. These includes hosting a Cancer Power Walk that was attended by 700 people. The proceeds of the walk were handed over to Island Hospice for its cancer programmes. The company and individual staff members joined other stakeholders to support employees Lawson Mabheba and Shamiso Yikoniko with funds towards a liver transplant for their baby which was successfully done in India at a cost of \$50 000. Matthew Rusike Children's Home was also supported with cash and foodstuffs while many other causes also got some aid. Zimpapers believes in giving back to the society in which it operates despite its own challenges and those of the economy in general. It will therefore continue to make a difference in our communities.

6. Dividend

Due to the need to preserve cash and service the legacy statutory obligations, the Board of Directors have recommended not to declare a dividend.

7. Outlook

Although the trading environment is expected to remain challenging for the foreseeable future, we believe the economic interventions by the Government of Zimbabwe are a source of hope and comfort. In that regard, we are positive that our strategies and competitive advantage will ensure a better future for the organisation.

8. Appreciation

Let me take this opportunity to sincerely thank our customers, readers, listeners, and all stakeholders for their support during the period under review. My fellow directors, the management team and all members of staff, all played an important role to propel the organisation. In conclusion, I sincerely thank all our stakeholders for their continued dedication and commitment to the success of the company.

Mr D. Lupepe
Board Chairman
23 March 2017

AUDITORS' STATEMENT

The financial statements should be read in conjunction with the complete set of financial statements for the year ended 31 December 2016, which have been audited by Baker Tilly Chartered Accountants. An unmodified audit opinion has been issued on the financial statements. The company's tax liability of \$14.2 million, the associated payment plan and treatment thereof was considered to be a key audit matter. The auditors' report on these financial statements is available for inspection at the Company's registered office which is at the corner of S. Nujoma Street and G. Silundika Avenue, Harare.

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 financial year and the results of its operations and cash flows for the year then ended in conformity with International Financial Reporting Standards.

Condensed Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2016

	Note	2016 US\$	2015 US\$
Revenue		37,589,797	40,099,350
Gross profit	6	24,694,907	29,918,007
Other income		629,458	2,174,697
Operating expenses		(21,782,527)	(28,458,070)
Selling & distribution expenses		(3,669,914)	(4,197,030)
Administration expenses		(18,112,613)	(24,261,040)
Profit from operations		3,541,838	3,634,634
Net finance cost		(1,026,143)	(1,450,815)
Exchange (loss)/ gain		(9,010)	3,435
Profit/ (loss) before tax		2,506,685	2,187,254
Income tax (expense)/ credit		(479,468)	556,094
Profit/ (loss) after tax		2,027,217	2,743,348
Other comprehensive income:			
Items that will not be reclassified to profit or loss		-	-
Gains on property, plant and equipment revaluation net of tax		-	-
Items that will or may be reclassified to profit or loss:			
Total comprehensive income for the year		2,027,217	2,743,348
Basic earnings per share (cents)	7.1	0.35	0.48
Diluted earnings per share (cents)	7.2	0.35	0.48
Headline earnings per share (cents)	7.3	0.35	0.48

Condensed Statement of Financial Position as at 31 December 2016

	Notes	2016 US\$	2015 US\$
ASSETS			
Non-current assets			
Property, plant and equipment		25,546,980	26,896,782
Intangible asset		69,783	40,936
Long term investment		1,797,684	1,336,486
		27,414,447	28,274,204
Current assets			
Inventories		1,169,576	903,913
Trade and other receivables		10,331,219	11,243,501
Financial assets at fair value through profit or loss		53,166	34,835
Cash and cash equivalents		644,620	234,784
		12,198,581	12,417,033
Total assets		39,613,028	40,691,237
EQUITY AND LIABILITIES			
Equity			
Share capital		57,600	57,600
Accumulated loss		(9,648,348)	(11,725,250)
Non distributable reserve		10,963,423	10,963,423
Revaluation reserve		6,394,630	6,444,315
		7,767,305	5,740,088
Non-current liabilities			
Long term borrowings	8	1,879,154	2,578,691
Long term liabilities	9	12,529,176	-
Related party payables	10	870,760	-
Deferred tax		3,847,985	3,368,517
		19,127,075	5,947,208
Current liabilities			
Trade and other payables	11	9,142,116	23,520,487
Short term portion of long term borrowings	8	2,439,602	4,319,579
Bank overdraft		1,136,930	1,163,875
		12,718,648	29,003,941
Total liabilities		31,845,723	34,951,149
Total equity and liabilities		39,613,028	40,691,237

Condensed Statement of Cash Flows for the year ended 31 December 2016

	2016 US\$	2015 US\$
Net cash flow from operations	(7,654,391)	859,883
Net cash (used)/ generated from investing activities	(1,686,707)	(1,375,253)
Net cash used in financing activities	9,777,879	2,773,165
Net increase/ (decrease) in cash and cash equivalents	436,781	2,257,795
Cash and cash equivalents at the beginning of the year	(929,091)	(3,186,886)
Cash and cash equivalents at the end of the year	(492,310)	(929,091)

Condensed Statement of Changes in Equity for the year ended 31 December 2016

	Share capital USD	Revaluation reserve USD	Non distributable reserve USD	Retained loss USD	Total USD
Balance as at 1 January, 2015	57,600	6,478,524	10,963,423	(14,502,807)	2,996,740
Total comprehensive income for the year	-	-	-	2,743,348	2,743,348
Realisation of revaluation surplus on disposed assets	-	(34,209)	-	34,209	-
Balance as at 31 December, 2015	57,600	6,444,315	10,963,423	(11,725,250)	5,740,088
Total comprehensive income for the year	-	-	-	2,027,217	2,027,217
Realisation of revaluation surplus on disposed assets	-	(49,685)	-	49,685	-
Balance as at 31 December, 2016	57,600	6,394,630	10,963,423	(9,648,348)	7,767,305

Condensed Business Segment Report for the year ended 31 December 2016

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 are commercial free-to-air radio stations. The corporate segment comprises Head Office administrative operations.

Year ended 31 December 2016	Commercial Printing 2016 US\$	Newspapers 2016 US\$	Broadcasting 2016 US\$	Corporate 2016 US\$	Consolidated 2016 US\$
External revenue	4,073,398	29,222,781	4,293,618	-	37,589,797
Results					
Segment (loss)/ profit	421,467	2,605,971	495,577	18,823	3,541,838
Net finance costs					(1,026,143)
Exchange gain					(9,010)
Income tax credit					(479,468)
Profit for the year					2,027,217

As at 31 December 2016 reportable segment assets and liabilities

Segment assets	9,024,952	24,169,429	2,702,150	3,716,497	39,613,028
Current assets	1,486,146	7,512,834	1,631,367	1,568,234	12,198,581
Non current assets	7,538,806	16,656,595	1,070,783	2,148,263	27,414,447
Segment liabilities	2,145,523	16,891,826	1,477,530	7,482,860	27,997,739
Current liabilities	1,395,702	8,695,263	995,423	1,632,260	12,718,648
Non current liabilities	749,821	8,196,563	482,107	5,850,600	15,279,091

Deferred tax liability - - - - 3,847,985

Year ended 31 December 2015

	Commercial Printing 2015 US\$	Newspapers 2015 US\$	Broadcasting 2015 US\$	Corporate 2015 US\$	Consolidated 2015 US\$
External revenue	3,598,531	33,126,662	3,374,157	-	40,099,350
Results					
Segment (loss)/ profit	(327,156)	3,607,368	237,230	117,190	3,634,633
Net finance costs					(1,450,815)
Exchange gain					3,436
Income tax credit					556,094
Loss for the year					2,743,348

As at 31 December 2015 reportable segment assets and liabilities

Segment assets	8,904,781	26,276,529	2,613,752	2,896,172	40,691,237
Current assets	1,165,179	8,086,766	1,605,403	1,559,685	12,417,033
Non current assets	7,739,602	18,189,765	1,008,349	1,336,487	28,274,204
Segment liabilities	2,745,297	18,991,028	1,300,960	8,545,347	31,582,632
Current liabilities	1,842,546	17,315,088	1,300,960	8,545,347	29,003,941
Non current liabilities	902,751	1,675,940	-	-	2,578,691

Deferred tax liability - - - - 3,368,517

Notes to the Condensed Audited Financial Statements for the year ended 31 December 2016

1. General information

Zimbabwe Newspapers (1980) Limited is 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

The Company's functional and presentation currency is the United States dollar ("US\$").

3. Accounting policies

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

4. Basis of preparation

The condensed financial statements for the year ended 31 December 2016 have been prepared in accordance with International Financial Reporting Standards (IFRSs), Zimbabwe Stock Exchange (ZSE) listing rules and Companies Act (Chapter 24:03). The financial statements are based on statutory records that are maintained under historical cost convention as modified by the revaluation of property, plant and equipment and financial assets held at fair value.

	2016 US\$	2015 US\$
5. Significant transactions		
5.1 Additions to property, plant and equipment	1,241,620	1,592,485
5.2 Revaluation surplus on property, plant and equipment	-	-
6. Cost of sales	12,894,890	10,181,343

Certain amounts have been reclassified for fair presentation of the financial statements. Editorial payroll related costs for the newspaper divisions have been reclassified from administration expenses to cost of sales. These reclassifications had the following effect on the reported results of operations. Cost of sales increased by \$4,417,941 resulting in gross profit margin reduction from 75% to 66%

7. Earnings per share

Earnings per share have been determined using the following:

Profit for the year	2,027,217	2,743,348
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 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 Company by the weighted average number of ordinary shares in issue during the year.

Headline earning is calculated as follows:

Profit for the year attributable to ordinary equity holders	2,027,217	2,743,348
Loss on disposal of property, plant and equipment	561	3,677
Fair value gain on equities	(18,331)	(1,907)
Headline earnings	2,009,447	2,745,118

7.1 Basic earnings per share - cents

0.35	0.48
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7.2 Diluted earnings per share - cents

0.35	0.48
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7.3 Headline per share - cents

0.35	0.48
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8. Borrowings

IBC Bank Limited:

Long term portion	1,879,154	2,578,691
Short term portion of long term borrowings	2,439,602	4,319,579
	4,318,756	6,898,270

The IBC Bank Limited borrowing was obtained at an interest rate of 11% 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 \$4 million.

9. Long term liabilities

Zimbabwe Revenue Authority	14,203,848	14,314,994
Short term portion	(1,674,672)	(14,314,994)
Long term portion	(12,529,176)	-

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 11.

10. Related party payables

The following were the balances with related parties:		
Zimpapers Medical Aid Society	739,051	903,971
Zimpapers Pension Fund	1,120,760	1,505,004
	1,859,811	2,408,975

The amounts outstanding to related party entities, which are included in related party payables and, trade and other payables are unsecured, interest free and have no fixed repayment terms. The company was given a paid-up status from 1 November 2014 and the in-house Medical Aid Society ceased operations on the same day.

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