NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMUNICATION AND INFORMATION SCIENCE

DEPARTMENT OF JOURNALISM AND MEDIA STUDIES

BACHELOR OF SCIENCE (HONS) IN JOURNALISM AND MEDIA STUDIES

ECONOMIC REPORTING II

IJM 4226

FinalExamination Paper

May 2017

This examination paper consists of 14 pages

Time Allowed:	**3 Hours**
Total Marks:	**100**
Special Requirements:	**None**
Examiner's Name:	**Ms.NqobileNyathi**

INSTRUCTIONS

1. Choose one question from Section A and one question from Section B.
2. Answer all the questions in Section C.
3. Start each answer on a new page.
4. Poor spelling and grammar will be penalised.

MARK ALLOCATION

QUESTION	MARKS
1.	**50**
2.	**50**
3.	**30**
4.	**30**
5.	**20**

SECTION A

QUESTION 1

Read the ZimStats report in **Annexure 1** and answer these questions:

i. Identify a potential angle. **(3 Marks)**

ii. Identify the 5Ws and H you should ask to support your angle and write a comprehensive and balanced story. **(17 Marks)**

iii. Identify the information contained in the report that could help you answer the 5Ws and H. **(7 Marks)**

iv. What questions do you have that can't be answered using the report? **(9 Marks)**

v. How would you obtain the information you need to answer these questions? **(6 Marks)**

vi. Why is the hyperinflation experienced by Zimbabwe in the past partly to blame for the country's current deflation? **(8 Marks)**

Total: [50 Marks]

QUESTION 2

Examine the ZSE report in **Annexure 2** and answer these questions:

i. Identify a potential news angle. **(3 Marks)**

ii. Identify the 5Ws and H you should ask to support your angle and write a comprehensive and balanced story. **(12 Marks)**

iii. Identify the information contained in the report that could help you answer the 5Ws and H. **(9 Marks)**

iv. What questions do you have that can't be answered using the report? **(3 Marks)**

v. How would you obtain the information you need to answer these questions? **(9 Marks)**

vi. At the time of this market commentary, what was happening at Econet that could explain the drop in its share price? **(6 Marks)**

vii. What factors have influenced the ZSE's performance in the past year? (**8 Marks)**

Total: [50 Marks]

SECTION B

Question Three

Analyse the financial statement in **Annexure 3** and answer these questions:

i. Were TSL's financial statements examined by an auditor before publication? **(1 Mark)**

ii. Which company audited the results? **(1 Mark)**

iii. What was the auditor's opinion of the results? **(1 Mark)**

iv. Where can shareholders and other interested parties inspect the auditor's report? **(1 Mark)**

v. Which three standards have been used in the preparation of the consolidated financial results? **(3 Marks)**

vi.Is the company in good or bad health? Identify 12 indicators from the financial statement to support your answer. **(12 Marks)**

vii. Identify three potential news angles. **(3 Marks)**

viii. According to the TSL board's statement, what five challenges affected the company during the 12 months to 31 October 2016? **(5 Marks)**

ix. How does TSL plan to deal with macroeconomic challenges during 2017? **(3 Marks)**

Total: **[30 Marks]**

QUESTION 4

i. What are commodities? **(2 Marks)**

ii. What are soft commodities? **(2 Marks)**

iii. What are hard commodities? **(2 Marks)**

iv. Identify three energy commodities. **(3 Marks)**

v. List three metals commodities. **(3 Marks)**

vi. Discuss the challenges facing commodity sectors in Zimbabwe. **(18 Marks)**

Total: **[30 Marks]**

SECTION C

QUESTION 5

i. Use the information in **Annexure 1** to write a news intro. **(5 Marks)**

ii. Use the information in **Annexure 2** to write a news intro. **(5 Marks)**

iii. Choose **two** of the angles you identified in Question 3(vii) and use them to write news intros. **(10 Marks)**

Your intros are for stories that will be published tomorrow.

Total: **[20 Marks]**

ANNEXURE 3

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Full Year Ended 31Oct 2016 Audited US$	Restated Full Year Ended 31 Oct 2015 Audited US$
Revenue	47,235,811	48,598,657
Profit from operations	5,633,884	6,756,935
Fair value adjustments and impairments	155,755	(459,548)
Net finance costs	(1,532,220)	(1,130,796)
Profit before tax	**4,257,419**	**5,166,591**
Income tax charge	(1,106,558)	(1,916,447)
Profit for the period	**3,150,861**	**3,250,144**
Attributable to:		
Equity holders of the parent	3,312,621	3,095,821
Non-controlling interest	(161,760)	154,323
	3,150,861	**3,250,144**
Number of shares in issue	357,102,445	357,102,445
Earnings per share (cents)	0.9	0.9
Headline earnings per share (cents)	0.8	1.0
Other comprehensive income:		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Revaluation of property	378,304	852,662
Deferred tax on revaluation of property	(97,413)	(219,560)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Gain on available for sale investment	1,279,396	-
Deferred tax on gain on avalable for sale investment	(12,794)	-
Total other comprehensive loss, net of tax	1,547,493	633,102
Total comprehensive income	**4,698,354**	**3,883,246**
Attributable to:		
Equity holders of the parent	4,811,107	3,596,178
Non-controlling interest	(112,753)	287,068
	4,698,354	**3,883,246**

NB: This annexure contains the same information as the financial statement on page 9 and 10. It has been included to assist with readability.

ANNEXURE 3

GROUP CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 31 Oct 2016 Audited US$	Restated As at 31 Oct 2015 Audited US$
ASSETS		
Non-current assets		
Property, plant and equipment	31,531,902	31,355,652
Investment properties	35,165,556	34,156,500
Available-for-sale investment	6,900,000	5,620,604
Biological assets	1,292,256	1,409,765
Intangible assets	817,074	817,074
Deferred tax asset	-	254,244
	75,706,788	**73,613,839**
Current assets		
Inventories	7,617,589	8,775,631
Amounts due from former associate company	295,472	1,996,562
Trade and other receivables	10,395,546	10,152,374
Cash and bank balances	3,267,629	2,162,585
	21,576,236	**23,087,152**
Investment held-for-sale	2,077,000	1,900,000
Total assets	**99,360,024**	**98,600,991**
EQUITY AND LIABILITIES		
Equity		
Issued share capital and premium	6,469,824	6,469,824
Non-distributable reserves	42,836,656	41,338,170
Retained earnings	23,234,698	21,100,515
Attributable to equity holders of parent	**72,541,178**	**68,908,509**
Non-controlling interest.	2,591,559	2,704,312
Total equity	**75,132,737**	**71,612,821**
Non-current liabilities		
Interest bearing loans and borrowings	3,079,347	2,089,598
Deferred tax liabilities	7,776,178	8,151,583
	10,855,525	**10,241,181**
Current Liabilities		
Interest bearing loans and borrowings.	8,462,125	10,952,176
Provisions	268,068	502,852
Trade and other payables	4,342,545	5,164,242
Income tax payable	299,024	127,719
	13,371,762	**16,746,989**
Total equity and liabilities	**99,360,024**	**98,600,991**
Current ratio	1.6	1.4

NB: This annexure contains the same information as the financial statement on page 9 and 10. It has been included to assist with readability.

ANNEXURE 3

GROUP CONDENSED STATEMENT OF CASH FLOWS

	Full Year Ended 31 Oct 2016 Audited US$	Restated Full Year Ended 31 Oct 2015 Audited US$
OPERATING ACTIVITIES		
Profit before tax	4,257,419	5,166,591
Non-cash adjustments to reconcile profit before tax to net cash flows	3,332,796	(1,013,063)
Net (reduction)/increase in working capital	(297,413)	4,052,124
Operating cash flow	**7,292,802**	**8,205,652**
Net finance costs paid	(1,532,220)	(1,130,796)
Income tax paid	(1,166,621)	(1,647,941)
Dividends received from associate	720,211	-
Net cash generated from operating activities	**5,314,172**	**5,426,915**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and investment properties	(2,471,001)	(2,156,446)
Proceeds on disposal of property, plant and equipment	587,148	249,575
Repayment of loan by former associate	353,465	-
Acquisition of subsidiary, net of cash acquired	-	(220,896)
Net cash used in investing activities	**(1,530,388)**	**(2,127,767)**
FINANCING ACTIVITIES		
Repayment of finance lease liability	-	(158,975)
Net decrease in loans and borrowings	(1,500,302)	(893,495)
Dividends paid to equity holders of parent	(1,178,438)	(1,418,000)
Net cash generated used in financing activities	**(2,678,740)**	**(2,470,470)**
Net increase in cash and cash equivalents	**1,105,044**	**828,678**
Cash and cash equivalents at the beginning of the period	2,162,585	1,333,907
Cash and cash equivalents at the end of the period	**3,267,629**	**2,162,585**
Represented by:		
Cash and bank balances	3,267,629	2,162,585
	3,267,629	**2,162,585**

NB: This annexure contains the same information as the financial statement on page 9 and 10. It has been included to assist with readability.

ANNEXURE 3

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

1. BASIS OF PREPARATION

The consolidated financial statements, from which these abridged consolidated financial statements are an extract, have been prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act [Chapter 24.03] and the Zimbabwe Stock Exchange.

2. PRESENTATION AND FUNCTIONAL CURRENCY

The Group's presentation and functional currency is the United States Dollar (US$).

3. ACCOUNTING POLICIES

The accounting policies are consistent with those used in preparing the 31 October 2015 Group financial statements.

4. AUDIT STATEMENT

The consolidated financial statements for the year ended 31 October 2016 were audited by Ernst & Young Chartered Accountants (Zimbabwe). An unqualified opinion was issued on the consolidated financial statements. The audit opinion is available for inspection at the Company's registered office.

5. GOING CONCERN

The abridged consolidated financial results have been prepared on a going concern basis as the directors are of the opinion that the Company is a going concern.

13. REVIEW OF THE ECONOMIC ENVIRONMENT

The macroeconomic environment in 2016 was challenging. Cash and foreign currency shortages became more pronounced; aggregate consumer demand continued to wane and agriculture, in general, was negatively impacted by the El Nino weather pattern. Tobacco especially fared relatively well, with national output increasing from 197 million kgs to 202 million kgs - a growth of 2.6%. The regulatory environment also experienced some significant changes with the introduction of Bond Notes pegged at par to the US dollar, the implementation of tighter exchange control and the enactment of Statutory Instrument 64 of 2016 which is intended to reduce the importation of products which have local equivalents.

All these factors affected the Group and its customers to varying degrees. In the light of this, the Group has produced a somewhat mixed set of results. Whilst the Logistics Operations were heavily impacted by the general operating environment, and the Trading businesses saw shrinkage in volumes due to the weather patterns, tobacco related operations did, however, perform strongly.

Real Estate Operations meanwhile, posted satisfactory results considering the state of the industry. The Group has, to a marked extent, benefited from the diversity of its operations.

14. PERFORMANCE OVERVIEW

Group revenues were down 3% to US$ 47.2 million. Whilst the decline in revenues was more pronounced in the Logistics and Trading Operations, these were largely mitigated by increased volume growth in the Tobacco-related businesses and the inclusion, for the first time, of the revenues from the Group's Farming Operations.

Margin compression across all business units, in response to the environment, coupled with an increase in the contribution from sale of product to the overall sales mix have resulted in Group operating profit declining by 17% to US$ 5.6 million. The Group has been systematically reducing its costs of operations and in the current year this has translated to a saving of US$ 1.4 million.

Group Profit Before Tax decreased by 18% to US$ 4.3 million. In previous years, the Group benefited from the recovery of financing costs from its former associate. As a consequence of the disposal of the Group's interest in the associate in 2015, net financing costs, in absolute terms, have increased from US$ 1.1 million to US$ 1.5 million. This additional cost has been largely offset by the fair value uplift in the Group's investment properties of US$ 0.95 million, which was based on independent, professional valuations. Group Profit After Tax has decreased by 3% to US$ 3.2 million.

During the year, the Group also completed the measurement of the assets of the farming subsidiary it acquired at the end of the previous financial year, which had been accounted for on provisional numbers, resulting in machinery and equipment and accounts receivable balances decreasing by US$ 0.8 million and US$ 0.13 million respectively. Consequently, a measurement period adjustment (restatement) of US$ 0.93 million has been retrospectively adjusted as permitted by International Financial Reporting Standards and has impacted the previously reported 2015 balances as detailed in Note 11. Profit before tax, before the restatement was down 30% on the previously reported numbers. After restatement, Profit before tax is down 18%.

The trending in the level and cost of funding and cash reserves remains satisfactory. Borrowings are down 12% on last year and the Group's gearing has been reduced from 19% to 15%. The Group will continue to improve cash generation and reserves and carefully monitor its financial commitments in the light of the trading environment.