

# 1998 *Annual Report*

*Building for a  
Sustainable  
Future*



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DELTA CORPORATION  
LIMITED

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# 1998

## COMPANY PROFILE

Delta Corporation Limited is a holding company that has invested in and taken management responsibility for a broadly based portfolio of businesses, which operate throughout Zimbabwe.

The company is listed on the Zimbabwe Stock Exchange and was first registered in 1946 as Rhodesian Breweries Limited. Its origins, however, were even earlier. In 1898, the country's first brewery was established in Cameron Street, Salisbury. From this small beginning the brewing industry developed into a major commercial and industrial operation. By 1950, the company had built the Sable Brewery in Bulawayo producing pale ale, milk stout and Sable Lager. Over the years the company continued to expand its portfolio of businesses and diversified its brewing base. In 1978 the name was changed to Delta Corporation Limited and the company assumed the mantle of a holding company for a broad range of interests serving the mass consumer market. These included lager and sorghum beer brewing, the bottling of carbonated and non-carbonated soft drinks, supermarket and furniture retailing, tourism and various agro-industrial operations.

*Building our brands is a key focus for all our divisions. The effective integration of the brands with the people of Zimbabwe, both now and into the future, is vital to our own successful development.*

*This year's report features the artistic talents of Crystal Wynn as she depicts that blend of our brands in our market.*

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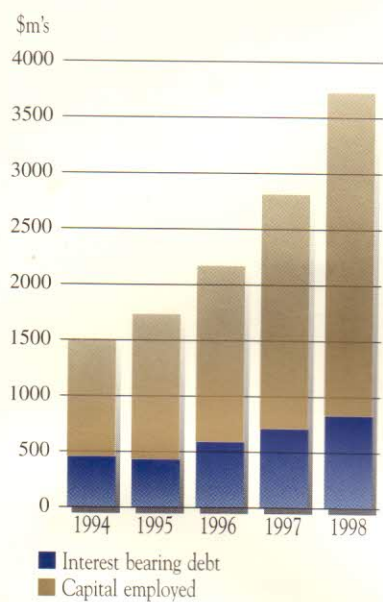
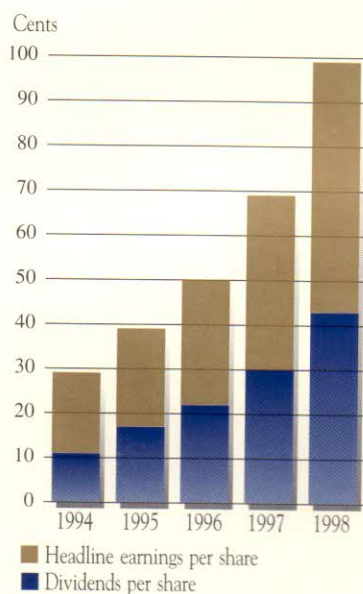
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# 1998 FINANCIAL HIGHLIGHTS



## GROUP SUMMARY (Z\$ MILLION)

	1998	1997
Turnover	8 389	6 188
Cash value added	3 445	2 340
Income after taxation	879	592
Attributable earnings	807	541
Total assets	5 477	4 008
Market capitalisation	12 201	13 728

## SHARE PERFORMANCE (CENTS)

Earnings per share		
- attributable earnings basis	100	69
- headline earnings basis	99	69
- cash equivalent basis	120	85
Cash flow per share	80	47
Dividends per share	43	30
Net asset value per share	290	209
Market price per share	1 500	1 725

## FINANCIAL STATISTICS

Return on equity (%)	34,2	32,6
Financial gearing ratio (%)	28,1	32,9
Interest cover (times)	6,9	6,3



# Organisational Vision

## CORE VALUES

### \* Integrity, Honesty and Discipline

We believe in integrity, honesty and discipline. Our actions will at all times be ethical and fair. This principle is fundamental in everything we do, will be consistently applied and will not be compromised.

### \* Respect for the Individual

We believe in and have respect for the individual, be he/she an employee, a customer, a supplier, a shareholder or any other stakeholder.

### \* Teamwork

We believe that our goals will be achieved best through teamwork. We must always think "we" and not "I".

### \* Quality in Product and Service

We have pride in our products and are committed to excellence of quality in product and service.

### \* Continuous Improvement

We believe in the principle of continuous improvement and with this we embrace technological advancements, we encourage ingenuity and innovation and above all we promote the development of our staff.

### \* Good Corporate Citizenship

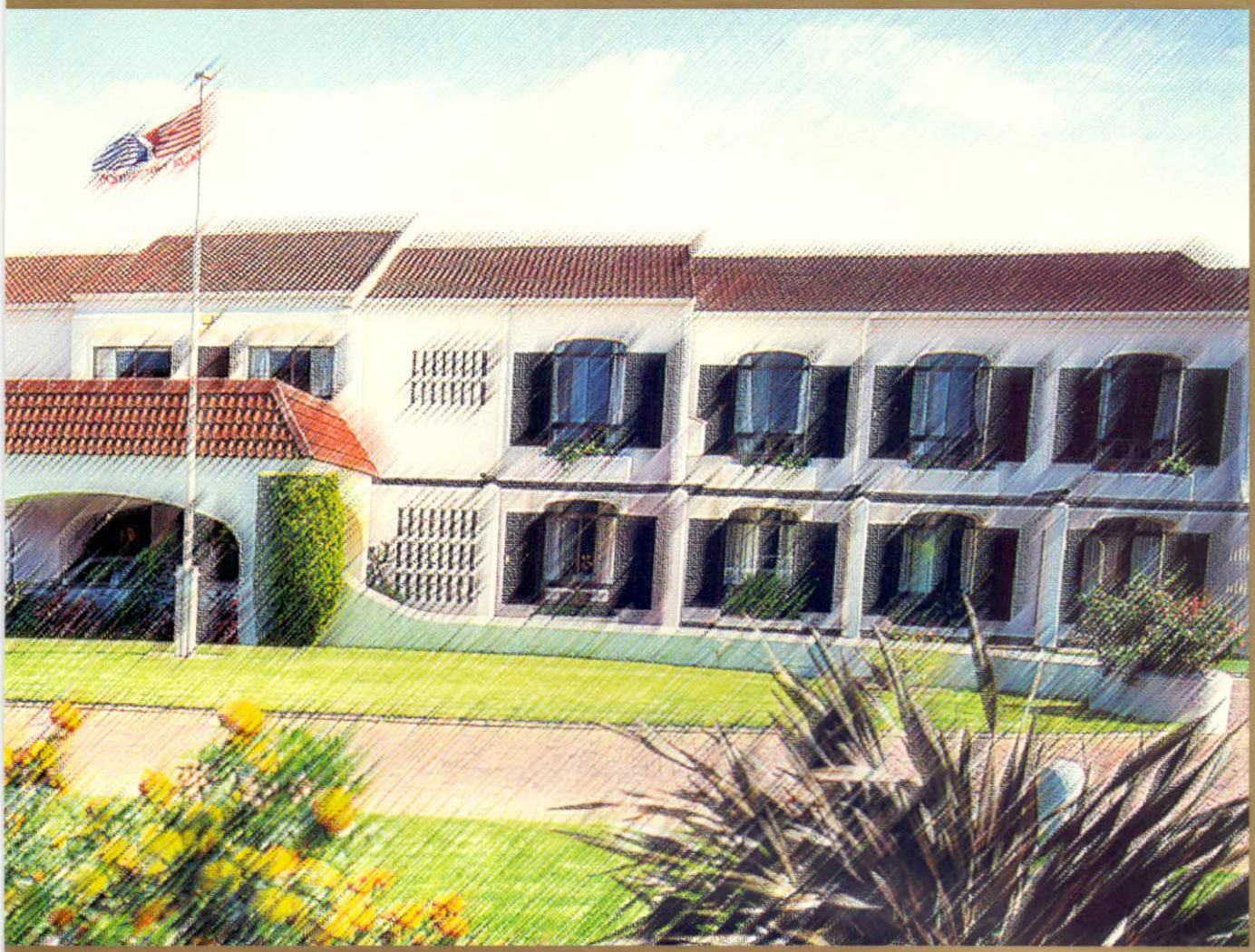
We recognize our responsibility to society and through our contributions, sponsorships, environmental concern and other such practices will always be identified as a good corporate citizen.





# 1998

## ORGANISATIONAL VISION



### PURPOSE

Our purpose is to invest in and manage, to the highest standards, a portfolio of businesses principally engaged in meeting mass market consumer needs in Zimbabwe.

### MISSION/GOAL

Delta's turnover will reach US\$1 billion by the year 2001. During this period profits will register average real growth of 7,5% per annum.

### VIVID DESCRIPTION

Working for Delta will be a jealously guarded privilege which engenders immense self-esteem and extreme admiration from outsiders. All our employees will feel that they are contributing through their day to day work to the Group's continued success in the market. All their efforts will translate into perceptions of good value and quality being received by our customers and into a most valuable reference for suppliers. Evolving from this ethos and desire will be a blue chip investment for our shareholders which is secure and second to none.



# *Safety, health and environmental policy*

Delta believes that the protection of the environment is critical to the long term sustainable future of the country and its people.

The sanctity of all ecosystems should be preserved for future generations and Delta is committed to act responsibly and with due regard to the impact of all its operations and products on the environment.

Protecting the environment is an obligation - not a choice.

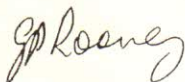
Delta recognises that productivity in its businesses is directly related to the health and welfare of its employees and the positive interaction of its operations with neighbouring communities.

Consequently,

In order to fulfil this obligation Delta will:

- \* Conduct environmental impact assessments when establishing new facilities.
- \* Utilise the best available technology to limit emissions and effluents, improve land eco-efficiencies and waste recovery.
- \* Support research into the protection of the environment.
- \* Conform to prescribed and self-determined environmental, health and safety standards.
- \* Support and promote supplies of environmental friendly products and services.
- \* Promote continuous improvement in safety, health and environmental performance aspects which impact on employees, customers and the community through setting standards in a process of proactive risk management, subject to internal and external compliance.
- \* Involve employees and their representatives in participative endeavours to agree and implement health and safety improvement programmes.
- \* Provide education and training to employees in preventive health care, first aid and safety procedures.
- \* Develop and implement standards standard to achieve the highest industry safety standards.
- \* Provide on-site or adjacent primary health clinic facilities where possible for employees.
- \* Support research initiatives into dreaded diseases in Africa.
- \* Promote the environmental awareness, responsibility, and training among all employees and the public at large.
- \* Continuously monitor and audit the environmental status of all its operations.
- \* Use raw materials and resources prudently.
- \* Promote the recycling and reprocessing of waste materials, and
- \* Ensure management accountability for the fulfilment of this obligation.

DELTA CORPORATION LIMITED IS A MEMBER OF THE  
ENVIRONMENTAL FORUM OF ZIMBABWE,  
WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT,  
INTERNATIONAL CHAMBER OF COMMERCE AND  
INTERNATIONAL NETWORK FOR ENVIRONMENTAL MANAGEMENT.



J P Rooney  
Group Chief Executive

# 1998 GROUP STRUCTURE

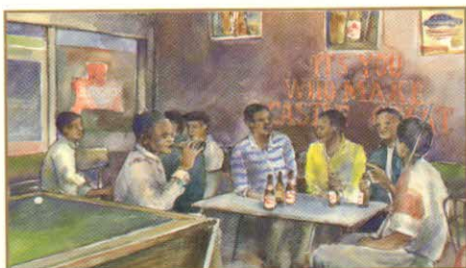
## Delta Corporation Limited



Except as indicated, all group companies are incorporated in Zimbabwe.



# Activities



## BEVERAGES

### National Breweries

Brewing lager beer- 2 Breweries

Castle Lager, Castle Pilsener, Lion Lager,  
Carling Black Label, Zambezi Export Lager,  
Bohlinger's

### Chibuku Breweries

Brewing sorghum beer- 17 Breweries (including  
one in Mozambique)

Chibuku, Rufaro and Thabani

### United Bottlers

Bottling carbonated soft drinks-

4 Bottling Plants

Coca-Cola, Diet Coke, Fanta, Sparletta,  
Schweppes, Sprite



## ZIMBABWE SUN LIMITED

### Zimbabwe Sun Hotels

Management of hotels

City - 6 Hotels

Resort - 7 Hotels

Wildlife - 9 Hotels

### Zimbabwe Sun Casinos

Casino management - 3 Casinos

### Touch the Wild

Partnership in safaris and game viewing - 5 camps  
(sold after year end)

### Zimbabwe Sun Vacations

Timeshare resorts - 2 Resorts



## TRANSPORT

### Delta Distribution

Provision and maintenance of primary and  
secondary vehicles-

20 Workshops

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## PORTFOLIO OF BUSINESS



### RETAIL

#### OK Zimbabwe

Mass merchandising- 33 OK Stores, 4 Bon Marché Stores

#### Pelhams

Specialist furnishers- 28 Outlets, 2 Factories

### MASTERFRIDGE (ZIMBABWE) (PVT) LTD

Manufacture of domestic refrigerators and beverage coolers- 1 Factory



### MEGAPAK (PVT) LTD

Manufacture of plastic products- 1 Factory

### POLYCON CONVERTERS ZIMBABWE (PVT) LTD

Manufacture of rotomoulded plastic products- 1 Factory

### AGRO INDUSTRIAL

Kwekwe Maltings

Barley malting- 1 Malting Plant



### FOOD AND INDUSTRIAL PROCESSORS (PVT) LTD

Food processing- 1 Factory

### AFRICAN DISTILLERS LIMITED

Wine & spirit producer- 3 Farms, 1 Distillery, 5 Depots



## Directorate and management



### CHAIRMAN

Dr. R. M. Mupawose B.Sc.; MSc(Agron.), PhD. •

### GROUP CHIEF EXECUTIVE

J. P. Rooney CA(Z); CA(SA) \* •

### EXECUTIVE DIRECTORS

J. Koumides	B.Acc. (Hons); CA(Z)
J. S. Mutizwa	B.Sc.Soc.Sc.(Hons); MBA
J. E. Smith	B.Com; CA(Z); CA(SA); MBA
V. W. Zireva	B.Acc.(Hons); CA(Z); MBL *

### NON-EXECUTIVE DIRECTORS

N.G. Cox	CA(Z); CA(SA) * •
K. E. K. Indi	
M. E. Kahari	BA
E. A. G. Mackay	B.Sc (Eng) B.Com
Dr. E. S. Mazhindu	M.B;ChB(Natal)
S. H. Musesengwa	
T. N. Sibanda	B.Acc; CA(Z) *
W. H. Turpin	BA; LLB * •



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## BOARD OF DIRECTORS



### FINANCE AND ADMINISTRATION

J. S. Mutizwa	B.Sc.Soc.Sc.(Hons); MBA	Director - Beverages
J.E. Smith	B.Comm; CA(Z); CA(SA); MBA	Director - Hotels
V. W. Zireva	B.Acc.(Hons); CA(Z); MBL	Director - Retail
J. Koumides	B. Acc.(Hons); CA(Z)	Director - Finance
H. D. Gaitskell	FCIS	Group Secretary
M. S. Manyumwa	B.Sc. Sociology (Hons); M.Sc	Director - Group Human Resources
A. T. Wright	B.Sc.Eng.; M.Sc; MBA	Director - Group Information Technology

### DIVISIONAL MANAGING DIRECTORS

N. J. Nhete	B.Sc(Hons); Dip. Inst. Brewing	National Breweries
M. R. Makomva	B.Acc(Hons); CA(Z); MBL	Chibuku Breweries
S. P. Kuipa	B.Sc.Sociology (Hons)	United Bottlers
D. K. McComb	M.I.M.M. (Dip).	Delta Distribution
L. H. Greene	Dip. Inst. Brewing	Mega Industries
Dr. M. S. Mushiri	B.Sc.(Hons); M.Sc.Ph.d.	Food and Industrial
A. R. Katsande	B.Sc. Eco. (Hons); MBA	OK / Bon Marche
J. R. Rouse		Pelhams
J.E. Smith	B.Comm; CA(Z); CA(SA); MBA	Zimbabwe Sun Limited



## Chairman's Statement

### INTRODUCTION

I am delighted to report that the Group has, yet again, produced excellent results. My pleasure is heightened by the fact that, unlike last year, this performance was achieved in an extremely hostile socio-political and economic environment, particularly in the latter half of the year.

Market expectations were met as dividends exhibited compounded growth over the last five years of 42%. Despite the current turmoil on the Zimbabwe Stock Exchange, shareholders have benefited from impressive five year compound growth of 85% per annum when dividend flows are taken to account.

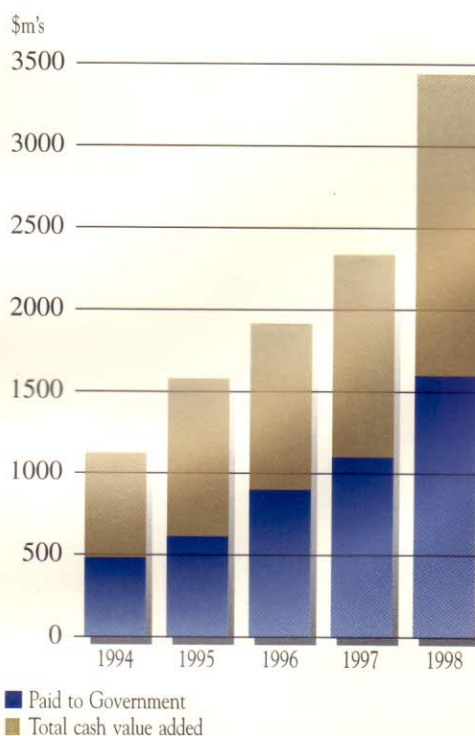
The Group's contribution to the economy is underscored by its Cash Value Added which this year amounts to just under \$3,5 billion. The increase over last year amounts to over a billion dollars and is almost equal to the entire amount registered in 1994.

### ENVIRONMENTAL OVERVIEW

In the last few months, Zimbabweans have witnessed significant uncertainties in the socio-political and economic environments. The negative impressions of the country that have resulted need to be addressed with urgency and vigour. It would be unthinkable to let these developments overshadow the massive potential of a highly resilient country. A spirit of partnership exhibited by all players in the economy is vital to ensure that solutions are found and expeditiously implemented. The Government, together with the private sector, including labour, need to say and do the right things. I am hopeful that



*Dr R.M. Mupawose*

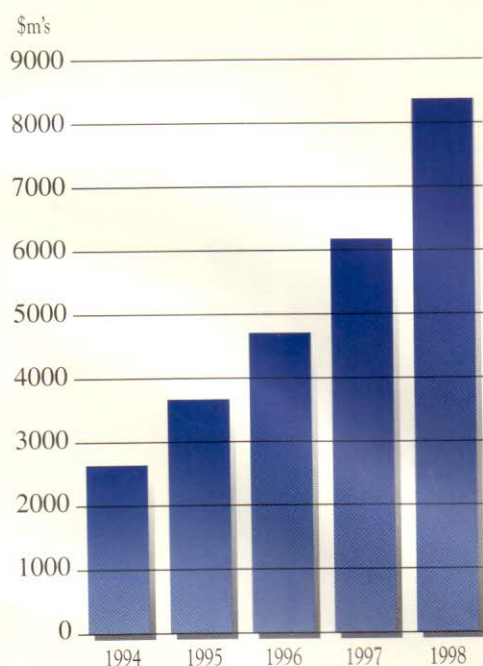


# 1998

## CHAIRMAN'S STATEMENT

the efforts initiated by the National Economic Consultative Forum will eventuate in real and meaningful dialogue emanating in the desired results. I further hope that Labour will find a way to return to the Forum. Antagonistic or confrontational stances, which sometimes appear to be driven by self-interest, need to be replaced by an ethos of mutual trust and common interest to enable the restoration of confidence and creation of investment and employment.

For the country 1997/1998 started positively, with inflation and interest rates declining and stored water levels at all-time highs. Fundamental macro-economic and socio-political problems, however, resulted in massive changes to the landscape. The Zimbabwe dollar has depreciated materially since November 1997, whilst interest and inflation rates have reverted to the high levels experienced in 1994.



■ Turnover

Tight fiscal discipline needs to be maintained and drastic action taken to cut the budget deficit through, amongst other measures, accelerated privatizations and recurrent expenditure cuts, in order that the country's economy goes forward.

Stored water levels remain high and this, together with the implementation of the matters alluded to above, should result in a brighter future for Zimbabwe and its people.

### FINANCIAL RESULTS

Turnover increased by 36% to \$8,4 billion. Export sales included in this figure amounted to \$715 million, up 38%. The overall increase in turnover, when expressed in US dollars, was only 4% due to the unprecedented slide in the local currency. The Group however remains committed to its goal of achieving US\$1 billion in turnover by the year 2001.

Operating income growth of 52% far outstripped turnover growth and the comparative figure of 33% achieved in 1997. Compounded growth in operating income of 32% over the last five years is well above the average inflation rate for the period. Whilst the three main pillars of operation recorded excellent increases of 48% in beverages, 54% in retail and 41% in hotels, when adjusted for discontinued operations, it is most gratifying to note the 102% rise registered by the Group's agro-industrial businesses, namely, Kwekwe Maltings, Mega Industries (formerly Ruwa Agro Industries) and Food and Industrial Processors (Pvt) Ltd.

Financing costs increased by \$59 million, due to rising



## Chairman's Statement

interest rates, the need to reduce off-shore borrowings and the Group's increased fixed and working capital requirements. It should be noted, however, that net financing costs, after aggregating financing costs, interest receivable and exchange gains, only rose by \$29 million. The fact that the Group registered an exchange gain of over \$3 million in a year of extreme and unpredictable exchange rate fluctuation, bears testament to its agility and flexibility in managing currency exposures.

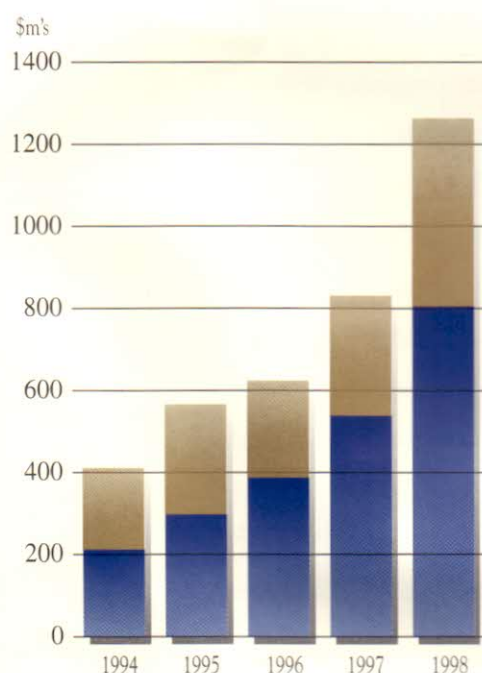
Despite an increased tax burden, profits after taxation went up by 48%, well above the 39% and 28% achieved in the last two years. The relatively small number of extra shares in issue resulted in basic earnings per share of 100,2 cents, which represents an increase of 46%. Headline earnings per share, arrived at after adjusting for the Group's share of profits

realised on the sale of discontinued hotel operations, amounted to 99,3 cents and covered dividends by just over 2,3 times.

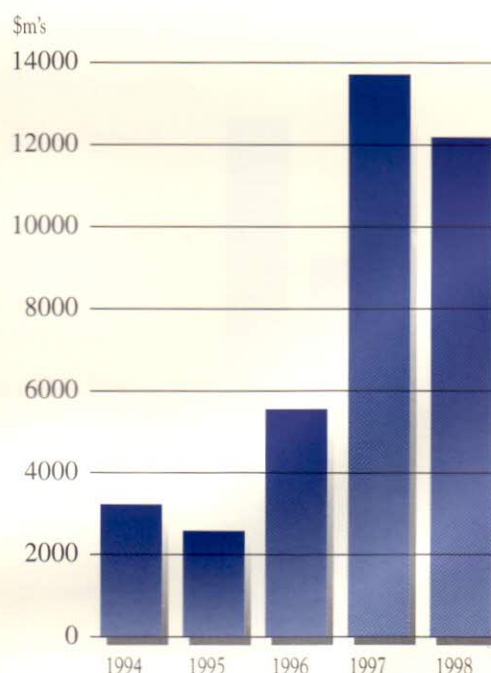
These results will certainly have met market expectations but are not reflected in the share price. Hopefully the current depressed market price of this pre-eminent counter will move up to the level it deserves. Nowhere in the region does a Group of this nature trade at such a low historic or forward price earnings ratio.

### INVESTMENT AND FUNDING

Once again, the Group invested heavily in capital expenditure. Out of a total of \$738 million, \$537 million was spent in expanding and upgrading the asset base. The main components of this expenditure related to the installation of a new, state of the art,



■ Attributable earnings  
■ Operating income



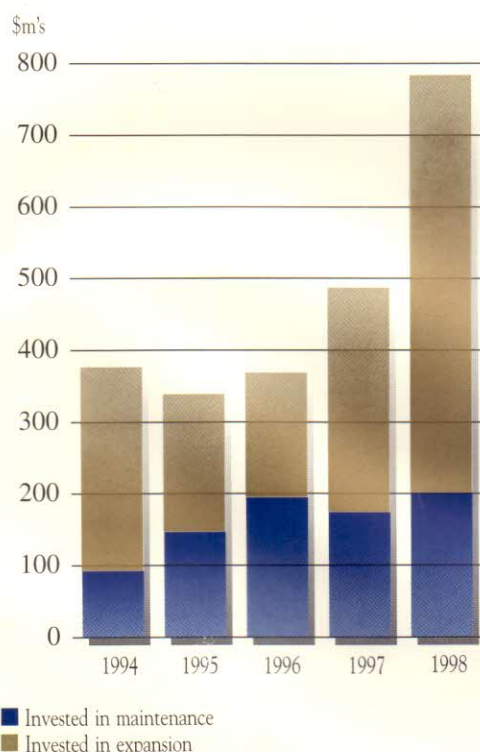
■ Market capitalisation

# 1998

## CHAIRMAN'S STATEMENT

canning line at National Breweries, a new Chibuku brewery in Chimoio, Mozambique, new packaging lines for Chibuku in Zimbabwe, a new filler for United Bottlers in Harare, cooler placements by the beverage operations, computerisation projects across the Group and the exciting new OK Zimbabwe store at Mbare Musika.

Notwithstanding significant increases in working capital, mainly to fund the retail division's extended debtors book and the beverage division's container requirements, and taxation paid, the cash flow from operations increased by 74% to \$704 million. When expressed as a percentage of net interest bearing debt the magnitude of the improvement in the Group's cash flows is illustrated at 90% versus 61% last year. Concomitantly, the cash flow per share has increased 71% to over 80 cents.



Although net Group borrowings increased by 19% to \$778 million, the interest cover improved to 6,9 times, well above the target of 6 times, and gearing improved from 33% to 28%, below the pre-set maximum of 55%.

### ACHIEVEMENT APPRAISAL

The Group again achieved significant real earnings growth with US dollar attributable earnings going up by 14% when local figures were translated at the average rate of exchange.

The phenomenal increase in cash value added has already been commented upon, but it is important to note that the Group's contribution to the Government by way of income, sales and excise taxes, stood at \$1,6 billion for the year, up some 45%. If one were to add to this customs duties on imported raw materials, goods for resale and machinery and the income taxes paid by the Group's people the number would exceed \$2,5 billion.

The taxed operating return has risen to 27%, up significantly from last year, although still below the targeted 30%.

### INTERNATIONAL ACCOUNTING STANDARDS

The Group prides itself on producing financial statements of the highest calibre. In doing so, every effort is made to comply with, and even anticipate, where appropriate, the requirements of the International Accounting Standards Committee. In the year ahead it will become mandatory, world-



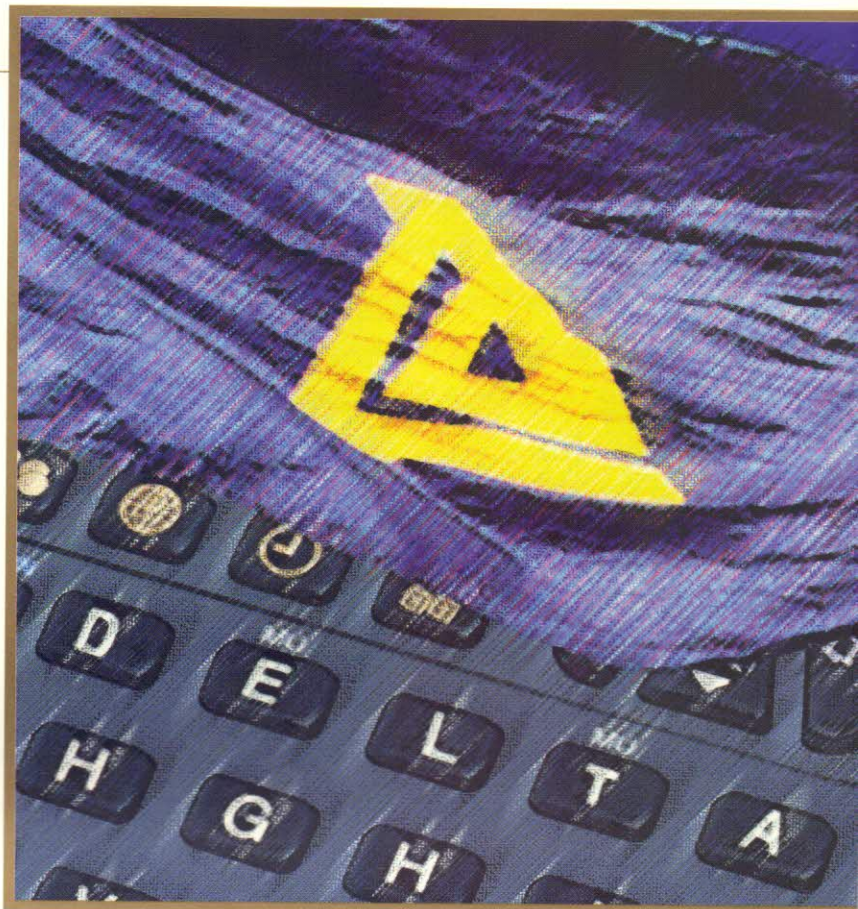
## Chairman's Statement

wide, to provide for deferred tax comprehensively. The Group feels that this treatment is inappropriate for high inflation economies. With inflation and currency depreciation, capital expenditure, both from a replacement and expansion perspective, will effectively create adequate tax shields well into the future. The Group therefore believes that it is incongruous to expect current shareholders to bear the funding of capital expenditure and not be able to reap the fruit of the tax incentives until many years in the future. The situation would obviously be very different if the Group was operating in a low inflation environment.

As a result, at this stage the Group intends to adopt the new standard for deferred tax when inflation in Zimbabwe has been sustained at single-digit figures for a full year.

### YEAR 2000 COMPLIANCE

Much has been said and written about the Year 2000 or millenium 'bug'. The Group recognised the problems associated with this computer related phenomenon a long time ago. As a result, steering committees have been established at corporate as well as operational levels to address the problem using appropriate methodologies. Full inventories of all computer-related or software-driven systems, financial or otherwise, are complete and any problems identified will be solved. The target completion date for the entire exercise is 31 December 1998. The Group's major fear, however, relates to the apparent indifference of significant infrastructural service providers to the potential



hazards of ignoring the issue. It is imperative that awareness in these bodies is heightened to ensure that the country is not significantly compromised as it goes into the third millenium.

### DIRECTORATE

The year witnessed five new appointments to the Board of Directors. Four non-executive directors, Mrs. K. E. K. Indi, Mr. M. E. Kahari, Mr. E. A. G. Mackay and Dr. E. S. Mazhindu and one executive director, Mr. J. Koumides, joined the Board in August 1997. They bring with them a wealth of experience and have already contributed immensely to all deliberations.

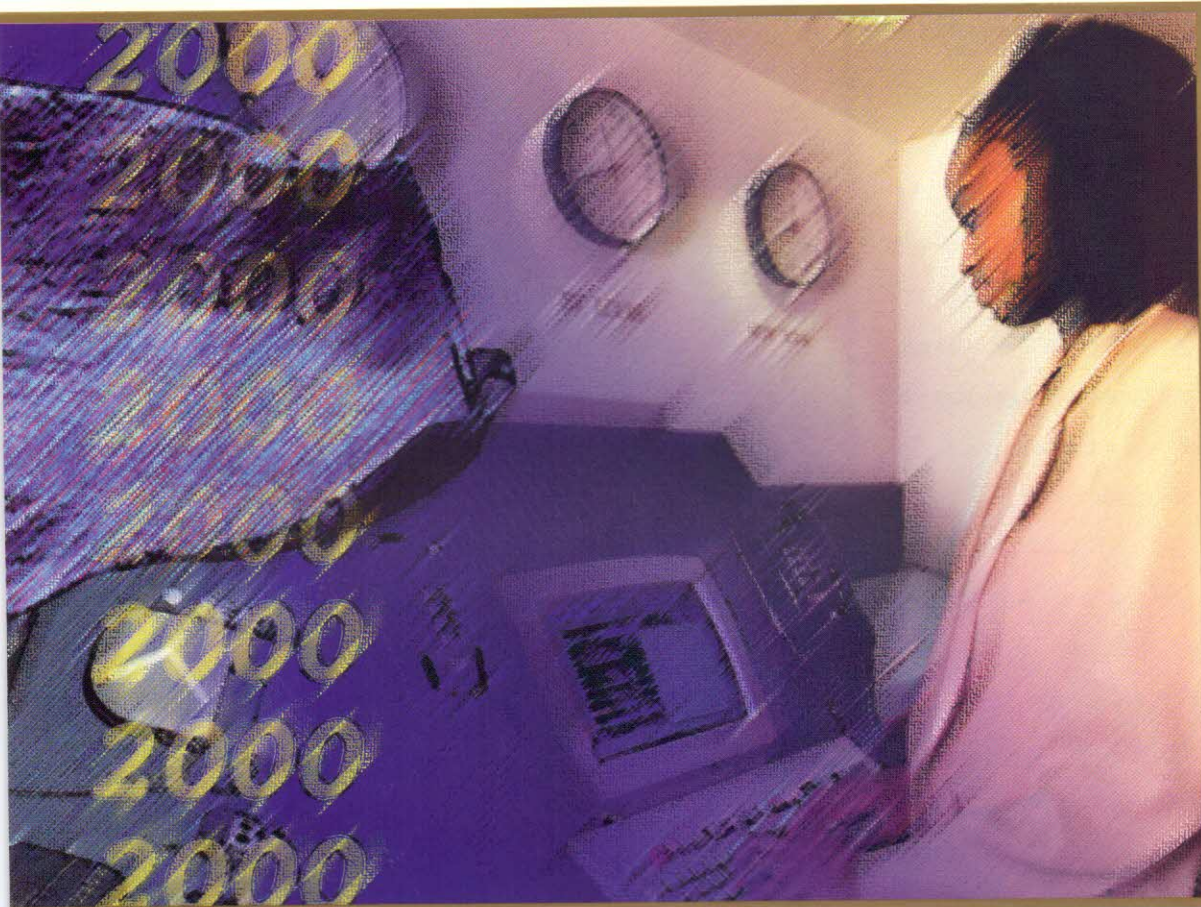
### CORPORATE GOVERNANCE AND RISK MANAGEMENT

The Group remains at the forefront of Corporate



# 1998

## CHAIRMAN'S STATEMENT



Governance practices and its broad principles are enumerated later in this package.

Effective risk management is integral to the Group's objective of consistently adding cash value to the business. The focus of risk management in Delta is on identifying, assessing, managing and monitoring all known forms of risk across the whole Group. A significant undertaking started in 1997 in developing an appropriate risk analysis framework which identifies the major risks which the Group must manage in serving its stakeholders.

The management of risk and loss control is decentralised, but in compliance with Group policies on risk financing including self-insurance. The process is reviewed centrally on a quarterly basis and is supervised by the Group's various Audit Committees.

### HEALTH, SAFETY AND ENVIRONMENTAL MANAGEMENT

The protection of the environment is an obligation - not a choice. Delta remains committed to this fundamental cornerstone in its operational methodologies.

All Group operations are working towards ISO 14000 accreditation. Details are included in the Health, Safety and Environmental Report elsewhere in this document.

Many of the Group's operations have or share clinic facilities. A main clinic and consultancy room exists in Harare staffed by a full-time doctor and nurses. Safety Committees operate throughout the Group to ensure all necessary safety practices are closely monitored and adhered to.



## Chairman's Statement

### HUMAN RESOURCES

For any corporation to be counted amongst the winners, its major emphasis must be on its people and their development. Delta recognises this and therefore continues to focus on human resources. Winning the hearts and minds of all employees has to be the ethos that will successfully propel the Group into the new millenium.

The fact that Delta has once again produced very good results is, in no small measure, due to the efforts, dedication and loyalty of its people. In order to continuously develop the human resource within the Group, millions of dollars are spent on training, be it on-the-job, formal internal courses and certain external exposure. The state of the art facilities at Mandel Training Centre, incorporating the Hospitality Training Institute, are constantly in use and were responsible for nearly 13000 Group man - training days this year, as well as being used by other external agencies and institutions. The Delta Engineering Training Centre and the Ruwa Driver Training School continue to offer highly sought-after courses and instruction and, together with Mandel, put Delta at the forefront of training and development initiatives.

Emphasis on communication has been maintained at a high level through Manpower Co-ordinating Committees, Staff Development Panels, Staff Liason Committees and Workers' Committees.

The Group's expansion and enhanced succession planning resulted in over 1200 new jobs this year.



Industrial relations throughout Delta remained strong, despite the harsh environment affecting its employees. Teamwork ensured that any minor pockets of contention were speedily resolved.

### CORPORATE SOCIAL REVIEW

Delta recognises that it has an obligation to be a responsible social entity to the community at large. It is, after all, the people of Zimbabwe who give Delta its licence to trade.

For the first time, a comprehensive Social Responsibility Report is included in this package. It details the role the Group has played in respect of

# 1998

## CHAIRMAN'S STATEMENT

education, sport, charity, health and culture, as well as covering the initiatives on economic upliftment of various entrepreneurs.

The encouragement of business linkages has continued and the Group intends to launch a major new initiative in the coming year in the eco-tourism sector. Various players and communities will be brought into the industry at various levels of ownership.

### FUTURE PROSPECTS

Initiatives to achieve world class status throughout the Group will continue unabated. Various aspects relating to this are covered in the Review of Operations.

Delta has few capacity constraints and will continue to invest ambitiously in the country and the region. It is well placed to take advantage of anticipated increases in the private consumption levels for its products, which are forecast to again exceed GDP growth rates.

Expansion projects will be closely monitored and controlled in the high inflation and interest rate environment that is expected to pertain for much of the coming year. Capital expenditure of over \$1,6 billion is planned and the Group has adequate resources and facilities in place to meet these requirements.

With the expectation of continued good growth in its products' sales, the Group believes that further

real growth in earnings and dividends will be achieved in the new year.

### APPRECIATION

As Chairman, I must express my gratitude to all the stakeholders involved in the production of such good results by Delta. I also take this opportunity to thank my fellow Directors for their enthusiasm and guidance. I am very appreciative of the excellent team of Executives who put their best into the Group. I also recognise the outstanding contribution of the workers at all levels.

I have no doubt that Delta will continue to confound any critics and will once again meet or exceed stakeholder expectations.



DR. R. M. MUPAWOSE

CHAIRMAN

22 May 1998





**NATBREW**

The year was a momentous one for National Breweries. Volumes grew by a staggering 22% with the rural market exhibiting a particularly good recovery of 25%. Despite the general despondency in the country the final quarter sales nearly matched the traditional peak period of October to December. Full recovery to the record volumes of 1990/1 are still some way off because of the excessive excise levels, which together with other taxes still absorb over 70% of Natbrew's cash value added. Lowering these excise levels will result in a significant unlocking of value into the hands of other stakeholders and the multiplier effect of such a move would greatly benefit the entire economy.

The superb performance by Natbrew was not solely related to increased levels of disposable income aimed at liquor consumption, but also to the tremendous job done by the entire team in regard to improving customer service levels, continuously upgrading and jealously guarding quality thresholds and enhancing the image of National Breweries through heightened management of all aesthetic criteria such as packaging upgrades, branded graphic curtains, widened placement of branded coolers and focused promotions of all products, particularly the launching of locally canned beer on 16 December 1997. All brands performed well during the year, with exceptional growth exhibited by Lion Lager and Golden Pilsener, up 46% and 95% respectively. Castle Lager, the beer of good cheer, is still the pre-eminent brand and will continue to benefit from aggressive and focused brand management strategies.

Nearly \$151 million was spent on capital items during the year, with a further \$32 million spent on containers. The biggest single component of capital expenditure related to the installation of a new, state of the art, canning line. The project was exceptionally well managed and commissioning took place on schedule. Lager beer





# 1998

## REVIEW OF OPERATIONS



brewing is capital intensive and plans are in place to spend \$250 million in the new financial year on capital goods with the major components relating to upgrading ageing fermenters and installing new yeast driers and electronic bottle inspectors.

Natbrew's policy regarding its role in the community has long been progressive. Its support of sport in various disciplines is generous, as is its attention to charities, education and cultural events.

Continued attention to brand management and marketing, people and quality initiatives will ensure that National Breweries' volumes will show further growth in the years to come, in order that installed capacity is better utilised.





## CHIBUKU BREWERIES

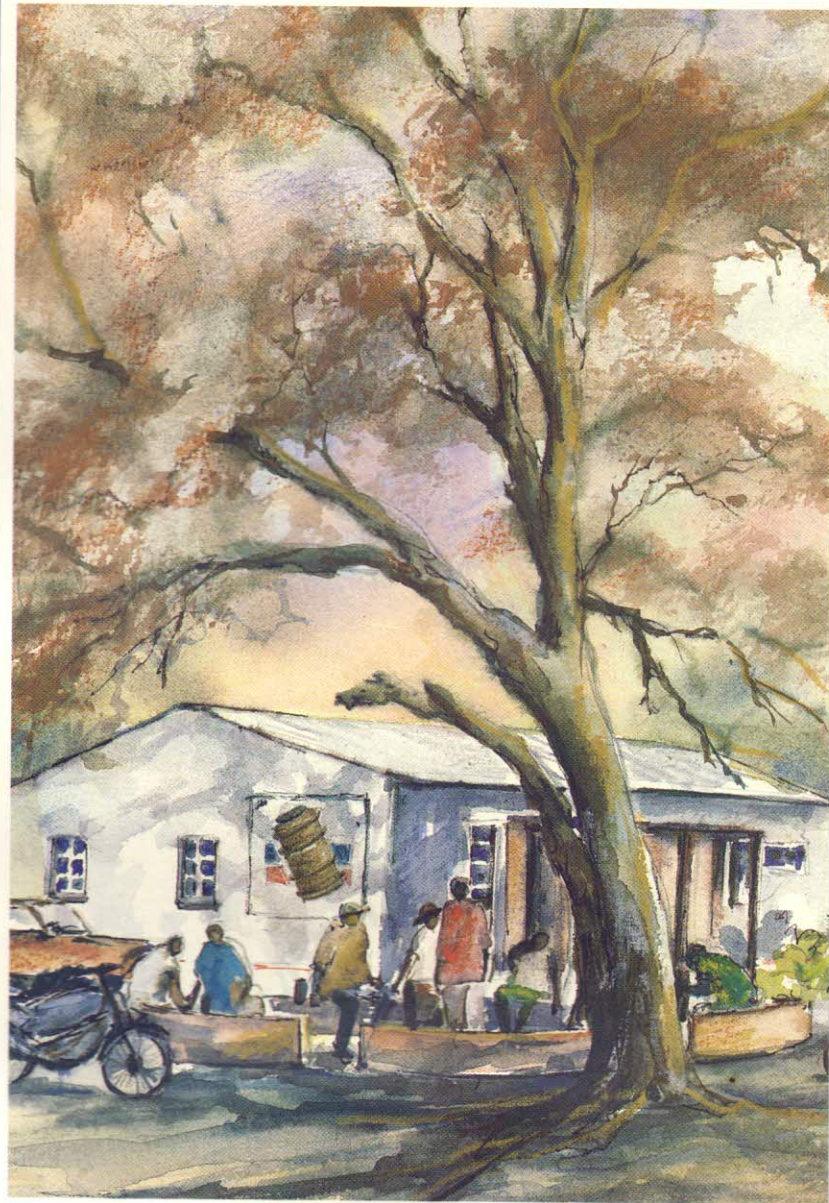
The year witnessed another record for Chibuku Breweries with volumes growing by 13%. This is the second year in a row where traditional beer volumes have grown together with lager beer. The ever-increasing trend towards packaged sales via the 'Scud', has fundamentally changed the nature of the traditional beer market and increased its penetration into the 'off - consumption' sector. This phenomenon has become the driver of volume growth.

In light of the above, greater emphasis continues to be placed on packaged sale technology and distribution. Fleet requirements have increased and new automated bottling lines have been installed in the bigger breweries, with more on order to ensure that efficiencies and productivity are improved and 'stock-outs' in the market are eliminated.

Market and product development initiatives continue unabated to consolidate future growth potential. It is imperative, however, that excise duty rebates are extended to non-brewing Municipalities to level the playing field. The whole aspect of restrictive trade practices by certain players in the industry needs to be addressed for the ultimate benefit of the consumer.

A brewery was commissioned in Chimoio, Mozambique during the year. This first venture into the region by the Group started producing in mid -December 1997 and volumes have grown steadily each month since then. The total investment in this business amounted to over \$68 million and over 70 jobs were created. Further regional expansion projects are currently underway.

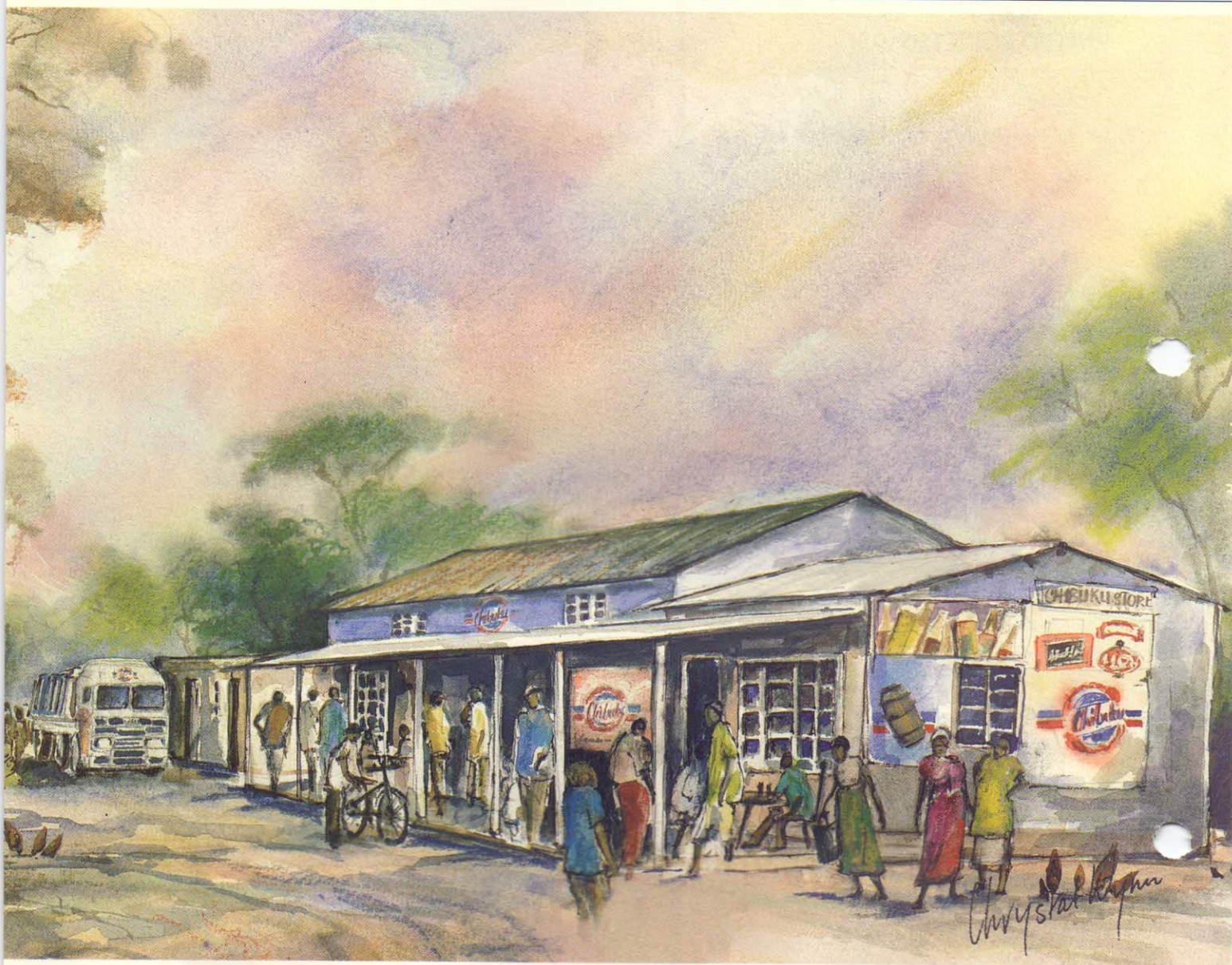
During the year nearly \$103 million was spent in Zimbabwe on capital expenditure with packaging lines being the single biggest component. Nearly \$20 million was spent on new containers in line with the increased thrust into packaged sales.





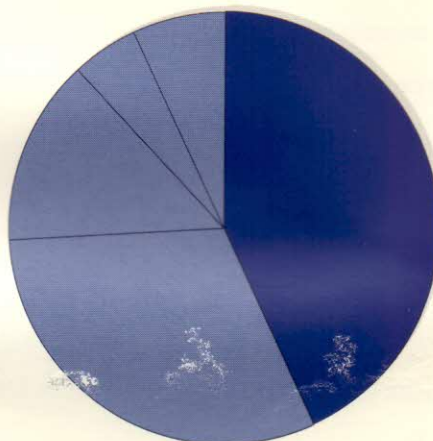
# 1998

## REVIEW OF OPERATIONS



OPERATING INCOME

■ Beverages 43%







## UNITED BOTTLERS

For the second year in a row, United Bottlers grew volumes by 13% with the best performance being in Matabeleland at nearly 20%.

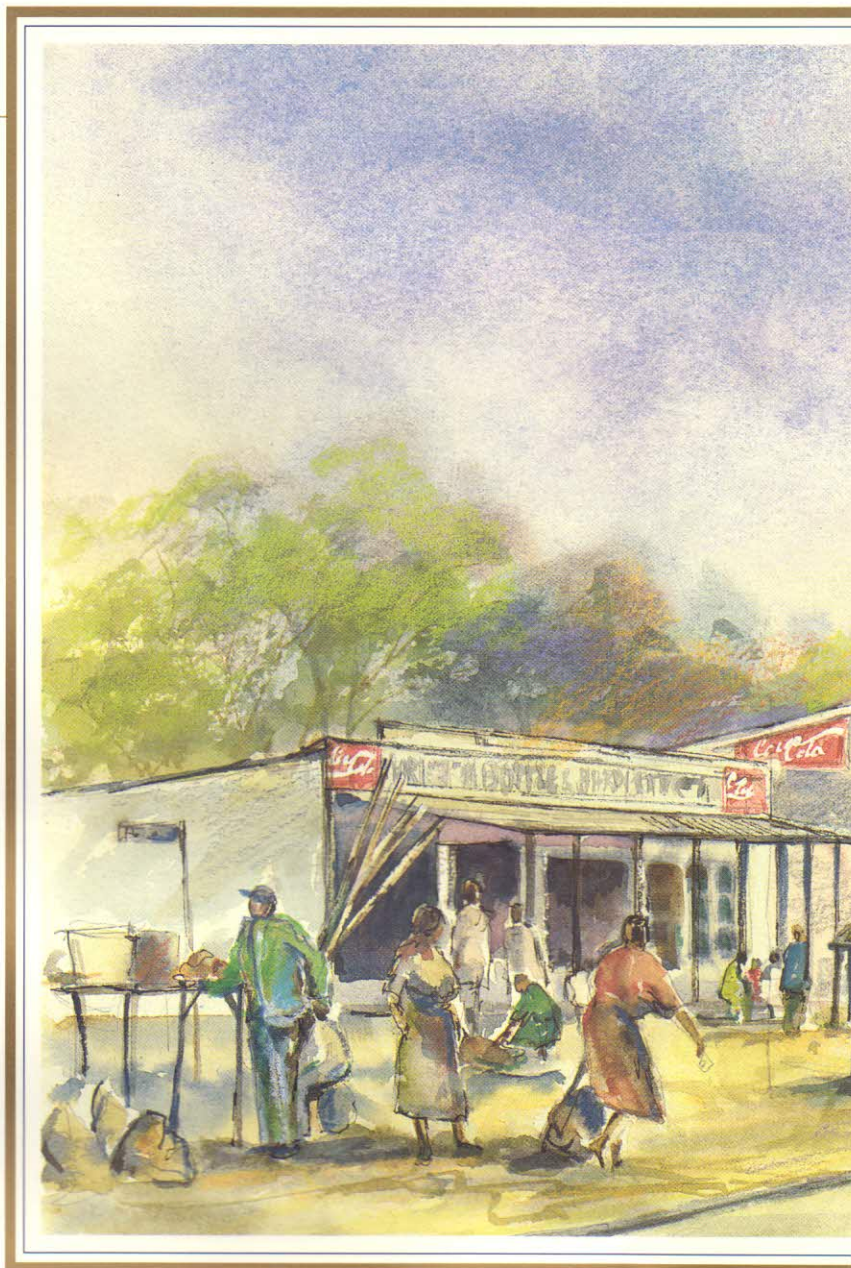
The Harare plant is still the major contributor to the division's output. Had it not suffered from various machinery and production problems during the peak period it would have contributed even more to sales. These problems were partly addressed by a newly installed filler and will be more adequately solved by the arrival of a new bottling line in the first half of the new financial year.

The thrust in packaging upgrades, cooler placements and market development continued during the year. Together with the attention being paid to informal sector development, United Bottlers is positioned to consolidate its presence in the market and grow the volume of carbonated soft drink consumption.

All brands performed well, with particularly pleasing growth coming from Sprite. The litre package continued to grow in popularity and has justified the massive investment required in new bottles and crates.

United Bottlers received tremendous support from its two franchisors, Coca-Cola and Schweppes. Their input into marketing, distribution and technical issues proved, as always, to be extremely valuable and their continued support augurs well for the future.

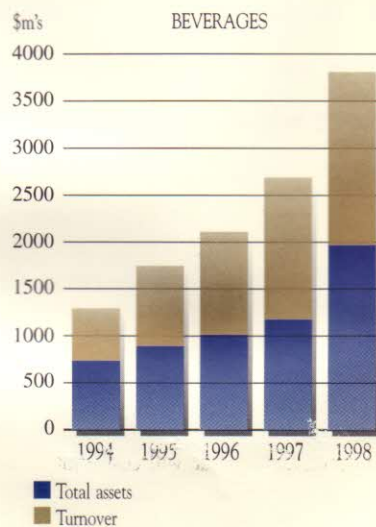
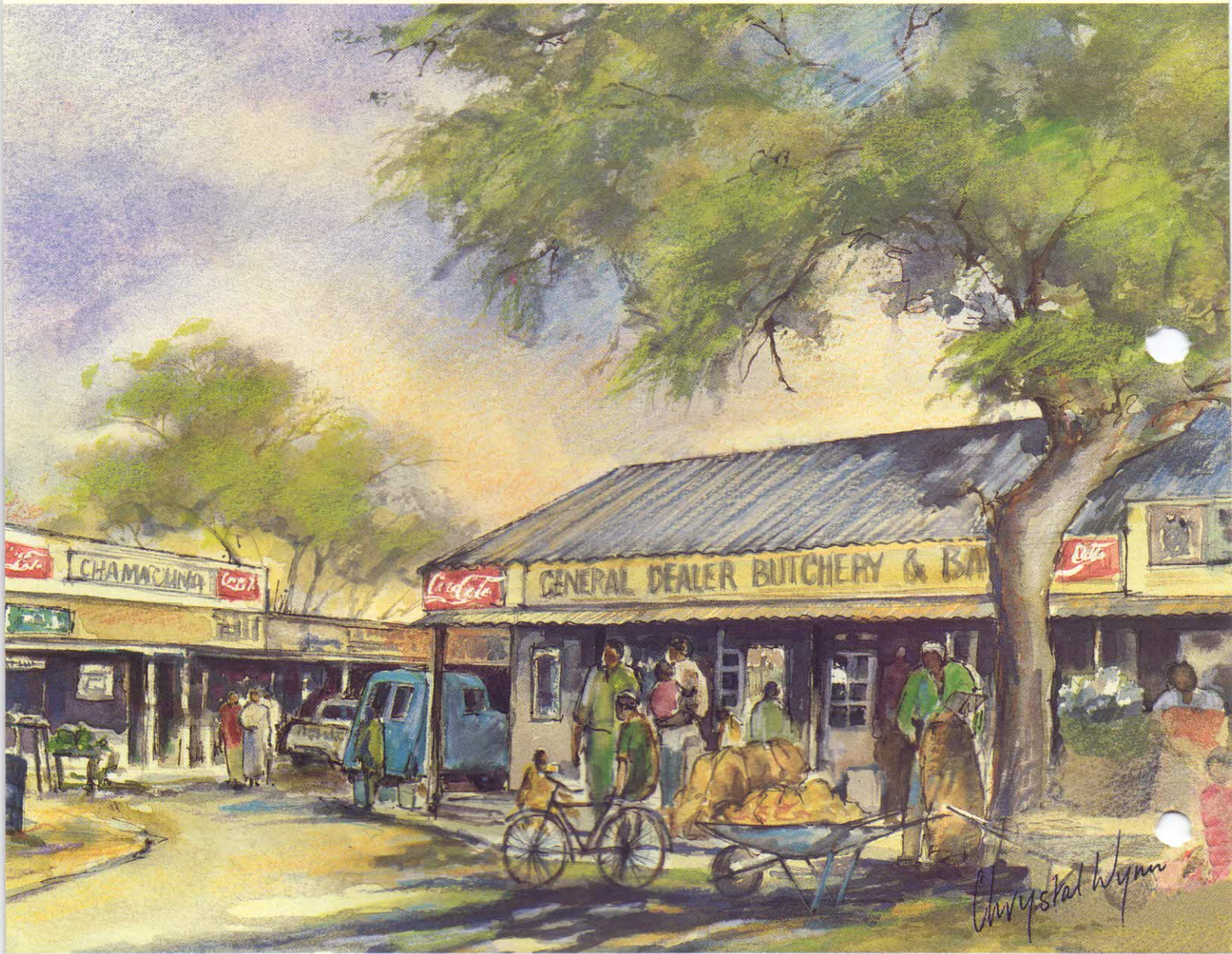
During the year \$113 million was spent on capital items with the major items being the new filler for Harare and 2200 coolers in the market. Over \$100 million was also spent on new containers. \$209 million in capital expenditure is budgetted for the new year with the new bottling line and more coolers being the single largest components. The significant container upgrade will cost a further \$220 million in the new year.





# 1998

## REVIEW OF OPERATIONS



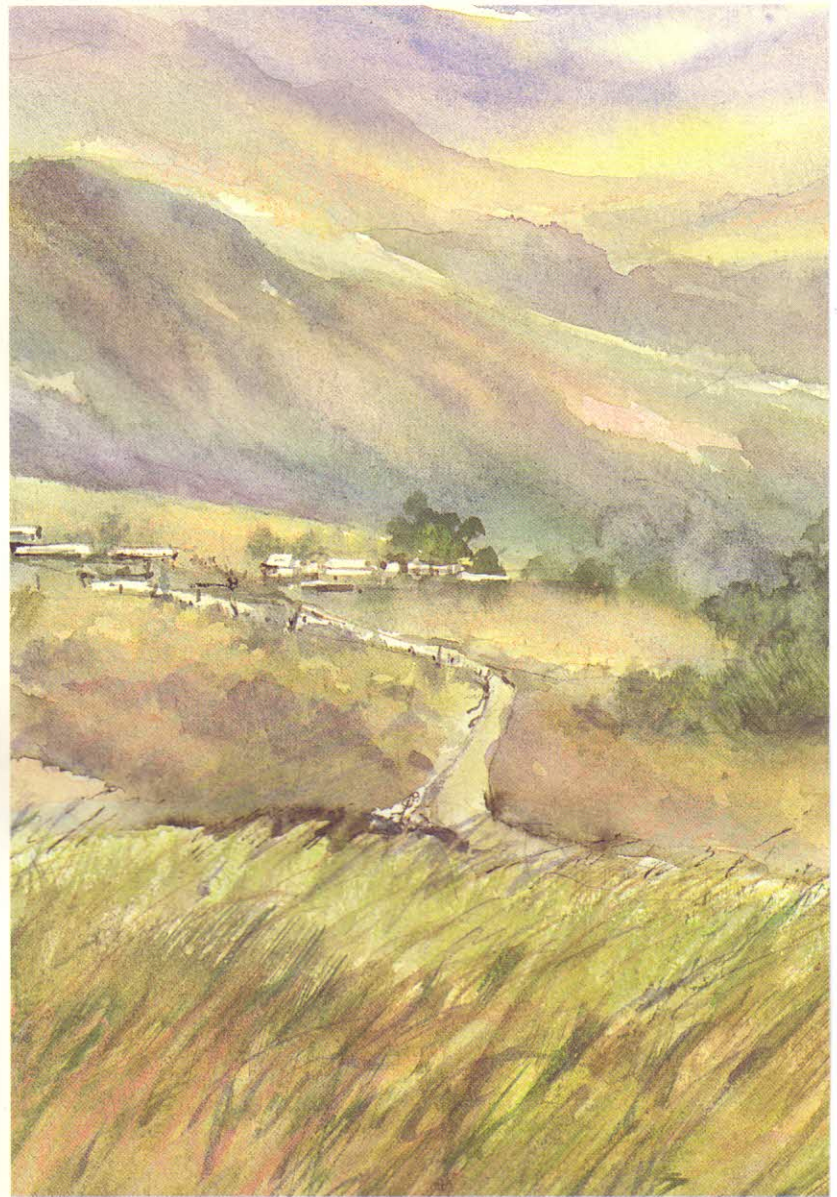


The division manages the Group's heavy vehicle fleet which primarily services the beverage division. At the end of the year the fleet comprised 343 primary and secondary vehicles and 645 trailers. Despite the double-digit volume growth achieved by all the beverage operations, the number of vehicles and trailers increased by only 4,5% and 8,6% respectively.

The division's focus on efficiency and productivity enhancement is also shown by its cost control over spares which exhibited only 12% growth per kilometre travelled. The benefits, through introduction of new technology, of tyre cost savings were fully realised in 1996 and 1997 and now are subject to inflation and currency realignment. Nevertheless, total costs per kilometre grew by a figure of 19,5%, marginally below the year's overall inflation.

The level of technology transfer and research and development at Delta Distribution continues to be at a high level by any standards. The ability to synergise such efforts does and will bring opportunities to the fore for significant cost savings and efficiency improvements. Current initiatives include extended maintenance cycles, better wearing brake linings, fuel flow meters, computerised oil dispensing systems and nitrogen inflation of tyres.

The maintenance of a reasonable fleet age profile will necessitate the spending of over \$66 million this year.





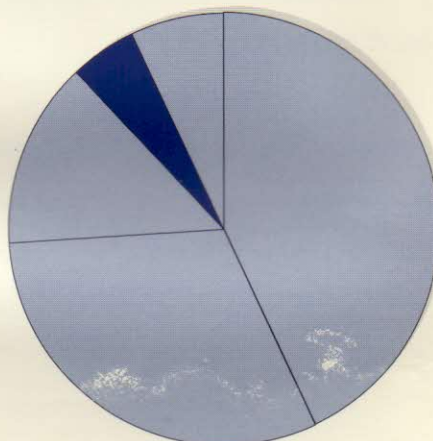
# 1998

## REVIEW OF OPERATIONS



OPERATING INCOME

■ Transport 5%





OK Zimbabwe, incorporating Bon Marché, continued to exhibit real sales growth in a very competitive and occasionally, somewhat depressed retail sector market. Durable goods sales continued to show fair growth and slowed down only towards the end of the financial year.

Two new stores, Nkulumane in Bulawayo and Mbare Musika in Harare, were opened during the year. The former was opened on 20 November 1997 and the latter on 12 February 1998. The Mbare Musika store has performed well above the initial high expectations attributed to a site that has been a long time in coming to fruition and is already the division's top store. Refurbishments and store upgrades continued throughout the year to modernise in-store facilities and enhance the aesthetics as well as improve overall service levels and product availability. The refurbishment programme will be finalised in the new year.



The now common and expected intense promotional activity that permeates the retail sector continued unabated throughout the year. OK Zimbabwe was again a significant player in this arena with its ninth OK Grand Challenge exceeding all expectations.

A total of \$99 million was spent during the year on capital projects including significant amounts on computerisation, new store equipment and the acquisition of more warehousing capacity. Capital expenditure for the new year is set at a figure of \$79 million and will include the equipping of an exciting new store in Machipisa which will open by August 1998 as well as the ongoing computerisation programme.



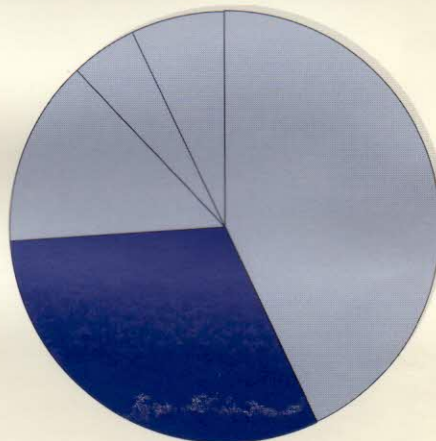
# 1998

## REVIEW OF OPERATIONS



OPERATING INCOME

■ Retail 31%





# Pelhams

Real sales growth was once again achieved by the Pelhams group of stores. Attention to service levels and stocking of high quality merchandise attributed significantly to the attainment of good results.

Growth in turnover was achieved fairly evenly in all provinces of the country. Three new stores were opened during the year. These were in Nkulumane in Bulawayo, Bindura and Marondera. The latter two have now established Pelhams in these towns for the first time and given the local population access to a superior shopping experience hitherto only available in the bigger urban centres. The year also witnessed the launch of the extensively redeveloped Pelhams House, formerly Bechuana House, in Harare and the response to this superb property has been very pleasing.

Professional procurement and successful promotional activity by Pelhams once again paid dividends and benefited both the stores and their customers.

Flexibility and exclusivity was enhanced for Pelhams through the manufacture of top class furniture by the Acorn and Everest factories.

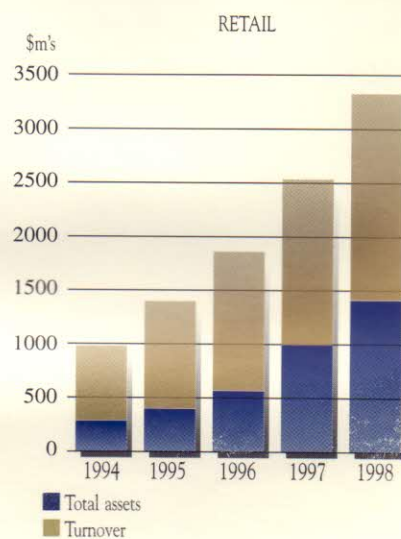
The coming year will once again be exciting for Pelhams with store openings early in the year already in place in Chinhoyi and Gweru. The majority of capital expenditure will be in the completion of the ongoing information technology upgrade.





# 1998

## REVIEW OF OPERATIONS







#### KWEKWE MALTINGS

Kwekwe Maltings operated at full capacity throughout the year with 56% of its volumes being exported into neighbouring countries. Export sales grew by 35% to \$137 million.

\$13 million was spent on capital items during the year with \$14 million budgeted for the new year.

#### FOOD AND INDUSTRIAL PROCESSORS (PRIVATE) LIMITED

Sales, both local and export, exhibited fair growth this year, especially as regards starch. With the price of maize firming, cost controls and efficiencies have continued to be focussed upon.

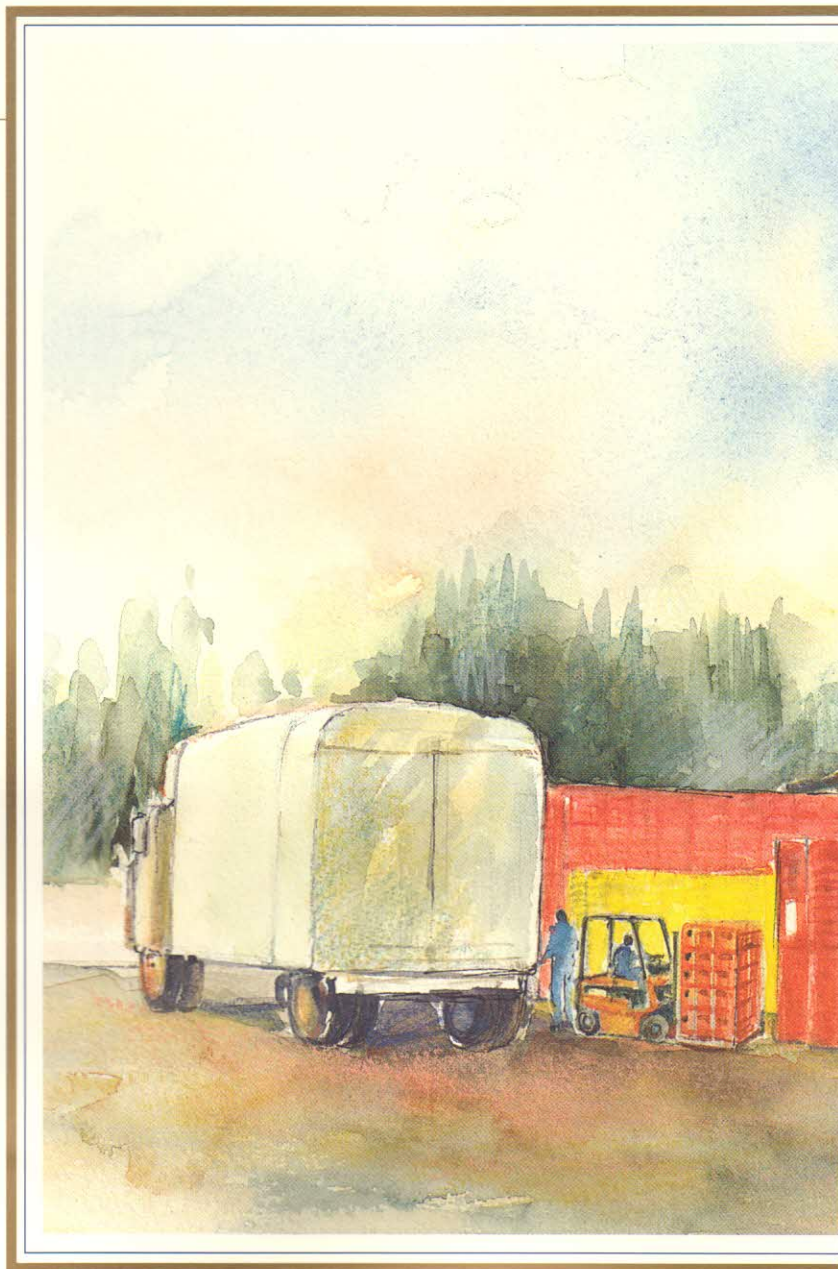
The capacity of this joint venture operation will be substantially increased in the new year to cope with increased demand.

#### MEGA INDUSTRIES

This newly-named division, which is based in Ruwa, just outside Harare, achieved a significant growth in its plastic-based and refrigeration-related sales.

The former was achieved through a continued demand for crates, particularly for beverages, as well as a diversification into PET bottles for the edible oil industry. Blow moulding capacity has also just been installed.

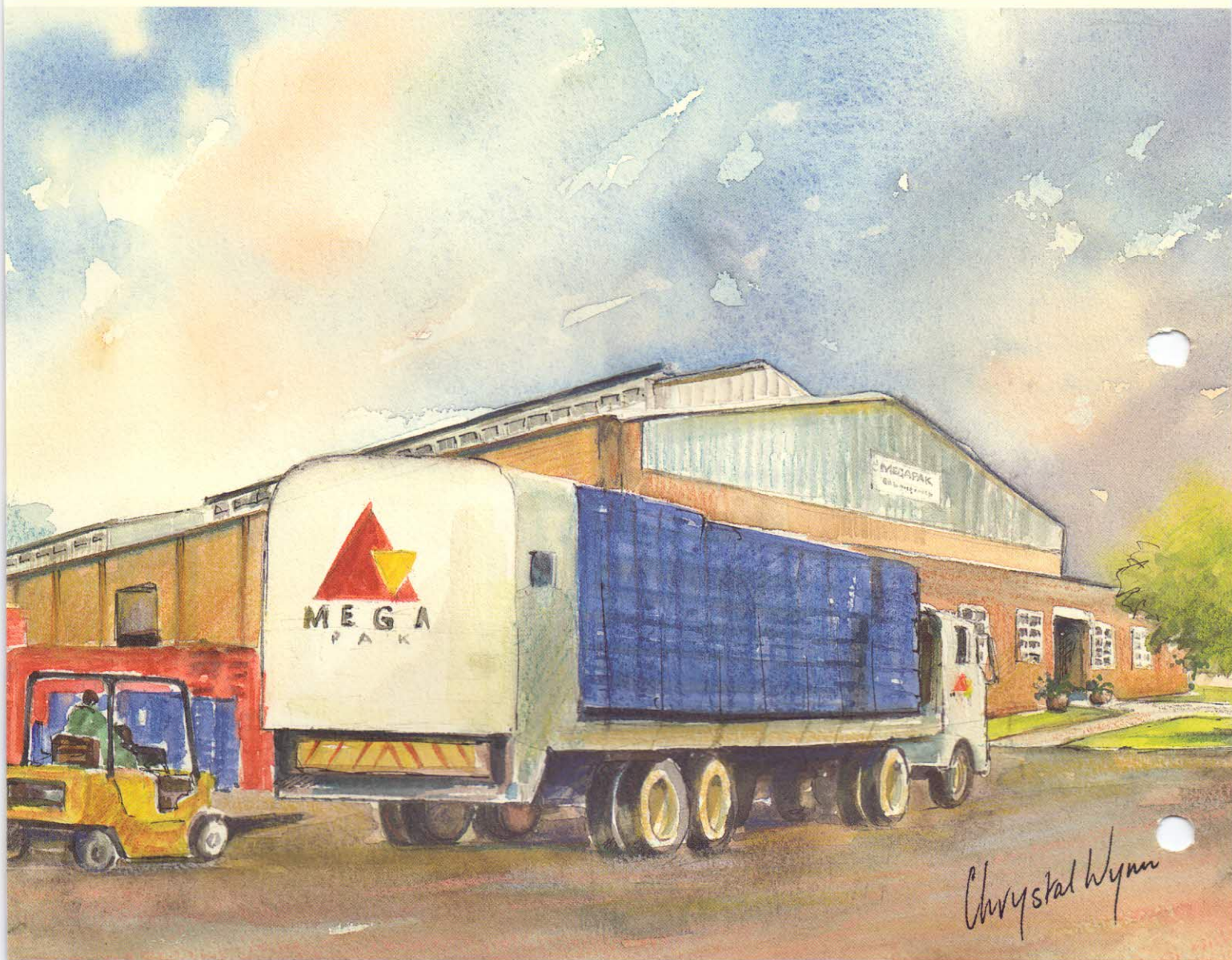
The increase in refrigeration-related sales was achieved through a 40% investment in Masterfridge (Zimbabwe) (Pvt) Ltd, a joint venture with Fridgemaster (Pty) Ltd of Swaziland.



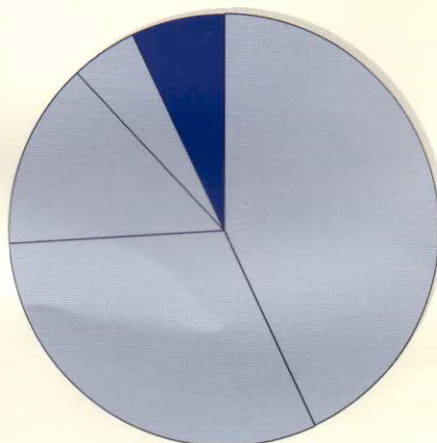


# 1998

## REVIEW OF OPERATIONS



OPERATING INCOME  
■ Agro Industrial 7%







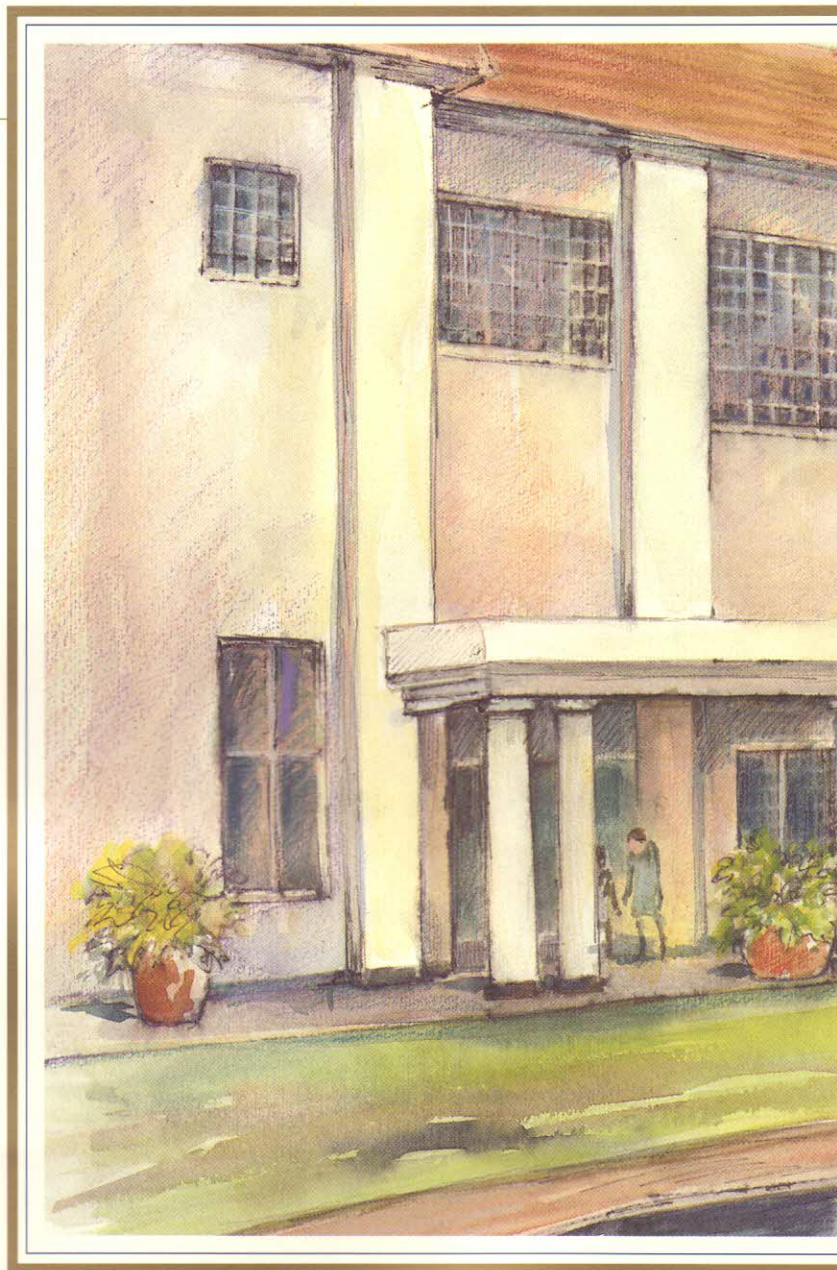
## ZIMBABWE SUN LIMITED

Tourist arrivals into Zimbabwe continued to grow with regional and international bednights sold by Zimbabwe Sun Limited growing by 4% and 7% respectively. Domestic bednights sold were down due to the disposal of the Bulawayo Sun and Montclair Casino Hotels early in the year. Group occupancy levels grew from 60,4% to 65,4%.

The year was one of consolidation for the company with far-reaching strategic decisions being taken as regards the overall property portfolio. Besides the above sales, the company's 50% stake in Touch the Wild was sold after year-end and the Makasa Sun Hotel was closed on 17 January 1998 to be fully redeveloped into a 300 room resort hotel and entertainment complex. The capacity had previously been 97 rooms. In addition to the product development, much has, and continues to be spent on training, technology and marketing initiatives.

During the year the company grew turnover from continuing operations by 37% to \$833 million. Total foreign receipts amounted to over \$558 million. Capital expenditure amounted to a net of \$95 million, which includes \$27 million of the approximately \$600 million to be spent on the new Makasa Sun, which will open for business in March 1999.

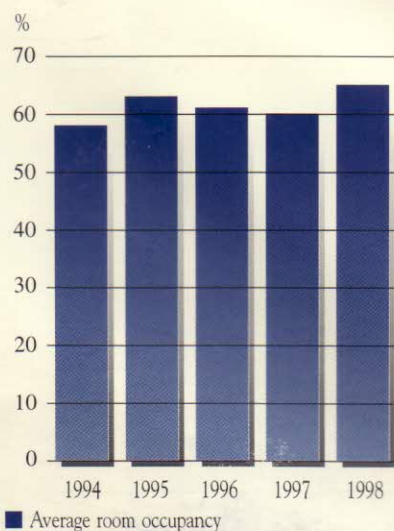
With international arrivals expected to continue growing and the concomitant weakening of the local currency the earnings of Zimbabwe Sun Limited are expected to exhibit real growth in the year ahead.



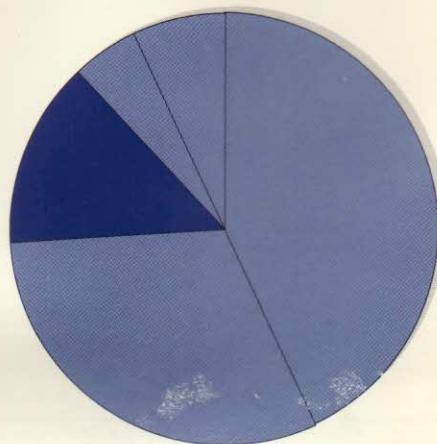


# 1998

## REVIEW OF OPERATIONS



OPERATING INCOME  
■ Zimbabwe Sun Limited 14%





# 1998

## *Overview of Group Operations*



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DELTA CORPORATION  
LIMITED

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