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Master of Business Leadership

Title:

**Corporate Reporting – Adoption of Forward-Looking Reporting
by Zimbabwean Listed Companies.**

By

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I dedicate this research work to my Heavenly Father for the inspiration, knowledge, health and strength to finish this report.

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ABSTRACT

This study examines the disclosure of forward-looking information in annual reports of companies listed on Zimbabwe Stock Exchange (ZSE). It aims to determine if ZSE listed companies disclose forward-looking information and if they do disclose, how helpful the information is to the intended users of the annual report for decision making purposes? The factors proposed for the investigation are therefore disclosure and effectiveness of the forward-looking information. Since the annual reports represent the main source of voluntary disclosures of forward-looking information, the investigation uses a disclosure index based on an analysis of the statements made by management in annual reports of the companies listed on ZSE.

In this study, the level of forward-looking information disclosed in the annual reports of the firms is examined in three broad categories namely, (a) context, nature, objectives and strategies, (b) drivers of development and performance, and (c) financial position, analysis and explanations . We find that companies do disclose forward-looking information. However, 9 out 10 companies sampled reflect that the level of disclosure lacks the critical detail and clarity necessary for decision making by its intended users. On average, excluding Old Mutual that is listed on the London and Johannesburg Stock Exchanges and has the highest score of 4 (i.e. above average disclosure - information is rich and detailed and contains key information), ZSE companies disclosed below average forward-looking information insufficient to give a clear understanding of the position and performance of the company.

The findings also suggest that companies disclosed forward-looking information without fully understanding the implications of the disclosure of such kind of information. This is evident in that, except for Old Mutual, no disclaimers or any notes were made by companies to cover themselves from litigations that could arise as a result of such disclosure. This could also suggest that Zimbabwe is not a litigious country in as far as reporting by companies is concerned.

Key words: Forward-looking information, Disclosure, Zimbabwe Listed Companies.

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ABBREVIATIONS

Finstats:	Financial statements.
CSR:	Corporate Social Responsibility.
ZSE:	Zimbabwe Stock Exchange.
OFR:	Operational financial review.
IASB:	International Accounting Standard Board.
IFRS:	International Financial Reporting Standards.
KPIs:	Key Performance Indicators
EPS:	Earnings Per Share.
ROE:	Return On Earnings.
OLD MUTUAL	OLD MUTUAL PLC
ECONET	ECONET WIRELESS HOLDINGS LIMITED
OK ZIM	OK ZIMBABWE LIMITED
DELTA	DELTA CORPORATION LIMITED
DZLH	DZL HOLDINGS LIMITED
BARCLAY	BARCLAYS BANK OF ZIMBABWE LIMITED
EDGARS	EDGARS STORES LIMITED
AFDIS	AFRICAN DISTILLERS LIMITED
COLCOM	COLCOM FOODS LIMITED
MEIKLES	MEIKLES AFRICA LIMITED

CHAPTER 1: INTRODUCTION

Shareholders can exercise effective control only if they have clear and meaningful information about the main drivers of a company's past and future performance. Transparent information on current and future corporate performance is the raw material of effective decision making in the investment markets. Legal requirements force firms to disclose their operational information. Firms generally disclose their operational information by business reports. Business reports include not only the financial statements and their footnotes, but also other information such as operational information, performance criteria, the information about the evaluation and analysis, forward-looking information and other information regarding the firm, managers and shareholders (FASB, 2001). One of the most significant information disclosed voluntarily by the firms is the forward-looking information. In the context of forward-looking information, the products, strategies, plans, forecasted performance of the firm and other information on several issues can be disclosed. The level of this information disclosed regarding the future operations of the firm would be significant in understanding the future of the firm and estimating future activities and consequently, cash flows and value of the firm (Celik, 2006).

Information that enables investors to assess the sustainability of future corporate performance is conspicuous by its absence. Many companies in the world and in Zimbabwe have concentrated in reporting past performance in their annual reports with little or no reporting to give its stakeholders a view of business, what drives it, what affects it and how the company measures going forward. "Telling the future by looking at the past assumes that conditions remain constant. This is like driving a car by looking in the rear-view mirror." (Herb Brody 1875). Put simply, the reporting of forward-looking information is a critical component of effective communication to the market. So regardless of whether it is described as a business review or something else, the issue remains - how well does your reporting articulate the direction of travel, in relation to the markets in which you operate, your chosen strategy and the performance that is delivered?

Forward-looking information has been implemented in many different ways throughout the world. The United Kingdom tried to legalise the disclosure of forward-looking information principles through the Operating and Financial Review (OFR) requirements for publishing by listed companies. The OFR was later repealed and instead reverted to the existing business review requirements (Gordon B. MP 2005). Accordingly it contains references to specific OFR regulations relating to the requirement to provide forward-looking information. In spite of these developments, many stakeholders believe in the provision of forward-looking information, and consequently the contents of this research report, remains relevant for quoted companies in the world and in Zimbabwe. It is my view, supported by that of PricewaterhouseCoopers (PWC 2000) and others including a number of investor groups, that quoted companies should publish voluntary forward-looking information in accordance with the International Accounting Standard's Board Reporting Statement (IASB) on OFRs. Zimbabwean listed companies are required by the ZSE to comply with International Financial Reporting Standards (IFRS) as promulgated by the IASB.

The focus of this report is, therefore, to investigate whether Zimbabwean stock exchange listed companies are voluntarily adopting the principles of disclosure of forward-looking reporting. The study will investigate if progress has been made in the 2006 reporting period. By investigating this phenomenon the research intends to engender debate and discussion on the need for directors to identify, quantify and report publicly on their strategy, the resources and the relationships – financial and non-financial information that they rely upon to implement their strategy, and the risks they face - all with an emphasis on the past and the future.

The role of forward-looking reporting is to achieve two goals:

- a view of the key underlying drivers of performance, which tend to be non-financial and how these resources, risks and uncertainties and relationships are being managed; and
- a forward-looking orientation in the information companies communicate, in order to assess the sustainability of a company's performance and make

an adequate assessment on whether to increase, hold or sell investment in an entity.

1.1. Problem Statement

For quite sometime investors and user of financial statements have been asking for forward-looking and more insightful corporate reporting without much joy as many directors fear they will now be forced to disclose competitively sensitive information, make profit forecasts and my expose themselves to the threat of litigation. Ever since companies started preparing forward-looking statements, under pressure from stakeholders, the Accounting Standards Board (ASB) has been encouraging them to go beyond financial reporting by incorporating forward looking orientation. Although some companies in the world and in Zimbabwe now include forward-looking information in their annual reports, only just a few come close to providing the breadth of information called for by the IASB in their guideline and stakeholder needs. Instead of providing a clear and balanced discussion of the trends and factors likely to impact future prospects, directors have continued to take refuge in historical information.

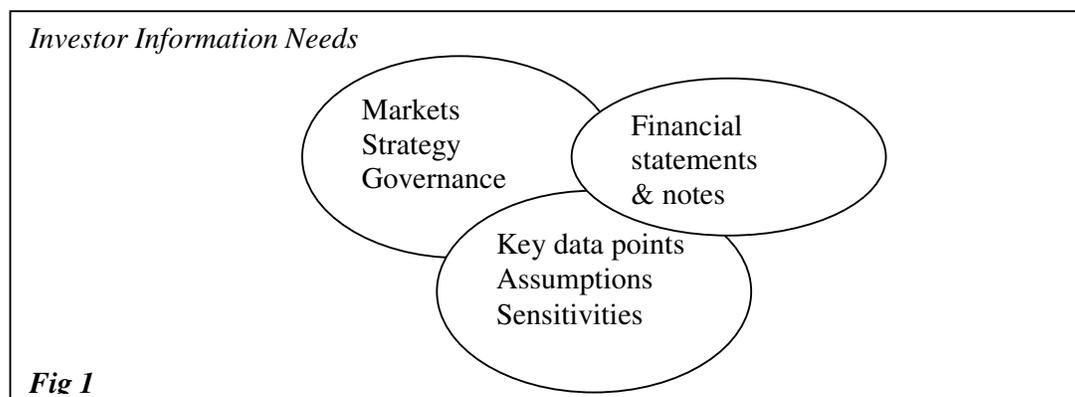
According to Report Leadership (www.reportleadership.com), done by the Chartered Institute of Management Accountants (CIMA), PricewaterhouseCoopers LLP, communications consultancy Radley Yeldar and Tomkins plc, “corporate reporting needs to move in a new direction if it is to command a central role in the communication of performance (Radley Y ,2007). Corporate reporting should be more relevant, informative and accessible. It should provide investors with what they want without inundating them with unnecessary detail. Corporate reporting goes well beyond issues of measurement and accounting which the current accounting framework promotes.”

“Management spends significant time aggregating and recalculating data from internal sources to construct the figures demanded by regulatory reporting. It is like the creation of a large building, which analysts and investors then spend a lot of time deconstructing so they can see the individual bricks.” (David Phillips, The

Report Leadership spokesman, corporate reporting partner at PricewaterhouseCoopers LLP, 2006)

1.2. Research Objectives

The annual report remains the primary document of record. Yet, very, few investors pay it much attention. Not enough of the content tells investors what they want to know. In recent years accounting and financial reporting standards have changed significantly following problems experienced at Enron and Baring bank. But surveys of analysts and investors across the globe indicate that current models are still too backward-looking and compliance driven. As a result, the markets are finding other ways to get the information they need. Investors are clear that 'corporate reporting' is not just about the numbers. Fig 1 below shows that they also want access to greater contextual information and key underlying drivers. Crucially, the same principles and structures can be applied to all forms of communication including briefings and websites, to ensure that a company's reporting gives all stakeholders information that they will find timely, relevant, sufficient, consistent and clear.



Source: Bostock & Pollitt: *Corporate reporting: Seeing the Bigger Picture*, November 2006.

This research will try and establish how well the Zimbabwean listed companies have disclosed forward-looking reporting principles. It will be guided by Seven

Pillars for effective communication of the future. (PriceWaterhouseCoopers, July 2006). The seven pillars are listed thus:

1. Explain the resources available to your company that help to attain your objectives and how they are managed.
2. Describe the principal risks and uncertainties that may affect your company's long-term value or prospects.
3. Clarify the significant relationships with stakeholders that are likely to influence the performance of your company and its value.
4. Provide quantified data relating to trends and factors likely to affect your company's future prospects.
5. Spell out any uncertainties underpinning forward-looking Information (FI).
6. Communicate targets relating to those key performance indicators (KPIs) used to manage your business.
7. Demonstrate the linkages of other content areas within your FI to your longer-term objectives and the strategies to achieve those objectives.

1.3. Research Questions

The research study intends to uncover the following questions

- (i) Are Zimbabwean companies reporting sufficient forward-looking information in their annual reports? (i.e. disclosure)
- (ii) Can the information be used by a wide variety of stakeholders to determine future performance of the company? (i.e. effectiveness)

1.4. Research Hypothesis

The study focuses on the disclosure done from a sample of organisations listed on the Zimbabwe Stock Exchange (ZSE) and selected from their 2006 published annual financial reports.

For the purpose of this survey the following hypotheses were formulated:

Null hypothesis:

H 0 = Zimbabwe listed companies are reporting sufficient forward-looking information as set out in the scored-card (Appendix 1) based on the “Guide to Forward-Looking Information” by PriceWaterhouseCoopers that can be used by various stakeholders to determine future performance of the company.

Alternative hypothesis:

H 1 = Zimbabwe listed companies are not reporting sufficient forward-looking information, as set out in the score-card based on the “Guide to Forward-Looking Information” by PriceWaterhouseCoopers that can be used by various stakeholders to determine future performance of the company.

1.5. Significance of the study

This study intends to:

- Help companies to report in ways that are more relevant and informative to their primary audience
- Encourage investors to push for the information they want.
- Above all, it is intended to stimulate further debate in reporting of forward-looking information in Zimbabwe.
- To put together and develop a simple, practical score-card to improve on forward-looking reporting.

1.6. Research Scope

The study does not attempt to do everything at once. Instead, it focuses on a few areas that are particularly topical and are widely seen as needing improvement. These are discussed in 1.2 – research objectives under seven broad headings. The study covers the whole field of corporate communication, but to show how this might play out in practice the study applies the ideas to the delivery vehicle that’s most familiar – the annual report.

The study is limited to the inspection of annual reports for the 2006 financial year. A score-card was adapted for the score-card developed by Coy and Dixon (Coy.

D. and Dixon. K, 2004) as a tool against which published information in the annual reports will be interrogated.

Limitations and future research

Firstly I must acknowledge that any score-card tool (Appendix 1) of this nature includes a degree of subjectivity. However, to ensure reliability and validity, the score-card tool was progressively prepared in response to an internal London Business School review, interview feedback from company secretaries of 11 FTSE 100 companies (Coy. D. and Dixon. K. 2004). Where a company uses the score-card to assist their own decisions on what to publish in their annual report, this problem does not arise but if a third party wishes to compare disclosure across companies, care should be taken. Secondly, this system gives greater credit to those sectors where more of the lines are relevant to their business such as branded business-to-consumer companies like Econet Wireless. Regulated sectors which are accustomed to publishing large amounts of information are also likely to score well e.g. the banking sector. One could argue that a separate score-card should be created for each sector but that would obviate the attraction of a single simple Score-card. The Score-card is also unsuitable for small companies and large multi-brand, multinational companies where the complexity is undoubtedly a difficulty. Thirdly, the sample sizes and extent of testing the system were small. In future, attention should be given to improving the consistency of scores by independent markers and the selection of the items for scoring should also be refined. I see this taking place through reporting these findings to ZSE companies and inviting them to challenge the methodology and thereby suggest improvements.

Due to time and financial limitations, the research will be limited to companies listed on the Zimbabwe stock exchange (ZSE). The sample selected will come from a survey conducted by the Zimbabwe Independent – A Zimbabwean newspaper. The survey is called: Zimbabwe Quoted Companies Survey 2006. The survey ranks the companies based on asset quality, corporate governance, management integrity, investor relations and entrepreneurial flair. Future research, given greater time and financial resources, could target all companies

listed on the ZSE bourse. The measurement tool will be applied only to the published annual reports of the sample selected.

1.7 Assumptions

Listed companies are well equipped to do research on best practice corporate reporting and can afford brains needed to report forward-looking information in their annual reports. Certain companies through their dual listings will apply practices from developed countries such as the UK and USA to reflect forward-looking information principles. The assumption is that they have disclosed forward-looking information in their published annual reports as is the practice by some world-class companies.

CHAPTER 2: LITERATURE REVIEW

Corporate reporting today addresses a shrinking percentage of the information the market considers important. The current reporting status quo is unsatisfactory. Investors know this – and so do the regulators. In their ‘Framework for the Preparation and Presentation of Financial Statements’ the International Accounting Standards Board (IASB) states that;

“The objective of financial statements is to provide the information about the financial position, performance and changes in financial position of an entity that is useful to a wide range of users in making economic decisions”

“Financial statements prepared for this purpose meet the common needs of most users. However, financial statements do not provide all information that investors may need to make economic decisions since they largely portray the financial effects of past events and do not necessarily provide non-financial information.”

2.1 What is corporate reporting?

Historically, accounting standard-setting bodies around the world have attempted to resolve accounting problems through the development of accounting standards. Corporate reporting is by and large based on these standards namely International Financial Reporting Standards (IFRS). The annual report or financial statements are used as a vehicle for corporate reporting henceforth the terms shall be used interchangeable. The standard-setters use a framework as a guide to development of the standards. South Africa Generally Accepted Accounting Practice 2007 (SA GAAP 2007) handbook defines the framework as an attempt to provide a foundation that sets out the objectives and concepts that underlie the preparation and presentation of financial statements (Denis P 2007). Financial statements form the core of corporate reporting. According to the South African GAAP hand book 2007 (SA GAAP 2007), corporate reporting provides information about the -

- financial position,

- performance and
- changes in financial position

of an entity that is useful to a wide range of users in making economic decisions. The economic decisions that are taken by the users of financial statements require an evaluation of the ability of an enterprise to generate cash and cash equivalents and of the timing and certainty of their generation. The information needed by users to make this evaluation is discussed in the accounting framework and contains information on:

- a) the financial position (provided in the balance sheet and directors report)
- b) performance (provided in the income statement, chairman’s report and directors report)
- c) changes in financial position (provided in the cashflow statements) and
- d) explanatory notes

In Zimbabwe all companies listed on the ZSE must comply with International Financial Reporting Standards (IFRS’s).

2.2. Who are the users of financial statements and what their information needs are.

The International Accounting Standards Board (IASB) is responsible for setting accounting standards and in their framework defines users as follows;

User	Information needs
Investors	Assessment of risk and return
Employees	Assessment of ability of employer to provide remunerations, retirement benefits and employment opportunities (concerned with stability and profitability of employer).
Lenders	Assessment of ability to repay loans and related interest charges.
Suppliers and other trade creditors	Assessment of ability to pay balances

	owing
Customers and competitors	Assessment of entity's ability to continue.
Government	Regulate activities of the entities, determine national resource allocation and tax policies and compile statistics.
Public	Assessment of contribution to local economy and range of activities
Analysts	To assess the value of a company in order to recommend a buy, hold or sell option to investors.

Adapted from IFRS framework – 2007

The Accounting framework (par. 10) acknowledges that financial statements (Finstats) cannot meet the needs of all these users, but argues that the provision of finstats that meet the needs of investors will also meet most of the needs of other users.

For companies, as the accounting framework states, the primary stakeholder group is overwhelmingly the existing shareholders and potential investors. What do these people want from an annual report? The Bostock & Pollitt survey⁷ revealed the following views:

“We want a document that presents a good investment case, details of the **business drivers** and **strategy** put in the context of the marketplace, and a description of any **risk factors** that might face that company.”

“Investors want an open, frank, honest view of the company and evidence that it is well managed.”

“Critical are accurate figures, accessibility and reliability, as well as material that is well **signposted** and which hangs together coherently.”

Companies try to meet these needs, but at the same time they include material to meet the needs of customers, employees and media audiences:

“We use the annual report as an advertising medium for our products. We focus on the brands and on the new collections.”

“The annual report ... forms a branding exercise also.”

“The Report and Accounts tries to be so many things to so many people. It is often the main marketing document for the Group, but it is also a statutory document.”

“We attempt to give a full and frank overview. Our report and accounts now run to 130 pages, very lengthy.”

Perhaps not surprisingly, the result is often in conflict with what investors want to see:

“Too much narrative dilutes the message.”

“PR spin... glossy pictures ... detract from the annual report.”

“I detest reports that waste pages on environmental garbage. Environmental statements are all the rage but ... it's not useful or meaningful information. CSR statements are often bland and meaningless.”

As one company recognised:

“The Report and Accounts tries to be so many things to so many people. Hence it clearly will not fulfill all of those roles as well as it might.”

What is the solution? Can the circle of differing needs be squared within a single annual report?

2.3. Why do companies produce annual reports?

A recent study by the design agency Bostock & Pollitt (*Corporate reporting: Seeing the Bigger Picture Bostock & Pollitt, November 2006*) found that companies have two main reasons for producing an annual report. The first is to meet the government's regulatory requirements. The second is to market the company to key stakeholders.

"[The annual report] provides a balanced overview of our results and financial position at the end of the year and satisfies all regulatory requirements."

"It achieves the primary regulatory purpose when signed off by the auditors and regulators."

"It is a legal requirement but it also enables you to get your message out to key stakeholders ... It forms a branding exercise also."

"The purpose of the Annual Report is to give stakeholders a view of business, what drives it, what affects it, how we measure ourselves going forward."

"It is a communications piece to stakeholders raising the key issues for the business and addressing how management will address these issues going forward."

The annual report is part of the whole virtuous circle of governance for a business. Whatever the legislative environment, there is something deeply natural about the directors giving an account of their stewardship. We all need to be accountable to be effective, and the annual report and the Annual General Meeting (AGM) are the axles which drive this accountability.

Reporting on performance provides verification of whether or not the company has achieved what it set out to do. This in turn allows it to understand whether or

not it has correctly identified its key relationships and success model, and to change these as necessary. This allows it to define how to measure its success model, so that it can be communicated. There is also another set of impacts that flow in the opposite direction. Communicating (for example through an annual report) forces the company to define what measures it is going to report on. This in turn forces it to be clear about what its success model is, and what are the key relationships that enable that model to succeed? This also forces the company to be clear about what it means by success: what it is setting out to achieve. This is why companies find forward-looking information difficult – because it forces them to be explicit about the success they seek and what drives it. It also explains why those that choose to grasp the nettle gain so much benefit from doing so.

2.4 Forward-looking reporting

Before examining the contents of forward-looking information, it would be better to address the historical perspective shortly. As a consequence of a misfit between the traditional corporate reporting model and the modern business world, various organisations around the world have begun to examine the future of corporate external reporting with forward-looking information reporting taking the centre stage. The two countries that have been at the forefront of this debate are the US and the UK

US Reports

Beginning in the early 1970's in US, the Securities and Exchange Commission (SEC) adopted policies encouraging issuers to disclose voluntarily forward-looking information both in their annual reports and in public statements generally. It was recognized that management projections concerning future economic performance were "of significant importance" for informed investor decision making. By 1979, the SEC had adopted safe harbour rules (in the form of Rule 175) to the Securities Act of 1933 (Securities Act), and its twin, Rule 3b-6, with respect to the Securities Exchange Act of 1934 (Exchange Act). These rules applied only to statements made in reports filed with the SEC or to related

statements reaffirmed in subsequent filings (Block and Hoff, 1999). Because the US markets are a litigious environment, companies have been reluctant to provide forward-looking information beyond the minimum requirements of the securities laws. Consequently, investors do not always have access to important information known by management that could impact investors' and creditors' decisions. To address the legal liability concerns of companies and their auditors, Congress (overriding a presidential veto) enacted the Private Securities Litigation Reform Act of 1995. The Reform Act's most significant component, referred to as the safe harbour, protects that subset of soft information known as "forward-looking statements" (Morales et al., 2000).

The Act amended prior securities laws to create a statutory safe harbour that applies to both written and oral forward-looking statements that meet two broad criteria. First, the statements must be specifically identified by the disclosing firm as forward-looking. The Act defined forward-looking statements to include projections of revenues, income, or other financial items, management's plans and objectives for future operations (including products and services) and statements regarding future economic performance. Second, the forward-looking statements must be accompanied with "meaningful" cautionary language identifying "important" factors that could cause deviations from these projections (Johnson et al, 2001).

Detailed and significant regulations in this subject have been made in capital markets in Turkey. Legal responsibility risk that arose from the disseminated information has to be taken into account. For example, as prescribed by article 47/3 of Capital Markets Law, giving false, incorrect, misleading, unfounded information and dissemination of information which affects the value of capital market tools or not to disclose information which have to be disclosed are deemed as an offence and punishments are prescribed for the real persons or the representatives of legal persons and their accomplice who commit such kind of offence (Celik O et al, 2006). Legal responsibility risk shall increase especially in cases such as the disclosure of forward-looking information (Johson et al., 2001).

Disclosure literature reached some conclusions about the legal results of disseminated information (Skinner, 1994; Francis et al., 1994; Skinner, 1997; King et al., 1990).

An impetus for the forward-looking information: Jenkins Committee Report.

In 1994, American Institute of Certified Public Accountants (AICPA) Special Committee on Financial Reporting (the Jenkins Committee, 1994) drew attention to forward-looking information in its report entitled *Improving Business Reporting – A Customer Focus*. According to this report, the types of information that users need are limited to what can be provided by business reporting. More specifically, they are limited to company-specific information for which management is often the best source. Users need company-specific information in five categories (AICPA, 1994):

1. Financial and non-financial data.
2. Management's analysis of financial and non-financial data.
3. Forward-looking information.
4. Information about management and shareholders.
5. Background about a company.

Additionally, users need a forward-looking perspective because their goal is to predict a company's financial future and the study indicated that users use three methods to obtain a forward looking perspective:

1. *Study information about the past and the present.* Information about a company's businesses helps users to identify opportunities and risks facing the company. Further, understanding the linkage between events and activities and the financial impact of those events and activities on the company is necessary to forecast future financial performance.
2. *Search for leading indicators in historical data.* Leading indicators are existing conditions that provide insight into the future. Three examples are trends affecting the business, performance measures, and correlated measures. Users often analyze historical data in searching for the impact of economic, technological, sociological, political, and regulatory trends that are expected to continue. Performance measures are indicators of how well a company performs key business processes, such as a new product that wins awards for performance or

quality. Correlated measures are conditions closely correlated with a company's future performance.

3. *Search for forward-looking information.* Forward-looking information is any prediction or information that helps to make prediction. It includes management's plans, assessments of opportunities and risks, and forecasted data. AICPA Special Committee on Financial Reporting recommends supplementing traditional financial reports with disclosures of "more information with a forward-looking perspective, including management plans, opportunities, risks, and measurement uncertainties".

Forward-looking information revealing the opinions and viewpoints of managers about the operations of firms is organized into two main categories. These are stated as the opportunities and risks faced by firm and future oriented plans of management. Besides these, Forecasted Operating and Financial Data have also been expressed within the framework of forward-looking information (AICPA, 2001). Though, the users of financial statements have interest in the forecasted financial and operational data, they believe that these kinds of forecasts would not be presented within the business reports. In this sense, forward-looking information includes the forecasts about the operations of the firms. Furthermore, information ensuring the forward-looking forecasts about the operations of the firm is also included as an important item within the forward-looking information (Grant et al., 2000).

The Jenkins Committee Report has brought important explanations regarding the types of forward-looking information as follows:

Opportunities and Risks

Opportunities and risks result from changes in a company's industry conditions, such as a threat from substitute products or services, changes in the bargaining power of customers or suppliers, including employees, and changes in the nature of competition with competitors. Opportunities and risks also result from concentrations on a company's assets, customers, or suppliers. Users are also

concerned about illiquidity risks and contingent gains and losses related to a company's rights and obligations.

Understanding the opportunities and risks a company faces is critical to users and is common to most of their analytical approaches. Assessments about opportunities and risks directly affect a users' valuation of a company or judgments about credit risk. For example, information about opportunities and risks determines the multiple or discount rate that investors use in valuing companies.

Users learn about and assess opportunities and risks of companies from many sources of information, including industry and trade publications, financial statements, operating data, discussions with other users, etc. However, information from a company's management is particularly useful. Management is an excellent source of information about opportunities and risks because managers are the closest group of people to the business and they always consider opportunities and risks while making plans for the future operations. Also, understanding what management thinks about opportunities and risks helps users to understand management plans (Kent P. and Ung K, 2003).

Management's Plans, Including Critical Success Factors

Understanding management's plans is important for users. Management is the best source of information about the direction it intends to lead the company and its plans are an important leading indicator of the company's future. Even though a company may not achieve its plans, understanding the general direction of the company is helpful. Also, management's plans are an important driver of the opportunities and risks a company will face (Celik O et al, 2006)

Plans usually depend on key assumptions about factors or conditions that must be present for the plans to be successful (critical success factors). For example, a computer maker's plan to be first to market with innovative and technologically superior products may be based on an assumption that key suppliers will continue to work with the company to incorporate leading technology into its products. If

suppliers choose to treat all computer makers equally, then the company's plan will fail. Users find information about critical success factors useful, because they provide insights about the opportunities and risks a company faces.

Forecasted Operating and Financial Data

The approaches used by many users to value companies or assess credit risks require forecasted data, particularly financial data. Usually, those forecasted data are the results of considerable work by the forecaster after analyzing the types of information discussed in this section of the study. Despite the relevance of forecasted data, except under the circumstances described below, users generally do not need forecasted data from management in business reporting, for the following reasons (Celik O, 2006):

- Users generally prefer to make their own forecasts. Many users consider themselves experts in forecasting, valuing companies, or assessing credit risk and consider forecasting as an integral part of their role. Further, users believe they are more objective.
- Point estimates of future financial performance are inherently imprecise. Further, users' experience with those forecasts leads them to believe that management forecasts tend to be overly optimistic.
- Forecasts would increase litigation against the company. Forecasts that, with the benefit of hindsight, failed to foretell the future accurately would be easy targets for lawsuits filed routinely against companies whose stock prices have fallen. Although users generally do not need forecasted data from management, some users, particularly lenders to smaller companies, seek management's forecast, for the following reasons:
- A forecast helps the user understand management's view of the future and its plans for the company.
- Preparing forecasted data, disciplines management to develop plans and motivate them to think about financial implications of those plans. This is an exercise that benefits both management and reduces credit risk for the lender.

Consequently, one of the key recommendations included in the Jenkins Report was for standard setters to develop a comprehensive model of business reporting indicating the types and timing of information that users need to value and assess the risk of their investments. To assess the feasibility of its ideas, the Committee designed and illustrated a comprehensive model based on its understanding of users' needs for information, and information about costs of reporting. Forward-looking information in three categories as mentioned above was added as one of the elements of the Committee's model of business reporting.

Another focus from FASB: Second Section of BRRP Project

The Financial Accounting Standards Board (FASB) sponsored a broad study – the Business Reporting Research Project (BRRP) that was published as three different sections. In 2001, FASB published second section of the study, “Improving Business Reporting: Insights into Enhancing Voluntary Disclosures”. This project is follow-on to the work of the AICPA Special Committee on Financial Reporting. A Steering Committee guided and directed the activities of five Working Groups that identified present practices for the voluntary disclosure of business information in eight industries. For each industry, voluntary disclosures of business information are classified within six categories. The first five categories are those included in the AICPA Special Committee on Financial Reporting comprehensive business reporting model. Forward-looking information was again added as one of the categories.

- Business data (e.g., high-level operating data and performance measurements that management uses to run the business)
- Management's analysis of business data (e.g., reasons for changes in the operating and performance-related data, and the identity and past effect of key trends)
- Forward-looking information (e.g., opportunities and risks including those resulting from key trends; management's plans, including critical success factors; and comparison of actual business performance to previously disclosed opportunities, risks, and management's plans)

- Information about management and shareholders (e.g., directors, management, compensation, major shareholders, and transactions and relationships among related parties)
- Background about the company (e.g., broad objectives and strategies, scope and description of business and properties, and impact of industry structure on the company)
- Information about intangible assets that have not been recognized in the financial statements.

The Report gives some examples according to the findings of the working groups. The examples are subdivided between information about sales, products, operations, and financial performance.

Examples regarding the forward-looking information disclosed about sales are:

- Forecast of unit sales for the coming year in each major country (Automobiles)
- Discussion of the growth opportunities in the company's four major customer categories (Computer Systems).

Examples of forward-looking information disclosed about products are:

- Discussion of a product whose patent protection will expire and the potential impact on the product's revenue stream (Pharmaceuticals)
- Plans for expansion and particular brand introductions into specific international regions (Food).

Examples of forward-looking information disclosed about future operations are:

- Next year's targets for growth in revenues, net income, and gross margin and for reducing the ratio of expenses to revenues (Computer Systems)
- Five-year projections of reserve additions and lifting costs by region (Oil – Integrated Domestic)
- Projected cash flow, oil production, and gas sales for five years (Oil – Integrated Domestic)
- Report on the company's effectiveness during the past year in meeting its beginning of-year performance targets, which included vehicle unit sales, sales and revenues, net income, and capital expenditures (Automobiles)

- Management discussion of projects and previous years' goals and milestones, those not achieved and those to be deferred to future periods (Oil – Integrated Domestic).

Examples of forward-looking information disclosed about financial performance are:

- Projected earnings and free cash flows by segment (Chemicals)
- Projected five-year earnings growth for the company versus peers (Regional Banks)
- Percentage growth goals for revenue, EPS, and ROE by line of business for two years (Regional Banks).

The FASB's interest in voluntary disclosure is consistent with recent policy makers' calls for increased voluntary forward-looking disclosure (Baginski et al., 2004). Accepting that business reporting is more than financial statements and it includes a number of different elements such as operating data, performance measures, analysis of data, forward-looking information, and information about the company, its management and shareholders, the Steering Committee developed a basic framework for providing voluntary disclosures, and within this framework declares to consider whether voluntary disclosures about the company's forward-looking strategies and plans and metrics would adversely affect the company's competitive position and whether the risk of adversely affecting competitive position exceeds the expected benefit of making the voluntary disclosure (FASB, 2001).

UK Reports

In the UK, the Royal Society for Arts (RSA) produced a report in 1995, entitled *Tomorrow's Company* (RSA 1998), that received considerable media attention. This inquiry proposed a more inclusive, non-adversarial approach to both business practices and financial reporting, intended to support sustainable success. To achieve this, it is argued that there would need to be relatively greater use of non-financial performance measures.

In 1998, the RSA, under the auspices of the Centre for Tomorrow's Company, issued *Sooner, Sharper, Simpler: A Lean Vision of an Inclusive Annual Report* (RSA, 1998). This proposes a largely narrative, core document, available on the internet, for stakeholders, supplemented by detailed reports covering financial, value chain, people, and sustainability issues.

The Institute of Chartered Accountants in England and Wales (ICAEW) published a number of documents which address specific issues relating to the future of corporate reporting. Most notably, the ICAEW has suggested a framework for the comprehensive reporting of risk (ICAEW, 1997) and has considered the implications of digital technology (ICAEW, 1998a; and Spaul, 1997). At a one-day conference, the ICAEW launched an interactive, prototype annual report structured as a core report with supplementary reports (ICAEW, 1998b). In his opening speech, the President, Chris Swinson, referred to users' dissatisfaction with historical-cost financial information and their consequent interest in alternatives. He cited three reasons why the profession should pay more attention to complaints about the usefulness of traditional reports. These are: the growing importance of assets and risks not measured by historical cost accounts as determinants of a business' future success; the growing reliance by some users on direct meetings with companies as an information source, raising issues to do with equality of access; and changes in information technology (Swinson, 1998).

In 1999, The Institute of Chartered Accountants of Scotland (ICAS) published a discussion document prepared by its Research Committee entitled *Business Reporting: the Inevitable Change?* (ICAS, 1999). This presents a blueprint for business reporting based on detailed empirical research into interested parties' views about current financial reporting. Four key themes were investigated, arising from exploratory interviews: • the cyclical nature of corporate communications and users' decision-making; • the perception of differential user access to company information; • differing concerns regarding information overload; and • the need to create and maintain confidence in the company via the provision of assurance relating to business information. Based on the survey evidence, seven proposals were made regarding the means of dissemination, the structure and content of the

information provided, and the nature of related assurance services. Specifically, it is proposed that:

- large sections of the corporate database be made available to external users electronically;
- information within the database be layered, with links to external information sources;
- information be packaged using templates relevant to each stakeholder group to support non-expert users;
- records and minutes of company meetings be accessible electronically;
- additional forward looking, non-financial and soft information be available;
- database be updated more quickly and frequently; and
- multiple levels and forms of assurance be provided.

The Foundation for Performance Measurement was set up by the consulting, skills development and technology group Metapraxis Ltd (Beattie V 2000). Its mission is 'to extend the scope of enterprise performance measurement beyond the conventional focus on internal, historic, financial numeric and short-term information' (Beattie V 2000). A recent report, *The Well-Rounded Annual Report*, assesses the extent and quality of disclosures by the top 100 listed UK companies in relation to 19 performance measures covering five themes (financial, activity, development, environmental, and relations). Generally, low levels of disclosure and a lack of benchmarks were found (Beattie V 2000).

The British government launched a major review of company law in March 1998. A further consultation document was issued by the Company Law Review Steering Group (Beattie V 2000). This document indicates a willingness to introduce any legal changes necessary to facilitate desirable changes in company reporting. A key issues raised in this context was the relative merits of 'enlightened shareholder value' versus 'pluralist' approaches to achieving maximum prosperity and welfare for all participants in the enterprise. This impacts on whether accountability extends beyond shareholders and creditors. In addition, the implications of information and communications technology and high level reporting and accounting issues were covered. The particular reporting and accounting issues addressed include the failure of existing accounting standards to consider future business prospects, business risks and 'softer' assets, such as intellectual and human capital; the scope of the auditor's involvement with annual

reports; the growth of non-statutory reporting in the annual report, much of which is non-financial and forward-looking; and the impact of electronic communication. To address the substantive issues, three Working Groups were set up and a further seven were planned (of which one is to consider 'Accounting, Reporting and Disclosure').

Literature review on the disclosure of forward-looking information

Forwarding-looking reporting means identifying and communicating whatever trends and factors relevant to an investor's assessment of current and future business performance. It also means communicating the progress that has been made towards achieving long-term business objectives. (*Reporting standard 1 – RS1 issued by the Accounting Standard board, 2006 - www.frc.org.uk*)

The study on forward-looking reporting from a Zimbabwean context will assist;

- Prepare Zimbabwe for international convergence: by shaping Zimbabwe's reporting regimes so that they are ready for the emerging model of international standards and to play a leadership role in encouraging such convergence, so that any short-term threats of competitive disadvantage to Zimbabwean companies is quickly removed and indeed converted into a long term advantage.
- Improve company decision-making and risk management. Experience shows that the process of reporting on the drivers of long-term value and risk which are most relevant to their particular company focuses the minds of senior management, and thus helps them manage actively these factors and so improve their decision-making.
- Improve investor decision-making and so foster long term value creation by enabling investors to compare the prospects and performance of companies more accurately. This improves the financial system's focus on

long-term value creation and the allocation of capital, bringing benefits for the entire economy and those who have an exposure to it.

- Improve stakeholder communication and trust without compromising the accountability of companies to shareholders, forward-looking reporting is fully aligned with the “enlightened shareholder value” approach and goes a long way to enabling employees, the community, regulators and all stakeholders to assess better the performance of companies on critical environmental, social and governance issues and to understand their “values in action”.
- Encourage a shift from compliance to judgment: recognizing that each company is different, there is a clear need for an overall framework which offers companies the flexibility to exercise their judgment and think less in terms of an external standard for reporting, but rather to be aware of, and focus in a practical way on, the real health of their business.
- Improve the quality and range of information reported on: encouraging corporate managers to consider the totality of variables that influence corporate performance (including extra-financial factors) encourages greater use of judgment by capital markets in evaluating and comparing the prospects and performance of companies beyond traditional financial analysis.
- Accept the right of executives to decline to disclose information where it is in their competitive advantage to do so: investors should respect this rationale and companies should not use it as an easy excuse.

Table A below show elements where a forward-looking orientation is particularly relevant:

Table A: Disclosure framework.

The nature, objectives and strategies of the business	Resources, risks and uncertainties, and relationships	Current and future development of performance	Financial position
<p>Description of business and external environment.</p> <p>Objectives to generate or preserve value over the long term.</p> <p>Strategies for achieving the objectives.</p>	<p>Description of resources, tangible and available and how they are managed.</p> <p>Description of principal risks and uncertainties and the directors' approach to them.</p> <p>Information about significant relationships with stakeholders other than investors who may directly impact performance.</p>	<p>Significant features of the development and performance of the business.</p> <p>Main trends and factors likely to impact future performance.</p>	<p>An analysis of the financial position and critical accounting policies.</p> <p>Discussion of capital structure.</p> <p>Discussion of treasury policies and objectives.</p> <p>Discussion of the cash inflows and outflows, ability to generate cash to meet commitments and fund growth.</p> <p>Discussion of current and prospective liquidity.</p>
<p>Underpinned by the financial and non-financial KPIs used to assess progress against stated objectives, as well as other measure and evidence</p>			

Source: PWC, 'Preparers guide' (operating and Financial Review: Give yourself a head start), January 2006

Forward-looking information has raised a number of frequently-voiced concerns amongst the directors of companies worldwide. The fact is that by concentrating too closely on these perceived risks, real opportunities are being overlooked. The value, for companies, of providing a clear forward-looking picture lies in the potential it has to challenge internal perceptions and reporting, as well as the insights that it provides investors into the health and sustainability of the business and the way in which it helps put financial performance into context (Ipsos-Mori, 2006)

The danger is that companies may miss out on these benefits and expose themselves to real risks by seeking to avoid a forward-looking orientation. Amongst the most commonly-heard concerns provoked by the forward-looking information, the following stand out (Black Sun 2006):

- Does this mean having to provide potentially competitively-sensitive information?
- What is the possible exposure to litigation due to lack of "Safe harbour"?

- What can be done to ensure the supportability of forward-looking information?
- Does this mean that we have to publish profit forecasts?

The following sections address each of these concerns.

2.4.1 Competitively-sensitive information.

Indirect costs incurred in the sharing of proprietary information are associated with the decision to disclose forward-looking information. Such costs arise when private accounting information is used by competitors in such a way as to reduce the firm's competitive advantage. For example, the release of favourable earnings information could encourage potential competitors to enter the market, while information relating to production processes and research could be used by current competitors to increase their relative market share. Such proprietary costs are likely to be higher, and, likewise, the disclosure of forward information relating to earnings is likely to be lower, in more competitive markets. In support of this, it has been assumed that traders tend to act less negatively in response to undisclosed information within a more competitive industry because they are aware of the higher associated proprietary costs (Wagenhofer 1990). This leads to a hypothesis that companies in less competitive industries disclose more information relating to anticipated future earnings performance than do those in more competitive industries.

For any company, there will be certain information which were it to be disclosed would undermine its market position. The test here is likely to be high-level, in line with the ZSE Listing Rules where information can only be withheld if its disclosure would be 'seriously detrimental' (and where the omission of that information would be unlikely to mislead investors). Companies need to approach the disclosure of forward-looking information with the right mindset. Directors need to ask themselves: 'What should we withhold?' For example, pharmaceutical companies disclose details of their products – in terms of pipeline, stage of development, planned launch and potential market size – without prejudicing their competitive

position. Specific information on the underlying patent formulations is, however, withheld. With this approach, they provide investors with information which is critical to understanding the sustainability of their performance, without compromising the interests of the company. Arriving at a balancing point between disclosing and withholding forward-looking information needs to be a realistic process. In reality, competitors are already likely to be better informed than people realise, as the flow of people and information from one organisation to another has never been greater.

The inherent tension between a company's need for confidentiality and business report users' perceived right to know is an important issue to address in developing a longer term vision of business reporting. Many expect that tension to increase in the future. On the one hand, the increased availability of information, the increasing complexity of business transactions and relationships, and users' expectations for more information will provide pressure to disclose more information. On the other hand, competitors will enhance their power to learn from competitively sensitive information and draw advantages from it. This suggests that alternatives to the need that public companies make all disclosures publicly available would be relevant to serving the interests of investors and creditors and improving the allocation of capital.

Currently full public disclosure of all information that goes to users is available to the disclosing companies' competitors. Full public disclosure is a valued — even revered — feature of the disclosure system, but it also constrains the types of information that are disclosed because competitive disadvantage is a cost. Yet much information that might cause competitive disadvantage when disclosed to competitors could assist users in their analytical and decision making tasks. A known benefit, the disclosure of useful information to users, is being sacrificed to avoid a known cost, the disclosing company's competitive disadvantage.

This study is not recommending that the full public disclosure requirement be abandoned, only that regulators explore whether there are any alternatives. Regulators should consider whether the cost of reporting sensitive information to competitors could become an undesirable barrier to providing the most useful

information to users and therefore to allocating capital effectively. If so, regulators should consider whether, given such circumstances, it would be in the interest of effective capital allocation for certain users, such as those who agree not to disclose the information, to have access to more extensive information i.e. the concept of confidentiality agreements.

The alternatives could be explored in two contexts. The first is the efficient markets theory. Given such markets, are there circumstances where no disservice would be done to the interests of individual investors by allowing professional investors access to more extensive information? Staying with the previous paragraph's example of confidentiality agreements with users, it would probably be impracticable to reach all users with confidentiality agreements. The most likely candidates for such agreements would be institutional investors, whose full-time attention and transaction volume give them a claim to being the most influential securities price makers. They are far more likely to act rapidly on new information than individual investors. It therefore would be reasonable to inquire whether improved valuations of companies by institutional investors with access to the information under confidentiality agreements would do no disservice to individual investors and creditors, because the share price the individuals consider would reflect the additional information whether or not they had prior access to that information.

The second context for exploring alternatives to the "tell one, tell all" policy is the rapid, ongoing progress of information technology and its influence on the disclosure system. In time, corporate disclosure is likely to be on-line to users. Differential disclosure would then be able to benefit from encryption technology and other devices for selective access to information. There will be many new possibilities to consider, and some can be anticipated now.

Wagenhofer (1990) analyses voluntary information disclosure strategies of a firm that is faced with strategic opponent like a competing firm. In this model the firm possesses private information that is valuable to the financial market as well as to the competitor. While the market uses any publicly disclosed information to revise the value of the firm, the competitor may find the disclosure information valuable

to take an adverse action that impose costs on the firm. These indirect costs of disclosure are referred to as proprietary costs. When determining its disclosure strategy, the firm thus weighs out the benefit of a better firm value against the possibility of incurring proprietary costs.

In Wagenhofer (1990) it is shown that full disclosure equilibrium always exists and that a partial disclosure equilibrium may exist, albeit not frequently. In partial disclosure equilibrium, nondisclosure of information avoids proprietary costs. Further, it is shown that a full non-disclosure strategy can never be part of an equilibrium.

Suijs J (1999) incorporated Wagenhofer's model in his theorem and proved that the presence of both disclosure costs (i.e. costs arising from preparing and disseminating the information) and proprietary costs gives rise to types of disclosure equilibria that differ from the types arising in Wagenhofer (1990). He concluded that taking into account both disclosure and proprietary costs, increase the firm's incentives to withhold its private information from the public.

2.4.2 Exposure to litigation due to lack of "safe harbour"

Where forward-looking information is concerned, the unfamiliar nature of this disclosure raises real concerns for directors. The risk for companies and investors is that, without a safe harbour, directors will err on the side of caution, providing bland forward-looking statements with minimal value e.g. "We expect the market to continue to grow". The real issue is not whether forward-looking statements turn out to be accurate, but whether they were made in good faith and with due care and attention (Barney J, 2006). The ASB board suggest: "Companies may wish to advise members of the need to treat with caution good faith judgments, in particular those relating to future events or prospects," This is further emphasized in the recently published letter of advice to the Chartered Institute of Management Accountants from Allen & Overy LLP, adapted extracts from which are summarised in Exhibit 1. The letter also sets out additional steps directors can

take to minimize their exposure to litigation in the preparation of forward-looking statements.

Exhibit 1

A letter of advice prepared by international legal practice Allen & Overy LLP for the Chartered Institute of Management Accountants (CIMA) sets out key steps that Directors can take to reduce the risk of liability in the preparation of forward-looking statements. These can be summarised as:

- underlining the fact that the forward-looking information is only addressed to shareholders as a group, and disclaiming liability to others;*
- highlighting the fact that the forward-looking information has been prepared solely to assist shareholders assessing the company's strategies and the potential for those strategies to succeed;*
- ensuring that all forward-looking information are appropriately qualified to clarify the degree of reliance that should be placed upon them*
- Stressing that forward-looking statements reflect information that was available to directors when the annual report was prepared.*

Adapted summary based on "Operating and Financial Review and Directors Liabilities" letter of advice issued by Allen & Overy LLP and dated 7 July 2005; © 2005 Allen & Overy. The full letter of advice can be viewed at www.cimaglobal.com/ofrlegalopinion.

The following disclosure is an extract from Old Mutual PLC 2006 Annual Report concerning the disclosure of forward-looking statements

" This annual report contains certain forward-looking statements with respect to Old Mutual plc's plans and its current goals and expectations relating to its future financial conditions, performance and results. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond Old Mutual plc's control, including, among other things, UK domestic and global economy and business conditions, market-related risks such as fluctuations in interest rates and exchange rates, policies and actions of regulatory authorities, impact of competition, inflation, deflation, the timing and impact of other uncertainties or of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and regulations in territories where Old Mutual plc or its affiliates operate.

As a result, Old Mutual plc's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Old Mutual plc's actual forward-looking statements. Old Mutual plc undertakes no obligation to upgrade any forward-looking statements contained in this Annual review or any other forward-looking statements that it may make."

Lawmakers, regulators, and standard setters should develop more effective deterrents to unwarranted litigation that discourages companies from disclosing forward-looking information.

The 1994, American Institute of Certified Public Accountants (AICPA) Special Committee on Financial Reporting - the Jenkins Committee's research shows that the litigation environment has had a dampening effect on the disclosure of forward-looking information. Moreover, because of that environment, the Committee was constrained to qualify its recommendation on enhanced disclosures of forward-looking information, holding it in abeyance until the threat of unwarranted litigation is reduced.

The follow-on recommendation here is that steps should be taken to reduce unwarranted litigation that makes disclosures of forward-looking information inordinately risky. The reduction must be sufficient to ameliorate the unreasonable threat of litigation costs incurred for competently prepared, good-faith disclosure of forward-looking information that serves the interests of users (Sundeed T, 2004).

Meritless litigation is certainly unwarranted. In the typical meritless suit, a drop in a company's stock price triggers a suit alleging fraudulently misleading disclosure, or lack of disclosure, and a favourite allegation is that predictive information was misleading, not having been borne out by events. The cost of defending those suits is very high — so high that exoneration can be more expensive than settling. In addition, the risk of losing the suits is always a possibility accompanying the defence costs, despite the suits' lack of merit. As a result, settlements can be sensible business decisions, and they are typical. The transfer of wealth from the settlements makes additional meritless suits more likely (Jean E, 2006).

All of this is well known. It has been discussed in congressional hearings, and the dampening effect of meritless suits on voluntary disclosure is common knowledge. Companies, well aware of the risks of meritless suits, have been reluctant to make forward-looking disclosures. This reaction is an understandable defensive measure to reduce litigation risk, but its consequence is to deprive users of information and inhibit the progress in business reporting that comes from

experience with voluntary disclosure. Users are concerned with the effect that meritless litigation is having on business reporting.

There are three sources of potential relief from the problem of meritless suits over forward-looking disclosures — lawmakers, regulators, and standard setters. Legislators and regulators can create more effective safe harbours and can adopt other measures that discourage unwarranted litigation – Exhibit 1 refers

Standard setters can reduce the threat of unwarranted litigation by developing provisions for forward-looking disclosures that enable companies to demonstrate compliance. The incidence of meritless suits over forward-looking disclosures should be dampened if companies can demonstrate that although results differed from forward-looking disclosures, the disclosures had been competently prepared in good faith in compliance with authoritatively established standards. If the issue was risks, specific risk types characteristic of particular industries could be identified for companies in each industry to disclose. Compliance would then be far more easily demonstrated than by following a blanket obligation applicable to all companies to disclose all material risks. The former approach to disclosure is far less open to accusations of inadequacy in light of subsequent events.

It is often argued that litigation over disclosure serves a valuable social function: It provides recompense to the defrauded, and the desire to avoid litigation promotes care by companies in the discharge of their accountability obligations and vigilance by auditors in examining financial statements. These arguments apply only to legitimate claims of fraudulent disclosure. They do not apply to meritless suits. In a meritless suit there are no defrauded victims, and there is no inadequate care by companies or by auditors. The only suits targeted by this recommendation are meritless suits. Measures can diminish them without weakening mechanisms to redress legitimate claims.

Whilst this may be a way forward there are potential problems with this option. In particular, it may be difficult to set clear and reasonable boundaries. Also, the detailed conditions drawn up to establish these boundaries may end up excluding many statements. If this is the case, a safe harbour would fail its purpose. Indeed,

it might have the opposite affect as statements falling outside the safe-harbour immediately become potential targets for litigation.

A report by the Association of Investment Trust Companies (AITC) revealed that the safe harbour rules led to market abuse of share buy-backs. Share buy-backs by investment companies are an extremely useful tool to tackle discounts and enhance shareholder value. A safe harbour was introduced which ensured that a share buy-back could not amount to market abuse provided the share buy-back was conducted under certain conditions. These conditions were narrowly drawn, with the result that they could not realistically be complied with by most investment companies. This led to concerns within the industry that the safe harbour actually increased the risk that buy-backs outside the safe harbour would be deemed to be market abuse. This case illustrates that safe harbours do not always give the reassurance they mean to and can have unintended consequences.

2.4.3 Supportability of forward-looking information.

Clearly, forward-looking information cannot, by its nature, be 100% supportable. But companies that attempt to rely on this as a reason for opting out of forward-looking reporting are missing the point. Forward-looking information is different from information found in historical financial statements because it is based on assumptions that might prove to be wrong (rather than being based on actual facts), there is no expectation that it should be 100% accurate. Obviously though, the fact that information has been disclosed in an annual report may raise an expectation of reliability in investors. Directors are therefore expected to scrutinize whatever evidence has been used to underpin this information and, where appropriate, to explain its source and the extent to which it is objectively supportable. The overall intention is for investors to assess this information themselves before deciding whether or not to rely on it. For them to do so effectively, it is important that they should have a clear understanding of how certain (or uncertain) it is (Black Sun, 2006).

2.4.4 What about profit forecasts?

KPIs have led many companies to believe – erroneously – that they will be expected to report profit forecasts. Given the level of concern this has caused amongst companies, it should be stressed that profit would not normally be expected to be a KPI (Rodgers J.L, 2005). Profit is often the overall objective towards which a company’s strategy is geared. KPIs are there to enable a company to monitor progress in implementing its strategies and managing the business towards the achievement of its overall objective. In other words, the business community’s overriding concern with forward-looking information – that they will expose directors to the rigorous policing of published prospective financial information (PFI) – is misplaced. Forward-looking information, properly presented, can be used to provide investors with a broad-based view of corporate performance – without having to disclose sensitive PFI. Non-financial drivers of performance can be used as lead indicators of future financial performance. Similarly, market trends and clearly presented strategic priorities will provide investors with valuable insights on which to base their investment decisions, and, of course, targets can also be important aspects of this information, communicating companies’ aspirations to the market – without straying into the realms of PFI.

Businesses that are well run on the basis of comprehensive and accurate information about all aspects of their operations have nothing to fear from forward-looking reporting. Indeed, they have much to gain. Provided management can adopt the right mindset – one of transparency, communicating financial and non-financial information as a way of increasing genuine market understanding of the business and its sources of value – they have an opportunity to secure competitive edge. If they take advantage of this opportunity, they will be able to improve the quality of management by making sure the information that really matters is available, aired and acted upon at board level. Also this will help stakeholders to differentiate good management from bad, skill from luck as well as simplify and clarify their corporate reporting, particularly where the presentation of

non-financial information is concerned; and start to move beyond the ‘earnings game’, where a company is only considered to be as good as its latest figures.

2.5 Key factors to consider on forward –looking reporting.

By considering the following seven factors in the annual report, directors will be providing investors with the forward-looking reporting.

2.5.1 Explain the resources available to your company that help to attain your objectives and how they are managed.

An explanation of your company’s principal resources, both tangible and intangible, employed in executing your strategies, is a key pillar to providing forward-looking information. Simply stating, for example, that “our employees are our greatest asset” without articulating how employees are vital to your future success provides little information of use to investors. Instead, an explanation of the resources currently available, how you expect them to develop going forward, as well as how they are managed and how success is measured using quantifiable data provides valuable insights into future prospects.

2.5.2 Describe the principal risks and uncertainties that may affect your company’s long-term value or prospects.

A description of your principal risks and uncertainties is an essential aspect of providing a forward-looking orientation. Providing a generic list of all the risks facing companies in your industry, that fails to reflect changing external environment, your company’s particular circumstances, or how the risks are managed, results in bland, ineffective reporting. Effective reporting of risk sets out how your company identifies its principal risks, what these risks are, whether the level of risk, or opportunity, is increasing or decreasing, and your approach to mitigating them.

2.5.3 Clarify the significant relationships with stakeholders that are likely to influence the performance of your company and its value.

The behaviour of your stakeholders, from regulators through to suppliers and customers, can have a considerable impact on your future prospects. Accordingly, explaining which stakeholders are significant to your company is an essential feature of effective forward-looking information. The explanation should include the nature of the relationship, the current profile of significant stakeholders and how these relationships are managed. Articulating, and quantifying where possible, any dependency on stakeholders and how well the relationship is being managed is also important.

2.5.4 Provide quantified data relating to trends and factors likely to affect your company's future prospects.

Analyzing current and future developments, performance and position of any company is impractical without the provision of relevant contextual information, including the quantification of appropriate trends and factors impacting the business. Whether these are, for example, demographics for an insurance company, buying habits for a consumer products company, or raw material costs for a manufacturing company, quantifying prospective trends provides investors with a better understanding of the environment your company operates in.

2.5.5 Communicate targets relating to key performance indicators (KPIs) used to manage your business.

A simple narrative description of the key resources, risks and relationships that are fundamental to the successful implementation of your strategies is not sufficient. It is only by providing the KPIs used by you in managing your business that investors will be able to assess the potential for your strategy to succeed. For each KPI, trend information should be provided, including information for at least the current and prior year, along with quantification and/or commentary on future targets.

2.5.6 Spell out any uncertainties underpinning forward-looking Information.

Forward-looking information cannot, by its nature, be 100% supportable. Where appropriate, you should explain the source of the information and any uncertainties, to allow investors to assess for themselves the extent to which they wish to rely on the information. Further, you might consider providing a statement of caution.

2.5.7 Demonstrate the linkage of other content areas within your forward-looking statements to your longer-term objectives and the strategies to achieve those objectives.

One of the objectives of forward-looking statements is to assist members to assess the strategies adopted and the potential for those strategies to succeed. Accordingly, it is essential you demonstrate and communicate how the external environment, and management of resources, risks and relationships, underpins the achievement of your objectives and strategies. These elements are related and should not be presented in isolation.

2.6 Skills needed in reporting forward-looking information.

The investment community wants company directors to take their eyes off the rearview mirror and look at the road ahead. It wants to be confident in their ability to assess where the cash will come from tomorrow and not merely where it went yesterday. The effect on management teams will be profound in terms of performance management as well as disclosure. Forward-looking finance isn't all about the annual report or investor briefings; it's also about the commercial abilities of directors and their executive management teams, and the skills and methods they need to adopt. From inside finance department, it's not easy to see where your company's cash comes from and even harder to know where it will come from in future.

To be forward- looking executive must answer the following questions (Seamus G, 2006):

- Why do our graphs wiggle up and down? What's driving the underlying growth trends and is our growth slowing down or accelerating?
- Where will results go if we continue exactly as we have done in the past?
- How will we improve on this baseline projection

These questions simple translate to three main tasks of forward looking namely optimisation, knowledge management and forecasting.

Knowledge management involves gathering and organising data that isn't stored in the company's financial accounting, enterprise resource planning and customer relationship management system. Knowledge Management caters to the critical issues of organizational adaptation, survival and competence in face of increasingly discontinuous environmental change. Essentially, it embodies organizational processes that seek synergistic combination of data and information processing capacity of information technologies, and the creative and innovative capacity of human beings (Malhotra,1998). For example looking at the graph showing slowing growth sales figures for a grocery product consumed in summer, it is crucial for the board to know whether this is a real slowdown or simple the effects of a cool summer, because the issue affects production capacity. But weather data isn't maintained on the company's systems. It has to be from the Meteorological office.

Knowledge management also involves discovering the laws of cause and effect that underlie the movements on say sales graphs. Econometric analysis is the main technique here. One of its key benefits is that it allows you to separate the effects of multiple factors into their components parts. For example, the effects of days time temperature, hours of the sunshine, advertising, promotions, price and distribution can be disentangled. Econometric analysis can be tested using several methods to ensure that it is robust. It can also be used to project into the future on the basis of past advertising, pricing and promotions.

The 'wicked environment' of the new world of business imposes the need for variety and complexity of interpretations of information outputs generated by computer systems. Such variety is necessary for deciphering the multiple world views of the uncertain and unpredictable future. As underscored by the strategy guru Gary Hamel at the recent Academy of Management meeting address, non-linear change imposes upon organizations the need for devising non-linear strategies. Such strategies cannot be 'predicted' based on a static picture of information residing in the company's databases. Rather, such strategies will depend upon developing interpretive flexibility by understanding multiple views of the future. In this perspective, the objective of business strategy is not to indulge in long-term planning of the future. Rather, the emphasis is on understanding the various world views of future using techniques such as scenario-planning. A similar process of strategic planning was pioneered by Arie de Geus, the strategy chief of the multinational Royal Dutch/Shell, as chronicled in his recent book *The Living Company* (<http://www.kmnetwork.com/>)

Forecasting is the second main task. All organizations use short-range forecasts of some kind, but most make do with rather primitive methods, if any, when it comes to long - range forecasting. Even short-range forecasts can be rather basic and they often don't take proper account of the factors that affect sales, while the longer-range trends in the data are seldom measured effectively. Using econometrics, the forecaster can tell much more confidently the degree of the slowdown in sales (and the effects of previous cool summers in giving the impression of a slowdown) and so make more robust investment plans in growth capacity.

Optimisation is the third main task. Investment allocation across yesterday's, today's and tomorrow's breadwinners is an emotional business and the resulting decisions are often far from optimal. Investments in managerial ego and pet projects are all too common. Everyone in the business loves yesterday's breadwinners: they are the "product that built the company" but they are kept in the market by price cuts and high-pressure selling. Today's breadwinners account for substantial sales volume, and often large net revenue contribution.

They may still have some growth to come, but only at the cost of massive marketing, sales and service resources, which may be better used elsewhere. Tomorrow's breadwinners are small, unprofitable today and in competition for resources with pet projects and investments in managerial ego.

Optimisation techniques bring logic and objectivity to an irrational and emotional task. Companies such as Samsung have been using them across their global markets to relocate resources and maximize future cash flows. After an optimization study in 2000, Samsung took budgets away from North America and allocated them to Europe and China. It also moved away from producing vacuum cleaners and air conditioners, focusing instead on DVD players and hi-tech televisions. The result was several consecutive years of growth and after-tax profits of 13 per cent, compared to Sony's two per cent.

Forward-looking finance requires change and below is a simple framework to help one consider the types of change that is suitable (CIMA, Financial Management Magazine, July/August 2007, Page 29):

Adopt. Adopting new techniques means recruiting the necessary supply of fresh talent. There are two extreme approaches: the "agricultural" method, which involves acquiring seed material and nurturing it in a supportive environment while weeding out those that don't take. Then there's the so-called purchasing approach, which involves headhunting ready-made talent. Both approaches pose challenges. Head-hunters do not have a big supply of experienced econometricians, forecasters and optimization specialists from which to choose, while it typically takes five years or more for home-grown recruits to become effective at these techniques. "Wanted: commercially astute executive" is becoming an increasingly common type of job advert, as firms compete to trawl a limited pool of talent. Econometricians tend to flock to the Square Mile where salaries are high, but non-City firms are now willing to pay top rates for such individuals. Graham Ross, who was until recently managing director of Direct Line, is an econometrician and so is Karen Guerra, president of Colgate Palmolive

in France. A cheaper and more effective hybrid approach would be to recruit talent internally and then bring consultants to help accelerate their development.

Improve. It's important to ensure that talented people stay motivated and work effectively with others. Many factors can affect their motivation, but one that stands out is the attitude of their colleagues. Existing managers can do enormous harm if they trivialize the newcomers' skills, so it's important to keep a watchful eye on the "old guard" and to update their skills as well. Mentoring and coaching can be used to help the new talent stay motivated. The standard criteria for career advancement should be changed to reflect the organisation's new forward-looking ethos and the HR department should make sure via the appraisal and review process that existing managers are using their new skills.

Keep. Retaining the organisation's existing commercially astute talent is essential. Retention problems tend to arise at two points. The first is following induction, early training and one or two assignments, when the individual has acquired greater value on the open market and will be looking to exploit this. The second is after they have risen to a more senior level, when they become targets for head-hunters.

Avoid. Two fashions that are recommended to avoid are the balanced scorecard and the Beyond Budgeting movement. The thesis of Beyond Budgeting is that budgeting is backward-looking and should, therefore, be abandoned. But the evidence for this conclusion is weak. Keeping the budgeting process is a viable alternative as long as movements are made to make it forward-looking. This means that budgeting must adopt the methods of econometrics, forecasting models and optimization within its remit; they are not merely sideshows. The balanced scorecard also claims to overcome the limitations of traditional budgeting, but many organizations have adopted and then abandoned the method. One of many reasons for this has been that non-financial indicators such as customer satisfaction and brand preference turn out to be lag indicators, contrary to the claims of the scorecard's creators. Noise in data makes the scorecard unreliable, particularly when small market research samples are used,

2.7 Conclusion

There are more and more regulatory boxes to tick. In the effort to cover them all, key messages can be lost. The result: a mass of information, but no clear narrative thread. Some companies follow the same structure every year. Others look at what peers are doing, and follow suit. But these are off-the-shelf approaches; are they really the best way of addressing the issues a company needs to explain to investors today? Companies should take a step back from their reports and think about what they need to communicate – and what investors want to know. People's retention of what they read can be alarmingly limited. But they'll absorb and remember much more if it fits into a compelling story... if facts and opinions are linked together by a rational structure...and if the investment case and strategy are presented step-by-step so that the logic is inescapable. They're also more likely to be convinced. Investors want some form of narrative sequence with a beginning, a middle and an end. Clear linkages from markets to strategy to key performance indicators to future goals. An integrated structure.

With the reporting failures at Enron and WorldCom in 2002, there was a loud cry world-over on corporate reporting ability to give investors enough information for them to decipher the entities' future cash generating ability. Before investors can start modelling the future, they need to understand how value has been created in the past. History matters, because it allows users to gain a clearer understanding of how an entity generates returns, thereby providing investors with a tool for assessing what future returns may be. However, traditional financial statements fall short of explaining the value generated for shareholders given the company's asset base, risk profile and required returns. By having sufficient information to understand the quality and sustainability of future cash flows and assess whether the return generated on the capital invested exceeds the estimated WACC, investors can begin to form a view on whether value is being created or destroyed. *As investors model the future they typically have insufficient forward-looking contextual and non-financial information to underpin their cash flow projections.* Traditional reporting focuses on past financial performance – which,

as every investor knows, is not the only guide to future returns. What's needed is more information on a company's expectations of future performance, and what will drive it. But, understandably, management are reluctant to make forward-looking statements. They also want to avoid giving sensitive information to competitors and they fear litigation prompted by forward looking statements that turn out to be inaccurate. But in briefings with the investment community they're more forthcoming. They have to be – their investment story depends on painting a convincing picture of the way the company's markets and performance could develop. Rear-view mirror is not the only instrument for judging a company's future potential. What investors want is a medium-term picture made up of explanation of market trends and prospects, explanation of long-term objectives, understanding of short-term strategic priorities to deliver on the objectives, key performance indicators used to measure strategic success, complete with targets, the principal risks and uncertainties that may impact long-term prospects and understanding of how previous views on market trends and prospects compared with reality.

Managers identify critical measures that will help them track company performance and strategic progress. But they rarely share these with investors. Yet these key performance indicators (KPIs) really help deepen investors' understanding of progress and movement in the business. Without them, external perceptions of performance may be at odds with management's own view. Traditional metrics taken from the financial statements are not enough, as they tend to be output driven and historically focused. It takes both financial and non-financial KPIs (the latter tend to be lead indicators of future performance) to give a clear picture of strategic progress. A clear link should be made between strategic priorities and KPIs, and they should all be published together. Too often, KPIs bear no relevance to stated strategies or highly relevant KPIs are published separately. Investors want explanation of what the KPIs are – preferably all in one place – and how they relate to the strategy, a combination of financial and non-financial KPIs, an explanation of the definition and source of each KPI, measurement of performance over time, targets for future performance. What is the case with Zimbabwean listed companies?

This study seeks to assess the application of good forward-looking reporting practices as discussed in the preceding chapters against disclosures by Zimbabwe listed companies in their published annual reports.

CHAPTER 3: RESEARCH METHODOLOGY

The research takes on the form of a descriptive study. The research proposition is defined as - How did Zimbabwean listed companies disclose forward-looking reporting principles, as set out in the preceding discussion.

The study focuses on the disclosures done by a sample of organisations listed on the Zimbabwe stock exchange and selected from their 2006 published annual financial reports. The sample size, selected from the Zimbabwe Quoted Companies Survey 2006, consists of top 10 companies ranked according to asset quality, corporate governance, management integrity, investor relations and entrepreneurial flair. The sample size was deemed adequate to provide statistical evidence that the listed companies may or may not have adopted future-looking information and if they have, how effective it is for decision making purposes.

3.1 Score-card Development

The methodology employed here broadly follows the “score-card” disclosure parameters established by Coy and Dixon, 2004 (*Coy, D, and Dixon, K (2004). “The public accountability index: crafting a parametric disclosure index for annual reports”, The British Accounting Review 36, 79–106*). Their process was inductive and iterative. The Reporting Standard was reduced to a list of headlines (the “framework”) against which companies could, and should where relevant and substantive, report progress to date and future prospects. Their list was then discussed with the ASB until they were satisfied it was an accurate representation. The researchers then secured interviews with 11 FTSE100 company secretaries to discuss the accuracy of the framework whether it would work for their situations and how valuable such a framework would be.

The framework was also critiqued, with valuable suggestions arising, by both marketing organisations, the Chartered Institute of Management Accountants and a few senior experts who were asked to endorse the framework. The resultant framework, now called a “Score-card”, was universally seen as relevant and

useful with only very minor matters left outstanding such as the inclusiveness of some lines. It is impossible to include everything.

The score-card was reduced to 24 measurable items under three headings: (a) context, nature, objectives and strategies, (b) drivers of development and performance, and (c) financial position, analysis and explanations.

In this case the score-card (**Table B**), adapted from Coy and Dixon's report was compiled from recommendations made by PWC on the Guide to Forward-Looking Information and other organisations. The three headings from "the score-card" were retained namely: a) context, nature, objectives and strategies, (b) drivers of development and performance, and (c) financial position, analysis and explanations. Additional disclosure parameters were developed based on the literature review.

These three sections, each of which should present the company's business as seen through the eyes of the directors are discussed below;

The first, **Context, Nature, Objectives and Strategies**, includes items that will give investors greater insight into the company's overall strategy and management direction within the environment in which the company operates. How will the company generate, or at least preserve, value over the longer term? The nature of the business should determine the appropriate time horizon. The key performance indicators, or metrics, regularly used in combination by the board are sometimes called the 'dashboard', and are employed both to assess performance to date and provide future direction. This section should also discuss the changes in the context within which the company operates.

The **Drivers of Development and Performance** section specifically considers customers, as the primary sources of cash flow, competitors and internal resources, notably employees and intangible assets such as brand equity or reputation. Terminology differs by sector but these considerations apply in all companies whether direct to consumer or business-to-business. Where the firm deals directly with the final consumers, e.g. retailers, the line addressing channels, or intermediate customers, will not be relevant. Key employee aspects include

their size (numbers), capabilities and engagement. For example, satisfaction metrics can be as important in respect to employees as to customers. Other potential metrics include “recruitment and retention; training and development; morale/motivation and workforce performance and profile – employee productivity, revenue/profit per employee, diversity and number of professionally qualified employees.” Tangible assets include licenses, patents, copyright and trademarks. Corporate reputation or brand equity is sometimes valued financially. Changes in facilities, subsidiaries, markets served and distribution methods will not apply to all companies. Similarly, relationships with other shareholders not included above, e.g. suppliers or local communities, may not be material for the assessment of performance of all companies.

The final section, **Financial Position** amplifies and explains, to the extent necessary, the accounts and notes to the accounts. Broad capital structure and treasury policies should be outlined, especially where material changes have taken place or are envisaged. (ASB RS1, p.68-69, also suggests particular measures for these headings)

The quantitative aspect of the score-card is appropriate, as it enables recording of the facts as well as aid in comparison. The qualitative aspect is also appropriate given that the researcher was seeking to understand the reasons why certain aspects of forward-looking information are not being implemented and to understand the effectiveness of current forward-looking information in the organization. It assisted in understanding whether stated forward-looking information practices are actually being implemented. Forward-looking information may not be fully understood and a qualitative approach allows room for description and explanation of the concepts.

3.2 Disclosure Evaluation Criteria of the Score-card

The disclosure evaluation criteria or the scoring system used against each disclosure parameter as per the score-card takes the form of a “Likert scale” (Table B) as depicted thus;

Table B: Disclosure evaluation criteria

0.	No disclosure at all.
1.	Almost no information. A few facts can be implied.
2.	Some information is provided, but insufficient to understand the position and performance of the company in this dimension.
3.	Average disclosure. The minimum information required to understand where the company stands is provided.
4.	Above average disclosure. Information is rich and detailed and contains key insights.
5.	Excellent disclosure. Detailed descriptions with thorough and clear explanations of underlying trends and positions, allowing

Source: Tim Ambler and Andy Neely, Assessing The Quality Of Directors' Reviews In UK Annual Reports, London Business School and Cranfield School of Management, 2005.

The 5 point Likert scale was chosen because this research is mainly about assessing a practice and expressing an opinion. The 5 point Likert scale was chosen since research has shown that increasing the scales beyond 5 does not result in any improvements in the quality of data (Coy, D and Dixon, K 2004).

A set of statements describing the key dimensions to be measured were composed (See Appendix 1) and an assessment of a practice and expression of an opinion on a practice was made by inspection of each company's annual report as at and for the period ending within the financial year 2006. The statements included factual information stating whether a particular procedure or structure is in place and an assessment of procedures and expression of opinion on effect. Typically the scored-card instructs the researcher to select one of the five responses ranging from 'no disclosure' scale to excellent disclosure' scale with 'average disclosure' as the mid point. The specific scores to the statements under each key dimension or attribute being measured were summed or combined to determine the opinion of the companies' disclosure of forward-looking information variables.

The dichotomous response strategy followed was modified to present data in the form of assigning 0,1,2,3,4 and 5 values to observations, in order to enable statistical testing of the observations. From the above discussion, it is apparent that the design of the measurement instrument will result in the appropriate data necessary for proper statistical analysis. The results of the statistical tests were used to make conclusions and recommendations for this study.

3.3 Information Required

The published annual reports for the 2006 financial year ends were needed for the sample selected for this study. A score-card designed for forward-looking information was applied by inspection of the annual reports and the results were tested for forward-looking disclosure per sampled company and interpreted for the whole population. The results of the score-card will identified areas of concern and from these corrective recommendations were made.

3.4. Sampling

Wegner (1999:170) defines sampling as “...the process of selecting a representative subset of observations from a population to determine the characteristics of the random variable under study.” Given the population sizes, the researcher had to use samples from which he drew conclusions about the population.

3.4.1. Sampling Methods

There are two broad categories of sampling methods namely:

Non-probability sampling methods and probability sampling methods (Yin R.K 2003) namely;

Non-probability Sampling Methods are methods where samples are selected using other criteria and not randomness. Non-probability sampling is often used in situations where constraints exist that make it difficult or impossible for the

researcher to resort to random sampling. These constraints include financial and time constraints.

The three types of non-probability sampling procedures are convenience sampling, judgement sampling and quota sampling.

A convenience sample is one that is drawn to suit the researcher's convenience. For instance, the researcher may limit himself to interviewing respondents within a particular geographical area because of the financial costs that would be incurred if he incorporated respondents within a larger territory. There could also be time limitations influencing the decision to focus on a smaller territory.

In the case of a judgement sample, the researcher uses his judgement to decide on the best sampling units to include in his study. The researcher may be of the opinion that not all sampling units are ideal for inclusion in the study.

When using quota sampling, the researcher divides the population in question into segments and then collects a quota of observations from each sample.

The major disadvantage of non-probability sampling is that the sample is likely to be unrepresentative of the population from which it is drawn. Sections of the population may have been omitted during the selection process and the results may therefore be biased. Nevertheless, non-probability samples are useful in research and can provide insight and knowledge of the characteristics of a random variable. Such research is also often used as a foundation for further research.

Probability Sampling Methods select sample units on a purely random basis from the population. Due to the random selection of units, the sampling error can be measured to establish the representative nature of the sample under study.

There are several methods of random sampling namely: simple random sampling, systematic random sampling, stratified random sampling and cluster random sampling.

3.4.2. Sampling Methodology Used By Researcher.

The researcher will use judgement sampling in his research. There are about 90 companies listed on the ZSE. It is therefore beyond the researcher's capacity to conduct an analysis covering the majority of the companies. The researcher therefore restricted himself to top 10 companies on the Zimbabwe Independent, Zimbabwe Quoted Companies Survey 2006 ranking according to asset quality, corporate governance, management integrity, investor relations and entrepreneurial flair

3.5. Data Analysis and Presentation.

A spreadsheet (Excel) was used to generate graphs showing the various categories of data collected and the relevant frequencies. Statistical analysis was initially done for observations/scores from each company. Pivot tables that collated the score of all sampled companies were also generated and Statistical information read off these tables was used to draw conclusions and recommendations. Data was also presented in graphical form.

3.6 Research Limitations

The research limitations were caused primarily by resource constraints, particularly time and financial resources. These are presented below:

- (i) Sampling: Ideally the researcher would have selected a random sample taken from all listed companies in Zimbabwe. The sample would then have been more representative of the listed companies in Zimbabwe
- (ii) The sample derived would of necessity have been larger than was used in the research. The time and financial requirements were beyond the capacity of the researcher.

- (iii) A limitation arising from the sampling problem mentioned above is the level of statistical analysis possible when a researcher uses a convenience sample. It is not possible to statistically determine the sampling error. For example, the researcher can't use the t distribution as I did not have a random sample. Inferences made about the population are therefore not as firm as in the case of research based on random sampling.
- (iv) The population for the analysis comprised 10 companies. Ideally the researcher would have analysed more companies from the ZSE.

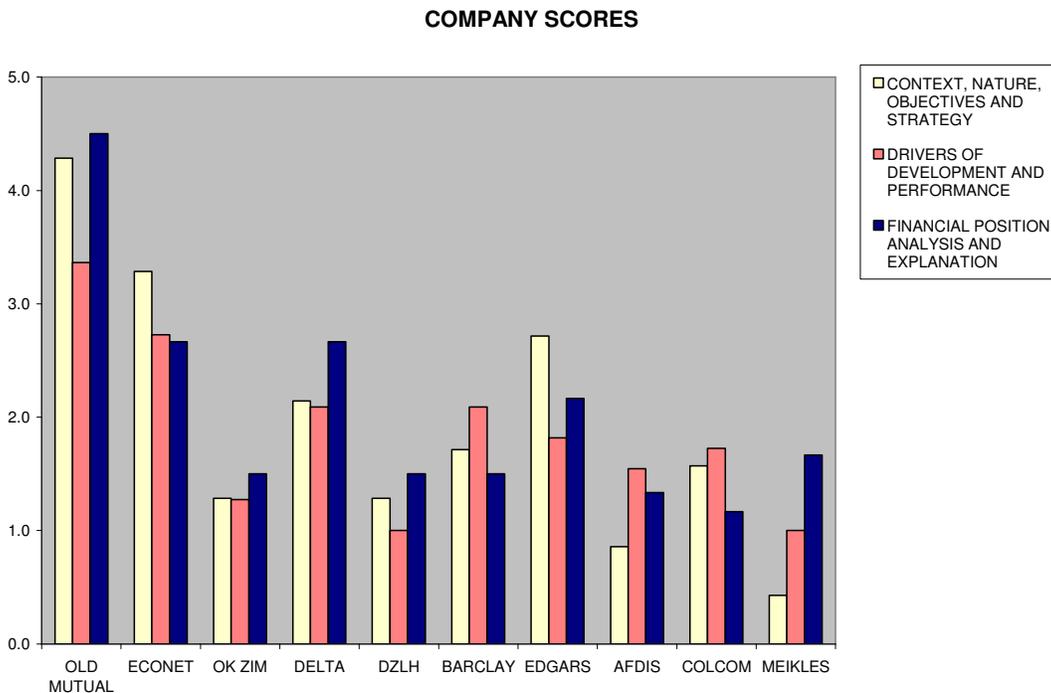
CHAPTER 4: RESEARCH FINDINGS

The inspection of the annual report for each company was done and the extracts were also recorded. These are shown in Appendices 2 to 12. The summary of the extracts were scored against the measurement tool i.e. the score card developed and the results are also contained in Appendices 2 to 12. A summary of the results for all companies was compiled and tabled in Appendix 1

4.1. Analysis of results

Fig. 2 below shows company scores against three major parameters in forward-looking reporting.

Fig 2



The results show that 6 out of 10 companies scored highly on the “financial position and explanations”. This can be explained by the fact that most captions within this measurement line item are covered under the International Financial Reporting Standards (IFRSs) disclosure requirements of which all Zimbabwean listed companies are required to comply with.

Old Mutual has the highest scores in all categories followed by Econet Wireless.

Fig 3

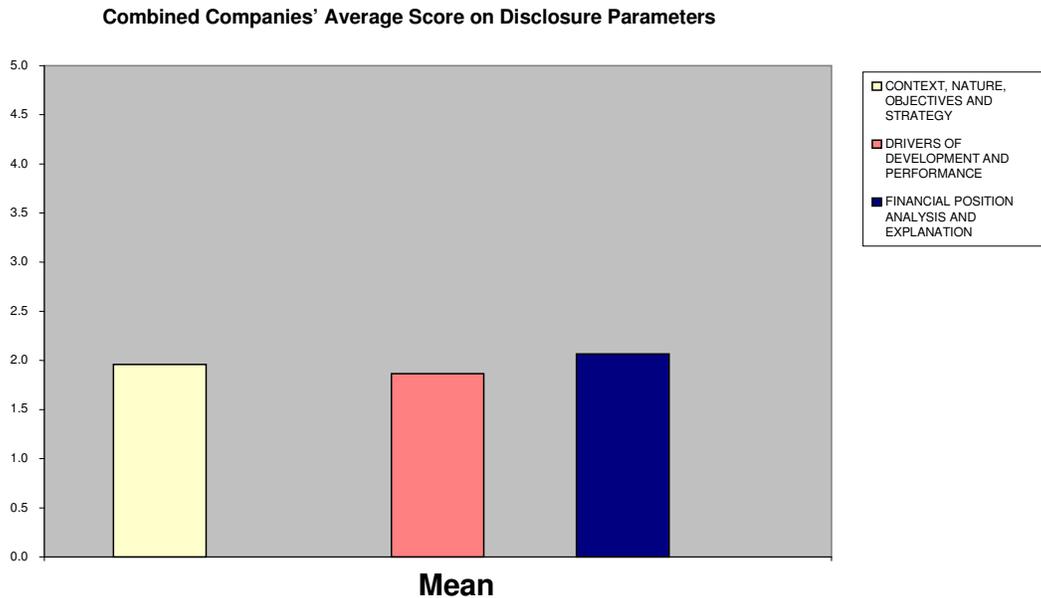
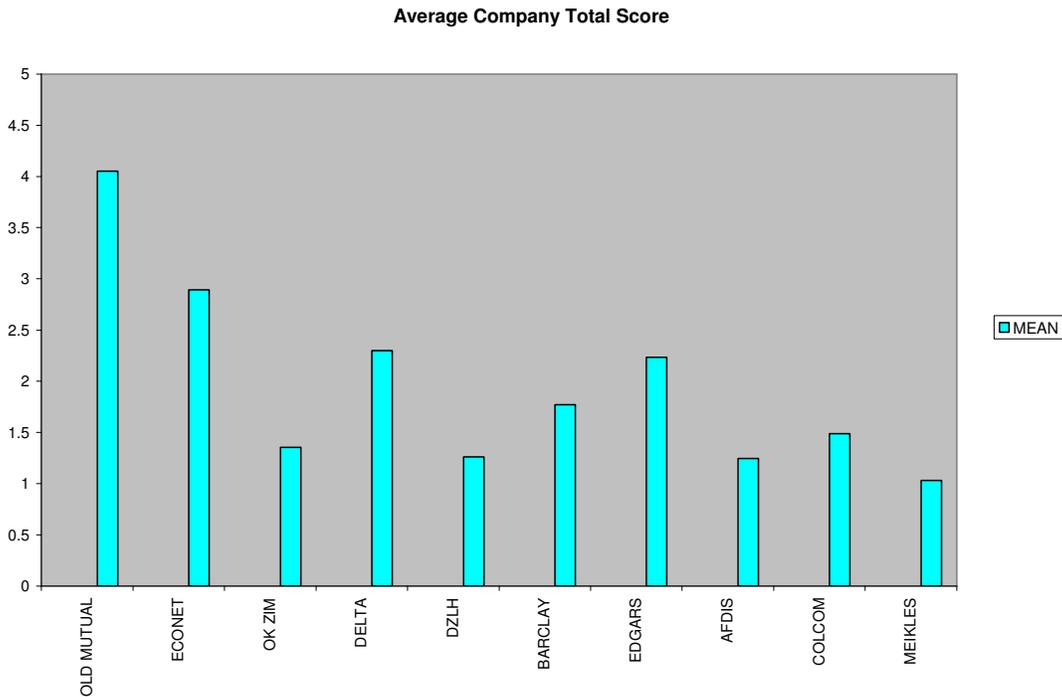


Fig. 3 above show that the level of disclosure in all categories for all companies combined is more or less the same. What is more important to note here is that forward-looking reporting in all measurement parameters is below average – (i.e. Average disclosure means that minimum information required to understand where the company stands is provided). The graph shows a score of 2 which means that the companies' disclosed some forward-looking information, but insufficient to understand the position and performance of the company.

In fact the scores were boosted by Old Mutual which has multiple listings chief amongst them being the London Stock Exchange where companies have gone a long way in reporting forward-looking information. Had it not been for Old Mutual the score would have been way below level 2 and almost approaching level 1 meaning that the companies disclosed almost no information but few facts can be implied.

Fig. 4



The graph –**Fig 4** above shows an overall average score for each company. Given the levels of disclosure reflected by the Zimbabwean companies except for Old Mutual it can be assumed that the companies level of understanding of forward-looking information is very low if any. Some of the forward-looking statements made by management could just have been by coincidence rather than by design. This is particularly so given the fact that, except for Old Mutual, no disclaimer of any kind or statement made by the respective companies with reference to their policy on reported forward-looking statements.

4.2. Conclusion.

We find that all Zimbabwean company, except one, in our sample disclosed below average forward-looking information measured against the measurement tool i.e. the score card shown in Appendix 1.

Managers have incentives to disclose forward-looking information to investors to assist them in their decision making about investors' portfolios. However, in Zimbabwe, where the earnings of a firm are volatile due to hyperinflation and the

regulatory environment, there is less certainty about future earnings, as management is less able to rely on historical data to predict the likely outcome of the next period's earnings related performance. In this case, managers appear to be motivated by reputation concerns and are less likely to disclose forward-looking information. However, the researcher is doubtful whether management are aware of the obligation to disclose such critical information to users as is evidence by lack of forward-looking information in the annual reports inspected. Yes, Zimbabwe is not a litigious country in as far as corporate reporting is concerned but all the same companies should let the users be aware of the uncertainty of forward-looking information. Dual-listed companies, possibly because of relatively stable earnings and their affiliation with first world reporting, are also more likely to provide forward-looking disclosures in their annual reports this is evident in that Old Mutual scored the highest with an average rating above 4 meaning that the company reported above average disclosure compared to other companies that scored below average marks on forward-looking disclosure.

There are two main limitations with this study. First, the study only focuses on disclosures in annual reports, however disclosures via other reporting channels may not exhibit the same characteristics. For example, prior research has indicated that companies with bad news tend to disclose that information earlier through interim reports (Skinner, 1994). Therefore, annual reports could omit information that would be redundant, having already been disclosed through more timely information channels such as interim reports, half yearly reports and cautionary disclosure requirements by the Zimbabwean Stock Exchange.

Secondly, and as always, the measurement methodologies are potentially subject to error. For example, the disclosure statements were extracted at the discretion of the researcher in the process of distinguishing disclosing and non-disclosing companies and in designing the document for the construction of the disclosure index. Needless to mention, the scoring system is highly subjective and could yield different results if done by another researcher.

CHAPTER 5: SUMMARY, RECOMMENDATIONS AND CONCLUSION.

This study examines the disclosure of forward-looking information in annual reports of companies listed on the Zimbabwe Stock Exchange (ZSE). It aims to determine whether Zimbabwean companies disclose forward-looking information in their annual reports and if they do to what extent is the information helpful to users of the annual reports for decision making purposes.

The disclosure of forward-looking information by the Zimbabwean firms has significant benefits which are; (a) to prepare Zimbabwe for international convergence: by shaping Zimbabwe's reporting regimes so that they are ready for the emerging model of international standards and to play a leadership role in encouraging such convergence, so that any short-term threats of competitive disadvantage to Zimbabwean companies is quickly removed and indeed converted into a long term advantage, (b) to improve company decision-making and risk management. Experience shows that the process of reporting on the drivers of long-term value and risk which are most relevant to their particular company focuses the minds of senior management, and thus helps them manage actively these factors and so improve their decision-making, (c) Improve investor decision-making and so foster long term value creation by enabling investors to compare the prospects and performance of companies more accurately. This improves the financial system's focus on long-term value creation and the allocation of capital, bringing benefits for the entire economy and those who have an exposure to it (d) Improve stakeholder communication and trust without compromising the accountability of companies to shareholders, forward-looking reporting is fully aligned with the "enlightened shareholder value" approach and goes a long way to enabling employees, the community, regulators and all stakeholders to assess better the performance of companies on critical environmental, social and governance issues and to understand their "values in action", (e) Encourage a shift from compliance to judgment: recognizing that each company is different, there is a clear need for an overall framework which offers companies the flexibility to exercise their judgment and think less in terms of an external standard for reporting, but rather to be aware of, and focus in a practical

way on, the real health of their business (f) improve the quality and range of information reported on: encouraging corporate managers to consider the totality of variables that influence corporate performance (including extra-financial factors) encourages greater use of judgment by capital markets in evaluating and comparing the prospects and performance of companies beyond traditional financial analysis. Similarly, an increase in the disclosure level of firms has also some benefits for the firms. Firms can decrease their cost of capital by informing market about their future operations.

This study is especially significant to the institutional investors seeking for profitable and secure investment opportunities. In this study, the level of forward looking information disclosed in the annual reports of the firms is examined in three broad categories. a) context, nature, objectives and strategies, (b) drivers of development and performance, and (c) financial position, analysis and explanations. Since the annual reports represent the main source of voluntary disclosures of the forward-looking information, the investigation uses a score card based on an analysis of the statements made by management in annual reports for the 2006 financial year.

The results and analysis show that the disclosure of forward-looking information by Zimbabwe listed companies is below average meaning that some information is provided, but insufficient to understand the position and performance of the company. 80% of the companies studied reflect even worse disclosure than the combined outcome meaning that there is almost no information maybe a few facts can be implied.

It is important that general statements made on forward-looking information be improved significantly to disclose information which is rich and detailed and contains key insights and detailed descriptions with thorough and clear explanations of underlying trends and positions.

The study shows that Zimbabwean companies have a long way to go. Based on the information gleaned from the study it appears management are not crystal

clear about the importance of forward-looking information to the user of the financial statements and also they don't seem concerned about the risk element associated with disclosure of such information. This is evident from the fact that 90% or 9 out of 10 of the companies studied did not put any disclaimer with regards to forward looking information disclosure. It is also quite clear that dual-listed companies disclosed more than average forward looking-information.

It appears quite evident from the results that management are not under pressure to disclose forward looking information due to laxity of Zimbabwean investors in demanding such information. Most international investors have pulled out of Zimbabwe or have written off their investments in Zimbabwe thus pressure from international investors is subdued.

Hyperinflation and the ever changing regulatory environment in Zimbabwe has rendered predictions highly unreliable. However litigation in Zimbabwe is very low and should encourage more disclosure.

The skills gap for forward-looking finance is very wide and growing due to high brain drain to developed countries. It is important that companies focus on training especially in econometrics both in-house and sponsor training through secondments to more developed countries in order to bridge the forward-looking finance reporting gap.

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APPENDIX 1: SUMMARY OF COMPANY SCORES

FORWARD-LOOKING INFORMATION SCORE CARD		COMPANY SCORES									
		OLD MUTUAL PLC	ECONET WIRELESS HOLDINGS	OK ZIMBABWE LIMITED	DELTA CORPORATION	DZI HOKDINGS LIMITED	BARCLAY ZIMBABWE	EDGARS STORES LIMITED	AFRICA DISTILLERS	CLOCOM FOODS LIMITED	MEIKILES AFRICA LIMITED
1.	CONTEXT, NATURE, OBJECTIVES AND STRATEGY	4.3	3.3	1.3	2.1	1.3	1.7	2.7	0.9	1.6	0.4
1.1.0	Markets served, e.g. current size and future prospects	4	4	0	0	1	0	1	0	1	0
1.1.2	Competitive position in markets served, e.g. market ranking or position	3	2	0	0	0	0	4	0	0	0
1.1.3	External factors likely to impact future prospects e.g. Political, Economic, Social, Technological, Environment and Legal (PESTEL)	4	4	3	4	4	3	2	2	2	1
1.1.4	Corporate objective: Financial and non-financial, qualitative and quantitative goals	5	3	3	3	2	2	2	0	1	0
1.1.5	Economic or business model: how the business adds value, sources and usage of cashflow	5	3	3	2	0	1	4	1	2	0
1.1.6	Strategic expansion/contraction , e.g. diversifying or changing geographic markets served, product categories or customer types	4	3	0	2	0	2	3	2	2	2
1.1.7	KPIs/metrics most used by the board to assess progress/performance : both financial and non-financial	5	4	0	4	1	4	3	1	3	0
2.	DRIVERS OF										

FORWARD-LOOKING INFORMATION SCORE CARD		COMPANY SCORES									
		OLD MUTUAL PLC	ECONET WIRELESS HOLDINGS	OK ZIMBABWE LIMITED	DELTA CORPORATION	DZIHOKDINGS LIMITED	BARCLAY ZIMBABWE	EDGARS STORES LIMITED	AFRICA DISTILLERS	CLOCOM FOODS LIMITED	MEIKLES AFRICA LIMITED
	DEVELOPMENT AND PERFORMANCE	3.4	2.7	1.3	2.1	1.0	2.1	1.8	1.5	1.7	1.0
2.1.0	Sources of cashflows, e.g. profile of customers, number of end users/customers, loyalty, churn, penetration, share of wallet	4	4	0	0	0	3	3	0	0	0
2.2.1	End-user consumer attitudes, e.g. satisfaction, perceived quality, intention to purchase	2	0	0	0	0	1	4	2	4	0
2.2.3	Trade or channel relations (where applicable) e.g. services levels, distribution, display, trade customer satisfaction.	3	2	0	2	0	2	0	0	2	0
2.2.4	Facilities, subsidiaries, markets served and distribution methods: key changes with impact on cashflows.	3	3	3	3	1	3	3	3	3	2
2.2.5	Competitive effects and performance relative to competitors e.g. market share relative pricing	0	2	0	0	0	0	0	0	0	1
2.2.6	Drivers likely to improve future prospects, e.g. marketing expenditure, sales force changes	5	4	0	3	3	3	0	1	1	3
2.2.7	Drivers likely to reduce future prospects, e.g. costs, impacts of regulations	3	4	3	2	1	1	4	2	2	1
2.2.8	Innovation, e.g. number of new products, new products revenue and	4	4	3	3	3	2	3	4	1	0

FORWARD-LOOKING INFORMATION SCORE CARD		COMPANY SCORES									
		OLD MUTUAL PLC	ECONET WIRELESS HOLDINGS	OK ZIMBABWE LIMITED	DELTA CORPORATION	DZIHOKDINGS LIMITED	BARCLAY ZIMBABWE	EDGARS STORES LIMITED	AFRICA DISTILLERS	CLOCOM FOODS LIMITED	MEKILES AFRICA LIMITED
	margin as share of total, R&D investments										
2.2.9	Key strength and resources, e.g. reputation, brand quality, intellectual property, employees, capabilities	5	2	1	3	0	0	0	2	3	1
2.3.0	Principal risk and uncertainties, e.g. how key internal and external risks are being addressed	5	3	4	4	3	4	3	3	3	3
2.3.1	Relationship with other stakeholders: which ones are most important, why, implications, risks for cash flow.	3	2	0	3	0	1	0	0	0	0
3.	FINANCIAL POSITION ANALYSIS AND EXPLANATION	4.5	2.7	1.5	2.7	1.5	1.5	2.2	1.3	1.2	1.7
3.1.0	Accounting policies, e.g. those necessary to understand the performance and financial position, changes	5	4	3	3	3	3	3	3	3	3
3.1.1	Capital structure: nature rational, short term or long term plans	4	0	0	0	0	0	0	0	0	2
3.3.2	Treasury policies: analysis and explanation of cash-related matters	5	3	0	5	0	0	1	0	0	0
3.3.3	Cashflows, e.g. probable cash requirements, where segmental cash requirements are out of line with profits	5	0	0	0	0	0	3	0	0	0
3.3.4	Liquidity, e.g. working capital, current assets, current and	3	4	3	4	3	3	3	2	1	2

FORWARD-LOOKING INFORMATION SCORE CARD			COMPANY SCORES									
			OLD MUTUAL PLC	ECONET WIRELESS HOLDINGS	OK ZIMBABWE LIMITED	DELTA CORPORATION	DZIHOKDINGS LIMITED	BARCLAY ZIMBABWE	EDGARS STORES LIMITED	AFRICA DISTILLERS	CLOCOM FOODS LIMITED	MEKILES AFRICA LIMITED
		prospective borrowing requirements										
3.3.5		Profitability, e.g. sales volume, turnover, gross margins profit ratios	5	5	3	4	3	3	3	3	3	3
MEAN			4.0	2.9	1.4	2.3	1.3	1.8	2.2	1.2	1.5	1.0

Scoring Criteria

0	No disclosure at all.
1	Almost no information. A few facts can be implied.
2	Some information is provided, but insufficient to understand the position and performance of the company in this dimension.
3	Average disclosure. The minimum information required to understand where the company stands is provided.
4	Above average disclosure. Information is rich and detailed and contains key information.
5	Excellent disclosure. Detailed description with thorough and clear explanations of underlying trends and positions, allowing

APPENDIX 2: OLD MUTUAL PLC

FORWARD-LOOKING INFORMATION EXTRACTS. FINANCIAL YEAR DECEMBER 2006

Old Mutual plc is an international financial services group, whose activities are focused on asset gathering and asset management

CONTEXT, NATURE, OBJECTIVES AND STRATEGY	Score
<p>1. Markets saved, e.g. current size and future prospects.</p> <p>“...60% of ...sales ...came from Europe and over three quarters of our funds under management are now located in USA and Europe”</p> <p>“The split of the Group by adjusted IFRS earnings (after tax and minority interests, excluding corporate) is now broadly 58% South Africa, 20% USA, 20% Europe, and 2% Asia Pacific and elsewhere, reflecting the greater diversification of our earnings as a result of the Skandia acquisition”.</p> <p>“The breadth of this business (Old Mutual South Africa OMSA)), incorporating life, health and disability assurance, and investment and asset management in the retail, corporate and institutional markets positions us well to extract value from our large number of well established client relationships in both the retail and institutional sectors. Through the productive and growing tied distribution force in the high, middle and low income markets, as well as our relationships with independent brokers, the business is well positioned for future growth”.</p>	<p>4</p>

2.	<p>Competitive position in markets served, e.g. market ranking or position.</p> <p>“OMAM (SA) continued to deliver strong investment performance over the medium term, maintaining its ranking of third out of the eleven institutional asset managers in the Alexander Forbes South African Global Manager Watch (Large) Survey over the three years to 31 December 2006’</p>	3
3.	<p>External factors likely to impact future prospects e.g. Political, Economic, Social, Technological, Environment and Legal (PESTEL).</p> <p>“Unfavourable currency movements, particularly in the Rand's and US Dollar's exchange rates to Sterling, reduced our IFRS earnings per share (EPS) by around 1.2p year-on-year”.</p> <p>“The outlook for savings and wealth management in South Africa remains positive, with the following points as key contributors:</p> <ul style="list-style-type: none"> • Strong fiscal and monetary policy, which is supporting economic growth and the creation of jobs • Growing black middle class and affluent markets off the back of a growing economy and Black Economic Empowerment efforts • Strong policy positions from government to improve household savings and retirement provisioning • Strong equity markets, which have benefited from increased global demand for resources that South Africa produces. 	4

	<p>OMSA is well positioned in such an environment given its distribution strength, broad product range and strong capital position. In particular our Group Schemes business has a very strong market leadership position and is expected to continue to benefit from the demographic and wealth changes taking place in South Africa”.</p> <p>“The overall economic environment for banks remains positive despite the 200 basis points rise in interest rates during 2006. While the endowment effect of this increase has improved the group's interest margin, the resultant increased level of credit stress in parts of the retail environment is starting to affect impairments. Advances growth remains robust, although it is anticipated that retail advances growth will slow as a result of the higher interest rate environment.</p> <p>The industry faces ongoing pressure on fees, both through increased consumerism and the Competition Commission's inquiry into bank fees. Nedbank continues to be one of the most affordable of the big four banks for entry-level banking products and supports the Competition Commission's inquiry. The bank reduced its retail transactional fees by an average of over 13% in the past year.</p> <p>Banks also face increased regulatory requirements with the associated costs of compliance, including preparation for the introduction of the National Credit Act (NCA), increased activity relating to the Financial Intelligence Centre Act (FICA), the ongoing responsibilities under the Financial Advisory and Intermediary Services Act (FAIS), and finalisation of systems ahead of the implementation of Basel II in South Africa”.</p>	
4.	Corporate objective: Financial and non-financial,	4

qualitative and quantitative goals.

“.....but our vision to become a premier international savings and wealth management business and our strategy to achieve this has not changed. Our strategy is based on disciplined organic and acquisitive growth, building value through diversity”.

“The transformation of the Company from a dominant South African life assurer of more than 150 years' standing to an internationally competitive, customer-focused financial services organisation since its UK listing in 1999 has been a carefully thought-through journey that is by no means finished”.

Priorities

“South Africa.

- Pursue a combined strategy for our three major business to provide financial solutions fro all south African individuals and companies
- Drive growth – build productive retain distribution
- Achieve consistent top-rated investment performance through multi-boutique asset management operations
- Focus on business and public sector banking
- Champion new era investments and savings products.
- Transform the business to meet new customer requirements.

USA

- Build brand

- Expand asset management capacity
- Maintain focus on multi-boutique style
- Build products for baby-boomer and Hispanic needs
- Grow onshore variable annuities and mutual funds

Europe

- Deliver Skandia's full growth potential
- Deliver strategy targets
- Upgrade IT to achieve a straight-through processed model using USA technology and outsource in the UK, and replace sales and products platform in Sweden
- Clarify relationship with Skandia Liv

Asia

- Grow our fourth leg quickly – more agents, more cities

Acquire a further stake in our Indian JV when possible”.

“We have an excellent set of growing businesses and are clear about the tasks we must complete. We are on track to achieve over £300 billion of funds under management by the end of 2008, which should provide a solid basis for substantial future earnings growth”.

“The first of these is the move to greater choice, transparency and lower costs for customers. More than ever, customers are faced with a bewildering array of alternatives. The power of consumer choice for financial services puts pressure on us to respond appropriately with solutions most relevant to our customers' needs. The diversity of our business allows us to draw widely from our own experience and transfer solutions from one part of the Company to another, quickly and

efficiently.

The purchase of Skandia has given us access to its pioneering and leading open architecture platform, specifically in the UK, Europe and Latin America, which strategically and technologically provides us with a competitive advantage.

These consumer needs are being driven predominantly by a second trend, which is the increasing longevity of many populations and the growing proportion of older people who make up those populations - the so-called baby-boomers. Strategies for savings and wealth accumulation are changing globally as customers prepare for different lifestyles resulting from longer retirements. Old Mutual has responded to these changing needs and continues to offer new and innovative products to address these requirements.

The third trend is the move away from traditional life products towards other investment solutions supported by core and satellite investment strategies. Our affiliate model in the USA and our boutique model in South Africa (which has adopted the US approach) position us well to respond to the changes being driven by our customers.

The pressure on margins all around the world has reinforced the fourth trend, which is outsourcing. The Company has a strategy of 'being the best or buying the best'. If we are not able to deliver a core service or product at a competitive price, we will either build that capability internally (if that makes economic sense) or outsource the service or product concerned in order to benefit from scale and competence provided by best of breed third party suppliers.

These trends, while challenging, provide us with

opportunities. Asset gathering and management have never depended on specific product types, but rather on solutions that best serve the needs of customers. Whether these are life-wrapped or straight investment products is immaterial to us, and our experience across all product lines enables us to respond quickly and imaginatively and to manage margins effectively.

We plan to continue to run the Group on geographic lines, governed by a simple profit-generating formula, namely that profit is the outcome of assets times our margins less expenses. Common approaches to strategy, talent and knowledge management and adherence to the Group's four values are designed to bind our companies into a whole worth more than the sum of the parts. Our declared strategy when we listed in London in 1999 was to diversify our business geographically to avoid undue reliance on any one region. Life sales in Europe, which did not form part of our business in 1999, now account for 57% of our volumes, while 65% of our assets under management are now located in the USA and the UK. Earnings are still predominantly generated out of South Africa, but the profit streams from the USA and the UK are beginning to reflect our strategy.

We are not pursuing geographic diversity at any cost and we work constantly to identify those markets that are growing and profitable and where the demographics and the propensity and need to save are clearly evident.

Business models, where they demonstrate success for us in one part of the world, are applied in others. The move we announced in South Africa during 2006 to split our asset management business into a number of small, specialised boutiques to position themselves to address customer needs

	was built on the successful model operating in our US asset management business”.	
5.	<p>Economic or business model: how the business adds value, sources and usage of cashflow.</p> <p>“In South Africa, Old Mutual South Africa (OMSA), Nedbank and Mutual & Federal all performed well. The three businesses also made good progress in their strategic co-operation programme. In particular, there was impressive growth in the bancassurance business written by Nedbank and OMSA.</p> <p>OMSA is managing the continuing move by customers from life products to other investment products such as unit trusts. Return on Equity maintains its high levels and this, coupled with high cash generation, reaffirms this business as our 'heartland' jewel. Old Mutual Specialised Finance division enjoyed excellent growth in both margins and investment profit.</p> <p>In addition to the break-up of its asset management business into twelve specialised boutiques offering both active and passive investment opportunities, OMSA acquired Marriott, a leading property investment business based in KwaZulu-Natal, to broaden its portfolio, and Umbono, a black-empowered index investment house. Aligned to our strategy of 'being the best or buying the best' and focusing on our core competencies, Old Mutual Asset Managers (South Africa) concluded an outsourcing agreement with JP Morgan Worldwide Securities to manage its investment administration services.</p> <p>Nedbank, our 53%-owned banking subsidiary, continued on its return to health, with a 38% increase in profit and a Return</p>	5

on Equity of 18.6%. There are encouraging signs that its retail franchise is gaining market share, with an increase in residential mortgage lending as a leading indicator of this. Its cost-to-income ratio has also continued to improve.

Although our South African general insurance business, Mutual & Federal, came off the cyclical highs it had enjoyed over the past few years, sound and prudent underwriting skills and good investment performance kept the business operating at a steady level. Mutual & Federal was able to return surplus cash to its shareholders during the year through payment of a special dividend.

Our US life and asset management businesses have begun their integration programme. While IFRS profit at the life business was on track, the embedded value performance for 2006 was somewhat disappointing. However, sales by the life business, including those out of Bermuda, grew impressively and we are confident that the business will now stabilise and build on its strong foundations. Plans for US life to address the important and growing Hispanic market advanced during the year.

The investment affiliates that make up our US asset management business all performed well. The year saw the sale of eSecLending, our US securities-lending business, and the departure of Pacific Financial Research. Notwithstanding this, assets under management levels recovered well and exceeded levels for 2005. During the year we agreed terms to acquire a new affiliate, Ashfield, a San Francisco-based investment boutique with \$3.1 billion of funds under management. Agreement in principle has been reached on a new long-term incentive plan for the affiliates, which is designed to strengthen and motivate performance and

succession.

We have launched a retail arm for our investment business in the USA - Old Mutual Capital - and have developed a product set for retail customers that was previously available only to our institutional ones. In establishing this business, we aim to combine the depth and breadth of the investment capabilities of our asset management affiliates and the ever-growing distribution reach built by our life operation.

Since its acquisition in February 2006, Skandia has become the focus of our UK, European and Latin American operations. We have been pleased with what we have found and the cultural integration has progressed well. The synergy targets announced as part of our market update about Skandia in June 2006 are on track, with some associated costs to be incurred during 2007. Overall, Skandia's businesses have exceeded expectations, although the Nordic business is still dealing with a number of legacy issues. The businesses have been evaluated for strategic and commercial fit and the Spanish traditional life business, Skandia Vida, disposed of. One of our objectives for Skandia was to understand and assess the relationship and future of Skandia Liv, the mutual company held by Skandia AB. This work is continuing and we expect to clarify our intentions in relation to the future of Skandia Liv during the coming year.

Our Indian and Chinese businesses have enjoyed exceptional growth during 2006. While our investment in Kotak Mahindra Old Mutual Life Insurance in India is still at the present legally-permitted level of 26%, it is now adding significant value to the Group. We believe its growth trajectory is sustainable and intend to increase our stake as and when Indian legislation changes. Our 50:50 joint venture

with the Beijing State Asset Management Company in China has also enjoyed strong growth. We plan to support this growth and to look for ways to build on our good start in this region with a view to generating cash as soon as reasonably possible.

Our Skandia Australian business continues to grow. During 2006, it acquired Intech, a leading investment advisory firm, to strengthen the reach and depth of its client offerings”.

“The Retail business contains a number of different business segments, marketing investment and insurance products to the individual retail market including life, disability and health insurance, retirement annuities, savings and investment products. Old Mutual has been one of the most successful South African financial services businesses in offering products across all major market segments. We distribute our products through independent brokers, personal financial advisers (PFAs), a salaried sales force in Group Schemes, direct distribution channels and bank channels.

Our key Retail product offerings include Greenlight, a flexible and comprehensive range of life, disability, and future-needs cover. Flexible healthcare schemes for individuals are offered under the Oxygen brand. A range of retirement savings plans, annuities, investment and income products are provided through different wrappers - which include the Max, Investments Frontiers and Galaxy product ranges. Our Group Schemes business offers savings and funeral cover products to the low-income segment.

In line with international trends and the need to ensure products are appropriate for today's environment, a key

feature of more recent investment and savings products is significantly lower charges (and capital requirements) and increased flexibility.

Old Mutual Unit Trust sells a range of diversified unit trusts to individual and institutional investors. Old Mutual Investment Services operates as a linked investment service provider, offering clients open-architecture investment products for discretionary, pre-retirement and post-retirement savings”.

“The Corporate business markets investment, retirement, insurance and structured products and advisory services to corporate, institutional and parastatal customers. Under a life wrapper it provides underwritten investment products for retirement funds, and group life and disability insurance to retirement funds established by employers for the benefit of their employees and by trade unions for the benefit of their members. Group assurance products provide life cover to employees in the event of death, funeral cover and funeral support services and a full range of disability solutions. Investment products are customised depending on the investors' requirements. These include smoothed bonus portfolios, structured solutions and annuity products, as well as third party asset management. Other asset management solutions are offered through our asset management capabilities and we administer a range of retirement schemes for corporates and umbrella arrangements. Our Healthcare business offers administration to both commercial and corporate healthcare schemes”.

“In response to the changing factors driving investment success worldwide, and in particular the demand for core and specialist asset management capabilities, Old Mutual Asset Managers (South Africa) was restructured in January 2007

into a new multi-boutique model under the renamed Old Mutual Investment Group (South Africa) (OMIGSA). This follows the success of the same model in Old Mutual's US asset management business. We believe this will assist us in delivering improved investment performance to customers and in gathering assets. In addition, our links to Group businesses outside South Africa enable OMIGSA to offer international investment services to the corporate and institutional market.

The investment boutiques provide a range of investment capabilities designed to meet the various needs of customers. They include:

- a number of specialist equity and fixed-interest boutiques
- an index-tracker capability in Umbono Fund Managers
- a multi-manager capability through SYmmETRY, which creates portfolios for institutional investors blending best of breed asset managers across multiple asset classes, using sophisticated portfolio construction methods. The portfolios aim to maximise returns while controlling risk and diversifying managers
- Old Mutual Property Group, which provides property management and property-related asset management services within OMSA.
- Old Mutual Specialised Finance (OMSFIN), which is active in corporate advisory, corporate lending, securities lending and structured products”.

6.	<p>Strategic expansion/contraction, e.g. diversifying or changing geographic markets served, product categories or customer types.</p> <p>“ our strategy is based on disciplined organic and acquisitive growth, building value through diversity”.</p> <p>“ with the completion of Skandia acquisition in 2006, our portfolio of business is now well placed to capitalise on four global trends that are shaping the financial services internationally.</p> <p>The first is the move to greater choice, transparency and lower costs for customers. More that ever customers are faced with a bewildering array of alternatives. The power of customer choice for financial services puts pressure on us to respond to our customers’ needs. The diversity of our business allows us to response appropriately with solutions from on company to another, quickly and efficiently.</p> <p>The purchase of Skandia has given us access to its pioneering and leading open architecture platform, specifically in the UK, Europe and Latin America, which strategically and technologically provides us with a competitive advantage.</p> <p>These consumer needs are being driven predominately by a second trend, which is the increasing longevity of many populations and the growing proportion of older people who make up those populations-the so called baby-boomers. Strategies for saving and wealth accumulation are changing globally as customers prepare different lifestyles resulting from longer retirements. Old Mutual has responded to these</p>	4
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	<p>changing needs and continues to offer new and innovative products to address these requirements.</p> <p>The third trend is the move away from traditional life products towards other investment solutions supported by core and satellite investment strategies. Our affiliate model in the USA and our boutique model in South Africa (which has adopted the US approach) position us well to respond to the changes being driven by our customers.</p> <p>The pressure on margins all around the world has reinforced the fourth trend which is outsourcing. The company has a strategy of “being the best or buying the best”. If we are not able to deliver a core product service or product at a competitive price, we will either build that capability internally (if that makes economic sense) or outsource the service.....”</p>										
7.	<p>KPIs/metrics most used by most used by the board to assess progress/performance: both financial and non-financial.</p> <p>“...funds under management grew substantially to £239 billion, a 31% increase over last year”.</p> <p>“The Group results reflect a 30% increase in the life result and a 17% increase in the asset management, banking and general insurance result, with all regions improving on a local currency basis”.</p> <table border="1" data-bbox="373 1591 1193 1850"> <thead> <tr> <th data-bbox="373 1591 868 1711">Key Performance Indicators</th> <th data-bbox="868 1591 1031 1711">31 Dec 2006</th> <th data-bbox="1031 1591 1193 1711">31 Dec 2005</th> </tr> </thead> <tbody> <tr> <td data-bbox="373 1711 868 1774">Adjusted Operating Profit (Rm)</td> <td data-bbox="868 1711 1031 1774">5,724</td> <td data-bbox="1031 1711 1193 1774">6,075</td> </tr> <tr> <td data-bbox="373 1774 868 1850">Unit Trust Sales (Rm)</td> <td data-bbox="868 1774 1031 1850">14,833</td> <td data-bbox="1031 1774 1193 1850">13,319</td> </tr> </tbody> </table>	Key Performance Indicators	31 Dec 2006	31 Dec 2005	Adjusted Operating Profit (Rm)	5,724	6,075	Unit Trust Sales (Rm)	14,833	13,319	5
Key Performance Indicators	31 Dec 2006	31 Dec 2005									
Adjusted Operating Profit (Rm)	5,724	6,075									
Unit Trust Sales (Rm)	14,833	13,319									

Life APE (Rm)	4,416	3,784
Value of New Business (Rm)	781	614
Present value of new business premiums (Rm)	30,004	24,509
Return on Embedded Value (covered business)	13.5%	17.6%
Return on Allocated Capital	23%	27%
<p>Nedbank's return on equity (ROE) is now comfortably ahead of its cost of capital. While the ROE was ahead of the 2006 target, the planned investment in distribution makes the 55% cost-to-income ratio more challenging in 2007.</p>		
	Performance in 2006	Medium- to long-term financial targets from 2007
Return on shareholders' equity	18.6% (22.1% excluding goodwill)	ROE greater than 20% and ROE (excluding goodwill) 10% above the group's monthly weighted average cost of ordinary shareholders' equity
Efficiency ratio	58.2%	Maintain an efficiency ratio of less than 55%

	Fully diluted headline earnings per share (HEPS)	36%	Growth in fully-diluted HEPS of at least average CPIX plus GDP growth plus 5%	
	Impairment charge as a % of average advances	0.52%	An impairment charge of between 0.55% and 0.85% of average advances	
	Capital adequacy ratios (Basel II)	N/A	Tier 1: 8.0% - 9.0 %	
		N/A	Total: 11.0% - 12.0%	
	Economic capital adequacy	A-	Adequately capitalised to a 99.9% (A-) confidence on an economic capital basis plus a 15% buffer	
	Dividend cover	2.25 times	2.25 to 2.75 times cover	
DRIVERS OF DEVELOPMENT AND PERFORMANCE				
1.	Sources of cashflows, e.g. profile of customers, number of end users/customers, loyalty, churn, penetration, share of wallet.			4
	"The South African economy is strong, with prudent fiscal			

	<p>management having ensured healthy sustainable growth over the past few years. The emerging black middle class is a new generation of consumers entering the market place, which has made it an attractive retail market. To serve this market, the traditional adviser-led life assurance model is changing, with new channels such as bancassurance growing strongly and non-life market-linked products slowly gaining ground over traditional life-wrapped smoothed bonus investment products”.</p>	
2.	<p>End-user consumer attitudes, e.g. satisfaction, perceived quality, intention to purchase.</p> <p>“Despite the shift in customer preference to non-life investment products, Individual Life sales (APE) grew by 19% in the business's core market. The introduction of new-era products to capture this trend boosted sales growth. Group life sales (APE) were up 11%”</p>	2
3.	<p>Trade or channel relations (where applicable) e.g. services levels, distribution, display, trade customer satisfaction.</p> <p>“Nedbank Group offers a wide range of wholesale and retail banking services through three main business clusters: Nedbank Corporate, Nedbank Capital and Nedbank Retail and a joint venture with Imperial Holdings, Imperial Bank. Nedbank Group focuses on operating in southern Africa, with Nedbank positioned to be a bank for all - both from a retail and a wholesale banking perspective. The principal services offered by the group are corporate and retail banking, property finance, investment banking, private banking, foreign exchange and securities trading. Nedbank Group also generates income from private equity, credit card acquiring</p>	3

	and processing services, custodial services, collective investments, trust administration, asset management services and bancassurance. ”	
4.	<p>Facilities, subsidiaries, markets served and distribution methods: key changes with impact on cashflows.</p> <p>“Old Mutual South Africa (OMSA) financial services business, comprising life and asset management business, has at its core one of the largest distribution capabilities in the South African industry. This uses a combination of tied agents, independent financial advisers, bank distribution, corporate advisers and direct distribution to ensure that the business appears in front of a full spectrum of potential clients. OMSA's investment and risk products, as well as its strong links with other Group businesses, positions the business to meet a full array of client needs. The business is supported by strong branding and a proven reputation for providing competitive long-term returns to customers”.</p>	3
5.	Competitive effects and performance relative to competitors e.g. market share relative pricing	0
6.	<p>Drivers likely to improve future prospects, e.g. marketing expenditure, sales force changes.</p> <p>Key Business Drivers</p> <ul style="list-style-type: none"> • Consolidation in the sector – size matters • Demographics and changing savings patterns • Baby boomers • Global pension reform • US savings growth • Emerging markets • Benefits of open architecture • Technology-driven distribution • Transparency of performance 	5

	<p>“Growth is evident from our net cash flow of £28 billion and increases of 185% in gross unit trust sales and of 137% in life APE sales”.</p> <p>“Our management is strong and committed. Our development programmes and talent management systems are designed not only to grow local capability, but also to prepare a pipeline of suitably qualified managers who are able to work across cultures and transfer and build skills wherever required. In May 2006, we held our third Top Leadership Forum involving around 100 of our most senior executives from around all our businesses, where the objectives of collaboration and skill-sharing were advanced. I believe that all of our businesses have benefited from this Group-wide approach”.</p> <p>“The purchase of Skandia, with its leading open architecture technology, builds out our European operations and provides significant opportunities for organic, new start-up and acquisitive growth. The integration and synergy benefits of £70 million per annum that we announced in June 2006 are currently on track to be delivered by the end of 2008”.</p> <p>“OMSA's higher sales force numbers and strong medium-term investment performance boosted growth in unit trust sales”</p> <p>“OMSA's relatively strong performance in bringing black management and front-line staff into the business and the Group's 2005 BEE transactions ensure that it is well positioned to capture a large share in the new South African marketplace”.</p>	
7.	Drivers likely to reduce future prospects, e.g. costs,	3

	<p>impacts of regulations.</p> <p>“The current year has started well. Although exchange rates, the cost of investing to achieve synergies across Europe, and costs in Sweden and at our South African life business to put the business on a sound basis for the future will hold back earnings growth in 2007,...”</p> <p>“While operating assumptions across all businesses were strengthened, this impact was largely offset by risk margin recalibration, ranging from 10 to 30 basis points. This was driven by the lower risk profile of our business and the impact of higher markets and interest rates, which reduced the expected cost of financial options and guarantees”.</p>													
<p>8.</p>	<p>Innovation, e.g. number of new products, new products revenue and margin as share of total, R&D investments.</p> <p>Value of new business 2006</p> <table border="1"> <thead> <tr> <th>Region</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>1 South Africa</td> <td>30%</td> </tr> <tr> <td>2 UK</td> <td>23%</td> </tr> <tr> <td>3 USA</td> <td>18%</td> </tr> <tr> <td>4 Europe and Latin America</td> <td>15%</td> </tr> <tr> <td>5 Nordic</td> <td>14%</td> </tr> </tbody> </table>	Region	Percentage	1 South Africa	30%	2 UK	23%	3 USA	18%	4 Europe and Latin America	15%	5 Nordic	14%	<p>4</p>
Region	Percentage													
1 South Africa	30%													
2 UK	23%													
3 USA	18%													
4 Europe and Latin America	15%													
5 Nordic	14%													
<p>9.</p>	<p>Key strength and resources, e.g. reputation, brand quality, intellectual property, employees, capabilities.</p> <p>“our management is strong and committed. Our development</p>	<p>5</p>												

programmes and talent management systems are designed not only to grow local capability, but also to prepare a pipeline of suitably qualified managers who are able to work across cultures and transfer and build skills wherever required”.

“A powerful set of engines

Offering high quality investment management solutions to build and protect client assets

South Africa and Nordic	USA, UK and Europe	Asia Pacific and Latin America
<p>Our life assurance business is the largest in South Africa, while Nedbank is one of South Africa's top four banks.</p> <p>Skandia is one of the largest life insurers in Sweden, and has operations in a number of other Nordic countries. Approximately 20% of Skandia's business is in Sweden, where it has dealings with one in every four households.</p>	<p>Our US, UK and European businesses are growing in size and significance, helping to broaden the Group's international profile.</p> <p>Assets under management have grown steadily during 2006 and these businesses are well placed to continue to grow in their respective markets.</p>	<p>We have a number of rapidly-growing businesses in exciting markets that promise to drive growth in the longer term.</p> <p>Our Chinese and Indian life businesses have shown exceptional growth during 2006, while our operations in Australia and Latin America are continuing to expand.</p>
<i>High brand and high market share</i>	<i>High growth now</i>	<i>High growth long-term</i>
<p>Performance</p> <p>Funds under management £49bn</p> <p>Adjusted operating profit¹ £1,198m</p>	<p>Performance</p> <p>Funds under management £184bn</p> <p>Adjusted operating profit¹ £406m</p>	<p>Performance</p> <p>Funds under management £6bn</p> <p>Adjusted operating profit¹ £18m</p>
<p>Major brands</p> <p>South Africa Old Mutual Nedbank Mutual & Federal</p> <p>Nordic Skandia</p>	<p>Major brands</p> <p>USA Acadian Asset Management Barrow, Hanley, Mewhinney & Strauss Dwight Asset Management Old Mutual Financial Network</p> <p>UK and Europe Old Mutual Asset Managers (UK) Royal Skandia Skandia</p>	<p>Major brands</p> <p>Asia Pacific Australian Skandia Kotak Mahindra Old Mutual Life Insurance (India) Skandia BSAM (China)</p> <p>Latin America² Skandia</p>

10	Principal risk and uncertainties, e.g. how key internal	5
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and external risks are being addressed.

“In terms of HIV/AIDS, while the incidence of infection in southern Africa is high, as the illness reaches the expected peak of the infection curve, the potential risk to OMSA is well managed, with the business experiencing positive mortality experience variances due to prudent product pricing. The business conducts HIV and other tests for voluntary cover above certain levels and, where there is not testing, generally has the ability to reprice regularly should experience be different to assumptions.

Underwriting risk, in line with other life assurers, is managed through strictly controlled underwriting principles governing product-pricing procedures that take appropriate account of actual and prospective mortality, morbidity, and expense experience.

The life assurance business offers minimum guaranteed investment returns on certain products and guaranteed annuity options on a closed book of business. Minimum investment guarantees are subject to the risk of declining investment markets, while guaranteed annuity options are subject to declining interest rates. For fixed annuities, market risks are managed by investing, as far as possible, in fixed interest securities with a duration closely corresponding to those liabilities. Market risks on policies where the terms and conditions are guaranteed in advance and the investment risk is carried by the shareholders, principally reside in the guaranteed non-profit annuity book. Other non-profit policies are also suitably matched through specific investment mandates. Market risks on with-profit policies, where investment risk is shared, are managed by appropriate

investment mandates and bonus declaration practices.

Equity price risk and interest rate risk (on the value of securities) are modeled by the Group's risk-based capital practices, which require sufficient capital to be held in excess of the statutory minimum to allow the Group to manage significant equity exposures. Credit risk is monitored by the business's Credit Committee, which has established appropriate exposure limits.

The exposure of OMSA's asset management businesses to market fluctuations gives rise to potential impacts on revenue levels, which are a function of the value of client portfolios. Investment risk is principally borne by the client. Compliance risks faced by these businesses are monitored and reviewed by compliance and risk committees established for this purpose. The risk of loss of key employees is managed by the use of appropriate remuneration policies including long-term incentive schemes aligned with shareholder value targets, and by competition restrictions in employment agreements”

Risk and capital management

Risk management has been a major component of Nedbank Group's transformation over the past few years, using its comprehensive Basel II programme as the catalyst. A vision to be 'world-class at managing risk' has been engrained in the organisational risk culture of the group together with a clear understanding that Nedbank's core business activities involve taking financial risks and that these and other key risks, for example operational risk, must be measured, managed and optimised as a core competency.

Economic capital

	<p>Economic capital is a scientific, consistent measurement and comparison of risk across business units, risk types and individual products or transactions. Economic capital is now embedded in the management and performance culture of Nedbank Group, and is fundamental in the assessment of risk/return at all levels.</p> <p>Nedbank's economic capital framework will also satisfy a major component of Basel II, namely the requirement for an Internal Capital Adequacy Assessment Process (ICAAP). This involves the group's ongoing assessment of its internal capital adequacy on a true economic basis.</p> <p>In addition to economic capital, Nedbank Group calculates regulatory capital requirements developed by the Basel Committee on Banking Supervision - both under the current Basel I Accord and the new revised Basel II Accord”</p>	
<p>11.</p>	<p>Relationship with other stakeholders: which ones are most important, why, implications, risks for cash flow.</p> <p>“BEE: OMSA is committed to broad-based empowerment and to being rated an 'A' performer as measured by the FSC. Initiatives continue to be implemented to develop staff, particularly in the area of black management and leadership, and to ensure that black staff are supported in their roles as leaders in the Group. Other objectives of these initiatives are to contribute to the building of a strong and stable society and democracy through sound infrastructural investments, to facilitate the entry of black entrepreneurs into corporate South Africa through structuring and investing in BEE deals, and to make direct investments into communities and society</p>	<p>3</p>

	<p>at large.</p> <p>OMSA has a good track record in each of these areas, having already set the industry benchmark in infrastructural investment, corporate social investment, staff development and training, and the creation of a diverse workplace.</p> <p>The black business partners introduced to the Company as a result of the empowerment transactions entered into with the Brimstone and WIPHOLD consortia during 2005 have had a marked impact on the overall transformation strategies of OMSA. These partners have played a key advisory role in diverse areas such as small and medium company development, skills development, stakeholder relations, and product development. All parties remain committed to the performance contracts entered into as part of those transactions and these should continue to position OMSA as a leading proponent of transformation within the South African context”.</p>	
FINANCIAL POSITION ANALYSIS AND EXPLANATION		
1.	<p>Accounting policies, e.g. those necessary to understand the performance and financial position, changes.</p> <p>“This annual report contains certain forward-looking statements with respect to Old Mutual plc’s plans and its current goals and expectations relating to its future financial conditions, performance and results. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond Old Mutual plc’s control, including, among other things, UK domestic and global economy and business conditions, market-related risks such as fluctuations in</p>	5

	<p>interest rates and exchange rates, policies and actions of regulatory authorities, impact of competition, inflation, deflation, the timing and impact of other uncertainties or of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and regulations in territories where Old Mutual plc or its affiliates operate.</p> <p>As a result, Old Mutual plc's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Old Mutual plc's actual forward-looking statements. Old Mutual plc undertakes no obligation to upgrade any forward-looking statements contained in this Annual review or any other forward-looking statements that it may make."</p> <p>Also reported according in compliance with IFRs</p>	
2.	<p>Capital structure: nature rational, short term or long term plans.</p> <p>"The capital strength of our South African life company remains strong, at 3.7 times coverage of the Statutory Capital Adequacy Requirement (SCAR), after allowing for statutory limitations on the value of certain assets. This compares with coverage of 2.8 times SCAR at 31 December 2005".</p> <p>"The Group's gearing level remains comfortably within our target range, with senior debt gearing² at 31 December 2006 of 6.0% (6.1% at 31 December 2005) and total gearing, including hybrid capital, of 21.8% (23.6% at 31 December 2005), reflecting the funding of Skandia. In January 2006, the Group issued £300 million of Lower Tier 2 Preferred Callable Securities as part of the public debt-raising associated with</p>	4

	the Skandia acquisition”.	
3.	<p>Treasury policies: analysis and explanation of cash-related matters.</p> <p>“The underlying performance of the mutual funds business continued to improve during the second half of 2006. The integration of the two fund supermarkets (Skandia Multifunds and Selestia) is progressing in line with expectations.</p> <p>Strong underlying EV performance</p> <p>Embedded value adjusted operating profit before tax was £208 million, driven by good growth in new business, strong experience variances and operating leverage. Our experience variances were positive, driven by higher fee income and favourable surrender experience.</p> <p>Strong growth in funds under management and net fund inflows</p> <p>Net fund inflows were £4.9 billion for the year, representing 14% of funds under management. The favourable position was supported by positive market movements giving rise to significant growth in funds under management during the year.</p> <p>Strong new business growth in UK life and mutual fund sales</p> <p>The UK division's open-architecture platform, helped by our strong reputation in the industry and the favourable economy and equity markets, continued to deliver strong new business growth, with both life sales on an APE basis and mutual fund sales up strongly in the eleven months to 31 December 2006. Sales in the UK were particularly strong, boosted by A Day</p>	5

effects, and were up 52% at £396 million APE.

Pension sales substantially higher

Overall new business levels in the course of 2006 were broadly in line with management's expectations with the exception of UK pensions business, where high levels of activity continued even after Pensions A Day. UK pensions business grew in the year by over 65% to £230 million APE.

Toward the end of the year there was further growth in the sale of life bonds, mirroring improved investor confidence arising from equity market appreciation. Offshore business, in line with management expectations, remained flat against 2005. UK-sourced offshore sales were muted by uncertainty surrounding the tax treatment of trusts in the early part of the year, but improved in the latter part of the year as greater understanding developed of the implications of the new legislation.

Unit trust sales up 109% to £3 billion

Our Selestia and Skandia Multifunds businesses continued to benefit from IFAs' shift to open-architecture investment platforms as the preferred strategy for the management of clients' assets. The launch of the Skandia-manufactured 'Best Ideas' funds improved net fund inflows across the group, generating gross direct subscriptions exceeding £300 million.

Margins improved, with new business growing significantly

Life new business APE margins post-tax at a product level improved by 10% for the year. The delivery elements of our

	<p>integration programme are now well advanced to deliver the synergies required to reduce administrative costs per policy significantly with a view to achieving our target margin in the 11-12% range from mid-2008.</p> <p>The value of new business improved by 25% to £55 million, due to strong sales growth across our core products.</p> <p>Bankhall's successful turn-around</p> <p>2006 has seen Bankhall concentrate on its core services to ensure that its proposition was meeting the needs of the intermediary market fully. The refocusing of activity has returned the business to profitable growth, while reducing income and expenses, the latter to a greater extent”</p>	
4.	<p>Cashflows, e.g. probable cash requirements, where segmental cash requirements are out of line with profits.</p> <p>“Total available cash within the holding companies at the end of 2005 was £704m, largely being held in anticipation of financing the purchase of Skandia. During 2006, the holding companies received a total of £891m of operational and capital receipts from business units, plus net debt and equity proceeds of £401 million.</p> <p>After operational expenses, acquisition payments and adjusting items, there was £571m in available cash, of which £281m was used to pay the Old Mutual plc dividend and £214m invested in the businesses.</p> <p>The balance of cash remaining at the end of 2006 was £76m, which was more in line with normal expectations than the end 2005 balance, as surplus cash is generally applied to reduce outstanding debt”</p>	5
5.	<p>Liquidity, e.g. working capital, current assets, current</p>	3

	<p>and prospective borrowing requirements.</p> <p>“We ended the year with a capital surplus of over £1 billion on an FGD (Financial Groups Directive) basis, comfortably above the required threshold. Our strong financial position has enabled us to recommend an increased final dividend of 4.15p per share”.</p>	
<p>6.</p>	<p>Profitability, e.g. sales volume, turnover, gross margins profit ratios.</p> <p>“Adjusted operating profit after tax and minority interests increased by 11% from £710 million in 2005 to £790 million in 2006, resulting in adjusted operating earnings per share of 15.1p for 2006”.</p> <p>The increase of 22% in the Group's adjusted operating profit on a European Embedded Value (EEV) basis primarily reflects the significant contribution from Skandia, strong new business growth, and increased profit from non-covered business in Nedbank and our asset management businesses.</p> <p>The adjusted embedded value operating profit of £981 million for our covered business was up 40% from the £701 million achieved in 2005. This increase was driven by the acquisition of Skandia, which contributed 40% of the profit. The contributions by the South African and US businesses were 50% and 10% respectively. The value of new life business grew by 116% to £244 million, benefiting from Skandia's contribution and growth of 16% in South Africa, partially offset by a managed volume reduction of 12% in the USA”.</p> <p>“(Nedban) Adjusted operating profit grew as a result of the</p>	<p>5</p>

continued positive banking environment, increasing growth in both net interest income and non-interest income, together with disciplined expense management.

Average interest-earning banking advances grew by 16.5%, with strong growth experienced in retail advances, particularly residential home loans. This growth contributed to an increase in Total Assets to R425 billion.

Nedbank has started to show improvements in market share in a number of asset categories, particularly retail mortgages and other private sector loans (mainly corporate lending). This can be attributed to the brand being repositioned as a bank for all Southern Africans, increased brand awareness, price reductions in several retail banking products and the launch of a number of new retail products, together with continued strong performances from Nedbank Capital and Nedbank Corporate.

Net interest income growth of 29%, Net interest margin increases to 3.92%

Net interest income (NII) growth was particularly strong. The margin increase was driven by the increased endowment together with the higher interest rate environment, positive mix changes from the growth in higher margin retail and business banking advances, as well as a change in the advances mix within Nedbank Retail resulting from growth in higher margin personal loans. NII benefited from this increase in the margin together with the growth in advances of 24%.

Impairment losses on loans and advances

The impairments charge rose by 25% for the year. The impairments charge to average advances improved from

0.61% for the half year to 30 June 2006 to 0.52% for the full year. Impairments were negatively impacted by the mix change in advances, referred to above, with higher margin retail advances and personal loans attracting appropriately higher levels of impairments. However, overall and particularly in the corporate division, credit experience remained good.

Non-interest revenue growth of 12%

Growth in non-interest revenue (NIR) was mainly attributable to continued volume growth at Nedbank Corporate and Nedbank Retail, property private equity revaluations and realisations at Nedbank Corporate, private equity revaluations and realisations at Nedbank Capital, strong deal flow at Nedbank Capital, strong growth in Bond Choice origination fees, and new business premium growth in the group's bancassurance operations.

NIR growth was affected by the price reductions at Nedbank Retail. In July 2006, Nedbank Retail reduced fees for individual current account clients by an average of 13%.

Cost-to-income ratio of 58.2%

The improvement in the cost-to-income ratio is a result of the growth in operating income and disciplined expense management. As expected, this ratio is above the level of 57.3% reported in June 2006 due to the planned investment in distribution and branding in the second half of the year.

Strong capital position

Nedbank remains well capitalised, with a Tier 1 capital adequacy ratio of 8.3% (9.4% at 31 December 2005) and total capital adequacy ratio of 11.8% (12.9% at 31 December 2005). During the year Nedbank executed a number of

	initiatives as part of the group's continuing long-term capital management programme, which seeks to achieve an optimal and prudent capital structure, including the buy-back of 13.7 million shares.	
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APPENDIX 3: ECONET WIRELESS HOLDINGS LIMITED

FORWARD-LOOKING INFORMATION EXTRACTS. FINANCIAL YEAR ENDED FEB 2006

Econet Wireless Holdings Limited (EWHL) is the holding Company of a number of businesses involved in cellular network operations, provision of internet access and transaction processing services. The Group, which is listed on the Zimbabwe Stock Exchange (ZSE), is Zimbabwe's leading technology company. It is one of the largest quoted companies in terms of market capitalisation, and directly and indirectly employs in excess of 1 000 staff.

CONTEXT, NATURE, OBJECTIVES AND STRATEGY		Score
1.	Markets saved, e.g. current size and future prospects “Econet’s mobile market share grew from 45% in June 2005 to 59% of the mobile market share and 38% of the total telecommunications market, at the end of February 2006 resulting in the Company being the largest provider of telecommunications in Zimbabwe”. “Mobile penetration in Zimbabwe, at approximately 6%, remains very low. The demand for mobile lines far exceeds supply inspite of the economic challenges facing the country”.	4
2.	Competitive position in markets served, e.g. market ranking or position. “Econet’s mobile market share grew from 45% in June 2005	2

	<p>to 59% of the mobile market share and 38% of the total Telecommunications market, at the end of February 2006 resulting in the Company being the largest provider of telecommunications in Zimbabwe.</p>	
<p>3.</p>	<p>External factors likely to impact future prospects e.g. Political, Economic, Social, Technological, Environment and Legal (PESTEL).</p> <p>“...As a result, margins for both local and international calls continue to deteriorate in the face of the hyper inflationary conditions and currency depreciation. The exchange rate which stood at ZW\$9,994.17/US\$1 at the end of June 2005 depreciated to ZW\$99,203 by February 2006, thereby impacting negatively on tariffs in US\$ terms”.</p> <p>“Econet’s strategy of maintaining the weighted tariff of US\$0.25 per minute has been severely challenged by the high rate of inflation and exchange rate issues”.</p> <p>“Although the COSITU model has been accepted by all operators and the Regulator, the model has serious flaws when applied in a hyper inflationary environment. The company continues to engage the Regulator to improve the tariff regime and sustain viability for the industry. Actual average US\$ tariffs at the end of the period dropped from \$0.19 to less than US\$0.10, at official rate, against a regional average mtariff of around US\$0.35”.</p> <p>“It is also worth noting that mobile phone calls are charged VAT at a rate of 25%, compared to fixed line calls and internet services, which are charged at the basic rate of 15%. This effectively increases the price to the end user and</p>	<p>4</p>

	inhibits growth”.	
4.	<p>Corporate objectives: Financial and non-financial, qualitative and quantitative goals.</p> <p>“Cost containment and the generation of own foreign currency resources will be of major priority to the business. The company remains committed to its network development programme”.</p>	3
5.	<p>Economic or business model: how the business adds value, sources and usage of cashflow.</p> <p>In terms of the Company's Articles of Association, the Directors may exercise the powers of the Group and Company to borrow up to 200% of the aggregate of:</p> <p>the issued share capital and share premium or stated capital of the Company and:</p> <p>the distributable and non-distributable reserves, including inappropriate profits of the Group and Company reduced by any adverse amount reflected in the income statement, excluding:</p> <ul style="list-style-type: none"> - goodwill - revaluation reserves arising prior to 28 February of each year - provision for taxation, deferred tax, and any balance standing to the credit of the tax equalisation account. <p>The capital expenditure is to be financed from internal cash generation, extended supplier credits and bank credit.</p>	3

6.	<p>Strategic expansion/contraction, e.g. diversifying or changing geographic markets served, product categories or customer types.</p> <p>“The mobile banking project with Kingdom Bank and e-Tranzact Zimbabwe is expected to offer innovative products when the initiative takes off in mid 2006. The Group will embark on 3G trials as part of its strategy of keeping abreast with technological developments and best practice in the industry”.</p>	3
7.	<p>KPIs/metrics most used by most used by the board to assess progress/performance: both financial and non-financial.</p> <p>“Revenue drivers such as subscribers and average minutes of use are all well ahead of last year. However, these positive indicators were counter balanced by the negative effects of hyperinflation, currency depreciation and subeconomic tariffs”</p> <p>“Outgoing minutes went up by 14% compared to the prior year. Messaging volume has further increased by 58%, due largely to a major capacity upgrade on the SMSC platforms. Inbound traffic has shown a marked increase in line with the growth in subscriber numbers and this will contribute positively to revenue, as new cost based interconnect tariffs will be in place by 1st April 2006”</p>	4
DRIVERS OF DEVELOPMENT AND PERFORMANCE		
1.	<p>Sources of cashflows, e.g. profile of customers, number of end users/customers, loyalty, churn, penetration, share of wallet.</p>	4

	<p>“Econet’s subscriber base grew from 258 268 in June 2005 to 457 228 at the end of February 2006, an increase of 77%. Much of this growth was generated towards the end of the period under review”.</p>	
2.	<p>End-user consumer attitudes, e.g. satisfaction, perceived quality, intention to purchase.</p> <p>“Demand for the Group’s products and services are expected to remain firm”.</p>	0
3.	<p>Trade or channel relations (where applicable) e.g. services levels, distribution, display, trade customer satisfaction.</p> <p>“The Group has recently embarked on the implementation of the Great Plains enterprise resource planning system aimed at improving company wide operating and financial systems. Plans to upgrade the company’s billing system are at an advanced stage. It is anticipated that the upgrade to the billing system will have a positive impact on billing operations and customer service”.</p>	2
4.	<p>Facilities, subsidiaries, markets served and distribution methods: key changes with impact on cashflows.</p> <p>“The Group invested \$921 billion in capital expenditure during the period of which in excess of 90% was dedicated to the network expansion”.</p> <p>Eighteen (18) new GSM 900 and 24 GSM 1800 Base Stations were deployed in the period and 15 new towns</p>	3

	<p>covered. The civils and other local currency denominated infrastructure on new sites have been prepared and are ready for additional imported installations. Power outages caused many disruptions to service and the Company has invested in a number of additional generators to reduce disruptions to service. Several new transmission links were completed, in line with the strategy to become self reliant in this area.</p>	
5.	<p>Competitive effects and performance relative to competitors e.g. market share, relative pricing.</p> <p>“The growth in subscribers further strengthened Econet’s leadership position with a 59% share of the mobile market”.</p>	2
6.	<p>Drivers likely to improve future prospects, e.g. marketing expenditure, sales force changes.</p> <p>“The subscriber base grew by 77% from 258,268 at 30th June 2005 to 57,228 at the end of February 2006. At least 80% of the growth in subscribers was recorded in the Libertie brand”.</p> <p>“The Group earns foreign currency from incoming international calls and from visitors to Zimbabwe who roam on the network. The net foreign currency inflows from this line of business go a long way in funding the maintenance requirements of the network. As the number of customers on the network has increased, the volume of incoming international calls is also expected to increase”.</p> <p>“Acquisition and development work continues on a number of sites in anticipation of the next phase of network upgrade. The business has adopted an infrastructure development strategy to secure all local currency based materials and civil</p>	4

	<p>works so as to minimise project cost escalations and delays associated with the erratic foreign currency market. The Group continues to proactively manage the adverse effects of foreign currency shortages, fuel and power outages on both service delivery and infrastructure projects. Investment has been made in additional generators and other power back up devices to reduce the impact of these challenges”</p> <p>“Proposals to the Regulator on timely tariff reviews and the adoption of a single international termination rate for the country will impact positively on performance and foreign currency generation if adopted”.</p>	
7.	<p>Drivers likely to reduce future prospects, e.g. costs, impacts of regulations.</p> <p>The business was awarded two tariff adjustments in October 2005 and January 2006 in terms of the COSITU cost based tariff model. However, the January 2006 tariff approval was based on October 2005 costs. Whilst the adoption of the tariff adjustment model is a welcome development, the considerable delay between actual implementation and the cost base dates used to calculate the tariffs is great cause for concern. As a result, margins for both local and international calls continue to deteriorate in the face of the hyper inflationary conditions and currency depreciation. The exchange rate which stood at ZW\$9,994.17/US\$1 at the end of June 2005 depreciated to ZW\$99,203 by February 2006, thereby impacting negatively on tariffs in US\$ terms. The industry representative body is currently engaged in consultations with the Regulator with a view to adopting a tariff review mechanism that is more responsive to significant movements in major cost drivers.</p>	4
8.	<p>Innovation, e.g. number of new products, new products</p>	4

	<p>revenue and margin as share of total, R&D investments</p> <p>Airtime Transfer, a unique service whereby Econet customers can transfer airtime value directly from their phone to another Econet customer, was launched and immediately proved to be extremely popular and resulted in significant value addition. Electronic Voucher Distribution (EVD) availability was further improved and new methods tested to widen use and further reduce cost of sales and increase availability to the end user”.</p>	
9.	<p>Key strength and resources, e.g. reputation, brand quality, intellectual property, employees, capabilities.</p> <p>“The business continues to adopt progressive human resources policies that promote high staff morale and productivity. Considering the high demand of personnel with GSM network experience within the region and internationally, skills retention is a major challenge in the face of the hyperinflationary environment”.</p>	2
10	<p>Principal risk and uncertainties, e.g. how key internal and external risks are being addressed.</p> <p>“The Group's audit committee, consisting of executive and non-executive directors, meet on a regular basis to analyse, amongst other matters, currency and interest rate exposures and re-evaluate treasury management strategies against revised economic forecasts. Compliance with Group policies and exposure limits is reviewed at quarterly Board meetings.</p> <p>The Group is exposed to foreign currency risk through capital intensive purchases of networking equipment. Due to</p>	3

exchange control regulations, no hedging can be put in place. However, the group continuously monitors exchange rate fluctuations.

Group policy is to adopt a non-speculative approach to managing interest rate risk. Approved funding instruments include bankers' acceptances, call loans, overdrafts, foreign loans, and where appropriate, long term loans.

The group has no liquidity risk and has an undrawn overdraft facilities which are negotiable with approved financial institutions.

Financial assets, which potentially subject the group to concentrations of credit risk, consist principally of cash, short-term deposits, trade receivables and intercarrier debtors and creditors. The group's cash equivalents are placed with high quality financial institutions. Trade receivables are presented net of the allowance for doubtful debts.

Credit risk with respect to debtors is limited due to the widespread customer base and ongoing credit evaluations to maintain credit worthiness of the customers. Where appropriate, trade debtors are converted onto the prepaid service. Intercarrier debtors and creditors are regulated by interconnect contracts. Intercarrier debtors and creditors for foreign cellular traffic are managed through a reputable foreign finance house which ensures the net monthly outstanding amounts are collected from the foreign interconnect partners".

"The company has been addressing the negative impact of high inflation through share buy-back and continued

	investment in the network”.	
11.	<p>Relationship with other stakeholders: which ones are most important, why, implications, risks for cash flow.</p> <p>The Consumer Affairs Committee sets and reviews the various policies to improve services and products provided by the Company, reviews any current or pending litigation involving the Company and its consumers in respect of product performances and warranties, reviews and monitors the environmental impact of the Company’s infrastructure on the community in which it is based, and sets and reviews the policy on occupational health and safety within the Company and the Group.</p> <p>The Executives of the Company meet with the shareholders and investment analysts at least bi-annually after the release of company results. Employees are kept informed on matters affecting them and made aware of the general financial and economic factors influencing the Group. The Group operates a systematic and transparent approach to employee communication through regular briefings, presentations, electronic mailings and the corporate website.</p> <p>The Group is an equal opportunity employer and applications from disabled persons are fully and fairly considered, having regard to the aptitudes and abilities of the applicant. In the event of disability, every effort is made to ensure that employment continues and appropriate training is given. Career development and promotion opportunities for disabled people is, as far as possible, identical to that of the other employees.</p>	2

	<p>The Group takes a positive approach to equality and diversity. We promote equality in the application of reward policies, employment and development opportunities and aim to support employees in both work and personal lifestyles. Skilled and professional employees are regularly and systematically seconded to overseas and regional operations to ensure retention of such skills.</p>	
<p>FINANCIAL POSITION ANALYSIS AND EXPLANATION</p>		
1.	<p>Accounting policies, e.g. those necessary to understand the performance and financial position, changes.</p> <p>“There were no material post-balance sheet events”.</p> <p>“The Directors have reviewed the Group’s budget and cash flow forecast for the year to 28 February 2007. On the basis of this review, and in light of the current financial status and existing borrowing facilities available to the Group, the Directors have a responsible expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in the preparing the accounts”.</p> <p>Reported in compliance with IFRs</p>	4
2.	<p>Capital structure: nature rational, short term or long term plans.</p>	0
3.	<p>Treasury policies: analysis and explanation of cash-related matters.</p> <p>“The company will continue to buyback its shares in terms of the mandate given by the shareholders. Whilst it is a good</p>	3

	mechanism to create greater value for shareholders, it is also an effective tool for limiting the monetary loss adjustment caused by holding cash in the company”.	
4.	Cashflows, e.g. probable cash requirements, where segmental cash requirements are out of line with profits.	0
5.	Liquidity, e.g. working capital, current assets, current and prospective borrowing requirements. “The Group maintained its zero debt policy in the period under review”.	4
6.	Profitability, e.g. sales volume, turnover, gross margins profit ratios. <i>Reported in compliance with IFRs</i>	5

APPENDIX 4: OK ZIMBABWE LIMITED

FORWARD-LOOKING INFORMATION EXTRACTS. FINANCIAL YEAR ENDED 31 MARCH 2006

The company is a leading supermarket retailer whose business covers three major categories which comprises groceries, basic clothing and textiles and house ware products. The groceries category includes butchery, delicatessen, takeaway, bakery and fruit and vegetables sections. The bakeries and fruit and vegetable operations are currently outsourced to innsco and Favco respectively. Another specialist is school wear.

CONTEXT, NATURE, OBJECTIVES AND STRATEGY		Score
1	Markets served, e.g. current size and future prospects	0
2	Competitive position in markets served, e.g. market ranking or position	0
3	<p>External factors likely to impact future prospects e.g. Political, Economic, Social, Technological, Environment and Legal (PESTEL).</p> <p>“The macro-economic environment continues to pose significant challenges. GDP declined further, as did the economic capacity to generate foreign currency revenue. Shortages of basic food items, fuel and inputs into agricultural and manufacturing production were experienced. Disposable income was eroded by hyperinflation.....”</p> <p>“Price controls remained in force on three basic products..... A number of other products are monitored”.</p>	3

	<p>“Inflation is forecast to remain high due to cost pressures and low capacity utilisation, among other factors. However, an improved harvestshould reduce the country’s food import requirements. There are little prospects for improved foreign currency supply because of sub-optimum productive activity in the export generating sectors of donor and international support. Foreign currency is therefore expected to remain critically short. Interest rates are expected to remain high in response to the level of inflation.</p>	
<p>5</p>	<p>Corporate objective: Financial and non-financial, qualitative and quantitative goals.</p> <p>“The Board and Management will continue with efforts to maintain and grow shareholder value. Efforts continue to identify opportunities to rationalize, streamline and expand the network of supermarkets outlets. The roll out of upgraded outlets will continue, as will the ongoing Total Quality Management programme. The installation of instore electronic surveillance systems (CCTV)an reduce losses through theft. The in-house training programme and succession planning will continue as these will reduce the adverse impact of staff losses leaving the company”</p> <p>“The range of own brand products,....., will be widened....”</p> <p>“We will seek to enhance price stability through improved management of stock turn and maintenance of strategic stocks in some lines”.</p> <p>“Store expansion – a number of sites are at various stages of negotiations, two of which have now been secured; the</p>	<p>3</p>

	<p>transfer of outstanding city of Harare sites, which is long over due will be pursued”.</p> <p>“Major refurbishment will be carried out.....”</p> <p>“Implementation of the re-launched TQM is in progress”.</p> <p>“Realignment and streamlining of the organisation is ongoing, as is the development of skills”.</p> <p>“Regional expansion is not being pursued vigorously due to the adverse economic environment, but the Company will continue to explore opportunities”.</p> <p>“The distribution centres now fully operational, will be extended to cover more country stores”.</p> <p>“Internal IT development of a new, enhanced retail system is at an advanced stage and will place OK further ahead of competition in terms of technology”.</p>	
6	<p>Economic or business model: how the business adds value, sources and usage of cashflow.</p> <p>“OK Zimbabwe Limited trades under three highly recognized brand names, Ok stores, Bon Marche’ stores. All operations are carried out through a nationwide branch network which currently comprises 39 OK stores, 5 Bon Marche’ stores and 7 OK Express stores. The diversified distribution channel allows the company to target all segments of the desired markets. In this regard, the Company has specifically profiled its stores in terms of design’ product range, services and other offerings in a way that effectively caters for the specific</p>	3

	requirements in the low, middle and high income consumer categories”.	
8.	Strategic expansion/contraction, e.g. diversifying or changing geographic markets served, product categories or customer types.	0
9.	KPIs/metrics most used by most used by the board to assess progress/performance: both financial and non-financial	0
DRIVERS OF DEVELOPMENT AND PERFORMANCE		
1.	Sources of cashflows, e.g. profile of customers, number of end users/customers, loyalty, churn, penetration, share of wallet	0
2.	End-user consumer attitudes, e.g. satisfaction, perceived quality, intention to purchase	0
3.	Trade or channel relations (where applicable) e.g. services levels, distribution, display, trade customer satisfaction.	0
4.	<p>Facilities, subsidiaries, markets served and distribution methods: key changes with impact on cashflows.</p> <p>“Capital expenditure was \$123,7billion compared to \$17 billion in prior year. The main area of expenditure was store refurbishment..... plant and equipment....and motor vehicles”</p> <p>“A new Ok express outlet was opened in the second quarter of the year.....”</p> <p>“The roll out of the Electronic Fund Transfer (EFT) system linked to computerised checkouts continue with 20 outlets completed. The implementation of EFT/ATMs instore</p>	3

	<p>(Easybank) is extended to more sites". Three more branches have been identified for implementation in the new year....." We will continue with the installation (of CCTV) programme in the new financial year".</p> <p>"New initiatives being launched will allow on line real time information exchange with suppliers and improve inventory replacement cycles".</p>	
5.	Competitive effects and performance relative to competitors e.g. market share relative pricing	0
6.	Drivers likely to improve future prospects, e.g. marketing expenditure, sales force changes.	0
	<p>"Our promotions continue to play a major role as a company defends and expands its markets share. The major promotions, the OK Grand Challenge and the Bon Marche' French connections were once again very successful and significant contributors"</p>	
7.	Drivers likely to reduce future prospects, e.g. costs, impacts of regulations	3
8.	Innovation, e.g. number of new products, new products revenue and margin as share of total, R&D investments	3
	<p>"A new range of own brands, the OK VALUE, was introduced in the second half of the year. OK value is a no frills brand focused on basic items. Sales of own brand products amounted to \$501billion or 7.1% of total sales".</p>	
9.	Key strength and resources, e.g. reputation, brand quality, intellectual property, employees, capabilities.	1
10	Principal risk and uncertainties, e.g. how key internal	4

and external risks are being addressed.

“Fraud and shop lifting incidences were high causing high shrinkagesCCTV and better systems helped ensure that our shrinkages were low”

“The board reviews all business risks on a quarterly basis and ensures that action plans or strategies have been put in place to manage identified risks. This includes the insurance policies which cover a wide range of identified risks”.

“Operational risks are managed through formalized procedures and controls, well trained personnel and information technology back up facilities”.

Treasury risk Management.

“Senior executives of the company meet on a regular basis to analyse, amongst other matters, interest rate exposures and report positions to the Board”.

Foreign currency management.

“The company has no significant foreign currency exposure, as it has no foreign loans, liabilities or assets. All imports are paid for in advance of delivery”.

Interest risk management

“Company policy is to adopt a non-speculative approach to managing interest rate risk. Approved funding instruments including bankers’ acceptance, call loans, overdrafts, commercial paper and long-term loans. Approved investments instruments include terms and call deposits”.

Liquidity risk

	<p>“The company has no liquidity risk as it has unutilised facilities of \$15.5 billion. The directors of the Company may, at their discretion, borrow money and secure repayment thereof provided that the aggregate amount owing at any one time shall not exceed twice shareholders’ funds. Borrowing in excess of the specified limited require prior sanctions of shareholders in a general meeting”.</p> <p>Credit risk management</p> <p>“Potential credit risk consists principally of short-term cash and cash equivalent investments. The Company deposits short-term cash surpluses only with major banks of high credit standing”.</p>	
11.	Relationship with other stakeholders: which ones are most important, why, implications, risks for cash flow.	0
FINANCIAL POSITION ANALYSIS AND EXPLANATION		
1.	Accounting policies, e.g. those necessary to understand the performance and financial position, changes,	3
	<i>Reported in compliance with IFRs</i>	
2.	Capital structure: nature rational, short term or long term plans	0
3.	Treasury policies: analysis and explanation of cash-related matters	0
4.	Cashflows, e.g. probable cash requirements, where segmental cash requirements are out of line with profits	0
5.	Liquidity, e.g. working capital, current assets, current and prospective borrowing requirements.	3

	<p>“The company did not have any borrowings at year end and this largely arose from surplus cash generated from trading. Total facilities of \$15.5 billion are available but have not been utilised”.</p>	
6.	<p>Profitability, e.g. sales volume, turnover, gross margins profit ratios.</p> <p>“The use of replacement pricing and automatic mark-ups through the system helped in preserving profitability.”</p>	3

APPENDIX 5: DELTA CORPORATION LIMITED

FORWARD-LOOKING INFORMATION EXTRACTS. FINANCIAL YEAR ENDED 31 MARCH 2006

ACTIVITIES

- **BEVERAGES MANUFACTURING AND DISTRIBUTION**
-
- **LAGER BEER BUSINESS**
 - Brewing lager beer, 2 Breweries
 - Castle Lager, Castle Milk Stout, Golden Pilsner, Lion Lager, Carling Black Label, - Zambezi Lager, Zambezi Lite Lager, Bohlinger's Lager
- **TRADITIONAL BEER BUSINESS**
 - Brewing sorghum beer, 14 Breweries
 - Chibuku and Rufaro
- **CARBONATED SOFT DRINKS BUSINESS**
 - Bottling carbonated soft drinks, 2 bottling plants
 - Coca-Cola, Diet Coke, Coke Light, Fanta, Sparletta, Sprite, Schweppes
- **NON-CARBONATED SOFT DRINKS BUSINESS**

Bottling non-carbonated soft drinks:

 - "Mr Juicy" range of syrups, crushes, water
 - Maheu and ready to drink flavors.
- **TRANSPORT AND DISTRIBUTION BUSINESS**
 - Provision and maintenance of primary and secondary vehicles and the distribution of beverage products.
 - 26 workshops, 38 Delta Beverage Centres and 7 Customer Collection Depots

SUBSIDIARIES

- **KWEKWE MALTINGS**
 - Barley malting. 1 Malting Plant

- **MEGAPAK ZIMBABWE (PVT) LTD**
- Manufacture of PET, injection and blow molded plastic products, 1 factory
- **HEADEND ENTERPRISES (PVT) LTD**
- Manufacture of glass containers, 1 furnace
- **FOOD AND INDUSTRIAL PROCESSORS (PVT) LTD**
Food processing, 1 Factory
- **AFRICAN DISTILLERS LIMITED**
Wine and spirit producer, 3 Farms, 1 Distillery, 5 Depots
- **ARISTON HOLDINGS LIMITED**
Agricultural producer, 3 Tea and Horticulture Estates, Fruit and Vegetable Distributor

CONTEXT, NATURE, OBJECTIVES AND STRATEGY		Score
1	Markets saved, e.g. current size and future prospects	0
2	Competitive position in markets served, e.g. market ranking or position	0
3	<p>External factors likely to impact future prospects e.g. Political, Economic, Social, Technological, Environment and Legal (PESTEL).</p> <p>The supply of foreign currency has been inadequate in most areas of the economy, and in the first half of the year resulted in fuel shortages so severe that deliveries had to be curtailed. Regular changes to the foreign currency regulations and procedures have increased uncertainty for both exporters and importers. Economic policy decisions have not, to date, succeeded in curtailing inflation, creating employment or encouraging investment.</p>	4

Rising inflation, falling employment and contraction of the informal sector have led to a fall in consumer disposable income. Firm demand was seen in the first quarter of the financial year, but as rising inflation started to bite demand fell off and the remainder of the year has been characterised by soft demand and greater price sensitivity.

Inflation is expected to continue rising and, although there may be a technical adjustment downwards in July, the upward trend will resume unless steps are taken to secure funding from non-inflationary sources. With rising inflation real incomes will not keep pace and disposable incomes are going to be constrained. We are supportive of the initiative currently underway to make policy changes and to raise funding. For this to translate into economic recovery it is essential that measures do not stop short of the required changes.

Carbonated Soft Drink volumes, after strong volume growth in the prior year, fell dramatically in the current year and ended the year 42% short of the prior year volumes. During the year it became necessary to curtail production to match the currency that was available to import raw materials. This product is particularly dependent on imported raw materials. As a result of this the market was undersupplied as production fell short of demand. It is however clear that the price increases occasioned by raw material prices moving considerably faster than inflation have reduced overall demand and that by year end the actual level of production was not substantially below demand. This is not unexpected as this product tends to move towards a 'luxury' category when there are severe pressures on disposable income in times of high inflation.

	<p>In response to this, plans are at an advanced stage to bring a more affordable range of carbonated soft drink to the market.</p> <p>The majority of the Company's (i.e. Ariston owned 38% by Delta) production is in commodities for the export market where prices are dominated by international positions and cannot be significantly dictated by the Company. Whilst cropping was delayed slightly by the late onset of the rains, yields have generally improved. Tea yields are up and the prices are good due to the drought in Kenya. Macadamia nuts had record production levels and better quality than has been the case in the recent past, however prices were marginally lower. Flower volumes were slightly reduced and prices were firm. The output of fruit increased, quality was affected by excessive rains later in the season and by hail damage.</p>	
4.	<p>Corporate objective: Financial and non-financial, qualitative and quantitative goals.</p> <p>Our focus in the coming year is on cost containment, cashflow generation and a review of the product range with the intention of introducing a lower cost and more affordable range of carbonated soft drinks.</p> <p>This is a segment of the beverage market with relatively low barriers to entry and low margins, so efforts in the new year will be directed towards improving volumes and rationalising production to increase profitability.</p>	3
5	<p>Economic or business model: how the business adds value, sources and usage of cashflow.</p>	2

	<p>Transport Services handles the distribution of beverages around the country through management of the Company's own heavy vehicles, trailers and forklifts, and through the use of outside hauliers.</p>	
6	<p>Strategic expansion/contraction, e.g. diversifying or changing geographic markets served, product categories or customer types.</p> <p>“Capital expenditure during the year amounted to almost \$657 billion and total investment in containers amounted to a further \$313 billion. In addition to this \$39 billion in cash and 12 472 682 shares were invested in a 40% interest in Ariston Holding Limited”.</p>	2
7	<p>KPIs/metrics most used by most used by the board to assess progress/performance: both financial and non-financial.</p> <p>Beverage volumes for the year are 15% below those of the previous year, and whilst this is mainly attributable to fall in demand, there were some disruptions to production due to difficulties in sourcing certain imported raw materials. In the first half of the year certain lager brands were in short supply as a result of a shortage of closures and in March the market went without carbonated soft drinks for almost three weeks as a result of difficulties encountered in clearing outstanding foreign currency debts. These matters have been dealt with and production has been fully restored. However, while a general shortage of foreign currency remains, there is a risk of future disruptions.</p> <p>The winter barley crop harvested in October 2005 was much</p>	4

	<p>improved on the rain damaged crop of the previous year and sufficient to provide all requirements for the both local usage and export through to the next winter season. The 2005/2006 summer crop is likely to be better than that of the previous year but maize output may fall short of national requirements. Sorghum on hand is sufficient to cover our needs.</p>	
DRIVERS OF DEVELOPMENT AND PERFORMANCE		
1.	Sources of cashflows, e.g. profile of customers, number of end users/customers, loyalty, churn, penetration and share of wallet	0
2.	End-user consumer attitudes, e.g. satisfaction, perceived quality, intention to purchase	0
3.	<p>Trade or channel relations (where applicable) e.g. services levels, distribution, display, trade customer satisfaction.</p> <p>In this year the maintenance team initiated a project aimed at rebuilding accident damaged vehicles with a view to determining whether it was possible to restore such vehicles to as new running order at a cost which is more attractive than replacement. To date this project has proven to be most successful.</p>	2
4.	<p>Facilities, subsidiaries, markets served and distribution methods: key changes with impact on cashflows.</p> <p>With effect from 1 November, the Company acquired 38% of Ariston Holdings Limited, and in February 2006 this was increased to just over 40%. With this holding, and proxies for</p>	3

	<p>a further 15%, the Company is in a controlling position. Ariston is a company listed on the Zimbabwe Stock Exchange involved in the production of tea, coffee, timber, fruit, flowers and nuts primarily for export and a certain amount of livestock production mainly for the local market. There are synergies between Ariston and the beverages business in the potential to supply grain and hops inputs and the value of brewery spent grains as a livestock feed, but primarily this is viewed as a non-core investment into a business which can supply beverage operations with access to foreign currency earnings.</p> <p>From a group point of view this acquisition has yielded a steady flow of foreign currency which has been largely applied to clearing outstanding creditors.</p> <p>Plastic packaging sales volumes from Meagan have decreased 18% with sales adversely affected by lower sales of carbonated soft drinks and the virtual collapse of local production of cooking oil due to the shortage of raw material for oil expressing.</p> <p>The glass furnace in Geri has had a most satisfactory first full year of production, fully supplying beverage needs and commencing export sales to the region.</p>	
5.	Competitive effects and performance relative to competitors e.g. market share relative pricing.	0
6.	Drivers likely to improve future prospects, e.g. marketing expenditure, sales force changes.	3

The business enjoyed relatively sound industrial relations during another year of a tough operating environment. This, to a large measure, is attributable to effective collaboration between management and the worker leadership. Notable achievements during the year included successful collective bargaining at all units and the launch of a harmonized Conditions of Service booklet.

Two experiential (for Coke Light) marketing events were held during the year; the Fanta Mega Music Party in Beltway and the Sprite DJ Competition in Harare.

The fleet requires constant replacement to maintain an efficient age profile and this year ten heavy vehicles, thirty-nine trailers and twelve forklifts were acquired. Two new distribution centres were constructed in Mvurwi and Gokwe. These are designed to handle all beverages and to facilitate more efficient access to these key markets.

The availability of potable water in the Ruwa area which has been an expensive problem at Meagan for many years has much improved as a result of bridging finance provided by the Company for the necessary kilometre pipeline linking the new water purification plant to the Ruwa reservoir.

Export proceeds have been used to acquire equipment that will allow quality certification which will in turn provide access to certain regional export markets. The quality of glass now being achieved is such that the Company (Headed Enterprises) has recently become an approved supplier of bottles to the Coca-Cola Company and thus to franchise bottlers in the region; whilst exports are yet to commence this is a most satisfactory quality milestone to have passed.

7.	<p>Drivers likely to reduce future prospects, e.g. costs, impacts of regulations.</p> <p>Net finance income takes into account an exchange loss of \$562 billion incurred in clearing the backlog of foreign creditors which occurred as a result of the change in procedures for accessing foreign currency.</p> <p>In November 2005 Messrs Turpin and Hermann retired from the board having served for 23 and 6 years respectively. They have provided wise counsel, particularly during times of great business uncertainty and their contribution will be missed. With effect from 31 December 2005 Mr H D Gaitskell stood down as company secretary pending his retirement from the company at the end of April 2006 having been with the company for 27 years, 25 of those as company secretary, a post which he served with distinction. Mr A Makamure has been appointed company secretary from 1 January 2006.</p>	2
8.	<p>Innovation, e.g. number of new products, new products revenue and margin as share of total, R&D investments.</p> <p>A new sorghum-based lager, Eagle, was launched in late September and is priced at a discount to the mainstream lagers. Since its release in a 750ml bottle, the volume has stabilised at a most satisfactory level of a little over 10% of total lager sales. The company has on hand an adequate supply of the low tannin sorghum which is used for this beer.</p> <p>This brand, which belongs to SABMiller, has proved successful in a number of countries to the north of Zimbabwe. It is attractive from an agronomic point of view in</p>	3

that it makes use of a hardy, drought resistant grain widely produced by small scale farmers instead of barley which relies on winter irrigation.

Right from the beginning of the project the Government has been supportive of this new venture and has approved a favourable excise rate which allows the product to be sold at a competitive price.

During the year Coke Light came to the market in cans and during 2006 it will replace Diet Coke in returnable glass and PET plastic.

Rainbow Beverages Division range of non-carbonated beverages showed a 14% increase in volumes as a result of the release towards the end of the previous year of a new product, Premier Plus Maheu. This product range benefited to a degree from the undersupply of carbonated soft drinks in the market.

The Company has a long history of breeding barley varieties for local conditions, but it has been some time since a new variety has been brought to the market. This year has seen the first full scale farm planting of a new variety; this variety, named Odzi, has been bred for robust disease resistance and higher dormancy characteristics. Another new variety will be released in the next winter cropping season.

During this year work commenced on designing and acquiring capital equipment for an exciting new project which will enable the Company to recycle plastic crates and certain other plastic materials. This project will bring the Company closer to international best practice and will involve buying

	<p>back from the market damaged crates for use in production. This has the dual affect of both being environmentally friendly and replacing imported raw materials with material locally available.</p>	
<p>9.</p>	<p>Key strength and resources, e.g. reputation, brand quality, intellectual property, employees, capabilities.</p> <p>The investment in establishing Mandel Training Centre, the Delta Technical Institute and the Delta Driver Training Centre continued to pay off.</p> <p>The thrust at Mandel Training Centre was on leadership development, sales and distribution excellence training and IT training. 3 657 participants attended courses at the Centre, devoting 25 328 participants training days. The drive to grow future leaders for the business remains in place with 51 management trainees from various disciplines undergoing training.</p> <p>The Delta Technical Institute focuses on technical training and the major activity was in apprenticeship training where 329 apprentices received training. Of these 39 qualified, with 24 of these being absorbed into the business. The operator training continued to be targeted at improving plant efficiencies and product quality.</p> <p>The focus at the Delta Driver Training Centre continued to be on specialist training for drivers of our fleet aimed at contributing towards the reduction of traffic accidents, improving vehicle operating standards and reduction in associated costs. 613 motor vehicle drivers participated in various courses run at the Centre with 387 of them having undergone specialised driver assessment. 377 forklift</p>	<p>3</p>

	<p>operators were trained during the year.</p> <p>The lager beer business has continued with brand sponsorship of charities, cultural events and sport. The 46th running of the Castle Tankard, Africa's oldest sponsored horse race, took place in May and continues to be one of Zimbabwe's premier horse races. Zambezi Export Lager was again one of the major sponsors of the Kariba International Tiger Fishing competition, one of the premier freshwater fishing competitions on the continent, attracting 173 teams including some from outside the country. Carling Black Label sponsored the highly successful Pool Tournament which attracted players from across the country. The Zambezi Iron Will Eco-Challenge, a triathlon event which combines mountain climbing, cycling and canoeing raised a total of \$187 million for charity. Lion brand sponsored the Global Stage at the Harare International Festival of the Arts. The 2005 Castle Milk Stout Jazz Promotion brought top regional artists to Zimbabwe and put together on stage regional and local jazz musicians.</p> <p>The 2005 Castle Milk Stout Jazz Promotion brought top regional artists to Zimbabwe and put together on stage regional and local jazz musicians.</p>	
<p>10</p>	<p>Principal risk and uncertainties, e.g. how key internal and external risks are being addressed.</p> <p>The Company remains at the forefront of Corporate Governance practices The focus of risk management in Delta is on identifying, assessing, managing and monitoring all known forms of risk across the Company. An appropriate risk analysis framework is used to identify the major risks which the Company must manage in serving its stakeholders.</p>	<p>4</p>

The environment in which the Company operates is subject to such levels of change that regular reassessment of risk is necessary to protect the Company. In view of this, each part of the business has developed detailed contingency action plans to minimise the lead-time necessary to adapt to changes in circumstances. These plans are then updated whenever a change is noted or anticipated.

The management of risk and loss control is decentralised, but compliance with Company policies on risk, the process is reviewed centrally on a quarterly basis and is supervised by the Audit Committee.

Exposure to exchange rate fluctuations and foreign loans is limited by Group treasury policy and is monitored by the Group Management Committee. Significant exposure to foreign loans is limited to operations that generate sufficient foreign currency receipts that effectively act as a hedge. Operating subsidiaries manage short-term currency exposures relating to trade imports and exports within approved parameters.

Group policy is to adopt a non-speculative approach to managing interest rate risk. Approved funding instruments include bankers' acceptances, call loans, overdrafts, commercial paper, foreign loans and where appropriate, long-term loans. Approved investments instruments include fixed and call deposits.

The Group has no liquidity risk as shown by its unutilised banking facilities of \$320 billion (2005 – \$184billion) and the

	<p>demand for its corporate paper.</p> <p>Potential concentrations of credit risk consist principally of short-term cash and cash equivalent investments and trade debtors. The Group deposits short-term cash surpluses only with major banks of high credit standing. Trade debtors comprise a large, widespread customer base and Group companies perform on-going credit evaluations of the financial condition of their customers. Where appropriate, credit guarantee insurance is purchased. Accordingly the Group has no significant concentration of credit risk which has not been insured or adequately provided for.</p>	
<p>11.</p>	<p>Relationship with other stakeholders: which ones are most important, why, implications, risks for cash flow.</p> <p>In the Chibuku Neshamwari Traditional Dance Festival competition, an adult traditional dance competition which seeks to encourage dance traditions from all over the country, ten dance groups competed in the finals in the Harare Gardens in September 2005. The finals for the Chibuku Road to Fame competition took place for the fifth time in October; this competition seeks to nurture local musical talent and to further the careers of the best through recording contracts. The three winning groups in this competition launched their debut CD's at the Zimbabwe College of Music in February 2006. Chibuku brand has since 2001 hosted the 'Scud' Tertiary Soccer Tournament which involves Teachers' Colleges, Polytechnics and Universities.</p> <p>The Delta Beverages Soft Drinks business in close association with Coca-Cola Central Africa has a longstanding association with sports and culture development. This year</p>	<p>3</p>

	saw the fourth year of School's Rugby sponsorship, the Coca-Cola NASH soccer tournament which was launched in 1989 and sponsorship of schools basketball through brand Sprite	
FINANCIAL POSITION ANALYSIS AND EXPLANATION		
1.	Accounting policies, e.g. those necessary to understand the performance and financial position, changes. <i>Reported in compliance with IFRs</i>	3
2.	Capital structure: nature rational, short term or long term plans.	0
3.	Treasury policies: analysis and explanation of cash-related matters. "The Directors are of the opinion that tight monetary policy and high interest rates will obtain for at least the next six months and that even seasonal borrowings are to be avoided. Accordingly it has been decided to conserve cash by increasing dividend cover and by offering an option of a scrip dividend as an alternative to cash. Accordingly the dividend cover has been increased from 3 times to 4,8 times".	5
4.	Cashflows, e.g. probable cash requirements, where segmental cash requirements are out of line with profits	0
5.	Liquidity, e.g. working capital, current assets, current and prospective borrowing requirements. "In the second half of the year cash has been utilised in the	4

	<p>build up of stock, in particular the purchase of the barley crop in October, and in the settlement of the backlog on foreign creditors. Cash at year end amounted to \$155 billion”.</p>	
6.	<p>Profitability, e.g. sales volume, turnover, gross margins profit ratios.</p> <p>“...income growth matched average inflation of 427% for the year but not the 913% year on year inflation”.</p> <p>“In comparison to last year, gross margins improved slightly, but overheads increased ahead of inflation due to wage settlements which were higher than inflation and the impact of exchange rates on fuel and spares”.</p> <p>“The inflation adjusted financial statements show turnover and operating income at a standstill. The income statement is dominated by a monetary loss of \$4,6 trillion which matches operating income and demonstrates the impact of raging inflation on the balance sheet”.</p> <p>The volume of malt sold has decreased by 21% primarily as a result of the poor out turn to the 2004 winter barley crop which suffered from in-field germination due to prolonged early rains. This meant that while there was adequate supply for local needs, exports had to be curtailed until the 2005 winter crop was harvested and came out of dormancy.</p> <p>In order to reduce the risk of pre-germination and to minimise the impact on exports of the reduced crop brought forward early planting was incentivised and varieties with higher resistance to early germination were encouraged. The out turn for the 2005 crop has fully met expectation and the</p>	4

	<p>Company has re-engaged export customers.</p> <p>Volumes for the year were 18% down on the prior year. The impact could be seen mainly in the PET factory which has suffered from reduced production of carbonated beverages and the reduced demand from the edible oil industry which in the early part of the year was affected by price controls which reduced viability and then later in the year by a severe lack of cotton seed and soya beans for the production of raw oil.</p>	
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APPENDIX 6: DZL HOLDINGS LIMITED

FORWARD-LOOKING INFORMATION EXTRACTS. FINANCIAL YEAR ENDED DECEMBER 2006

The group produces extensive range of products which includes beverages, milk, and milk products, cordials, condiments, canned and processed foods, sauces, spreads and confectionery which are marketed in the domestic and foreign markets.

CONTEXT, NATURE, OBJECTIVES AND STRATEGY		Score
1	<p>Markets saved, e.g. current size and future prospects.</p> <p>“...with over 50 brands marketed by factories in Harare, Chitungwiza, Bulawayo, Gweru, Kadoma Mutare and Chipinge. The groups' factories in Malawi are located in Blantyre and Mulanje District.</p>	1
2	<p>Competitive position in markets served, e.g. market ranking or position</p>	0
3	<p>External factors likely to impact future prospects e.g. Political, Economic, Social, Technological, Environment and Legal (PESTEL).</p> <p>“Its was a difficult year of record low capacity utilisation across the whole economy with hyperinflation, shortage of material and foreign currency, price monitoring on liquid milk products as well as the erosion of disposable incomes Consumer price for milk products were always lagging behind inflation and costs of input. Year on year inflation increased</p>	4

	<p>from 585.8% in December 2005 to 1 281.1% in December 2006”.</p> <p>“Availability of inputs was a major constraint, especially raw milk, which declined by 11% from previous year”.</p> <p>“Erratic supply and increases in cost prices of utilities continued to present challenges, causing serious constraints on production and quality of products”.</p> <p>“...this project (i.e. the Build Operate and Transfer) has been hampered by the shortage of foreign currency to import the animals.”</p> <p>“...Malawi’s inflation remained stable and declined on a year on year basis from 16% in December 2005 to 10.5% IN December 2006. ... The exchange rate moved from MK125/US\$1 to MK140/US\$1...”</p>	
4	<p>Corporate objective: Financial and non-financial, qualitative and quantitative goals.</p> <p>“Focus will therefore be on management of costs and intensifying marketing efforts to drive volumes, particularly of exports and added value products”.</p> <p>“Programmes to stimulate raw milk production will also be continued”.</p>	2
5	<p>Economic or business model: how the business adds value, sources and usage of cashflow.</p>	0
6	<p>Strategic expansion/contraction, e.g. diversifying or</p>	0

	changing geographic markets served, product categories or customer types	
7	KPIs/metrics most used by most used by the board to assess progress/performance: both financial and non-financial. “Efficiencies and a mix of products with an improved proportion of added value products drove the group’s performance”.	1
DRIVERS OF DEVELOPMENT AND PERFORMANCE		
1.	Sources of cashflows, e.g. profile of customers, number of end users/customers, loyalty, churn, penetration and share of wallet	0
2.	End-user consumer attitudes, e.g. satisfaction, perceived quality, intention to purchase	0
3.	Trade or channel relations (where applicable) e.g. services levels, distribution, display, trade customer satisfaction.	0
4.	Facilities, subsidiaries, markets served and distribution methods: key changes with impact on cashflows. “Milk supply development projects run by the group contributed in slowing down the decline in milk intake, which would have been worse without them”.	1
5.	Competitive effects and performance relative to competitors e.g. market share relative pricing	0
6.	Drivers likely to improve future prospects, e.g. marketing expenditure, sales force changes. “Export volumes registered a growth of 52%, mainly driven by the group’s value added products, and contributed	3

	<p>significantly to the group's foreign currency needs and control of costs".</p> <p>"....increased exports volumes that grew by 52% over the previous year. This gave the group an 85% cover of foreign currency working capital requirements".</p> <p>"....Human resources skill development, retention and enhancement".</p> <p>"....focusing on effective product mix management placing emphasis on value adding brands".</p> <p>"....Cost containment especially in the areas of strategic raw material purchases".</p> <p>"...Continued business re-alignment through strategic investment into value unlocking areas".</p>	
7.	<p>Drivers likely to reduce future prospects, e.g. costs, impacts of regulations.</p> <p>"In Zimbabwe, the operating environment continued to be plagued by high inflation, foreign currency constraints and low levels of capacity utilization. Pricing of both domestic and export products were constrained by the regulatory and policy environment putting pressure on margins and viability. Unavailability of foreign currency coupled with regulatory controls also put pressure on export margins, as receipts did not match input costs".</p>	1
8.	<p>Innovation, e.g. number of new products, new products revenue and margin as share of total, R&D investments.</p>	3

	Four Build Operate and Transfer (BOT) projects were launched in 2006. A total of 120 dairy animals were distributed among the four and by December three of the BOT's were delivering on average 38 000L of milk a month to Dairibord Zimbabwe (Private) Limited. The volume is expected to double in 2007 when all the animals have been calved down.	
9.	Key strength and resources, e.g. reputation, brand quality, intellectual property, employees, capabilities	0
10	Principal risk and uncertainties, e.g. how key internal and external risks are being addressed. <p>“The group does not use derivative financial instruments in its management of foreign currency”.</p> <p>“...The groups cash equivalents and short term deposits are placed with high credit quality financial institutions. Trade debtors are presented net of the allowances for doubtful debts”.</p> <p>“Due to shortages of foreign currency and the risk of exchange devaluation the company aims to pay all foreign currency creditors as soon as possible and meet import requirements from own export proceeds”.</p> <p>.... (Interest rate risk) is partially managed through corresponding money market investments of the group's surplus cash resources”.</p>	3
11.	Relationship with other stakeholders: which ones are most important, why, implications, risks for cash flow.	0
FINANCIAL POSITION ANALYSIS AND EXPLANATION		

1.	<p>Accounting policies, e.g. those necessary to understand the performance and financial position, changes.</p> <p><i>Reported in compliance with IFRs</i></p>	3
2.	<p>Capital structure: nature rational, short term or long term plans</p>	0
3.	<p>Treasury policies: analysis and explanation of cash-related matters</p>	0
4.	<p>Cashflows, e.g. probable cash requirements, where segmental cash requirements are out of line with profits</p>	0
5.	<p>Liquidity, e.g. working capital, current assets, current and prospective borrowing requirements.</p> <p><i>Reported in compliance with IFRs</i></p>	3
6.	<p>Profitability, e.g. sales volume, turnover, gross margins profit ratios.</p> <p>Total sales volumes however declined by 6%.</p>	0

APPENDIX 7: BARCLAYS BANK OF ZIMBABWE LIMITED

FORWARD-LOOKING INFORMATION EXTRACTS. FINANCIAL YEAR ENDED 31 DECEMBER 2006

Barclays Bank of Zimbabwe, Ltd. provides various commercial banking products and services in Zimbabwe. Its products and services include current accounts, foreign currency accounts, instant savings accounts, high rate savings accounts, high interest bonus savings accounts, and various types of loans, as well as automated teller machine services. The bank also offers business banking services, which include cash management, foreign exchange, and trade services. Barclays Bank of Zimbabwe operates approximately 29 branches. The bank was formed in 1912 and is based in Harare, Zimbabwe. Barclays Bank of Zimbabwe, Ltd. is a subsidiary of Barclays Bank PLC.

CONTEXT, NATURE, OBJECTIVES AND STRATEGY		Score
1.	Markets served, e.g. current size and future prospects	0
2.	Competitive position in markets served, e.g. market ranking or position	0
3.	External factors likely to impact future prospects e.g. Political, Economic, Social, Technological, Environment and Legal (PESTEL). “The financial sector experienced some instability during the first half of the year, driven by tight liquidity policy implementation by the central bank in its efforts to dampen inflationary pressures”. “Statutory reserves peaked at 60% and 45% fro demand and	3

	<p>savings deposits respectively in March 2006. The policy change led to the bank experiencing a liquidity crunch and as a result the first half performance was below expectations due to the higher cost of funding”. During the second half of the year, the bank achieved a strong recovery owing to reduction in statutory reserves coupled with higher yielding instruments which included the CPI linked treasury bills”.</p> <p>Despite a series of devaluations over the years, the exporters’ base continues to decline while the country’s imports requirements continue to grow.</p>	
4.	<p>Corporate objective: Financial and non-financial, qualitative and quantitative goals.</p> <p>“The bank will be focused on strong growth and profitability under pinned by cost effective deposits and closer customer relationships through various delivery channels”.</p> <p>“The banks objective is to maintain a liquidity ratio that is above 10% minimum requirement”.</p>	2
5.	<p>Economic or business model: how the business adds value, sources and usage of cashflow.</p> <p>“The main funding source of the Bank is customer deposits”.</p>	1
6.	<p>Strategic expansion/contraction, e.g. diversifying or changing geographic markets served, product categories or customer types.</p> <p>“In line with our strategy to continue to improve the customer experience, the bank re-opened Leopold Takawira branch in Bulawayo and highfields branch in Harare”.</p>	2
7.	<p>KPIs/metrics most used by most used by the board to</p>	4

	<p>assess progress/performance: both financial and non-financial.</p> <p>“Impairment charges ...is 7% of loan book representing a drop of 19% last year. This is in line with quality of the loan book which benefited from the low interest rates”</p> <p>“The balance sheet value is marginally down on last year reflecting the loss of value under the hyperinflation conditions”.</p> <p>“Customer deposits dropped to \$125,836 million due to erosion of value linked to hyperinflationary conditions.</p> <p>“Loans and receivables dropped by 16%....”</p> <p>“The economic fundamentals indicate higher inflation on the back of a higher government budget deficit with inflationary funding implications.</p>	
<p>DRIVERS OF DEVELOPMENT AND PERFORMANCE</p>		
<p>1.</p>	<p>Sources of cashflows, e.g. profile of customers, number of end users/customers, loyalty, churn, penetration, share of wallet.</p> <p>“The Corporate Banking Division continued to focus on developing and building closer mutual beneficial relationships with customers with a view of providing flexible solutions within the operating environment”.</p>	<p>3</p>

2.	<p>End-user consumer attitudes, e.g. satisfaction, perceived quality, intention to purchase.</p> <p>“Renovations were also carried out on Marondera and Kwekwe branches. This should provide a comfortable environment sufficient to motivate staff to offer quality service to our customers and provide the appropriate ambience for our customers”.</p>	1
3.	<p>Trade or channel relations (where applicable) e.g. services levels, distribution, display, trade customer satisfaction.</p> <p>“Quarterly focus groups were held with customers to get their feedback on the quality of service offered by the bank and also identify opportunities to improve. Relationship Managers also underwent training to improve their skills and have successfully completed a Diploma in Customer Relationship Management with the Institute of Financial Services, United Kingdom. Barclays Securities Department adapted its product offering to the operating regulatory environment and recorded encouraging growth that is poised to continue in 2007.</p>	2
4.	<p>Facilities, subsidiaries, markets served and distribution methods: key changes with impact on cashflows.</p> <p>“In order to improve customers’ service, the bank also introduced a system that allows bank statements to be emailed to customers. In addition the bank can now produce debit cards and PIN numbers within 9 minutes”.</p> <p>“The bank implemented an effective model to process transactions in the operations department with the aim of</p>	3

	improving efficiency and customer service. A system that allows historical data on customer accounts to be accessed in the branches was rolled out thereby significantly improving the turnaround times for query resolution. An upgrade of ATM software was undertaken which has improved our ATM uptime and introduced more user friendly screens. A total of 46 ATMs were also purchased to replace old machines to improve ATM availability and product menu. As a result ATM network now stands at 62.	
5.	Competitive effects and performance relative to competitors e.g. market share relative pricing	0
6.	Drivers likely to improve future prospects, e.g. marketing expenditure, sales force changes. <p>“In an effort to be proactive and get closer to our customers, the Bank also introduced two direct sales teams, one in Bulawayo and one in Harare towards the end of the year”.</p> <p>“The bank continued to invest heavily into the development of our people. Average of 18 training man hours per employee was achieved through formal training, with an emphasis on customer facing staff”.</p> <p>Senior posts resourcing was a priority with a number of strategic positions filled by both internal and external candidates.</p>	3
7.	Drivers likely to reduce future prospects, e.g. costs, impacts of regulations. <p>“Foreign currency inflows look set to continue to dwindle if the prevailing exchange rate framework is maintained.</p>	1

8.	<p>Innovation, e.g. number of new products, new products revenue and margin as share of total, R&D investments.</p> <p>“A bulk cash centre was opened at the Corporate Services Centre to provide a one stop convenience for bulk cash depositing/or withdrawals.</p>	2
9.	<p>Key strength and resources, e.g. reputation, brand quality, intellectual property, employees, capabilities.</p> <p>“The bank is well capitalised and is in a strong position to take advantage of market opportunities and withstand the challenge that lie ahead”.</p> <p>“Retail banking made an important contribution to the bank’s performance through sustained deposit mobilisation.</p> <p>“The bank rolled out an internet based electronic banking platform branded “Barclays Integrator’ which provides customers with immediate access to all their accounts and also facilitates funds transfers.</p>	0
10	<p>Principal risk and uncertainties, e.g. how key internal and external risks are being addressed.</p> <p>“The bank’s compliance and operational risk functions have been equipped to enhance their advisory, assessment, monitoring and reporting roles on the business’ compliance and operational risk profiles. The bank observes “Anti Money Laundering” and “Know your customer” policies in order to safeguard depositors’ funds. The bank extended credit facilities to customers at affordable interest rates in line with market trends. The quality of the loan book has been quite</p>	4

commendable despite the difficult trading environment. All staff has been trained in respect of the Basel 11 capital accord and the bank is at an advanced stage in getting to the required compliance level. The key objectives of Basel 11 include better alignment of the regulatory capital framework and the internal economic capital approach to managing capital adequacy and prudential risks. Basel 11 applies at all internationally active banks and aims at maintaining the current capital tiers or pillars in the system whilst introducing a market and operational risks capital tier”.

“The bank uses a range of policies and practices to mitigate credit risk. The most of these is the taking of security for funds advanced and credit scoring all customer borrowing applications and only lend to those which met the criteria. The bank monitors cashflows and utilization against limits to identify customers under stress. The bank has Credit risk and Loan Review Committees chaired by non-executive directors to monitor the risks”.

“Risk workshops are held for the purpose of identifying major risks in the operating environment and methods of mitigating the risks”.

“The bank identifies this risk (liquidity risk) through periodic liquidity gap analysis and the maturity profile of assets and against that of its liabilities. Where major gaps appear action is taken in advance to close or minimise the gaps. The bank’s Asset and liability Committees (ALCO) monitors and manages liquidity risk”.

“The bank periodical set limits and analyses its assets and liabilities to establish the interest re-pricing gaps. Action is

	<p>taken to close the gaps in excess of limits. Interest rate risk is also monitored and managed by ALCO”.</p> <p>“DVaR is an estimate of the potential loss which might arise from unfavourable market movements, if the current positions were held unchanged for one business day, measured to a confidence of 99%”. Daily losses exceeding the DVaR figure are likely to occur, on average twice in every 100 business days”.</p> <p>“Stress tests provide an indication of losses that could arise in extreme positions.</p>	
11.	<p>Relationship with other stakeholders: which ones are most important, why, implications, risks for cash flow.</p> <p>“Quarterly networking events were held for local business customers to assist them build value adding relationships with each other and equip them with up to date financial information”.</p> <p>“The Bank’s wellness Programme has been further enhanced through partnership with local providers. The programmes seeks to enhance the welfare of staff as a key resource to the business by providing a broad range of services and training aimed at improving the quality of life both in the work place and outside. This has led to more employees and their families accessing these services and facilities”.</p>	1
FINANCIAL POSITION ANALYSIS AND EXPLANATION		
1.	<p>Accounting policies, e.g. those necessary to understand the performance and financial position, changes</p>	3

	<i>Reported in compliance with IFRs</i>	
2.	Capital structure: nature rational, short term or long term plans. “	0
3.	Treasury policies: analysis and explanation of cash-related matters	0
4.	Cashflows, e.g. probable cash requirements, where segmental cash requirements are out of line with profits	0
5.	Liquidity, e.g. working capital, current assets, current and prospective borrowing requirements.	3
	<i>Reported in compliance with IFRs</i>	
6.	Profitability, e.g. sales volume, turnover, gross margins profit ratios. “The bank recorded a loss after tax of \$1,159million compared to a loss of \$6 282million, a marginal improvement driven by improvement driven by underlying improved net operating income and loan impairment performances, coupled by the bank’s declining asset base as a results of the ravaging effects of inflation”. Net interest income rose from \$66 478 million to \$69 989 million representing an increase of 5% driven by higher yields on treasury bills portfolio with part of portfolio yielding inflation linked returns. Non-funded income dropped by 11% to \$16 093 million driven by controls on tariffs on cash transactions as well as customer absorptive capacity in light of the difficult operating environment.	3

APPENDIX 8: EDGARS STORES LIMITED

FORWARD-LOOKING INFORMATION EXTRACTS. FINANCIAL YEAR ENDED DECEMBER 2006

Edgars Stores Limited ('the Company') and its subsidiaries (together 'the Group') , manufactures clothing, distributes and sells clothing, footwear, textiles and accessories through a network of stores.

CONTEXT, NATURE, OBJECTIVES AND STRATEGY		Score
1	Markets saved, e.g. current size and future prospects.	1
2	<p>Competitive position in markets served, e.g. market ranking or position.</p> <p>".....As a result we have seen more competition in the middle to upper market. This competition is not related only to opposition formal retail but to the informal sector where we have seen a lot of modern day "traders" importing exclusive clothing, footwear and accessories to sell independently to the new but smaller middle class".</p>	4
3	<p>External factors likely to impact future prospects e.g. Political, Economic, Social, Technological, Environment and Legal (PESTEL)</p> <p>"For more than seven years now the Zimbabwean economy has been in decline. The severity of a number of problems has intensified, chief among which has been a shortage of foreign currency and reduced activity in productive sectors.</p>	2

	<p>These problems have manifested themselves in high inflation”.</p> <p>“During 2006, inflation rose from 613% in January and finished the year at 1,281%. Average inflation for the year was 1 097%.clothing and footwear inflation for the year was 883%. The CSO inflation figures for are below our in-house garments cost increases which showed clothing and footwear inflation figures to be much higher than those reported”.</p> <p>“Unfortunately, wages and salaries in the informal sector have tended to trail price rises. As the place of inflation increases, so does the gap between the two, resulting in customer resistance to new higher prices”.</p> <p>“.....exports remain a priority but the fixed exchange rate remains a huge constraint against profitability.</p>	
4	<p>Corporate objective: Financial and non-financial, qualitative and quantitative goals.</p> <p>“The demands of our business are such that success will only come from the dedication of our employees. The group will continue to have its operating decisions made at the appropriate operating levels of the business. Participative management lies at the heart of this strategy, which relies on the building of employee partnerships at every level to foster mutual trust and to encourage people to think always about how they can do things better”.</p>	2
5	<p>Economic or business model: how the business adds value, sources and usage of cashflow.</p> <p>“Our Business is retailing. Through our credit and cash stores we aim to supply quality products for the family. We aim to be Zimbabwe’s leading retailer”.</p>	4

	<p>“The Express chain operates from thirty seven stores and of these, three are Express Credit stores and four are fully fledged Express Mart stores. Our vision is that, with time, all of the Express stores will convert from cash stores selling only CFTA products, to Express Mart stores offering CFTA and non CFTA products on credit”.</p> <p>“...The assortment offering is still at an experimental stage. However, it is envisaged that Express Mart will become a fully fledged, general merchandise discounter offering credit. As mentioned in our Annual Report for 2005, the product range will encompass the traditional CFTA merchandise, as well as hardware; kitchenware; stationery; simple electrical goods and agricultural implements”.</p> <p>“Over the years our manufacturing capability has grown at Carousel. This facility has a jeans plant, a ladies wear, and children swear factory. The normal capacity is 4,000 units a day and it now supplies up to 12% of the group’s annual requirements. It employs about 1,100 employees, half being permanent and half on contract.”</p>	
6	<p>Strategic expansion/contraction, e.g. diversifying or changing geographic markets served, product categories or customer types.</p> <p>“Store shopping environments have been kept at a high standard. Not surprising is the rather steep increase in maintenance costs for modern store facilities such as lighting and air conditioning. Obviously some of the Edgars stores in small centres can no longer afford these high standards.</p>	3

	<p>These will either be closed or converted to a different brand. It is essential to protect the integrity of the Edgars brand right from shopping environments through to merchandise assortments and presentation”</p>	
7	<p>KPIs/met most used by the board to assess progress/performance: both financial and non-financial.</p> <p>Since December inflation has been on a steady upward trend, and it is difficult to predict when it will peak. One of the group’s core competencies lies in providing affordable credit to its customers. It is however imperative that the group is able to recover all the costs associated with providing this credit to its customers. The most significant of these costs is the cost of financing the debtors' book. Unfortunately, as inflation escalates it becomes increasingly difficult to provide affordable credit. This is because customers cannot afford the required finance charges. We will continue to adjust our credit model so as to ensure that we retain this strategic asset.</p>	3
DRIVERS OF DEVELOPMENT AND PERFORMANCE		
1.	<p>Sources of cashflows, e.g. profile of customers, number of end users/customers, loyalty, churn, penetration and share of wallet.</p> <p>“Edgars as a chain is aimed at the middle to upper segment of the group’s target market. Over the last few years, this is the sector that has weakened most rapidly. It has generally been affected by the shrinking formal market and the rather uncompetitive salaries in the public sector. With significant</p>	3

	<p>numbers of professionals leaving the country for greener pastures in the region and overseas, this sector of the market has weakened further”.</p>	
2.	<p>End-user consumer attitudes, e.g. satisfaction, perceived quality, intention to purchase.</p> <p>“In dollar terms sales growths registered throughout the business were satisfactory. In unit terms the story was very different. Unit volumes shrunk by an average of 30 – 35% during the year.</p> <p>“The average stockholding period is two and a half months</p> <p>“In Express the emphasis is on value and fashion. Assortments are kept narrow and simple and this has given the Chain an edge in the lower end market that appreciates quality and simplicity at affordable prices. As with Edgars, the challenge is to find the suppliers with the appropriate skills, fabric quality and capacity”.</p>	4
3.	<p>Trade or channel relations (where applicable) e.g. services levels, distribution, display, trade customer satisfaction.</p>	0
4.	<p>Facilities, subsidiaries, markets served and distribution methods: key changes with impact on cashflows.</p> <p>“By limiting capital expenditure, reducing merchandise stock holdings and marginally tightening the debtors’ repayment period, we were able to liquidate our borrowings by mid year”.</p>	3

	<p>“Cash flow in the second half of the year was very strong. Both debtors' collections and our cash sales in the Edgars chain exceeded our projections. On the strength of these cash flows we were able to undertake significant capital expenditure in the second half of the year”.</p>	
5.	Competitive effects and performance relative to competitors e.g. market share relative pricing	0
6.	Drivers likely to improve future prospects, e.g. marketing expenditure, sales force changes.	0
7.	<p>Drivers likely to reduce future prospects, e.g. costs, impacts of regulations.</p> <p>“...Zimbabwe continues to face serious economic problems..... the road to recovery will be long and difficult one”.</p> <p>“The board believes it would be difficult to grow sales in real terms for the nine month to September 2007, but it is confident that earnings should rise at a faster rate than sales”.</p> <p>“Our business depends, to a large extent, on the levels and quality of our merchandise offering in the stores. At the best of times, having “the right merchandise, in the right quantities in the right stores at the right price” has never been an easy goal to achieve. But in the Zimbabwe of today, with suppliers and the supply base in decline, this becomes a feat well nigh impossible. Added to that is a shortage of foreign currency to import wanted fabrics and spares for machinery”.</p> <p>“The major problem faced by the factory is sourcing enough fabric for both local and export requirements. This is</p>	4

	<p>particularly so as the factory does not generate sufficient foreign currency to meet all its requirements. Exports are at present solely in the work suit area for the South African market. The factory was re capitalised during the year and since then it has been running profitably and self sufficiently. The quality of product remains very high but productivity has been poor. There will be more focus in the latter area as we wish to increase our exports at competitive prices.</p> <p>An area that has lagged behind of late is that of training. It is important that we keep our skills sharpened and ensure that there is a pool of skilled young managers ready to take over the reigns at various levels. We are hoping to secure a high level individual to resuscitate this area and ensure that it remains vibrant and dynamic.</p>	
<p>8.</p>	<p>Innovation, e.g. number of new products, new products revenue and margin as share of total, R&D investments.</p> <p>“Results from the four Express Mart stores have been impressive. We believe that this format of retailing is most exciting. In the first half of the year management intend to convert a number of large Express stores into Express Marts, after which conversions will slow to allow for a period of consolidation”.</p> <p>“A number of our stores are overdue for refurbishment. These will be attended to in the second half of the year”.</p> <p>“Express credit was launched in three stores in the last quarter 2005. The arrears performance and collections experience of this book have proved to be satisfactory. The product has now been introduced into all Express Mart stores”.</p>	<p>3</p>

9.	Key strength and resources, e.g. reputation, brand quality, intellectual property, employees, capabilities	0
10	<p>Principal risk and uncertainties, e.g. how key internal and external risks are being addressed.</p> <p>Foreign currency management Exposure to exchange rate fluctuations and foreign loans is limited, as far as possible, by the group treasury policy and is monitored by the Treasury Committee and the Audit Committee. At 31 December 2006 foreign amounts net of future export proceeds were uncovered to the extent of \$18 866 798 (2005 : \$6 49 068).38.3</p> <p>Interest rate management Group policy is to adopt a non-speculative approach to managing interest rate risk. The group will however seek to maximise profit through management of the interest rate risk. Approved funding instruments include bankers' acceptances, call loans, commercial paper, overdrafts within banking facilities and offshore trade finance. As part of its interest rate risk management policy, the group may have a portion of its interest exposures hedged with such hedging instruments as forward rate agreements (FRA's.) Approved investment instruments include NCD's, fixed deposits, call deposits and treasury bills.</p> <p>Credit risk: management Potential concentrations of credit risk consist principally of trade accounts receivable and short term cash investments. The group only deposits short term cash surpluses with major banks of high quality credit standing and group companies. Trade accounts receivable comprise a large, widespread customer base and group companies perform ongoing credit evaluations of the financial</p>	3

	<p>condition of their customers. The granting of credit is controlled by application and behavioural scoring models and the assumptions therein are reviewed and updated on an ongoing basis. At 1 December 2006, the group did not consider there to be any significant concentration of credit risk which had not been insured or adequately provided for.</p> <p>Liquidity risk: Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close market positions. Due to the dynamic nature of the underlying business, Group Treasury maintains flexibility in funding by maintaining availability under committed credit lines. The group monitors its risks to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flow from operations.</p>	
11.	Relationship with other stakeholders: which ones are most important, why, implications, risks for cash flow.	0
FINANCIAL POSITION ANALYSIS AND EXPLANATION		
1.	Accounting policies, e.g. those necessary to understand the performance and financial position, changes.	3
	<i>Reported in compliance with IFRs</i>	
2.	Capital structure: nature rational, short term or long term plans.	0
3.	Treasury policies: analysis and explanation of cash-	1

	<p>related matters.</p> <p>“.....By June we were cash positive and will endeavour to remain so as long as the policy on bank interest remains unpredictable”.</p>	
4.	<p>Cashflows, e.g. probable cash requirements, where segmental cash requirements are out of line with profits.</p> <p>“The group started 2006 with the borrowings of ZWD\$235millionby June these were repaid and cash balances were accumulated. The group managed to remain cash positive throughout the second half of the year despite investments in working capital as well as capital expenditure.”</p>	3
5.	<p>Liquidity, e.g. working capital, current assets, current and prospective borrowing requirements.</p> <p>“The performance of the debtors book remained solid throughout the year. This is despite the fact interest rates were raised and the divisor tightened during the year.</p> <p>“Collections performance was very strong in the last quarter of the year. This trend was continued in the first two month of 2007. Given the quantum of the recently granted civil servant pay increases, this trend should continue for the next few months.”</p> <p>Inventories and trade receivables grew by 469% to 1,292% over the prior year, and the group was holding cash balances of over \$2.1 billion at year end.</p>	3
6.	<p>Profitability, e.g. sales volume, turnover, gross margins profit ratios.</p>	3

“Group sales increased by 1,298%, which was below our own estimates of clothing and footwear inflation. PBT rose by 1,487% assisted by improved margins in both chains”.

“Group volumes began falling in the last quarter of 2005. This trend continued throughout the first nine months of the year. Given the low volume base in the previous year, the rate of volume decline slowed in the last quarter of 2006”.

“Sales in the last quarter of 2006, exceeded optimistic projections.....”

“ Deliveries from suppliers in January 2007 were disappointing, but improved significantly in February....”

APPENDIX 9: AFRICAN DISTILLERS LIMITED

FORWARD-LOOKING INFORMATION EXTRACTS. FINANCIAL YEAR ENDED 30 JUNE 2006

The core business of African Distillers is the manufacture, distribution and marketing of branded wines and spirits for distribution in Zimbabwe and exports.

CONTEXT, NATURE, OBJECTIVES AND STRATEGY		Score
1	Markets served, e.g. current size and future prospects	0
2.	Competitive position in markets served, e.g. market ranking or position	0
3.	<p>External factors likely to impact future prospects e.g. Political, Economic, Social, Technological, Environment and Legal (PESTEL)</p> <p>“The economic environmenthas continued to deteriorate. There have been severe challenges as a result of hyperinflation, limited foreign currency availability and declining disposable income, coupled with erratic power supply, coal deliveries and fuel shortages”.</p> <p>“... the Governor of RBZ.....gave some important indications that market forces will be allowed to operate in order to stimulate the economy”.</p> <p>“In the short term, however, trading conditions will remain difficult”.</p>	2

	<p>“The effects of hyperinflation continue to erode the Company’s ability to replace and upgrade capital equipment and, while the existing asset base remains operationally efficient, there will be nevertheless a major cost in the future to restore international operational efficiency and competitiveness.</p> <p>“Abnormal climatic conditions, labour shortages and theft of grapes resulted in reduced yields from vineyards.</p> <p>“Nevertheless...., the company will be able to supply the market with the full range of the wine for most of the following year”.</p>	
4.	Corporate objective: Financial and non-financial, qualitative and quantitative goals.	0
5.	Economic or business model: how the business adds value, sources and usage of cashflow. <p>“ The main business is the manufacture, importation and wholesale distribution of spirits and wine”.</p>	1
6.	Strategic expansion/contraction, e.g. diversifying or changing geographic markets served, product categories or customer types. <p>“Falling employment, the disruptions of the informal sector, and, particularly, a shortage of raw spirits, has resulted in sales volumes declining by 22%.</p>	2
7.	KPIs/metrics most used by the board to assess progress/performance: both financial and non-financial <p>“The prospect of improved spirit supplies is positive and this combined with continued focus on cash management and cost control, should ensure that the Company remains in a strong position to take advantage of any upturn in the</p>	1

	economy”.	
DRIVERS OF DEVELOPMENT AND PERFORMANCE		
1.	Sources of cashflows, e.g. profile of customers, number of end users/customers, loyalty, churn, penetration and share of wallet	0
2.	<p>End-user consumer attitudes, e.g. satisfaction, perceived quality, intention to purchase.</p> <p>“ Demand for our products was robust, particularly in the lower-priced spirit categories, and significant out-of-stock situations arose through out the year. It is assessed that the market was undersupplied by 25% during the year.</p>	2
3.	Trade or channel relations (where applicable) e.g. services levels, distribution, display, trade customer satisfaction.	0
4.	<p>Facilities, subsidiaries, markets served and distribution methods: key changes with impact on cashflows.</p> <p>“... the local glass supplier obtained new moulds for our bottle requirements. The Company is therefore in a position to restart a packaging rationalisation programme which had been suspended three years ago due to the unavailability of the appropriate mould equipment and breakdown... In addition to the improved quality of presentation of our products, there will be savings relating to procurement, stockholding and bottling costs”.</p> <p>“The company has in recent years embarked on a plan to expand its fermentation and distillery capacity. This has enhanced its ability to produce specialised spirit products”.</p>	3

5.	Competitive effects and performance relative to competitors e.g. market share relative pricing	0
6.	<p>Drivers likely to improve future prospects, e.g. marketing expenditure, sales force changes.</p> <p>“There has been encouraging progress in the regard and we hope that this should alleviate the problem to a certain extent during the year ahead”. (referring to local spirit shortage).</p>	1
7.	<p>Drivers likely to reduce future prospects, e.g. costs, impacts of regulations.</p> <p>“ distribution cost Escalated well above inflation”.</p> <p>“Local spirit shortages were a major constraint which will continue until such time as the production facilities of the supplier have been up-graded”.</p> <p>“Foreign currency constraints have also hampered production through our inability to obtain essential supplies”.</p>	2
8.	<p>Innovation, e.g. number of new products, new products revenue and margin as share of total, R&D investments.</p> <p>“ A strategic investment in new fermentation facilitiesresulted in the production of new products..... The contribution of these products has been pleasing and will be positive going forward.</p> <p>“The launch of two new products in the cane and FAB/low alcohol categories has been a success and further products are under development”.</p> <p>“Heritage and Inzimbe which were launched recently, are both showing strong growth. An export rum will also be launched before end of the year”.</p>	4

<p>9.</p>	<p>Key strength and resources, e.g. reputation, brand quality, intellectual property, employees, capabilities.</p> <p>“the new operating system is now running well and focus will be on utilisation to enhance management information and ensure on the return on the significant investment”.</p> <p>The Company continues to invest in training and development programmes at all levels.</p>	<p>2</p>
<p>10</p>	<p>Principal risk and uncertainties, e.g. how key internal and external risks are being addressed.</p> <p>“...the Company has implemented Enterprise-Wide Risk Management (ERM) which integrates and co-ordinates management’s approach to all risks and their consequences throughout the Company’s activities. In particular, comprehensive research into both hydro-geological issues and air emissions, has resulted in actions being taken to achieve sustainable use of the environment”.</p> <p>“in recognition of the volatile operating environment, contingency plans for each department have been drawn up to ensure survival, should the need rise”.</p> <p>“This initiative, coupled with the recent HACCP Certification and efforts towards a formalised environment management system culminating in ISO 1400 certification, translates into a comprehensive risk management programme”.</p> <p>“The company manages liquidity risk by monitoring forecast cashflows and ensuring that adequate unutilised borrowing facilities are maintained the company has no liquidity risk as shown in note 7”</p>	<p>3</p>

	<p>“The company is exposed to interest rate risk as it borrows at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings within market expectations, and the Company adopted a non-speculative approach to managing interest risk”.</p> <p>“The Company undertakes transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise. Trade related import exposures are managed by the use of the natural hedges arising from export revenue and the introduction of a “cash against delivery” system for most major foreign suppliers”.</p> <p>“Financial assets which potentially subject the company to concentration of credit consist of cash, short term deposits and trade receivables. The Company’s cash equivalents and short term deposits are placed with high credit quality financial institutions. Credit risk in respect of trade receivables is limited due to a widespread customer base and on-going evaluations of financial conditions of customers. Accordingly the company has no significant concentration of credit risk”.</p>	
11.	Relationship with other stakeholders: which ones are most important, why, implications, risks for cash flow.	0
FINANCIAL POSITION ANALYSIS AND EXPLANATION		
1.	Accounting policies, e.g. those necessary to understand the performance and financial position, changes.	3
	<i>Reported in compliance with IFRs</i>	

2.	Capital structure: nature rational, short term or long term plans	0
3.	Treasury policies: analysis and explanation of cash-related matters	1
4.	Cashflows, e.g. probable cash requirements, where segmental cash requirements are out of line with profits	3
5.	<p>Liquidity, e.g. working capital, current assets, current and prospective borrowing requirements.</p> <p>“The company ended the year with a strong balance sheet and, despite a fall in sales volume. Ended the year cash positive”.</p> <p>“Net funds at year-end stood at \$116 million”.</p>	3
6.	<p>Profitability, e.g. sales volume, turnover, gross margins profit ratios.</p> <p>“Trading margins decreased slightly due to the impact of exchange rates on raw materials. As a results, attributable income of \$4,51 per share was 437% ahead of the prior year.</p>	3

APPENDIX 10: COLCOM FOODS LIMITED

FORWARD-LOOKING INFORMATION EXTRACTS. FINANCIAL YEAR ENDED 31 JUNE 2006

The Company and its subsidiaries are incorporated in Zimbabwe. The group's main activity is the production, processing and marketing of pork and food products.

CONTEXT, NATURE, OBJECTIVES AND STRATEGY		Score
1	<p>Markets served, e.g. current size and future prospects.</p> <p>“Export volumes however increased particularly in the latter part of the period under review leading to an annualised 4% overall rise in export volumes.</p>	1
2	<p>Competitive position in markets served, e.g. market ranking or position</p>	0
3	<p>External factors likely to impact future prospects e.g. Political, Economic, Social, Technological, Environment and Legal (PESTEL).</p> <p>“Due to the rising inflation and falling levels of employment, consumer disposable incomes were significantly eroded. Together with essential price adjustments into the local market these factors resulted in an overall reduction in volumes sold on the local market by 10% annualised’.</p> <p>“Interest rates remained high during the period with a peak of 800% in May 2006. Foreign currency shortages persisted and the exchange rate continued to be managed at largely</p>	2

	subdued levels”.	
4	<p>Corporate objective: Financial and non-financial, qualitative and quantitative goals.</p> <p>“ The diversification strategy in the areas of pigs, cattle and ostriches still remains vital to the group as means of retaining and creating value in an inflationary period”.</p>	1
5	<p>Economic or business model: how the business adds value, sources and usage of cashflow.</p> <p>“</p>	2
6	<p>Strategic expansion/contraction, e.g. diversifying or changing geographic markets served, product categories or customer types.</p> <p>“To assist with stock feed security, the group once again entered into a joint venture to support contracted farmers with inputs for maize and soya production”.</p>	2
10.	<p>KPIs/metrics most used by most used by the board to assess progress/performance: both financial and non-financial.</p> <p>“The Triple C (Pigs) operations continued to be world class ‘state of the art’ pig unit that it is famous for, Total pig production – increased by 4.5% from 46 666 to 48 754 pigs”.</p> <p>“Stock feed supply was adequate with deficits being met by an allocation from Grain Marketing Board, who, despite enormous challenges, continue to support the livestock</p>	3

	<p>industry in a proactive way”.</p> <p>“bulling programme was rationalised to one bulling seasonunfortunately the conception rate for the current year of 57% did not meet target of 65%. Never the less the breeding herd continues to be a value hedge, especially so in this inflationary environment”.</p> <p>“The rising prices of pork products in the region present an opportunity to increase exports significantly”.</p>	
DRIVERS OF DEVELOPMENT AND PERFORMANCE		
1.	Sources of cashflows, e.g. profile of customers, number of end users/customers, loyalty, churn, penetration and share of wallet	0
2.	<p>End-user consumer attitudes, e.g. satisfaction, perceived quality, intention to purchase.</p> <p>“By 2010 every Zimbabwean will have doubled their consumption of Colcom products to 2kgs per year. Sales in foreign markets will have trebled and will represent 20% of our turnover”.</p>	4
3.	<p>Trade or channel relations (where applicable) e.g. services levels, distribution, display, trade customer satisfaction.</p> <p>“The group continues the marketing of beef products through Associated Meat Packers in Bulawayo and Harare. This section of the business performed reasonably well and managed to hold volumes in the current period”.</p>	2

<p>4.</p>	<p>Facilities, subsidiaries, markets served and distribution methods: key changes with impact on cashflows.</p> <p>“Colcom has been diversifying its activities in recent years. These include changing the slaughter line to beef in Bulawayo and the initiation of Association Meat Packers (AMP) to process this diversified, as well as other meats. The emphasis is on tailor-made bulk order business, marketed under “Butchers Best”. The beef business has subsequently been expanded to include a breeding herd and feedlotting”</p> <p>In early 2004 Colcom Started an Ostrich Breeding projectmaking optimal use of overheads and related synergies, and utilizing similar intensive techniques and bio-security procedures. The project which currently has 1100 breeding hens,” Exports of meat and skin are carried out to Europe and Far East”.</p> <p>“.....Colcom also vertically integrated its operations in 1998 in a world class state of the art joint venture pig unit,....which has a 2 200 sow breeding herd.supplies 920 pigs per week to Colcom”.</p> <p>“In addition to refurbishment and upgrading its existing facilities, Colcom developed new wholesale and retail outlets and entered into an associate venture in Zimbabwe with Freddy Hirsch Group. The venture manufactures and supplies natural and synthetic sausage casings, ingredients supporting the meat industry, and butchery equipment, and provides training for persons in the meat business”.</p> <p>“Capital expenditure for the period amounted to \$147million with \$88million being on the Ruwa Cold Storage project”.</p>	<p>3</p>
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	<p>“The new cold storage facility currently being built at Danmeats, Ruwa will be completed in the first half of the new financial year and this will handle the envisaged increase in regional exports”.</p>	
5.	Competitive effects and performance relative to competitors e.g. market share relative pricing	0
6.	<p>Drivers likely to improve future prospects, e.g. marketing expenditure, sales force changes.</p> <p>“In 2001 Colcom acquired Danmeats, which has modern meat processing facilities and cold rooms and a reputation for quality processed products. Danmeats has Export Processing Zone (EPZ) status. This inherent synergies between Colcom and Danmeats led to a significant rationalisation process”.</p>	1
7.	<p>Drivers likely to reduce future prospects, e.g. costs, impacts of regulations.</p> <p>“Ostrich production was disappointingdue to poor fertility, which was a result of contaminated grower feed rations. This was corrected and better results are expected in the new year.</p> <p>“....Avian Influenza came too late to affect exports for this period. The ban for the exports was lifted post year-end and the plan for resumption of exports pf meat and skin is on course.</p>	2
8.	Innovation, e.g. number of new products, new products	1

	<p>revenue and margin as share of total, R&D investments.</p> <p>“Investments in new and improved genetics are an on-going process to ensure production of high standard which meets export ratings”.</p>	
9.	<p>Key strength and resources, e.g. reputation, brand quality, intellectual property, employees, capabilities.</p> <p>“Colcom itself is a long-established household brand name in Zimbabwe, synonymous with quality and hygiene. Together with Danmeats, these brands have developed a fine reputation on exports markets in central and Southern Africa. Exports are based on a combination of strict veterinary standards and controls, exports rated factory facilities and high temperature cooking of processed and canned products.”</p> <p>“Pig based product include fresh pork, hams, bacons, fresh and cooked sausages, pies, cold meats, polonies and canned products. Cognisant of differing market requirements a “Value Brand” group of products have been developed. A range of fresh and processed beef based products are produced and the company’s wholesale and retail outlets, (renamed Colcom City) sell other meat protein foods as well.”</p> <p>“The group has adequate levels of stock feed and will endeavour to maintain adequate reserves at all times”.</p>	3
10	<p>Principal risk and uncertainties, e.g. how key internal and external risks are being addressed</p>	3

“The group Executive Committee, consisting of senior executives,, meets on a regular basis to analyse, amongst other matters, currency and interest rate exposures and re-evaluate treasury management strategies against revised economic forecasts”.

“Exposure to exchange rate fluctuations and foreign loans is limited by the Group treasury policy and is monitored by the Group Executive Committee. Significant exposure to foreign loans is limited to operations that generate sufficient foreign currency receipts that effectively act as a hedge. Operating subsidiaries manage short-term currency exposures relating to trade imports and exports within approved parameters”.

“Group policy is to adopt a non-speculative approach to interest rate risk. Approved funding instruments include bankers’ acceptances, call loans, overdrafts, commercial paper, foreign loans and where appropriate, long-term loans. Approved investments instruments include fixed and call deposits”.

“The group has no liquidity risk as shown by its unutilized banking facilities”.

“The Group deposits short-term surplus only with major banks of high credit standing. Trade debtors comprise a large, widespread customer base and Group companies perform on-going credit evaluations of financial condition of their customers. Where appropriate, credit guarantee insurance is purchased. Accordingly the Group has no significant concentration of credit risk which has not been insured or adequately provided for”.

11.	Relationship with other stakeholders: which ones are most important, why, implications, risks for cash flow.	0
FINANCIAL POSITION ANALYSIS AND EXPLANATION		
1.	Accounting policies, e.g. those necessary to understand the performance and financial position, changes. <i>Reported in compliance with IFRs</i>	3
2.	Capital structure: nature rational, short term or long term plans	0
3.	Treasury policies: analysis and explanation of cash-related matters	0
4.	Cashflows, e.g. probable cash requirements, where segmental cash requirements are out of line with profits	0
5.	Liquidity, e.g. working capital, current assets, current and prospective borrowing requirements. “The balance sheet for the Group remains solid and ready to take advantage of any opportunities that may arise in the economy. “... external borrowings amounted to \$43 million which were accessed through the appreciated Agricultural Sector Productivity Enhancement Facility with interest rates of 20% or 50% per annum.	1
6.	Profitability, e.g. sales volume, turnover, gross margins profit ratios. The groups Turnover ... increased by...which was well above average inflation”	3

PPENDIX 11: MEIKLES AFRICA LIMITED

FORWARD-LOOKING INFORMATION EXTRACTS. FINANCIAL YEAR ENDED 31 MARCH 2006

The operating businesses of Meikles Africa Limited together now form one of the leading retail and hotel groups in Zimbabwe. The operations comprise [TM Supermarkets](#) which is the country's largest supermarket chain, [Meikles Africa Hotel division](#), which is Zimbabwe's premier corporate, five star hotel group and a leading [department store](#) grouping, trading under the names Meikles, Barbour's and Greatermans.

Meikles Africa Hotel Division in Zimbabwe operates Meikles Hotel, and in partnership with Zimbabwe Sun Limited, the Victoria Falls Hotel, and in South Africa the Cape Grace Hotel.

The Company's continuing investment in retail and hotel industries is aimed at providing for the evolving needs of its customers whilst allowing it to attain its stated goal of being "the leading hospitality and retail group" in Zimbabwe.

CONTEXT, NATURE, OBJECTIVES AND STRATEGY		Score
11.	Markets served, e.g. current size and future prospects	0
12.	Competitive position in markets served, e.g. market ranking or position	0
13.	External factors likely to impact future prospects e.g. Political, Economic, Social, Technological, Environment and Legal (PESTEL). "...with year on year inflation declining at the start but	1

	<p>ballooning towards the end”.</p> <p>“Exchange rate movement has not matched inflation and efforts to maintain real interest rates have put pressure on all stakeholders”.</p>	
14.	Corporate objective: Financial and non-financial, qualitative and quantitative goals	0
15.	Economic or business model: how the business adds value, sources and usage of cashflow	0
16.	<p>Strategic expansion/contraction, e.g. diversifying or changing geographic markets served, product categories or customer types.</p> <p>“Meikles Africa set out an ambitious five-part strategy for the year 31 March 2006, and each division has delivered results that exceed initial expectations”.</p> <p>“The following goals were pursued to ensure operating profits exceed inflation:-</p> <ul style="list-style-type: none"> • That a great share of a diminishing market be secured. • That no compromise be made in the procurement of sufficient inventory. • That working capital management responded rapidly to interest and exchange rate movements. • That stores upgrade and TM supermarkets expansion projects be pursued vigorously. • That Meikles Africa Hotels maintained standards commensurate with leading Hotels of the world. 	2
17.	KPIs/metrics most used by most used by the board to assess progress/performance: both financial and non-financial.	0

DRIVERS OF DEVELOPMENT AND PERFORMANCE		
1.	Sources of cashflows, e.g. profile of customers, number of end users/customers, loyalty, churn, penetration and share of wallet	0
2.	End-user consumer attitudes, e.g. satisfaction, perceived quality, intention to purchase	0
3.	Trade or channel relations (where applicable) e.g. services levels, distribution, display, trade customer satisfaction.	0
4.	<p>Facilities, subsidiaries, markets served and distribution methods: key changes with impact on cashflows.</p> <p>“Market shift (TM supermarkets) in sales mix to basic products lines was successfully managed. Shrinkage was successfully contained. A new unit was opened in Chikanga, Mutareconstructors are on site in Kariba and the finalisation of leases is at an advanced stage for three new outlets”.</p>	2
5.	<p>Competitive effects and performance relative to competitors e.g. market share relative pricing.</p> <p>“The group advanced its competitive edge and is expected that this will be maintained in the coming year...”</p>	1
6.	<p>Drivers likely to improve future prospects, e.g. marketing expenditure, sales force changes.</p> <p>“Managing stock has required a policy of replacement pricing whilst retaining a competitive edge”.</p>	3

	<p>“The new “storeline” Point of sale system, which 75% complete, will assist in providing information to effectively deal with pricing, unit stock control and sales data”.</p> <p>“Tight cost control and the movement of exchange rate contributed to the good results for the division”.</p> <p>“Occupancy at Victoria Falls Hotel increased by 3% points while at the Meikles Hotel decreased by the same”.</p> <p>“Occupancy at Cape Grace grew by 7% points”.</p>	
7.	<p>Drivers likely to reduce future prospects, e.g. costs, impacts of regulations.</p> <p>“If the exchange rate movement was allowed to track inflation in the last quarter, there would have been substantial enhancement in profit over than achieved”.</p>	1
8.	<p>Innovation, e.g. number of new products, new products revenue and margin as share of total, R&D investments</p>	0
9.	<p>Key strength and resources, e.g. reputation, brand quality, intellectual property, employees, capabilities.</p> <p>“Meikles Africa Hotels continued to dominate local and South African awards for quality service and product”.</p>	1
10	<p>Principal risk and uncertainties, e.g. how key internal and external risks are being addressed.</p> <p>“Each operating unit has an internal audit department, the head of which reports to the audit committee of each division”.</p>	3

	<p>“The group operate a central treasury function, the objective being to provide competitive funding costs and investments income as well as the monitoring of financial risk.Group treasury does not engage in speculative activity”</p> <p>“Exposure to liquidity risk is managed through a diversity of funding sources and a spread of debt maturities”.</p> <p>“The group’s cash resources are invested with the most reputable financial institutions, whilst at the same time, where possible, spreading risk across a number of banks and similar institutions”.</p> <p>“The principal amounts of all monetary financial assets and liabilities are fixed, and not subject to market related value adjustments”.</p>	
11.	Relationship with other stakeholders: which ones are most important, why, implications, risks for cash flow.	0
FINANCIAL POSITION ANALYSIS AND EXPLANATION		
1.	<p>Accounting policies, e.g. those necessary to understand the performance and financial position, changes.</p> <p><i>Reported in compliance with IFRs</i></p>	3
2.	<p>Capital structure: nature rational, short term or long term plans.</p> <p>“Plans to achieve a larger strategic alignment with</p>	2

	<p>Mvelaphanda Holdings are progressing”.</p> <p>“Meikles Africa Limited will underwrite the Kingdom Financial Holdings Limited rights issue”</p>	
3.	Treasury policies: analysis and explanation of cash-related matters	0
4.	Cashflows, e.g. probable cash requirements, where segmental cash requirements are out of line with profits.	0
5.	<p>Liquidity, e.g. working capital, current assets, current and prospective borrowing requirements.</p> <p>“The hotels were cash sufficient with all planned CAPEX being financed from operating cash flow”.</p>	2
6.	<p>Profitability, e.g. sales volume, turnover, gross margins profit ratios.</p> <p>“In areas that could be controlled by management, performance was ahead of internal expectations”.</p> <p>“(Hotels) turnover increased by 865% to \$1,2 trillion. PBT for the division at \$363billion was up 1 730% on the prior year. At Cape Grace, PBT at \$259billion was up 1 972% on the previous year – an increase of 24% in South African Rand terms”.</p>	3