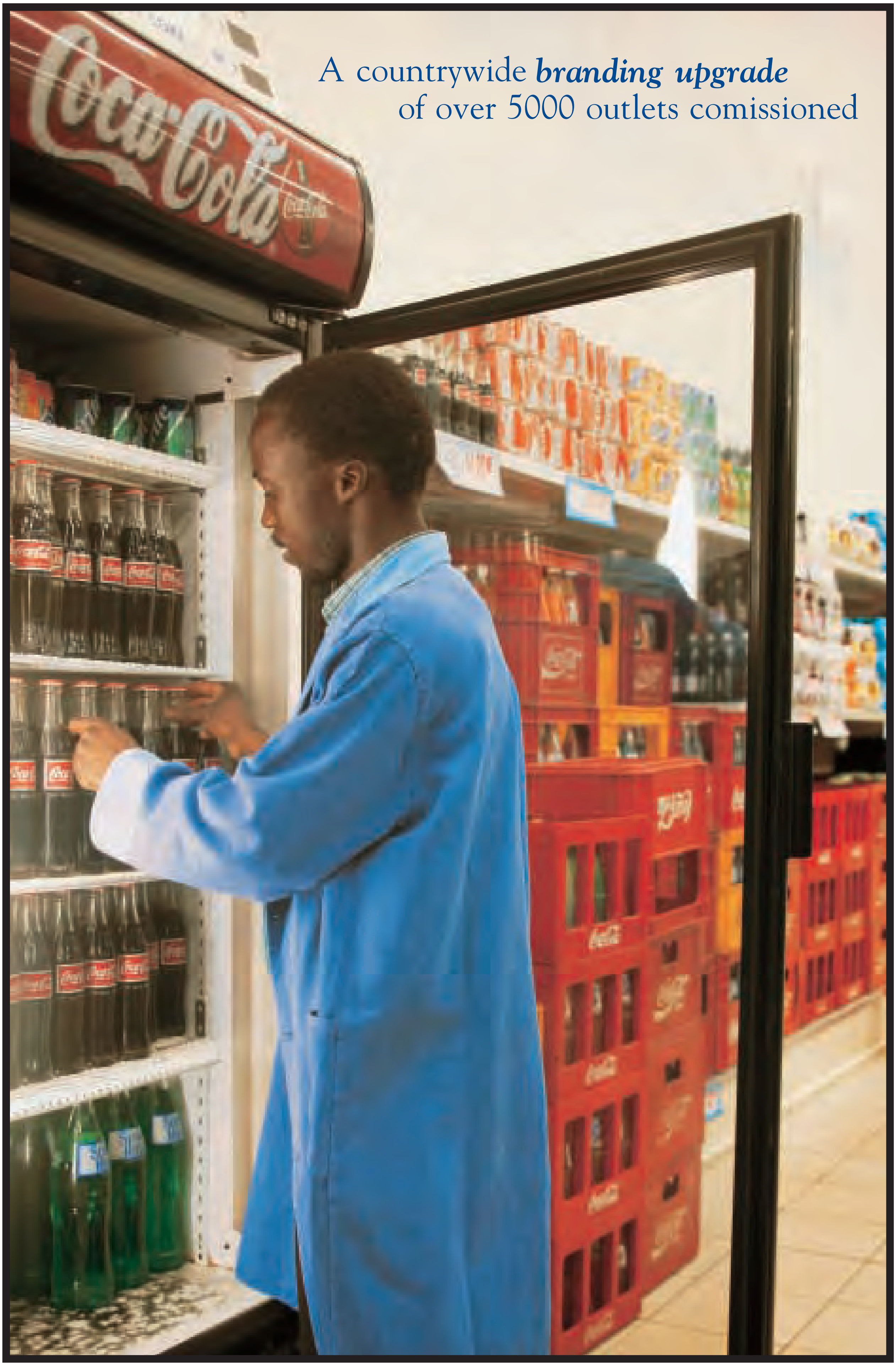
Delta Corporation Limited - Annual Report 2004

The Future is in our Brands

DELTA CORPORATION
LIMITED


A countrywide ***branding upgrade***
of over 5000 outlets comissioned
Coca-Cola

CONTENTS

Core Values

Integrity, Honesty and Discipline

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

Respect for the Individual

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

Teamwork

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

Quality in Product and Service

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

Continuous Improvement

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

Good Corporate Citizenship

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

FINANCIAL HIGHLIGHTS

HISTORICAL

	2004	2003
GROUP SUMMARY ($ million)		
Turnover	580 257	103 682
Cash value added	220 616	45 459
EBITDA	197 200	33 403
Income after taxation	118 856	23 521
Attributable earnings	110 756	22 410
Headline earnings	111 406	22 569
Net borrowings	28 512	(1 573)
Total assets	344 977	61 917
Market capitalisation	130 347	212 056
SHARE PERFORMANCE (dollars)		
Earnings per share		
– attributable earnings basis	124,6	25,5
– headline earnings basis	125,3	25,7
– cash equivalent earnings basis	121,6	25,1
Cash flow per share	4,4	13,9
Dividends per share	26,0	7,0
Net asset value per share	144,8	30,1
Market price per share	145,0	240,0
FINANCIAL STATISTICS		
Return on equity (%)	85,1	84,3
Operating margin (Operating income to net sales) %	42,8	39,5
Interest cover (times)	6,5	65,7

CHAIRMAN'S STATEMENT

INTRODUCTION

The last year has been a year of two distinct parts. The first eight months to November 2003 were characterised by inflation escalating out of control to a peak of month-on-month inflation at over 33% in November. This, together with negative real interest rates, resulted in a high level of speculative activity as assets of all sorts were used as a store of value and a hedge against inflation.

Economic Environment

A year of two parts, split by the change in national monetary policy.

The buoying effects on consumptive expenditure of low real interest rates which discouraged savings, informal sector activities and the impact of remittances by Zimbabweans working outside the country's borders remained firm, but were overshadowed in the early part of the year by the shortage of ready money with which to undertake transactions.

A dramatic change in the economic environment was seen in December 2003 with the launch of a new monetary policy that ushered in punitive real interest rates, tight control over banking activities and a controlled auction for foreign currency which resulted in the market value of the Zimbabwe Dollar strengthening against other currencies.

After the beginning of December 2003, high real interest rates punished speculative borrowings, exposed to view a simmering crisis in the banking sector and resulted in a crash in asset values. It also resulted in fundamental change to working capital management for many organisations as the interplay between interest and inflation no longer favoured borrowings.

Demand for beverages softened as many organisations moved aggressively to reduce stock holdings and the change in market exchange rates reduced informal exports; as a result, sales volumes in December 2003, normally a peak sales month, dropped in comparison with the prior year by 26%. Sales for January 2004 remained weak, February and March were somewhat improved.

Against this trend, sales of packaging from Megapak have remained strong and sales volumes have been limited by production capacity rather than demand constraint. Increased capacity was installed during the year and volumes were 14% above the prior year.

FINANCIAL RESULTS

Comments on the financial statements are, unless otherwise stated, in respect of historical information.

Beverage volumes for the year were 18% below prior year, resulting in turnover increasing by less than inflation. Operating income grew by 499% to $188,8 billion and earnings before interest, tax, depreciation and amortisation (EBITDA) grew by 490% to $197,2 billion. These are viewed as a good measure of the underlying strength of earnings and it is pleasing to see that these are above the 481% average inflation for the year. This reflects maintenance of margins and control of costs. Overheads benefited from the restructuring which took place in the previous years, but this was partly negated by the escalating cost of fuel and the high cost of imported spares during much of the year.

The major contribution to the fiscus continues with $127 billion being paid to the Government in income, sales, value added and excise taxes. In January 2004 Value Added Taxes were introduced in respect of beverages which had previously been subject to excise tax, but free of sales tax; at the same time excise duty rates were reduced to accommodate this additional tax. The overall effect was a slight increase in the level of total taxation on these products.

Cash flow in December 2003 and January 2004 was poor due to the lower than expected sales levels and the fact that the market disgorged large numbers of containers as speculative stock holdings were reduced. This meant that borrowings remained high and the Group incurred $29 billion in finance charges, most of this being in December and January. Interest cover at 6,5 times approached the company's internal threshold of 6 times. In mid-January, all borrowings were converted into the productive sector facility at lower interest rates. As a result of this surge in finance costs, attributable earnings at $110,8 billion grew by 394% and thus did not keep pace with inflation.

The hyperinflation figures reflect this, with a significant drop in real earnings. This was largely driven by the fall in volumes, and thus in inflation adjusted turnover, which has not been fully compensated by the stock holding gains.

The Directors are of the view that the funding of strategic stock holdings, particularly of seasonal barley supplies will increasingly be subject to positive real interest rates and that there is a high risk of sharp increases in nominal and real interest rates as economic adjustment takes place. Accordingly the dividend cover has been increased to 4,8 times.

INVESTMENT AND FUNDING

Net borrowings at the year end stood at $28,5 billion. The Company experienced a net outflow of funds during the year of approximately $30 billion. This is as a result of the holding of strategic stocks in a number of commodities and the marked increase in returns of containers from the market in the last quarter of the financial year.

Capital expenditure during the year amounted to almost $20 billion. $5,6 billion was spent on replacements and $14,3 billion on expansion and upgrading of the asset base. The expenditure was spread across the Group, with $4,8 billion being expended at Megapak in order to expand capacity to meet the needs of the beverages operations and a generally under-supplied market.

INTERNATIONAL ACCOUNTING STANDARDS

The Company makes every effort to comply with, and even to anticipate, where appropriate, the requirements of the International Accounting Standards Board. As has been reported previously, the Company does not comply with the requirement to provide for the full nominal value of deferred tax on historical accounting temporary differences. This is because the prohibition of discounting of this liability contained in the standard is not considered to result in a true and fair disclosure. Instead a tax equalisation account is used and a detailed exercise has been done to determine the discounted value of deferred taxation arising from temporary differences in respect of transactions which have taken place before the end of the year. The directors are satisfied that the amount set aside in terms of the existing policy by way of deferred tax or tax equalisation adequately provides for the discounted liability.

Notwithstanding the financial reporting standard changes which are anticipated as a result of changing attitudes on this issue internationally, the stance taken on deferred tax leaves our auditors with little choice but to qualify their opinion. The full effect of non-compliance on earnings and earnings per share is disclosed in note 24 to the financial statements. Also disclosed is a contingent liability for $6,3 billion; whilst this is a large amount, under present levels of inflation and current taxation legislation, this contingency is extremely remote.

DIRECTORATE

The appointment of Mr Pearson Gowero as Executive Director – Operations was recorded at the board meeting on 14 November 2003 and Mrs A S Kamba and Mr C F Dube were appointed as non-executive directors on 13 February 2004.

Mr G Hollick has tendered his resignation from the board with effect from 30 June 2004. His contribution over the years as a board member and as the chairman of the remuneration committee has been highly valued and will be missed.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

The Company remains at the forefront of Corporate Governance practices and its broad principles are detailed later in the report.

Effective risk management is integral to the objective of consistently adding cash value to the business. The focus of risk management in Delta is on identifying, assessing, managing and monitoring all known forms of risk across the Company. An appropriate risk analysis framework is used to identify the major risks which the Company must manage in serving its stakeholders. In view of the turmoil in the current environment, 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 updated for every change that is noted or anticipated.

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

SAFETY, HEALTH, ENVIRONMENTAL MANAGEMENT AND COMMUNITY SERVICES

The creation of a healthy and safe environment for employees remained one of the Company's areas of focus. The much needed medical services continued to be provided to staff at the Main Clinic and Consulting Rooms in Harare as well as at the satellite clinics at some of our operations in Harare and Bulawayo, under the professional guidance of our Medical Officer.

Delta has for a number of years supported research, run by the University of Zimbabwe, into ways of combating the HIV/AIDS problem in the country. In respect of this a comprehensive "staff wellness programme" has been adopted which embraces the provision of access to anti-retroviral therapy to all the Company's permanent staff and their families. The primary objective of this programme is to reduce the impact of HIV/AIDS on staff and their families through improved support. The number of staff members who have taken up the anti-retroviral therapy program, which has been underway for over a year, has been disappointing and is well below suspected levels of infection. This experience is not out of line with experiences of other organisations providing assistance in this manner and suggests that a great deal still needs to be done in combating the stigma attached to this infection before it will be possible for a real impact to be made.

Safety committees are in place throughout the Company to ensure adherence to all necessary safety practices which are closely monitored.

The Corporation has built into its Safety, Health and Environmental Policy the aspect of social responsibility. To this end, the Company engages in community based projects that assist in all levels of education, develop sporting capacity and provide assistance to medical institutions.

The popular Schools Assistance Programme continued this year with further classroom blocks being constructed at underdeveloped schools countrywide at a cost of $120 million. The company continues to uphold its values in education and supported forty 'A' level students coming from economically disadvantaged backgrounds but having high academic potential.

Conscious of the need to preserve and nurture the Zimbabwean Culture the Company has provided sponsorship in conjunction with the National Arts Council of Zimbabwe. Highlights include National Arts Merit Awards for performing artists, Jikinya, which is a traditional dance competition for primary school children, Chibuku Road to Fame, a competition aimed at the identification of new talent amongst young musicians, the Neshamwari Dance Festival, an adult traditional dance competition which brings together dance groups from all over the country and the acclaimed Harare International Festival of the Arts (HIFA). The total sponsorship for the arts is valued at over five hundred million dollars.

The Company has continued to invest in sport with long-standing support for soccer, cricket, tennis, fishing, horse racing, athletics, basketball and rugby amongst other sporting activities. The Chibuku Danhiko Games for disabled persons and the Zambezi Lite Ironwill Eco-Challenge are brand supported events and the latter raised over $36 million for charity.

As the Company considers the matters of safety, health,

environmental management and community services to be of such importance that they should not be limited to annual communication, a report giving much more detail can be found on the Delta Corporation website. (http://www.delta.co.zw)

HUMAN RESOURCES

Relations at the workplace were relatively stable against the background of arguably the toughest operating environment in living memory. Regrettably, productivity was adversely affected by collective job action at the Southerton Brewery. I am confident that lessons were learnt by both parties and that everything possible will be done to avoid a recurrence for the mutual benefit of all concerned.

Effective collaboration between management and the worker leadership in key initiatives was evident during the year under review. Notable amongst the successful initiatives was the rationalisation of internal consultative structures, such as Works Councils and Management Liaison Committees, and the successful registration of the Delta Beverages Code of Conduct following the completion of the Company's transformation process.

Capacity building for productivity improvement through human resources development was intensified. There was a deliberate focus on leadership development, IT Training as well as acquisition of technical competencies and driving skills. The major thrust at Mandel Training Centre continued to be on leadership development and IT training.

The Delta Engineering Training Centre was transformed into the Delta Technical Institute in line with its expanded mandate. The transformation saw the establishment of a Technical Resource Centre that provides learning resources for technical personnel in the business. 504 participants attended courses run by the Centre, devoting 5 891 participant training days. A total of 285 apprentices received training during the year, the highest number in the history of the Centre.

CHAIRMAN'S STATEMENT

The Delta Driver Training Centre continued to provide specialist training for drivers in its quest to contribute towards the reduction of traffic accidents, improvement in vehicle operating standards and reduction in associated costs. A total of 1 139 company drivers participated in the various courses run by the Centre.

FUTURE PROSPECTS

The country has entered a period of correction of economic policy driven, in the first instance, by the change in monetary policy. It is to be hoped that fiscal policy will more closely align with this thrust. This policy has brought under control the headlong surge of inflation experienced in the last quarter of 2003 and brings with it the real prospect of a sustained reduction in inflation levels.

Investment in the Future

The launch of the Mr Juicy range.
Investing in glass.

The period of adjustment is not complete, the economy has in the last three years contracted by more than 30% and continues to contract. There is pain still to be taken in the form of business failures and job losses. This and the generally high interest rates applicable outside productive sector borrowing will tend to suppress general market demand for consumer goods. Against this trend will be the flow of funds from Zimbabweans working outside the country and the generally improved outlook for maize production from the 2003/2004 season. The year has started well with volumes growing in April and May. Interest rate risk remains high and margins will be under pressure, so the Company will, in the year ahead, target cash conservation, production efficiencies and overhead costs. To this end, in the light of the rise in the costs of transportation of product, a project has been embarked upon to review the whole structure of transport costs in the route to market.

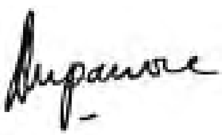
The Company's new product line, Mr Juicy, was launched in December 2003. This is a broad range of non-carbonated beverages which includes water, ready to drink juices and nectars, fruit crushes and cordials which has considerably widened the Company's footprint in the non-alcoholic beverage sector and gives access to a different beverage category. Sales of this product range are showing promising trends.

The Company has agreed to invest in glass production capacity that will provide assurance of local supply of this critical component of our business. The equipment is currently being fabricated and it is anticipated that production will commence towards the end of 2004.

A great deal still needs to be done to bring about the recovery of the Zimbabwe economy in the medium term. The process has been started and we are hopeful that signs of recovery and growth will be visible within a year.

APPRECIATION

I wish to thank all employees for the effort they made in a year of difficulties and, in the latter part of the year, great change. I have noted before that adaptability is vital in times of change, this has held the company in good stead during this year and will remain an important attribute in the year ahead. In addition, I thank my fellow directors for the support they have given and their contribution to the business.



Dr Robbie M Mupawose
CHAIRMAN
14 May 2004

Portfolio of Brands

Lager Beer Business
Castle Lager, Golden Pilsener, Lion Lager, Carling Black Label, Castle Milk Stout, Zambezi Export Lager, Zambezi Lite Lager, Zambezi Dry Lager, Bohlinger's Lager

Soft Drinks Business
Coca-Cola, Diet Coke, Fanta, Sparletta, Sprite, Schweppes

Traditional Beer Business
Chibuku and Rufaro

Non-Carbonated Beverages
The Mr Juicy Range

… meeting everyone's tastes

supporting the
good life

Lager Beer

Lager beer volumes were 23% lower than those of the prior year. This reflected the soft demand in the domestic market for much of the year and the particularly poor volumes as demand dropped and customers reduced speculative stock holding during what is normally a peak sales period in November and December 2003. A deliberate decision has been made to curtail lager beer exports due to viability problems and as a result lager export sales amounted to just Z$723m out of a total sales value of over $310 billion for the year.

The brand mix has stayed fairly constant over the year, Lion Lager remains the leading brand at 43%.

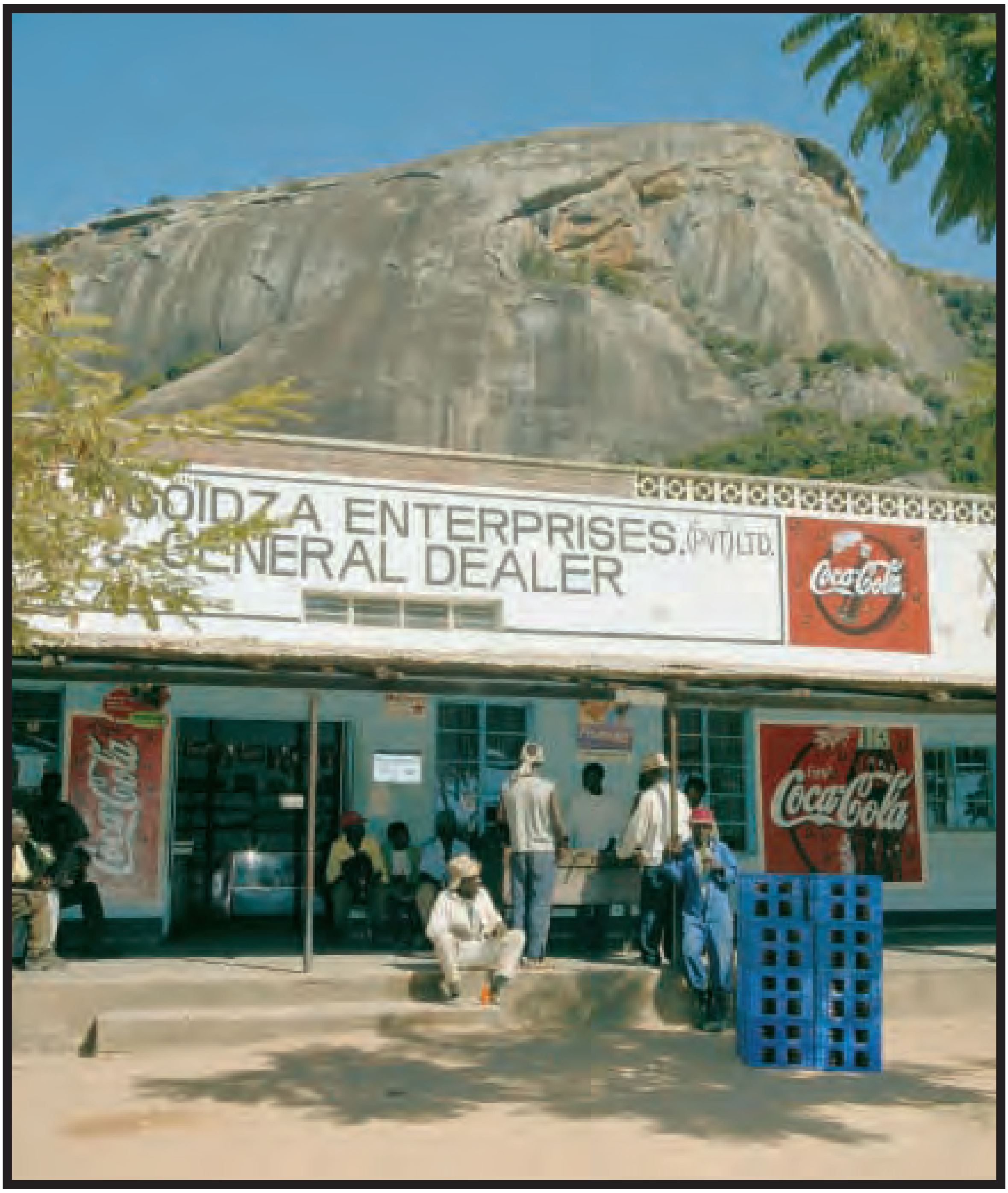
The growth of the 750 ml bottle as a value pack has continued with this pack now accounting for 42% of sales, up from 35% of the market in the last quarter of the previous year.

There has been continued improvement in beer quality scores as measured both internally and by external panels, this is as a result of particular attention to quality and consistency during the year.

The lager beer business has continued with generous sponsorship of charities, cultural events and sport. Individual brands are associated with the promotion of one or more sports. The Castle Tankard, Africa's oldest sponsored horse race, 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. Zambezi Lite sponsored the Zambezi Lite Ironwill Eco-Challenge, a multidisciplinary event which combines mountain climbing, cycling and canoeing. This event raised $36 million for charity.

Castle Milk Stout

This new brand was launched in July 2003.
It has a small but loyal following and constitutes approximately 1% of sales for the year.



bringing our people
together

Traditional Beer Business

Chibuku volumes ended the year 14% down on last year. The contribution of packaged beer, the well known two litre “Scud”, to the total volumes of Sorghum Beer has been growing steadily over the last few years as a result of consumer preference for this pack over draught beer. Packaged beer now makes up over 90% of volumes compared with 86% last year. During the year the growth of this package became constrained by the lack of capacity at our suppliers to produce lids in sufficient quantities. Additional capacity has now been installed.

The Chibuku brand continued its long history of involvement in arts and culture. Its sponsorship of the Neshamwari Traditional Dance Festival and the Chibuku Road to Fame competition continued this year. The former is an adult traditional dance competition and seeks to nurture traditions from all over the country. The Chibuku/Danhiko Paralympic Games have helped to reinforce the message “disability is not inability”. The Scud Tertiary Soccer Tournament which involves Teachers’ Colleges, Polytechnics and Universities ran from July to October generating a high level of participation.

During the early part of the year, the farmers contracted by the company to produce maize and sorghum delivered these crops to the Grain Marketing Board and the company silos respectively. Whilst the company has had a long-standing relationship with sorghum producers, this was the first significant move into support for maize production. This product is highly dependent on these two crops and particular emphasis was placed on ensuring continuity of supply of essential bulk ingredients such as maize and sorghum. It is pleasing to note that the level of default on contracts was extremely low and that this was therefore considered to have been a highly successful exercise. This result was in no small measure attributable to the Delta Agricultural Services team who entered the contracts, provided agricultural extension services and monitored production.

Crop Input Scheme

The receipt of crops from this input scheme exceeded expectations.

a part of
everyday life

Carbonated Soft Drinks Business

Carbonated Soft Drink volumes ended the year 30% down on last year. To a certain degree this was as a result of a correction in pricing as price controls were lifted, but also reflected a general weakening in demand. This product is particularly sensitive to pressure on consumer spend and is subject to competition from a wide range of products. In December 2003 the company was unable to meet demand as a result of a regional failure in carbon dioxide supplies due to plant failure at the manufacturers. Each year as the peak season approaches, supply constraints of CO_2 occur in the region, increased holding capacity is being evaluated as a solution to periodic stock-outs.

Coca-Cola sales make up 58% of the total sales of carbonated soft drinks and the most popular pack is the 300ml at 74,3% of total sales.

The Delta Beverages Soft Drinks business is proud of its longstanding association with sports and culture development together with Coca-Cola Central Africa. In 2003, Zimbabwe hosted the Coca-Cola High Schools Soccer Regional Tournament at Rufaro Stadium, where selected teams from Zimbabwe, Zambia and Malawi participated. On the cultural side, Delta Beverages supported HIFA, a major event on the cultural calendar of Zimbabwe, which brings in international artists and gives an opportunity to put local artists on a pedestal.

In response to the difficulties experienced with power supplies to the main bottling plant in Harare a generator has been installed at a cost of $887 million. This will provide for continuity of production at this site that has proved to be vulnerable to load shedding.

Popular Pack

The 300ml 'King Size' bottle still dominates the market as the most popular pack accounting for almost 75% of sales.

a fresh new *taste*

Non-Carbonated Beverages

Mr Juicy

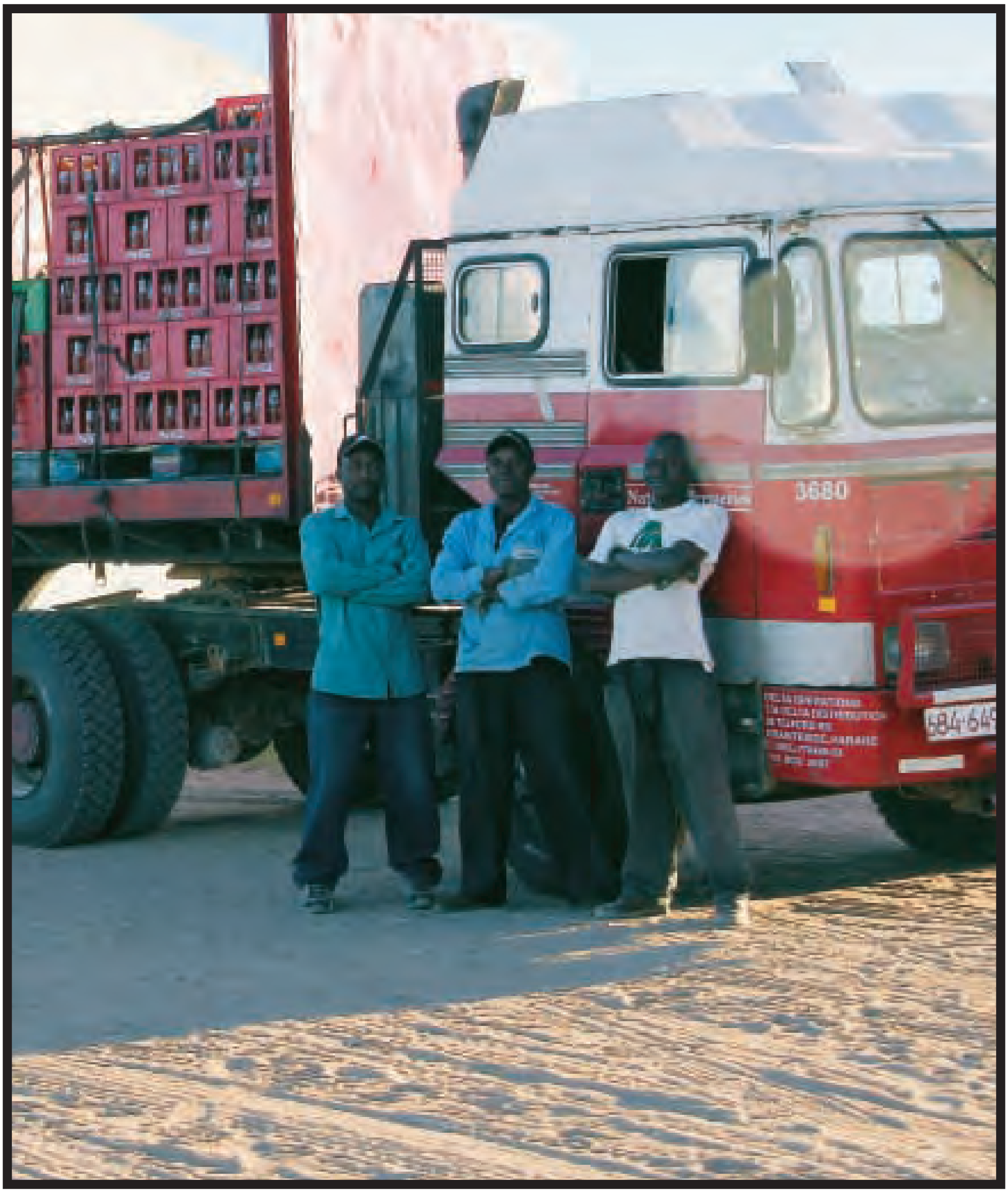
December 2003 saw the launch of the Mr Juicy Brand as part of the Delta Corporation stable. This range of non-carbonated beverages produced in Harare and Bulawayo includes ready to drink fruit nectars, concentrates, cordials and mineral water in a variety of convenient pack types and sizes.

The product was launched into a particularly tough market characterised by general de-stocking of consumer goods that was taking place at that time in response to rising interest rates. The product has gained market penetration and steadily increasing sales. Sales of the most popular pack, the ready to drink fruit nectar in a 500ml PET bottle, are now constrained by production capacity and adjustments are underway to relieve this pressure.

The contribution of this new product line to profitability has been negligible for this year in view of the relatively high start-up marketing costs to gain the market share now enjoyed. Operations have reached a level that will see this range contributing to results in the year ahead.

Product Launch

The Mr Juicy range was launched in December 2003.



delivering on *our promise*

Transport Services

Efficient and cost effective distribution of product has been the focus of Transport Services and management of this function has been a great strength of the company.

After some years of successfully managing the increase in running costs to below inflation, vehicle running costs have risen by 1400% over the year, driven largely by the increase in fuel prices. This together with an increased demand for door-to-door deliveries at higher frequencies as customers respond to higher holding costs has necessitated the setting up of a project team, as part of the overall overheads review project, to investigate alternative models of distribution.

Five prime movers and 35 trailers were acquired in order to maintain a reasonable fleet age profile; the replacement policy was slowed during the year in the light of lower volumes and during part of the year vehicles were withdrawn from service.

Fork-lift Management

$385 million spent on acquiring fork-lifts to update the fleet and bring in greater standardisation and therefore maintenance efficiency.

home grown
quality

Megapak Zimbabwe

Volumes for the year were 14% up on the prior year as a result of an aggressive capital expenditure programme to increase capacity to meet demand that considerably outstrips supply. A total of 4 860 tonnes were converted. The relatively small Roto Moulding business which makes tanks saw the highest volume growth as mainly urban customers responded to water supply difficulties during the year. Injection moulding grew strongly as did two litre PET sales.

Capital expenditure in this fast growing business amounted to over $6 billion, most of which was made up of two machines end ancillary equipment of to the production of 2 litre PET bottles and two machines to produce closures.

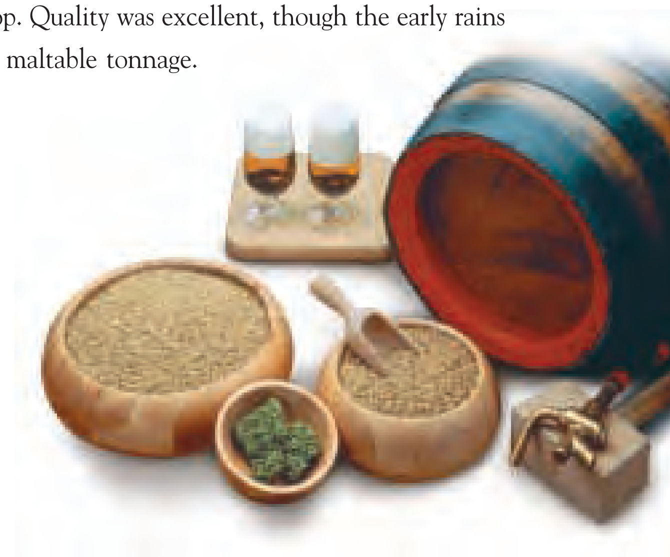
Maltings Business

Volumes of malt sold have decreased significantly in the local market due to the lower volumes of lager beer sales. Export tonnage grew by 4% and now make up 55% of total sales volumes.

Barley supplies from the 2003 winter season were most satisfactory at 38 000 tonnes, and the company has more than sufficient tonnage to carry it through to the harvesting of the 2004 crop. Quality was excellent, though the early rains resulted in some damage to the grain and thus a reduction in overall maltable tonnage.

Sales Volumes

12 500 tonnes sold in the local market and 15 900 tonnes exported at a value of over $19 billion.



The Directors present their Fifty Seventh Annual Report and the Audited Financial Statements of the Group for the year ended 31 March 2004.

YEAR'S RESULTS

			$m's	$m's
Earnings attributable to shareholders				110 756
Less:	Dividends			
	Interim:	$7,50 per share paid January 2004	6 646	
	Final:	$18,50 per share payable July 2004	16 630	
	Total:	$26,00 per share (2003 – $ 7,00)		23 276
				87 480
Add:	Distributable reserves at beginning of year			20 830
	Transfer from non-distributable reserves			6
	Distributable reserves at end of year			108 316

FIXED ASSETS

Capital expenditure for the year to 31 March 2004 totalled $19,9 billion. The capital expenditure for the year to 31 March 2005 is planned at $181,9 billion, of which $100,0 million has been committed.

INVESTMENTS

African Distillers Limited

The Company's effective shareholding increased marginally from 29,5% to 30,1%.

SHARE CAPITAL

The authorised share capital of the Company remains unchanged at 1 100 000 000 ordinary shares of 5 cents each. The issued share capital has increased by the allotment of 3 647 790 ordinary shares in accordance with the share option scheme and 11 730 624 in respect of the scrip in lieu of a dividend. Issued ordinary shares now total 898 945 775. The issued share capital therefore is $45 million with share premium of $5,181 million. The number of shares currently under option is 30 845 020.

RESERVES

The movements in the Reserves of the company are shown in the Income Statement and in the Notes to the Financial Statements.

REPORT OF THE DIRECTORS

DIRECTORS

Mr P Gowero was appointed to the Board on 14th November 2003 and Mrs A S Kamba and Mr C F Dube were appointed on 13 February 2004.
Mr G D Hollick has resigned from the board with effect from 30 June 2004.
Dr E Mazhindu and Messrs A C Parker and T N Sibanda retire by rotation while Mrs A S Kamba and Messrs C F Dube and P Gowero retire at the end of their interim appointments. All being eligible, they will offer themselves for re-election.

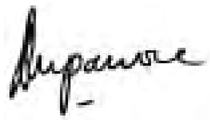
AUDITORS

Members will be asked to appoint Deloitte & Touche as Auditors for the company for the ensuing year.

ANNUAL GENERAL MEETING

The Fifty Seventh Annual General Meeting of the Company will be held at 12:00 hours on Friday 30 July 2004 at the Registered Office of the Company.

BY ORDER OF THE BOARD



Dr R M MUPAWOSE
Chairman

J S MUTIZWA
Chief Executive Officer

H D GAITSKELL
Company Secretary

14 May 2004

THE DELTA CODE

Delta personnel are committed to a long-published code of ethics. This incorporates the Company's operating, financial and behavioural policies in a set of integrated values, including the ethical standards required of members of the Delta family in the interface with one another and with all stakeholders. There are detailed policies and procedures in place across the Group covering the regulation and reporting of transactions in securities of Group companies by directors and officers. The Code is applicable to the Company and its subsidiaries.

STAKEHOLDERS

For many years Delta has formalised its stakeholder philosophy and introduced structures of corporate governance to manage the interface with the various stakeholder groups. Delta has in place throughout the Company, responsive systems of governance and practice which the Board and management regard as entirely appropriate and in accordance with the code of Corporate Practices and Conduct contained in the Cadbury and King Reports on Corporate Governance.

Delta applies various participative practices in its relationships with non-management employees, primarily in respect of operating matters and plans, on the basis of mutual information sharing.

DIRECTORATE

The Board of Directors of Delta is constituted with an equitable ratio of executive to non-executive directors and meets at least quarterly. A non-executive director chairs the Delta Board.

DIRECTORS' INTERESTS

Each year Directors of the Company are required to submit in writing whether they have any material interest in any contract of significance with the Company or any of its subsidiaries which could have given rise to a related conflict of interest. No such conflicts were reported this year.

THE AUDIT COMMITTEE

The Audit Committee of the Board deals, inter alia, with compliance, internal control and risk management. It is regulated by specific terms of reference, is chaired by a non-executive director, has a majority of non-executive directors and incorporates the Chief Executive Officer as the only executive member. It meets at least twice a year with the Company's external auditors to discuss accounting, auditing, internal control, financial reporting and risk management matters. The external auditors have unrestricted access to the Audit Committee.

THE REMUNERATION COMMITTEE

Delta's Remuneration Committee is constituted and chaired by non-executive directors, save for the membership of the Chief Executive Officer. It acts in accordance with the Board's written terms of reference, to review the remuneration of all Delta directors and senior executives.

ACCOUNTING PHILOSOPHY

The Company is dedicated to achieving meaningful and responsible reporting through the comprehensive disclosure and explanation of its financial results. This is done to assist objective corporate performance measurement, to enable returns on investment to be assessed against the risks inherent in their achievement and to facilitate appraisal of the full potential of the Company.

The core determinant of meaningful presentation and disclosure of information is its validity in supporting management's decision making process. While the accounting philosophy encourages the pioneering of new techniques, it endorses the fundamental concepts underlying both the financial and management accounting disciplines, as enunciated by The Institute of Chartered Accountants of Zimbabwe, The International Accounting Standards Board and The International Federation of Accountants.

The Company is committed to regular review of accounting standards and to the development of new and improved accounting practices. This is done to ensure that the information reported to the management and stakeholders of the Company continues to be internationally comparable, relevant and reliable. This includes, wherever it is considered appropriate, the early adoption of accounting standards.

However, where the adoption of accounting standards is seen to be fundamentally inappropriate, the Company is willing to challenge the validity of such adoption. It is in this regard that the Company has decided not to provide for deferred taxation on all temporary differences between the tax bases of assets and liabilities and their historical carrying value in the financial statements as is required by International Accounting Standard 12. The Company has not adopted this standard as it is viewed that the prohibition of the discounting of deferred tax liabilities contained in that standard does not achieve true and fair reporting in an environment of high inflation. This is a view that is supported by developments in other countries and the initial findings of a working party of the International Accounting Standards Board on discounting. The Directors are satisfied that the amount set aside in terms of the existing policy by way of deferred tax or tax equalisation adequately provides for the discounted value of any deferred tax liability. The Company intends to comply with the requirements of the standard when it is amended to allow for discounting or when inflation in Zimbabwe has been sustained at single-digit figures for a full year.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

Delta's directors are required by the Companies Act to maintain adequate accounting records and to prepare financial statements for each financial year which present a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the profit and cash flows for the period. In preparing the accompanying financial statements, generally accepted accounting practices have been followed (except for the adoption of the requirements of International Accounting Standard 12 on deferred taxation), suitable accounting policies have been used, and applied consistently, and reasonable and prudent judgements and estimates have been made. The financial statements incorporate full and responsible disclosure in line with the stated accounting philosophy of the Group on page 27.

The directors have reviewed the Group's budget and cash flow forecast for the year to 31 March 2005. On the basis of this review, and in the light of the current financial position and existing borrowing facilities, the directors are satisfied that Delta is a going concern and have continued to adopt the going concern basis in preparing the financial statements. The Company's external auditors, Deloitte & Touche, have audited the financial statements and their report appears on page 29.

The Board recognises and acknowledges its responsibility for the system of internal financial control. Delta's policy on business conduct, which covers ethical behaviour, compliance with legislation and sound accounting practice, underpins the Company's internal financial control process. The control system includes written accounting and control policies and procedures, clearly defined lines of accountability and delegation of authority, and comprehensive financial reporting and analysis against approved budgets. The responsibility for operating the system is delegated to the executive directors who confirm that they have reviewed its effectiveness. They consider that it is appropriately designed to provide reasonable, but not absolute, assurance that assets are safeguarded against material loss or unauthorised use and that transactions are properly authorised and recorded. The effectiveness of the internal financial control system is monitored through management reviews, representation letters on compliance signed by the senior executive responsible for each major entity and a comprehensive program of internal audits. In addition, the Company's external auditors review and test appropriate aspects of the internal financial control systems during the course of their statutory examinations of the Company and the underlying subsidiaries.

The Company's Audit Committee has met with the external auditors to discuss their report on the results of their work which include assessments of the relative strengths and weaknesses of key control areas. While in a group of the size, complexity and diversity of Delta, it is to be expected that occasional breakdowns in established control procedures may occur, no breakdowns involving material loss have been reported to the directors in respect of the year under review.

The financial statements for the year ended 31 March 2004, which appear on pages 30 to 61 were approved by the Board of Directors on 14 May 2004 and are signed on its behalf by:

Dr R M MUPAWOSE	J S MUTIZWA
Chairman	Executive Director

REPORT OF THE INDEPENDENT AUDITORS

To the members of Delta Corporation Limited

We have audited the financial statements of Delta Corporation Limited set out on pages 30 to 61 for the year ended 31 March 2004. The financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing which require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, the assessment of the accounting principles used and significant estimates made by management, and the evaluation of the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements do not comply with the requirements of International Accounting Standard 12 "Income Taxes" as regards the provision for deferred tax on all temporary differences. Details of the financial effect of non compliance are given in note 24.

In our opinion, except as indicated in the preceding paragraph, the financial statements are properly drawn up in accordance with the provisions of the Companies Act (Chapter 24:03) and are in conformity with International Financial Reporting Standards, so as to give, in all material respects, a true and fair view of the financial position of the Company and of the Group as at 31 March 2004 and of the results of the operations and group cash flows for the financial year ended on that date.

Deloitte.

Deloitte & Touche
Chartered Accountants (Zimbabwe)
Harare, Zimbabwe,
14 May 2004

GROUP INCOME STATEMENTS

FOR THE YEARS ENDED 31 MARCH

	Notes	INFLATION ADJUSTED 2004 $m's	INFLATION ADJUSTED 2003 $m's	HISTORICAL 2004 $m's	HISTORICAL 2003 $m's
TURNOVER	5	1 136 484	1 173 811	580 257	103 682
NET OPERATING COSTS	6	(1 077 472)	(996 859)	(391 474)	(72 159)
OPERATING INCOME		59 012	176 952	188 783	31 523
Non-recurring items	7	(941)	(3 282)	(941)	(231)
Financing costs	8	(55 200)	(4 321)	(29 017)	(310)
Monetary gain		80 796	26 468		
Equity accounted earnings		3 384	8 751	6 524	1 304
		87 051	204 568	165 349	32 286
Taxation	9	13 842	(32 491)	(46 493)	(8 765)
INCOME AFTER TAXATION		100 893	172 077	118 856	23 521
Attributable to minority shareholders		(13 117)	(7 029)	(8 100)	(1 111)
EARNINGS ATTRIBUTABLE TO SHAREHOLDERS		87 776	165 048	110 756	22 410
Dividends	10	(32 411)	(53 414)	(23 276)	(6 177)
Retained earnings for the year	20	55 365	111 634	87 480	16 233
Retained earnings for the year attributable to:					
Company		1 201	4 424		
Subsidiaries and arising on consolidation		52 830	102 561	83 190	15 478
Associated companies		1 334	4 649	4 290	755
		55 365	111 634	87 480	16 233
EARNINGS PER SHARE (DOLLARS)					
– attributable earnings basis	2.6	98,7	187,8	124,6	25,5
– headline earnings basis	2.6	99,5	191,0	125,3	25,7
– cash equivalent earnings basis	2.7			121,6	25,1
DIVIDENDS PER SHARE (DOLLARS)	10	36,3	60,6	26,0	7,0

FOR THE YEARS ENDED 31 MARCH

	Notes	INFLATION ADJUSTED 2004 $m's	INFLATION ADJUSTED 2003 $m's	HISTORICAL 2004 $m's	HISTORICAL 2003 $m's
Cash retained from operating activities					
Cash generated from trading	11.1	199 281	249 380	189 497	31 783
Utilised to increase working capital	11.2	(57 806)	(103 853)	(151 504)	(17 708)
Cash generated from operating activities		141 475	145 527	37 993	14 075
Financing costs		(55 200)	(4 321)	(29 017)	(310)
Taxation paid	11.3	(55 015)	(29 271)	(4 814)	(958)
Cash flow from operations		31 260	111 935	4 162	12 807
Dividends paid	11.4	(42 718)	(77 297)	(7 331)	(4 183)
Net cash expended		(11 458)	34 638	(3 169)	8 624
Cash utilised in investment activities					
Investment to maintain operations					
Replacement of fixed assets		(13 828)	(41 024)	(5 622)	(4 925)
Proceeds on disposal of fixed assets		1 971	1 286	323	154
		(11 857)	(39 738)	(5 299)	(4 771)
Investment to expand operations					
Fixed asset additions		(15 525)	(40 416)	(14 317)	(4 041)
Increase in loans and investments		(533)	(178)	(7 406)	(831)
		(16 058)	(40 594)	(21 723)	(4 872)
Net cash invested		(27 915)	(80 332)	(27 022)	(9 643)
Cash utilised in financing activities					
Movement in long-term borrowings		(549)	(1 463)		
Increase in shareholder funding	11.5	106	738	106	108
Net cash used in financing activities		(443)	(725)	106	108
Net decrease in cash and cash equivalents		(39 816)	(46 419)	(30 085)	(911)
Cash and cash equivalents at beginning of year	11.6	11 398	57 817	1 667	2 578
Cash and cash equivalents at the end of year		(28 418)	11 398	(28 418)	1 667
Cash flow per share (dollars)	2.8	30,6	127,2	4,4	13,9

GROUP CASH VALUE ADDED STATEMENTS

FOR THE YEARS ENDED 31 MARCH

	INFLATION ADJUSTED		HISTORICAL	
	2004 $m's	2003 $m's	2004 $m's	2003 $m's
CASH GENERATED				
Cash derived from sales	915 428	1 164 883	555 159	99 116
Income from investments	184	1 203	184	128
	915 612	1 166 086	555 343	99 244
Cash payments to suppliers of materials, facilities & services	(446 064)	(663 879)	(334 727)	(53 785)
Cash value added	469 548	502 207	220 616	45 459
Cash utilised to:				
Remunerate employees for their services	107 312	114 171	59 831	9 625
Pay income, sales value added and excise taxes to Government	275 776	271 780	126 928	22 531
Provide lenders with a return on monies borrowed	55 200	4 321	29 695	496
Provide shareholders with a reward for the use of their risk capital	42 718	77 297	7 331	4 183
CASH DISBURSED AMONG STAKEHOLDERS	481 006	467 569	223 785	36 835
CASH EXPENDED IN THE BUSINESS				
Cash retained from shareholders in exchange for scrip	3 812		3 812	
Cash expended	(15 270)	34 638	(6 981)	8 624
NET CASH EXPENDED	(11 458)	34 638	(3 169)	8 624

GROUP BALANCE SHEETS

AS AT 31 MARCH

	Notes	INFLATION ADJUSTED 2004 $m's	INFLATION ADJUSTED 2003 $m's	HISTORICAL 2004 $m's	HISTORICAL 2003 $m's
ASSETS					
Non-Current Assets					
Property, plant and equipment	12	588 051	624 960	29 920	11 959
Investments in associates	13	18 379	17 053	5 651	1 230
Investments and other longterm assets	14	14 365	13 825	8 647	1 188
		620 795	655 838	44 218	14 377
Currnet Assets					
Inventories	15	342 739	299 362	235 292	32 502
Debtors	16	55 541	64 686	51 607	8 890
Short term loans		500	684	500	100
Bank balances and cash		13 360	41 353	13 360	6 048
		412 140	406 085	300 759	47 540
Total Assets		1 032 935	1 061 923	344 977	61 917
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	17	139 532	139 532	45	44
Share premium	18	253 582	249 664	5 181	1 264
Non-distributable reserves	19			24	30
Distributable reserves	20	175 867	210 668	108 316	20 830
Proposed dividend	10	16 630	30 208	16 630	4 418
		585 611	630 072	130 196	26 586
Minority interest		25 105	16 950	9 377	1 356
Non-Current Liabilities					
Long term financing	21	94	643	94	94
Tax equalisation and deferred taxation		218 451	187 099	1 636	658
		218 545	187 742	1 730	752
Current Liabilities					
Short term borrowings	21	41 778	29 955	41 778	4 381
Creditors	22	114 645	138 403	114 645	20 242
Taxation		47 251	58 801	47 251	8 600
		203 674	227 159	203 674	33 223
Total Equity and Liabilities		1 032 935	1 061 923	344 977	61 917

Group Statements of Changes in Shareholders' Equity

FOR THE YEARS ENDED 31 MARCH

	Notes	INFLATION ADJUSTED 2004 $m's	INFLATION ADJUSTED 2003 $m's	HISTORICAL 2004 $m's	HISTORICAL 2003 $m's
Changes in share capital					
Share capital issued	17 & 18	3 918	738	3 918	108
Changes in distributable reserves					
Deferred tax arising on reindexing	20	(90 166)	(43 267)		
Earnings attributable to shareholders		87 776	165 048	110 756	22 410
Dividends declared – prior year final		(30 208)	(52 990)	(4 418)	(2 363)
– current year interim		(15 781)	(23 206)	(6 646)	(1 759)
Shareholders' equity at the beginning of the year		630 072	583 749	26 586	8 190
Shareholders' equity at the end of the year		585 611	630 072	130 196	26 586

FOR THE YEARS ENDED 31 MARCH

	5 Year Compound Growth % p.a.	HISTORICAL FINANCIAL INFORMATION 2004 $m's	2003 $m's	2002 $m's	2001 $m's	2000 $m's
CONSOLIDATED INCOME STATEMENTS						
Turnover	117,2	580 257	103 682	43 971	24 985	18 219
Taxed operating income	140,7	138 907	23 735	7 656	2 596	2 095
Taxed interest payable	143,2	(20 051)	(214)	(548)	(892)	(597)
Income after taxation	140,3	118 856	23 521	7 108	1 704	1 498
Minority shareholders	94,0	(8 100)	(1 111)	(564)	(23)	(216)
Earnings attributable to ordinary shareholders	147,7	110 756	22 410	6 544	1 681	1 282
Dividends	117,4	(23 276)	(6 177)	(2 799)	(689)	(568)
Retained income	161,6	87 480	16 233	3 745	992	714
CONSOLIDATED BALANCE SHEET						
ASSETS						
Non-current assets	56,5	44 218	14 377	4 336	6 215	5 560
Current assets	139,0	300 759	47 540	12 145	7 063	5 139
TOTAL ASSETS	109,4	344 977	61 917	16 481	13 278	10 699
EQUITY AND LIABILITIES						
Shareholders' equity	105,1	130 196	26 586	8 190	5 772	4 641
Minority interest	59,5	9 377	1 356	306	1 130	1 106
Total shareholders' funds	98,8	139 573	27 942	8 496	6 902	5 747
Tax equalisation	88,2	1 636	658	408	164	99
Long-term financing	11,8	94	94	94	28	491
Current liabilities	120,0	203 674	33 223	7 483	6 183	4 362
TOTAL EQUITIES AND LIABILITIES	109,4	344 977	61 917	16 481	13 278	10 699

FIVE YEAR FINANCIAL REVIEW OF HISTORICAL INFORMATION

	2004	2003	2002	2001	2000
SHARE PERFORMANCE					
PER SHARE (DOLLARS)					
Attributable earnings	**124,56**	25,50	7,53	1,95	1,51
Headline earnings	**125,30**	25,69	7,42	2,04	1,69
Cash equivalent earnings	**121,64**	25,09	7,87	2,17	1,70
Dividends	**26,00**	7,00	3,20	0,80	0,66
Cash flow	**4,36**	13,89	4,76	1,11	1,39
Net asset value	**144,84**	30,09	9,36	6,70	5,39
Closing market price	**145,00**	240,00	60,00	18,50	9,50
ZSE industrial index	**347 709**	179 531	48 091	29 198	14 760
SHARE INFORMATION					
In issue (m's)	**899**	884	875	862	860
Market capitalisation ($m's)	**130 347**	212 056	52 505	15 948	8 173
Trading volume (m's)	**82**	126	111	369	74
Trading percentage (%)	**9,3**	14,3	12,8	42,9	8,7
RATIOS AND RETURNS					
PROFITABILITY					
Return on equity (%)	**85,1**	84,3	79,9	29,1	27,6
Income after taxation to					
Total capital employed (%)	**64,9**	71,1	76,0	17,9	19,1
Taxed operating return (%)	**75,9**	71,8	81,9	27,3	26,7
Pretax return on total assets (%)	**47,9**	52,2	56,1	16,7	18,0
SOLVENCY					
Long term debt to total					
Shareholders' funds (%)	**0,1**	0,3	1,1	0,4	8,5
Financial gearing ratio (%)	**20,4**	nil	nil	31,9	30,0
Interest cover (times)	**6,5**	65,7	12,5	2,6	2,9
Total liabilities to total shareholders' funds (%)	**147,2**	121,6	94,0	92,4	86,2
LIQUIDITY					
Current assets to interest free					
liabilities & short term borrowings	**1,48**	1,43	1,62	1,14	1,18
PRODUCTIVITY					
Turnover per employee ($m's)	**99,86**	17,99	4,66	2,20	1,40
Turnover to payroll (times)	**9,70**	10,77	8,80	8,31	8,54
Cash value added to payroll (times)	**3,69**	4,72	3,57	3,16	3,64
OTHER					
Number of employees	**5 811**	5 764	7 174	11 378	13 028
Number of shareholders	**3 104**	3 081	2 881	2 550	2 626

FOUR YEAR FINANCIAL REVIEW OF INFLATION ADJUSTED INFORMATION

	2004	2003	2002	2001
PER SHARE (DOLLARS)				
Attributable earnings	**98,7**	187,8	148,2	113,0
Headline earnings	**99,5**	191,0	147,5	120,4
Net asset value	**651,5**	713,1	667,0	860,0
SOLVENCY				
Long term debt to total shareholders' funds (%)	**0,02**	0,10	0,34	0,16
Interest cover (times)	**2,58**	148,12	5,88	0,91
Total liabilities to total shareholders' funds (%)	**69,10**	64,12	57,62	61,60

1. ACCOUNTING POLICIES

The principal accounting policies of the Group, which are set out below are, in all material respects, consistent with those applied in the previous year. These policies do not conform with standards issued by the International Accounting Standards Board in respect of the provision for deferred taxation on temporary differences between the tax bases of assets and liabilities and their historical carrying value, as required by International Accounting Standard 12. The provisions of all other standards are complied with.

1.1 BASIS OF PRESENTATION

The financial statements of the company and of the Group are prepared under the historical cost convention. For the purpose of fair presentation in accordance with International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies", this historical cost information has been restated for changes in the general purchasing power of the Zimbabwe Dollar and appropriate adjustments and reclassifications have been made. Accordingly, the inflation adjusted financial statements represent the primary financial statements of the Group. The historical cost financial statements have been provided by way of supplementary information.

1.2 INFLATION ADJUSTMENT

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the balance sheet date, and that corresponding figures for previous periods be stated in the same terms to the latest balance sheet date. The restatement has been calculated by means of conversion factors derived from the consumer price index (cpi) prepared by the Zimbabwe Central Statistical Office. The conversion factors used to restate the financial statements at 31 March 2004, using a 1995 base year, are as follows:

	Index	Conversion Factor
31 March 2004	31 102,7	1,000
31 March 2003	4 548,9	6,837
31 March 2002	1 386,9	22,426

All items in the income statements are restated by applying the relevant monthly conversion factors.

The application of the IAS 29 restatement procedures has the effect of amending certain accounting policies which are used in the preparation of the financial statements under the historical cost convention. The policies affected are:

Borrowing costs: capitalisation during construction of qualifying assets is considered to be a partial recognition of inflation and is reversed to the income statement and replaced by indexation of cost.

Inventories: these are carried at the lower of indexed cost and net realisable value.

Donated assets: these are fair valued at the time of receipt, and the resultant gain is treated in the same way as any restatement gain.

Container valuation: subsequent gains on the upward revision of deposit prices are not applied in reducing the value of deferred container expenditure.

Deferred tax: this is provided in respect of temporary differences arising from the restatement of assets and liabilities.

Property, plant and equipment: are stated at indexed cost less applicable indexed depreciation and impairment losses.

1.3 BASIS OF CONSOLIDATION AND GOODWILL

The Consolidated Financial Statements consist of the Financial Statements of Delta Corporation Limited and its subsidiaries, together with the appropriate share of post acquisition results and reserves of its associated companies and joint ventures. All companies' financial years end on 31 March with the exception of two associates: African Distillers Limited and Food and Industrial Processors (Private) Limited which have year ends of 30 June and 31 December respectively. The results and reserves of subsidiaries, associated companies and joint ventures are included from the effective dates of acquisition up to the effective dates of disposal.

Goodwill arising on acquisition of subsidiaries, associated companies, joint ventures other business interests is amortised on a straight line basis over a period not exceeding five years unless the future economic benefit warrants a longer period, which shall not exceed twenty years.

1.4 INTEREST IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Provision is made in the Financial Statements, when considered necessary, for any impairment in the carrying value in the book amount of net assets of subsidiaries, associated companies and joint ventures. The charges to the income statement are reversed as and when the amounts are restored.

1.5 FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Foreign assets and liabilities of the Group are converted to Zimbabwe currency at the rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated to Zimbabwe currency at rates of exchange ruling at the time of the transactions. Transaction and translation gains or losses arising on conversion or settlement are normally dealt with in the income statement in the determination of the operating income.

1.6 CAPITALISATION OF FINANCING COSTS AND EXCHANGE DIFFERENCES

Financing costs and exchange differences, to the extent they are considered finance costs and which relate to funds raised specifically for the acquisition of property, plant and equipment, are capitalised up to the date of commissioning of the asset.

1.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less applicable depreciation and impairment losses.

Depreciation is not provided on freehold land and capital projects under development.

Other assets are depreciated on such bases as are deemed appropriate to reduce book amounts to estimated residual values over their useful lives, as follows:-

	Method	Period
Buildings:		
Freehold	Straight Line	60 years
Leasehold	Straight Line	Over-lease
Plant and Equipment:	Reducing Balance and Straight Line	5 – 25 years
Vehicles:	Straight Line	4 – 10 years

Assets are assessed for potential impairment at each reporting date. If circumstances exist which suggest that there may be impairment, a more detailed exercise is carried out which compares the carrying values of the assets to recoverable value based on either a realisable value or a value in use. Value in use is determined using discounted cash flows budgeted for each cash generating unit. Detailed budgets for the ensuing three years are used and, where necessary, these are extrapolated for future years taking into account known structure changes. Service division assets and cash flows are allocated to operating divisions as appropriate. Discount rates used are the medium term expected pre-tax real rates of return, adjusted, in the case of historical financial information, to take account of inflation. Impairment losses are recognised as an expense in the income statement and the carrying value of the asset and its annual depreciation are adjusted accordingly. In the event that, in a subsequent period, an asset which has been subject to an impairment loss is considered no longer to be impaired, the value is restored and the gain is recognised in the income statement. The restoration is limited to the value which would have been recorded had the impairment adjustment not taken place.

Surpluses or deficits arising on the disposal of property, plant and equipment are dealt with in the operating income for the year.

1.8 DONATED ASSETS RECEIVED

Donated assets received are capitalised at fair value in the Financial Statements. The equivalent amounts are included in non-distributable reserves and amortised to distributable reserves over the effective useful lives of the assets.

1.9 INVESTMENTS, LOANS AND TRADEMARKS

Investments in associated companies are stated at cost less applicable goodwill. Account is taken in the consolidated Financial Statements of the Group's share of post acquisition results and distributable reserves.

Investments regarded as financial assets available for sale and for which fair value can be reliably determined are stated at fair value with the change in value being credited or debited to operating income.

Unquoted investments, trademarks and financial assets regarded as available for sale, but for which fair value cannot be reliably determined, are shown at cost unless the directors are of the opinion that there has been an impairment in value, in which case provision is made and charged to operating income.

1.10 INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the following bases:

Merchandise, raw materials and consumable stores are valued at cost on a first in first out basis.

Manufactured finished products and products in process are valued at raw material cost, plus labour and a portion of manufacturing overhead expenses, where appropriate.

Returnable containers which comprise bottles and crates, are considered to be current assets which are sold and repurchased at current deposit prices. There is an obligation to repurchase all bottles and crates which are suitable for re-use. With the exception of returnable plastic bottles which are considered to have a short useful life, the difference between the purchase prices of new returnable containers and the related current deposit prices is included in inventories. This difference is amortised over the four years following the year of purchase. In the historical financial statements the difference is reduced by subsequent gains arising from deposit price increases and any surplus of deposit price increase after reducing deferred container expenditure to nil is shown as income; this is not done in the financial statements produced in terms of hyperinflation accounting principles in view of the restatement of container amortisation and thus the full uplift of container revaluation is shown as income. The value of any returnable containers scrapped is charged to income statement.

1.11 FINANCIAL INSTRUMENTS

Financial instruments are initially recorded at cost; subsequent to initial recognition, financial instruments, with the exception of certain fixed maturity investments, are remeasured at fair value. Fixed maturity investments which the company intends to hold to maturity are amortised over the life of the instrument based on the underlying effective interest rate. Assets valued at amortised cost are subjected to a test for impairment. Amounts relating to amortisation and fair value adjustments are treated in income for the year.

Where the Group has financial instruments which have a legally enforceable right of offset and the Group intends to settle them on a net basis or to realise the asset and liability simultaneously, the financial asset and liability and related revenues and expenses are offset and the net amount reported in the balance sheet and income statement respectively.

1.12 TURNOVER

Turnover comprises sales, fees and rentals. Sales include excise, sales tax, value added tax and finance income. Intra-group turnover which arises in the normal course of business is excluded from Group turnover.

1.13 DEFERRED TAXATION

Deferred taxation arising from temporary differences between the income reflected in the financial statements and the taxable income is provided on those amounts expected to become payable in the foreseeable future. This is contrary to the requirements of International Accounting Standard 12.

Tax allowances on major capital expenditure can severely distort the tax charge as between one year and another, especially in times of high inflation. Having regard to the likely average effective rate of tax over time, it is considered appropriate to utilise a tax equalisation charge or credit to bring the long-term effective tax rate into line with the anticipated average over time.

The directors are of the opinion that the full application of this standard is inappropriate in a highly inflationary environment. In assessing the appropriate level of provision for deferred taxation the discounted value of deferred taxation arising from temporary differences in respect of transactions which have taken place before the end of the year, is compared to the amount set aside in terms of the above policy. The directors are satisfied that the amount which has been set aside adequately provides for the discounted deferred tax liability and that, accordingly, the financial statements reflect a true and fair disclosure.

The amount not provided for on the full liability basis in historic cost terms is shown as a contingent liability. The effect on earnings attributable to shareholders is also disclosed.

In respect of inflation adjusted financial information, it is not considered appropriate to discount the deferred tax liability related to the significant temporary differences which arise from the restatement of assets and liabilities as the differences are measured in current dollars. Accordingly, full provision is made for deferred tax arising from such restatements.

1.14 RETIREMENT BENEFIT COSTS

Retirement benefits are provided for Group employees through various independently administered defined contribution funds, including the National Social Security Authority.

The Group's pension scheme is a defined contribution scheme and the cost of retirement benefit is determined by the level of contribution made in terms of the rules.

The cost of retirement benefit applicable to the National Social Security Authority scheme, which is a defined benefit fund, is determined by the systematic recognition of legislated contributions.

2. DEFINITIONS

2.1 TAXED INTEREST PAYABLE

This is calculated by taxing interest payable at the standard rate of taxation.

2.2 INTEREST COVER (TIMES)

This is the ratio which the aggregate of operating income, non-recurring items and equity accounted earnings bears to interest payable (inclusive of capitalised interest).

2.3 NET ASSETS

These are equivalent to the total of capital and reserves.

2.4 PRETAX RETURN ON TOTAL ASSETS

This is calculated by relating the closing total assets, income before tax inclusive of dividend income and equity accounted earnings.

2.5 TAXED OPERATING RETURN

This is calculated by relating the closing total of capital and reserves, non-current liabilities and interest bearing debt, to income after taxation plus taxed interest payable.

2.6 EARNINGS PER SHARE

Attributable earnings basis
The calculations are based on the earnings attributable to ordinary shareholders. Account is taken of the number of shares in issue for the period during which they have participated in the income of the Group. The divisor is: 889 148 305 (2003 – 878 678 231). Fully diluted earnings per share is not disclosed as the extent of dilution is not considered material.

Headline earnings basis

Headline earnings per share is calculated by dividing the headline earnings shown below by the same divisor used in the attributable earnings basis.

	INFLATION ADJUSTED		HISTORICAL	
	2004 $m's	2003 $m's	2004 $m's	2003 $m's
Earnings attributable to shareholders	87 776	165 048	110 756	22 410
Add non-recurring items (note 7)	650	2 790	650	159
Headline earnings	88 426	167 838	111 406	22 569

2.7 CASH EQUIVALENT EARNINGS

The basis recognises the potential of the earnings stream to generate cash and is consequently an indicator of the underlying quality of the earnings attributable to shareholders. The same divisor is used as in the attributable earnings basis and the cash equivalent earnings is derived as follows:-

	HISTORICAL	
	2004 $m's	2003 $m's
Earnings attributable to shareholders	110 756	22 410
Adjusted for:		
Non-cash items	703	260
Equity accounted retained earnings	(4 474)	(890)
Tax equalisation	978	250
Add: minority share of adjustments	190	18
Cash equivalent earnings	108 153	22 048

2.8 CASH FLOW PER SHARE

This focuses on the cash stream actually achieved in the year under review. It is calculated by dividing the cash flow from operations after excluding the proportionate minority interest therein, by the weighted average number of ordinary shares in issue.

2.9 FINANCIAL GEARING RATIO

This represents the ratio of interest bearing debt, less cash, to the total of capital, reserves and minorities.

3. COUNTRY OF INCORPORATION AND CURRENCY

All Group companies are incorporated in Zimbabwe. The financial statements are expressed in Zimbabwe Dollars.

4. SEGMENTAL REPORTING

For management purposes, the Group is organised into a single operating division with shared production facilities and combined distribution infrastructure catering for all beverages. The Maltings and Plastics operations primarily provide inputs to the core business and being relatively small are not considered to be separate reporting segments. The Group does not report by geographical segment as such a split within Zimbabwe would not be meaningful. In view of this the Group does not report on separate business segments.

	INFLATION ADJUSTED		HISTORICAL	
	2004 $m's	2003 $m's	**2004 $m's**	2003 $m's
5. TURNOVER				
Sales proceeds	**1 064 543**	982 965	**550 762**	90 548
Excise and levies	**175 349**	242 482	**90 291**	21 571
Sales and value added taxes	**45 412**	27	**31 822**	2
Other	**34 266**	32 156	**17 133**	2 341
	1 319 570	1 257 630	**690 008**	114 462
Less: intra-group sales	**(183 086)**	(83 819)	**(109 751)**	(10 780)
	1 136 484	1 173 811	**580 257**	103 682
Export sales included above	**36 835**	57 188	**20 019**	5 231

	INFLATION ADJUSTED 2004 $m's	INFLATION ADJUSTED 2003 $m's	HISTORICAL 2004 $m's	HISTORICAL 2003 $m's
6. OPERATING INCOME				
Operating income is arrived at after charging/(crediting):-				
6.1 NET OPERATING COSTS				
Sundry operating income	(47 211)	(94 821)	(26 456)	(5 746)
Changes in inventories of finished goods and work in progress	61 920	(119 251)	9 286	916
Raw materials and consumables used	458 223	619 332	155 260	30 356
Net gain on container deposit increase	(54 147)	(53 079)	(33 065)	(4 116)
Depreciation expense (note 6.2)	58 322	51 219	1 850	576
Staff costs	107 314	114 171	59 831	9 625
Excise, levies, sales tax and value added tax	220 761	242 509	122 114	21 573
Other operating expenses	272 290	236 779	102 654	18 975
	1 077 472	996 859	391 474	72 159
6.2 DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT				
Buildings	8 165	6 571	26	27
Plant, equipment and vehicles	50 157	44 648	1 824	549
	58 322	51 219	1 850	576
6.3 INTEREST RECEIVABLE				
Long term loans	(300)	(410)	(163)	(36)
Short term loans	(248)	(6 468)	(135)	(564)
	(548)	(6 878)	(298)	(600)
6.4 EXCHANGE GAINS				
Gross amount	(5 792)	2 578	(3 148)	225
6.5 AUDITORS' REMUNERATION				
Current year audit fees and expenses	1 553	506	844	74
Prior year under provision	143	157	78	7
	1 696	663	922	81
Included in current year Group audit fees are fees for the company of $35 million (2003 – $3,06 million).				
6.6 NET LEASING EXPENSE				
Lease payments:				
– Minimum lease payments	574	1 046	312	91

	INFLATION ADJUSTED		HISTORICAL	
	2004 $m's	2003 $m's	2004 $m's	2003 $m's
7. NON-RECURRING ITEMS				
Demerger costs		(20)		(2)
Other reorganisational expenditure	941	3 302	941	233
	941	3 282	941	231
Related taxation (note 9)	(291)	(492)	(291)	(72)
	650	2 790	650	159
8. FINANCING COSTS				
Long and medium term financing	2 208	3 501	117	401
Short term borrowings	52 992	820	29 578	95
Gross amount	55 200	4 321	29 695	496
Less capitalised			(678)	(186)
	55 200	4 321	29 017	310
9. TAXATION				
9.1 TAXATION CHARGE				
Income tax:				
Holding company and subsidiaries				
Current – standard	42 389	54 501	42 389	7 971
– AIDS levy	1 350	1 409	1 350	206
Prior years	17	(48)	17	(7)
Associated companies	2 050	2 850	2 050	417
Non-recurring items				
Holding company and subsidiaries	(291)	(479)	(291)	(70)
Associated companies		(13)		(2)
Deferred taxation	(60 335)	(27 438)		
Tax equalisation	978	1 709	978	250
	(13 842)	32 491	46 493	8 765

	HISTORICAL 2004 %	HISTORICAL 2003 %
9.2 RECONCILIATION OF RATE OF TAXATION		
Standard rate	30,9	30,9
Adjusted for:		
Capital allowances in excess of depreciation	(1,5)	(2,3)
Tax equalisation	0,6	0,8
Other adjustments including permanent differences	(1,9)	(2,3)
	(2,8)	(3,8)
Effective rate	28,1	27,1

	HISTORICAL 2004 $	HISTORICAL 2003 $	INFLATION ADJUSTED 2004 $m's	INFLATION ADJUSTED 2003 $m's	HISTORICAL 2004 $m's	HISTORICAL 2003 $m's
10. DIVIDENDS						
Interim	7,5	2,0	15 781	23 206	6 646	1 759
Final – proposed	18,5	5,0	16 630	30 208	16 630	4 418
	26,0	7,0	32 411	53 414	23 276	6 177

11. CASH FLOW INFORMATION

	INFLATION ADJUSTED 2004 $m's	INFLATION ADJUSTED 2003 $m's	HISTORICAL 2004 $m's	HISTORICAL 2003 $m's
11.1 CASH GENERATED FROM TRADING				
Operating income	59 012	176 952	188 783	31 523
Monetary gain	80 796	26 468		
Non-recurring items	(941)	(3 282)	(941)	(231)
Depreciation	58 322	51 219	1 850	576
Loss/(profit) on sale of property, plant and equipment	5 969	3 596	(195)	(85)
Other non cash items	(3 877)	(5 573)		
	199 281	249 380	189 497	31 783
11.2 UTILISED TO INCREASE WORKING CAPITAL				
Increase in inventories	(43 377)	(127 326)	(202 790)	(26 751)
Decrease/(increase) in debtors and short term loans	9 329	12 205	(43 117)	(5 530)
(Decrease)/increase in creditors	(23 758)	11 268	94 403	14 573
	(57 806)	(103 853)	(151 504)	(17 708)

	INFLATION ADJUSTED		HISTORICAL	
	2004	2003	2004	2003
	$m's	$m's	$m's	$m's
11.3 TAXATION PAID				
Liability at beginning of year	(58 801)	(32 689)	(8 600)	(1 458)
Taxation provided (note 9)	(45 515)	(58 220)	(45 515)	(8 515)
Associated company taxation	2 050	2 837	2 050	415
Liability at end of year	47 251	58 801	47 251	8 600
	(55 015)	(29 271)	(4 814)	(958)
11.4 DIVIDENDS PAID				
By the Company:				
Shareholder for dividends at beginning of year	(30 208)	(52 990)	(4 418)	(2 363)
Shares issued in lieu of dividends	3 812		3 812	
Current year dividends (note 10)	(32 411)	(53 414)	(23 276)	(6 177)
Shareholders for dividends at end of year	16 630	30 208	16 630	4 418
	(42 177)	(76 196)	(7 252)	(4 122)
By Subsidiaries:				
Minority's share of dividends at beginning of year	(541)	(651)	(79)	(29)
Minority's share of dividends declared	(1 215)	(991)	(1 215)	(111)
Minority's share of dividends at end of year	1 215	541	1 215	79
	(541)	(1 101)	(79)	(61)
Total dividends paid	(42 718)	(77 297)	(7 331)	(4 183)
11.5 INCREASE IN SHAREHOLDER FUNDING				
Proceeds of shares issued:				
By the Company	106	738	106	108
11.6 CASH AND CASH EQUIVALENTS				
Made up as follows:				
Bank balances and cash	13 360	41 353	13 360	6 048
Short term borrowings	(41 778)	(29 955)	(41 778)	(4 381)
	(28 418)	11 398	(28 418)	1 667

12. PROPERTY, PLANT AND EQUIPMENT

	INFLATION ADJUSTED		HISTORICAL	
	2004 $m's	2003 $m's	2004 $m's	2003 $m's
FREEHOLD PROPERTIES				
Cost	387 563	383 394	2 300	723
Capital work in progress	78	3 049	68	438
	387 641	386 443	2 368	1 161
Depreciation	150 374	140 871	95	72
	237 267	245 572	2 273	1 089
LEASEHOLD PROPERTIES				
Cost	7 030	6 694	63	28
Capital work in progress		2 181		190
	7 030	8 875	63	218
Depreciation	3 533	3 330	9	6
	3 497	5 545	54	212
PLANT AND EQUIPMENT				
Cost	696 322	668 465	19 114	6 432
Capital work in progress	5 468	19 049	4 255	2 354
	701 790	687 514	23 369	8 786
Depreciation	415 146	384 815	2 218	1 173
	286 644	302 699	21 151	7 613
VEHICLES				
Cost	117 835	113 139	7 648	3 336
Capital work in progress		2 099		176
	117 835	115 238	7 648	3 512
Depreciation	57 192	44 094	1 206	467
	60 643	71 144	6 442	3 045
Total property, plant and equipment	588 051	624 960	29 920	11 959

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	INFLATION ADJUSTED		HISTORICAL	
	2004 $m's	2003 $m's	2004 $m's	2003 $m's
Movement in net book amount for the year:				
At beginning of the year	624 960	599 620	11 959	3 638
Capital expenditure	29 353	81 440	19 939	8 966
Disposals	(7 940)	(4 881)	(128)	(69)
Depreciation charged to operating income	(58 322)	(51 219)	(1 850)	(576)
At end of the year	588 051	624 960	29 920	11 959
Capital expenditure comprised:				
Freehold properties	1 373	6 516	1 218	711
Leasehold properties	140	1 299	32	191
Plant and equipment	22 238	53 674	14 451	5 724
Vehicles	5 602	19 951	4 238	2 340
	29 353	81 440	19 939	8 966
Disposals comprised:				
Freehold properties	882		11	
Leasehold properties	4 522	225	28	13
Plant and equipment		540		3
Vehicles	2 536	4 116	89	53
	7 940	4 881	128	69
Original cost and indexed cost of fully depreciated assets still in use:				
Freehold and leasehold properties	4 108	6 810	2	1
Plant and equipment	151 655	152 249	189	127
Vehicles	26 921	12 854	59	27
	182 684	171 913	250	155
Net book amount of assets temporarily idle:				
Plant and equipment	609	677	5	9

	INFLATION ADJUSTED 2004 $m's	INFLATION ADJUSTED 2003 $m's	HISTORICAL 2004 $m's	HISTORICAL 2003 $m's
13. INVESTMENTS IN ASSOCIATES				
Shares at cost	6 933	6 489	341	257
Post acquisition distributable reserves	11 446	10 564	5 310	973
	18 379	17 053	5 651	1 230
14. INVESTMENTS AND OTHER LONG TERM ASSETS				
14.1 INVESTMENTS				
Unquoted shares at cost	110	451	110	66
14.2 LOANS				
Secured	8 483	7 222	8 483	1 114
Unsecured	49	436	49	6
	8 532	7 658	8 532	1 120
14.3 TRADEMARKS				
At cost	5 723	5 716	5	2
Total	14 365	13 825	8 647	1 188

14.4 Included in the Group's secured loans of $8,5 billion are loans of $2,1 billion (2003 – $225,7 million) to Directors and Officers of the Group. These are made in terms of a Group Housing Loan Scheme. During the year $2,1 billion was advanced and $380,3 million repaid.

	INFLATION ADJUSTED 2004 $m's	INFLATION ADJUSTED 2003 $m's	HISTORICAL 2004 $m's	HISTORICAL 2003 $m's
15. INVENTORIES				
Consumable stores	36 232	86 158	29 963	9 158
Containers	143 942	76 839	107 707	6 175
Finished products	20 219	11 254	16 496	851
Raw materials	129 914	123 757	72 257	15 585
Products in process	12 432	1 354	8 869	733
	342 739	299 362	235 292	32 502
16. DEBTORS				
Trade debtors	31 094	40 997	31 094	5 996
Prepaid expenses and other debtors	24 447	23 689	20 513	2 894
	55 541	64 686	51 607	8 890
17. SHARE CAPITAL				
17.1 AUTHORISED				
1 100 000 000 ordinary shares of 5 cents each	55	55	55	55
17.2 ISSUED AND FULLY PAID				
Cost	45	44	45	44
Arising on inflation adjustment	139 487	139 488		
	139 532	139 532	45	44

Comprising 898 945 775 (2003 – 883 567 361) ordinary shares of 5 cents each.

17.3 UNISSUED SHARES

Subject to the limitations imposed by the Companies Act (Chapter 24:03), in terms of a special resolution of the Company in general meeting, the unissued share capital of $10 million has been placed at the disposal of the directors for an indefinite period. The Company has entered into an agreement to issue shares for the purchase and importation of assets for the production of glass containers. These shares, amounting to approximately 4,7% of currently issued share capital, are expected to be issued during the year to March 2005.

17.4 SHARES UNDER OPTION

The directors are empowered to grant share options to certain employees of the Group. These options are granted for a period of ten years at a price determined by the middle market price ruling on the Zimbabwe Stock Exchange on the day on which the options are granted

The following share options have been granted and are outstanding in terms of the share option scheme at 31 March 2004.

Date of grant	Subscription price (Dollars)	Number of shares
3 August 1999	11,20	101 670
18 May 2000	7,10	88 870
19 December 2000	12,90	23 480
2 April 2001	18,50	4 155 000
1 March 2002	45,00	11 150 000
1 October 2002	150,00	400 000
14 February 2003	180,00	3 150 000
15 January 2004	150,00	11 776 000
		30 845 020
Movements for the year:		
At 31 March 2003		23 586 810
New options granted		11 776 000
Options exercised		(3 647 790)
Options forfeited		(870 000)
At 31 March 2004		30 845 020

17.5 DIRECTORS' SHAREHOLDINGS

At 31 March 2004, the Directors held directly and indirectly the following number of shares in the Company:

	2004	2003
P Gowero	460 000	
S J Hammond	8 181	8 181
G D Hollick		20 541
M E Kahari	30 000	30 000
R H M Maunsell	691 907	475 000
M S Mushiri	810 161	1 610 161
J S Mutizwa	1 000 000	1 000 000
W H Turpin	3 361	3 361
	3 003 610	3 147 244

No changes in Directors' shareholdings have occurred between the financial year end and 14 May 2004.

	INFLATION ADJUSTED		HISTORICAL	
	2004	2003	2004	2003
	$m's	$m's	$m's	$m's
18. SHARE PREMIUM				
At beginning of year	249 664	248 926	1 264	1 157
Arising on issue of shares	3 918	738	3 917	107
At end of year	253 582	249 664	5 181	1 264
19. NON-DISTRIBUTABLE RESERVES				
Comprising donated assets received				
At beginning of year			30	33
Transfer to distributable reserves			(6)	(3)
At end of year			24	30
20. DISTRIBUTABLE RESERVES				
At beginning of year	210 668	142 301	20 830	4 594
Indexing of deferred taxation	(90 166)	(43 267)		
Retained earnings for the year	55 365	111 634	87 480	16 233
Transfer from non-distributable reserves			6	3
At end of year	175 867	210 668	108 316	20 830
Retained in:				
Holding company	(342 769)	(343 970)	4 618	4 618
Subsidiaries and arising on consolidation	506 790	545 612	98 435	15 239
Associated companies	11 846	9 026	5 263	973
	175 867	210 668	108 316	20 830

	INFLATION ADJUSTED		HISTORICAL	
	2004	2003	**2004**	2003
	$m's	$m's	**$m's**	$m's
21. INTEREST BEARING DEBT				
Long term borrowings				
Unsecured				
Long term loans:				
Rate of Interest % nil	**94**	643	**94**	94
Short term borrowings				
Overdraft	**2 914**	7	**2 914**	1
Short term loans	**38 864**	29 948	**38 864**	4 380
Total short term borrowings	**41 778**	29 955	**41 778**	4 381
Total interest bearing debt	**41 872**	30 598	**41 872**	4 475

Short term borrowings form part of the core borrowings of the Group and are renewed on maturity in terms of ongoing facilities negotiated with the relevant financial institutions. In terms of a resolution of the Company in general meeting, borrowings shall not exceed in aggregate, shareholders' equity which amounts to $130,2 billion.

Short term borrowings include foreign loans amounting to $6,3 billion (2003 – $1,6 billion). Forward cover contracts have not been negotiated in respect of the outstanding balance and related interest and therefore these amounts are subject to exchange rate fluctuations.

The foreign loans, which are in respect of working capital requirements, are as follows:

	INFLATION ADJUSTED		HISTORICAL	
	2004	2003	**2004**	2003
	Z$m's	Z$m's	**Z$m's**	Z$m's
UNSECURED				
United States Dollars (USD)				
Interest rate % – 6,0				
Amount: US$1 449 454	**6 262**	11 029	**6 262**	1 613

The outstanding balances are repayable within twelve months.

Local short term borrowings bear interest in accordance with ruling short term money market rates. Foreign debt is subject to fixed interest rates.

	INFLATION ADJUSTED 2004 $m's	INFLATION ADJUSTED 2003 $m's	HISTORICAL 2004 $m's	HISTORICAL 2003 $m's
22. CREDITORS				
Trade creditors	47 929	73 058	47 929	10 685
Accruals and other creditors	66 610	63 519	66 610	9 290
Dividends payable	106	1 826	106	267
	114 645	138 403	114 645	20 242
Amounts are payable within twelve months				
23. DIRECTORS' EMOLUMENTS				
Paid by subsidiaries:				
For services as directors	35	68	19	6
For managerial services	5 170	2 810	1 354	245
	5 205	2 878	1 373	251
24. CONTINGENT LIABILITIES				
Guarantees	1 490	4 506	1 490	659
Deferred taxation	6 360	14 372	6 360	2 102
	7 850	18 878	7 850	2 761

Litigation, current or pending, is not considered likely to have a material effect on the Group.

The contingent liability for deferred tax comprises:

	HISTORICAL 2004 $m's	HISTORICAL 2003 $m's
Capital allowances in excess of depreciation	6 823	2 283
Prepaid expenses	1 173	476
Amount provided in tax equalisation	(1 636)	(657)
	6 360	2 102

Had deferred taxation for historical purposes been fully provided in accordance with the requirements of International Accounting Standard 12 the impact would have been as follows:

The historical earnings attributable to shareholders and headline earnings would have decreased by $4,3 billion (2003 decrease – $1,1 billion) and attributable and headline earnings per share would have been $119,8 (2003 – $24,3) and $120,5 (2003 – $24,4) respectively.

	2004 $m's	2003 $m's
25. NET FUTURE OPERATING LEASE COMMITMENTS		
Lease payments:		
– Payable within one year	2 281	77
– Payable two to five years	472	358
– Payable thereafter		110
	2 753	545

The majority of leases are entered into on the basis of an initial lease period of five or ten years with a renewal option for an equal period. Escalation clauses are generally fixed for the initial period only and are based on the market rate at the time of first entering the lease. On renewal, a new monthly lease level and escalation base are negotiated.

26. COMMITMENTS FOR CAPITAL EXPENDITURE

	2004	2003
Contracts and orders placed	100	1 401
Authorised by directors but not contracted	181 828	11 014
	181 928	12 415

The capital expenditure is to be financed out of the Group's own resources and existing borrowing facilities and by the issue of shares.

27. PENSION FUNDS

Group operating companies and all employees contribute to one or more of the following independently administered pension funds.

27.1 DELTA GROUP PENSION FUND

All Group employees are members of either Delta Beverages Pension Fund or the Megapak Pension Fund. The funds are independently administered defined contribution funds and are, accordingly, not subject to actuarial valuation shortfalls.

27.2 CATERING INDUSTRY PENSION FUND

This is a defined contribution scheme which covers employees in specified occupations of the catering industry. Certain employees of the Mandel Training Centre are members of this fund.

27.3 NATIONAL SOCIAL SECURITY AUTHORITY SCHEME

This is a defined benefit scheme promulgated under the National Social Security Authority Act 1989. The Group's obligations under the scheme are limited to specific contributions legislated from time to time. These are presently 3% of pensionable emoluments up to a maximum of $1 440 per month (2003 – $360) for each employee.

	INFLATION ADJUSTED		HISTORICAL	
	2004 $m's	2003 $m's	2004 $m's	2003 $m's
27.4 PENSION COSTS RECOGNISED AS AN EXPENSE FOR THE YEAR				
Defined contribution funds	6 802	7 576	3 697	661
National Social Security Authority Scheme	144	335	78	29
	6 946	7 911	3 775	690

28. FINANCIAL RISK MANAGEMENT

28.1 TREASURY RISK MANAGEMENT

The Group Management Committee, consisting of senior executives of the Group, 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. Compliance with Group policies and exposure limits is reviewed at quarterly Board meetings.

28.2 FOREIGN CURRENCY MANAGEMENT

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.

28.3 INTEREST RATE RISK MANAGEMENT

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 investment instruments include fixed and call deposits.

28.4 LIQUIDITY RISK MANAGEMENT

The Group has no liquidity risk as shown by its unutilised banking facilities of $65,0 billion (2003 – $8,6 billion) and the demand for its corporate paper.

28.5 CREDIT RISK MANAGEMENT

Potential concentrations of credit risk consist principally of shortterm cash and cash equivalent investments and trade debtors. The Group deposits shortterm 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. Accordingly the Group has no significant concentration of credit risk which has not been insured or adequately provided for.

28.6 FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated net fair values of all financial instruments approximate the carrying amounts shown in the financial statements.

AS AT 31 MARCH

	Notes	INFLATION ADJUSTED 2004 $m's	INFLATION ADJUSTED 2003 $m's	HISTORICAL 2004 $m's	HISTORICAL 2003 $m's
ASSETS					
Non-Current Assets					
Investments in associated companies		6 533	5 832	340	216
Interest in subsidiaries	A	41 200	29 257	6 892	4 225
		47 733	35 089	7 232	4 441
Current Assets					
Short term instruments	B	5 000	17 093	5 000	2 500
Debtors – dividends receivable		14 348	25 392	14 348	3 716
		19 348	42 485	19 348	6 216
Total Assets		67 081	77 574	26 580	10 657
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	17	139 532	139 532	45	44
Share premium	18	253 582	249 664	5 181	1 264
Distributable reserves	20	(342 769)	(343 970)	4 618	4 618
Proposed dividend	10	16 630	30 208	16 630	4 418
		66 975	75 434	26 474	10 344
Current Liabilities					
Creditors – accruals and dividends payable		106	2 140	106	313
Total Equity and Liabilities		67 081	77 574	26 580	10 657

	INFLATION ADJUSTED 2004 $m's	2003 $m's	HISTORICAL 2004 $m's	2003 $m's
A INTEREST IN SUBSIDIARIES				
Shares at cost less provisions	1 123	5 572	764	764
Indebtedness to the Company	40 077	23 685	6 128	3 461
	41 200	29 257	6 892	4 225
Details of all subsidiaries are provided in the Group structure included elsewhere in this report.				
B SHORT TERM INSTRUMENTS				
Financial instrument with a right of offset within the Group. It bears interest at market related rates.	5 000	17 093	5 000	2 500

Safety HEALTH & environment

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

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

Delta recognises that productivity in its businesses is directly related to the safety, health and welfare of its employees, and therefore provides medical clinics and safety and crisis committees at business units.

At Delta, we have developed and adopted social responsibility programmes that demonstrate our commitment to assisting the community that provides the market for our various businesses.

Protecting the environment and our people is an obligation – not a choice.

In order to fulfil our obligation Delta will:

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

Delta Corporation Limited is a member of:
Environmental Forum of Zimbabwe
World Business Council for Sustainable Development,
International Chamber of Commerce and
International Network for Environmental Management.

J S Mutizwa
Chief Executive Officer
14 May 2004

Activities

BEVERAGES
MANUFACTURING AND DISTRIBUTION

Lager Beer Business

Brewing lager beer; 2 Breweries

Castle Lager, Castle Milk Stout, Golden Pilsener, Lion Lager, Carling Black Label, Zambezi Export Lager, Zambezi Lite Lager, Zambezi Dry 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, Fanta, Sparletta, Sprite, Schweppes

Non-Carbonated Soft Drinks Business

Bottling non-carbonated soft drinks;

2 Bottling Plants

"Mr Juicy" range of syrups, crushes and ready to drink flavours.

Transport and Distribution Business

Provision and maintenance of primary and secondary vehicles & the distribution of beverage products

26 Workshops, 19 Delta Beverage Centres & 17 Sub-depots

KWEKWE MALTINGS

Barley malting; 1 Malting Plant

FOOD AND INDUSTRIAL PROCESSORS (PVT) LTD

Food processing; 1 Factory

MEGAPAK ZIMBABWE (PVT) LTD

Manufacture of PET, injection and blow moulded plastic products; 1 Factory

AFRICAN DISTILLERS LIMITED

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




Group Structure

- DELTA CORPORATION LIMITED
  - 100% DELTA BEVERAGES (PRIVATE) LIMITED
    - 100% BEVERAGES MANUFACTURING & DISTRIBUTION
    - 100% RAINBOW BEVERAGES
    - 100% KWEKWE MALTINGS
    - 51% MEGAPAK ZIMBABWE (PRIVATE) LIMITED
    - 93% HEADEND ENTERPRISES (PRIVATE) LIMITED
    - 49% FOOD & INDUSTRIAL PROCESSORS (PRIVATE) LIMITED
  - 30% AFRICAN DISTILLERS LIMITED

BOARD OF DIRECTORS

CHAIRMAN	
Dr R M Mupawose	B.Sc.; MSc(Agron)., Phd. ~
CHIEF EXECUTIVE OFFICER	
J S Mutizwa	B.Sc.Soc.Sc.(Hons); MBA * ~
EXECUTIVE DIRECTORS	
P Gowero	B.Sc.Econ.(Hons); MBL
R H M Maunsell	B.Bus.Sc; CA(Z); CA(SA)
Dr M S Mushiri	B.Sc.(Hons); MSc.Phd.
NON-EXECUTIVE DIRECTORS	
C F Dube	LLB
S J Hammond	B.Comm; CA(Z) #
A J Hermann	
G D Hollick	FCIS; FIBSA ~
M E Kahari	BA *
Mrs A S Kamba	BA
Dr E S Mazhindu	M.B.Ch.B.(Natal)
A C Parker	B.Econ (Hons)
T N Sibanda	B.Acc; CA(Z) *
W H Turpin	BA; LLB * ~
G J van den Houten	B.Sc.Eng.; B Comm; MBL

SENIOR MANAGEMENT

J S Mutizwa	B.Sc.Soc.Sc.(Hons); MBA * ~	Chief Executive Officer
P Gowero	B.Sc.Econ(Hons); MBL	Executive Director – Operations
R H M Maunsell	B. Bus. Sc.; CA(Z); CA(SA).	Executive Director – Finance
Dr M S Mushiri	B.Sc.(Hons); MSc.Phd	Executive Director – Technical and Strategic Resources
M R Makomva	B.Acc(Hons); CA(Z); MBL	Managing Director Megapak Zimbabwe (Pvt) Limited
E R Mpisaunga	B.Sc (Hons) Animal Science	Marketing Director
Dr M S Mutopo	B.Sc. (Hons); M.Sc; Phd	General Manager – Beverages Operations, Central Division
M M Valela	B. Acc; CA(Z)	Group Treasurer
J H Williams		General Manager – Transport Operations
H D Gaitskell	FCIS	Company Secretary
J H Manyakara	B.Admin(Hons)	Director – Human Resources
A T Wright	B.Sc.Eng.; M.Sc; MBA	Director – Information Technology

* Member of the Group Audit Committee
~ Member of the Remuneration Committee
\# Alternate to G D Hollick

NOTICE TO MEMBERS

Notice is hereby given that the Fifty Seventh Annual General Meeting of Members of Delta Corporation Limited will be held at the Registered Office of the Company at Northridge Close, Borrowdale on Friday 30 July 2004 at 1200 hours for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Financial Statements for the year ended 31 March 2004, together with the Report of the Directors and Auditors thereon.

2. To appoint Directors.
   Mr P Gowero was appointed to the Board on 14th November 2003 and Mrs A S Kamba and Mr C F Dube were appointed on 13 February 2004.
   Mr G D Hollick has resigned from the board with effect from 30 June 2004. Simultaneous with Mr G D Hollick's resignation was the appointment of Mr S J Hammond, his alternate, as a full director.
   Dr E Mazhindu and Messrs A C Parker and T N Sibanda retire by rotation while Mrs A S Kamba and Messrs C F Dube, P Gowero and S J Hammond retire at the end of their interim appointments. All being eligible, they will offer themselves for re-election.

3. To appoint Auditors for the current year and to approve their remuneration for the year past.

SPECIAL BUSINESS

1. To review fees payable to Chairman and Non-executive Directors.

BY ORDER OF THE BOARD

H D GAITSKELL
Company Secretary

Sable House
Northridge Close
Borrowdale
Harare
Zimbabwe

30 June 2004

Size of Shareholding	Shareholders	Number of %	Issued Shares	%
1 to 5 000	1 973	63,6	2 687 528	0,3
5 001 to 10 000	314	10,1	2 296 964	0,3
10 001 to 25 000	295	9,5	4 786 856	0,5
25 001 to 50 000	159	5,1	5 795 409	0,6
50 001 to 100 000	123	4,0	9 055 948	1,0
100 001 to 200 000	89	2,9	12 581 235	1,4
200 001 to 500 000	72	2,3	23 073 195	2,6
Over 500 000	79	2,5	838 668 640	93,3
	3 104	**100,0**	**898 945 775**	**100,0**

Category				
Local Companies	154	5,0	15 266 770	1,7
Foreign Companies	7	0,2	272 337 210	30,3
Pension Funds	97	3,1	73 888 699	8,2
Nominees, local	111	3,6	113 171 445	12,6
Nominees, foreign	10	0,3	6 640 105	0,7
Insurance Companies	26	0,9	157 529 659	17,5
Resident Individuals	1 941	62,5	20 974 140	2,3
Non Resident Individuals	223	7,2	3 058 136	0,4
Investments & Trusts	397	12,8	198 135 688	22,0
Fund Manager	38	1,2	9 722 289	1,1
Deceased Estates	12	0,4	538 905	0,1
Other Organisations	88	2,8	27,682,729	3,1
	3 104	**100,0**	**898 945 775**	**100,0**

Included in the category of '500 001 shares and over' is Delta Employee Participation Trust Company (Private) Limited which holds 8 861 240 shares on behalf of 3 236 employees who participate in the scheme.

TOP TEN SHAREHOLDERS

Shareholder	2004	%	2003	%
Rainier Inc.	154 071 386	17,1	147 387 728	16,7
Old Mutual Life	141 452 320	15,7	172 469 899	19,5
OM Portfolio Holdings Ltd	102 522 144	11,4	102 522 144	11,6
Sabmiller Zimbabwe BV	86 513 582	9,6	82 760 600	9,4
Post Office Savings Bank	49 560 220	5,5	49 560 220	5,6
Barclays Zimbabwe Nominees P/L	38 355 618	4,3	36 677 395	4,1
National Social Security Authority	24 408 894	2,7	29 750 646	3,4
Old Mutual Zimbabwe Ltd	30 824 875	3,4	30 824 875	3,5
Browning Investments NV	17 692 666	2,0	16 925 153	1,9
First Mutual Life Assurance Society			14 905 458	1,7
Fed Nominees P/L	30 196 082	3,4		
Other	223 347 988	24,9	199 783 243	22,6
	898 945 775	**100,0**	**883 567 361**	**100,0**

SHAREHOLDERS' ANALYSIS

MAJOR SHAREHOLDERS	2004	%	2003	%
Old Mutual	281 572 796	31,3	272 822 790	30,9
SAB Miller	271 409 843	30,2	247 073 481	28,0
	552 982 639	61,5	519 896 271	58,9

RESIDENT AND NON-RESIDENT SHAREHOLDERS

Resident	617 174 699	68,7	624 065 920	70,6
Non-Resident	281 771 076	31,3	259 501 441	29,4
	898 945 775	100,0	883 567 361	100,0

SHARE PRICE INFORMATION

Mid Range Price at:

30 June 2003	$235
30 September 2003	$474
31 December 2003	$200
31 March 2004	$145

Price Range:

Highest: 27 August 2003	$560
Lowest: 13 January 2004	$120

CALENDAR

Fifty seventh Annual General Meeting	30 July 2004
Financial Year End	31 March 2005
Interim Reports:	**Anticipated Dates:**
6 months to 30 September 2004	November 2004
12 months to 31 March 2005 and final dividend declaration	May 2005
Dividend Payment Date – final	July 2005
Annual Report Published	July 2005

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Transfer Secretaries:

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4th Floor
Intermarket Centre
Cnr. Kwame Nkrumah/First Street
(P O Box 2208)
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Zimbabwe
Telephone: 263 4 751559/61
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