The Future is in our Brands

Delta Corporation Limited | Annual Report 2005

DELTA CORPORATION
LIMITED

Organisational Vision

STRATEGIC INTENT

We will transform the Company into an integrated Total Beverage Business dominating all sectors of the cold beverage market in Zimbabwe.

MISSION

To grow the value of the business in real terms on a sustainable basis.
We will achieve this through offering our customers outstanding service and through rigorous attention to the health of the business at all times. By so doing we will seek to enhance the value we create for all our stakeholders.

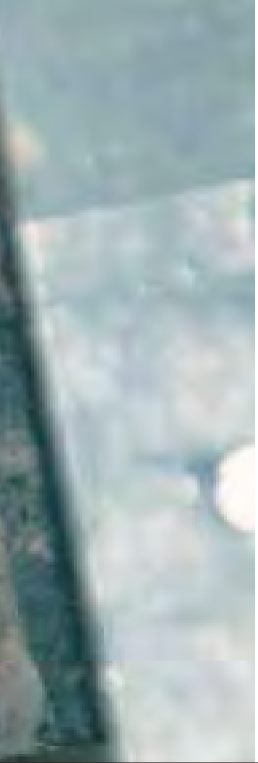
BUSINESS ETHOS

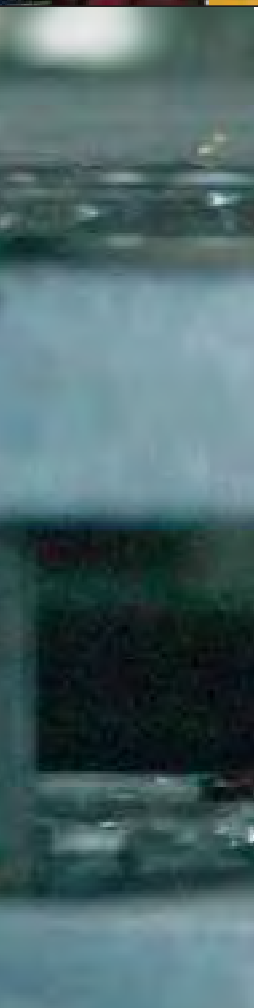
To achieve excellence and to ensure survival, growth and profitability, all employees of the Company must accept the following business ethos:

- A desire to serve consumers and customers with passion
- A culture driven by the desire to improve and to excel in all we do
- A bias towards action
- A belief that the destiny of the Company is in our hands.

"If it is to be, it is up to us."

ANNUAL REPORT
2005





We will transform the Company into an integrated Total Beverage Business dominating all sectors of the cold beverage market in Zimbabwe.

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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

	2005	2004
GROUP SUMMARY ($ million)		
Turnover	2 347 607	580 257
Cash value added	1 313 327	220 616
EBITDA	660 300	197 200
Income after taxation	489 626	118 856
Attributable earnings	459 653	110 756
Headline earnings	459 653	111 406
Funds on hand	281 226	(28 512)
Total assets	1 170 544	344 977
Market capitalisation	4 097 895	130 347
SHARE PERFORMANCE (dollars)		
Earnings per share		
– attributable earnings basis	488,9	124,6
– headline earnings basis	488,9	125,3
– cash equivalent earnings basis	484,7	121,6
Cash flow per share	447,0	4,4
Dividends per share	154,0	26,0
Net asset value per share	584,5	144,8
Market price per share	4 100,0	145,0
FINANCIAL STATISTICS		
Return on equity (%)	78,7	85,1
Operating margin (Operating income to net sales) %	36,1	42,8
Interest cover (times)	n/a	6,5

CHAIRMAN'S STATEMENT

Dr. Robbie M. Mupawose
CHAIRMAN

INTRODUCTION

In reviewing the past year, it is difficult to remain aloof from the economic tempest now confronting the country. The year under review has been one of relative stability. The country experienced a period of correction following the new monetary policy presented in December 2003 and reaffirmed through subsequent statements made and actions taken.

Inflation has been in steady decline from a peak of over 600% to 123% by the end of March. Market interest rates have been more predictable than has been the case in recent years having declined in line with inflation and in keeping with the monetary policy statements. Over this period the supply of fuel has been reliable, and the company has not suffered any significant production stoppages resulting from the failure of supply of either water or power.

The weather has not been kind to the country. Early rains in September damaged the winter barley and wheat crops. Just under 30 000 tonnes of barley was purchased, about 75% of the crop for the previous year. This is well in excess of the requirements for local needs, but will mean some reduction in exports until the next crop starts to come in. A period of drought later in the season considerably reduced the output in the majority of summer crops. In most cases, prior to the impact of a drought, poor preparation and lack of agricultural inputs had meant that outputs would fall short of expectations.

The strong demand for beverages has been seen throughout this period. Beverage volumes for the year are 15% above prior year. This has been led by lager and soft drinks which have exceeded the volumes achieved last year by 25% and 34% respectively.

Plastic packaging sales volumes from Megapak have increased some 7%, having been buoyed by firm demand and the investment which continues to be made in increased capacity.

In November, the glass furnace in Gweru commenced production and by the end of March was approaching full scale operations. Almost four thousand tonnes of bottles were produced and sold, providing welcome relief from import requirements to the carbonated soft drink business and to a number of other users in the country.

Chairman's Statement (continued)

FINANCIAL RESULTS

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

The growth in beverage volumes has resulted in turnover increasing ahead of average inflation of some 263% for the year. Margins have narrowed slightly as a result of a deliberate policy to constrain price increases to gain volume. Overheads have grown by more than inflation, primarily as a result of the knock on effect of minimum wages growing considerably ahead of general inflation. Operating income grew by 234% to $630 billion and earnings before interest, tax, depreciation and amortisation (EBITDA) grew by 235% to $660 billion.

Attributable earnings at $460 billion have increased well above the rate of inflation due to the strong finance income compared to a large finance cost incurred in the previous period when interest rates rose dramatically following the monetary policy statement.

The inflation adjusted figures reflect strong growth in real earnings at operating and attributable level.

As income, value added and excise taxes are largely turnover based, the contribution to the fiscus continues with $608 billion being paid to the Government, an increase of 379%.

Notwithstanding that the Directors are of the opinion that the risk of increases to interest rates later in the year

The inflation adjusted figures reflect strong growth in real earnings at operating and attributable level.

CHAIRMAN'S STATEMENT (CONTINUED)

remains high, they feel that the improved profitability, the high level of funds on hand and lower present levels of inflation warrant an increased level of dividend. Accordingly the dividend cover has been reduced from 4,8 times to 3 times.

INVESTMENT AND FUNDING

Cash flow has been firm throughout the year and by August the Company was no longer in borrowings. In November and December the productive sector borrowings provided by the Reserve Bank, which had been so valuable to the Company during the period of high market interest rates, were retired early. Net funds on hand at the year end stood at $281 billion. This was partly as a result of the reduced investment in stocks and imported fixed assets due to low availability but primarily came from the strong sales growth.

Capital expenditure during the year amounted to almost $115 billion. Of this amount, $27 billion was in respect of imported equipment for a glass furnace and was settled by the issue of 47 068 620 shares.

INTERNATIONAL FINANCIAL REPORTING 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

Chairman's Statement (continued)

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 $19,9 billion; whilst this is a large amount, under present levels of inflation and current taxation legislation, this contingency is extremely remote.

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.

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.

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

The management of risk and loss control is decentralised, but 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

In the past year particular emphasis has been given to the creation of a healthy and safe environment for employees. Safety committees have been in place throughout the Company, but this year a Group Safety, Health and Environment manager has been recruited to ensure adherence to all necessary safety practices. This now includes safety, health and environment training for all safety representatives and for management and programmes for safety communication to existing staff and new arrivals, accident investigation and prevention, emergency response procedures and hazard monitoring.

Chairman's Statement (continued)

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.

The Company continues to provide access to anti-retroviral therapy to all the Company's permanent staff and their families with the primary objective of reducing 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 remains well below suspected levels of infection but there has been some improvement.

The Company engages in community based projects that assist in all levels of education, develop sporting capacity and provide assistance to medical institutions.

The Schools Assistance Programme continued this year with further classroom blocks being constructed at underdeveloped schools spread over the country's eight rural provinces at a cost of $500 million. Since this program started in 1997, fifty classroom blocks have been built around the country.

The Company continues to uphold its values in education and the annual support for forty 'A' level students coming from economically disadvantaged backgrounds but having high academic potential, has extended educational sponsorship to university level where, for the first time, three students are being supported.

For years Delta has sponsored the Arts as an industry as well as a heritage preserve. Jikinya traditional dance competition for primary school children has become an annual event as have Chibuku Road to Fame, a competition aimed at the identification of new talent amongst young musicians and the Neshamwari Dance Festival, an adult traditional dance competition which brings together dance groups from all over the country. The National Arts Merit Awards, where recognition is given to the best artists in various categories has raised the profile of artists and helped to create employment. The Company, together with other corporations and the National Arts Council of Zimbabwe, has created the Arts Development Fund which is a revolving fund accessible to artists. There is also a bursary for the training of experts in various disciplines to become trainers or promoters. In 1999 the Company was one of the first to pledge its support to the Harare International Festival of the Arts (HIFA) and this support has continued as the festival has grown.

The Company has continued with long-standing support for sport, particularly by way of brand based contributions for soccer, cricket, tennis, fishing, horse racing, athletics, basketball and rugby.

As the Company considers the matters of safety, health, environmental management and community services to

Chairman's Statement (continued)

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

The business enjoyed relatively sound industrial relations against a background of another year of a tough operating environment; this was thanks to effective collaboration between management and the worker leadership. Notable achievements during the year included successful collective bargaining at all our units and team effort in fighting the propensity towards dishonesty at the workplace.

A deliberate effort was made to leverage the huge investment in establishing the Mandel Training Centre, the Delta Technical Institute and the Delta Driver Training Centre.

The focus at Mandel Training Centre was on leadership development, sales and distribution excellence training and IT training. 4 766 participants attended courses at the Centre, devoting 14 244 participant training days. Amongst the participants were 53 management trainees from various disciplines undergoing training in line with the Company's strategy to grow future leaders for the business.

The Delta Technical Institute continued to discharge effectively its mandate in technical training. The major thrust was in apprenticeship training where 293 apprentices received training during the year of which 52 qualified with 50 of these being absorbed into the business. Operator training was intensified during the year targeted at improving plant efficiencies and product quality.

Specialist training for drivers of our fleet continued to be provided at the Delta Driver Training Centre aimed at contributing towards the reduction of traffic accidents, improving vehicle operating standards and reduction in associated costs. 717 drivers participated in various courses run at the Centre. Notable in the Centre's programme for the year was its assumption of the responsibility for Forklift Operator Training in the business. 282 forklift operators were trained during the year.

FUTURE PROSPECTS

The reduced agricultural output will present severe challenges for the country and for many businesses in the year ahead. Over the last six months, it has become increasingly apparent that the shortage of foreign currency is

CHAIRMAN'S STATEMENT (CONTINUED)

constraining economic activity and threatening the operations of many organisations which use imported inputs. The national need to import grains will exacerbate the situation and will strengthen resurgent inflationary pressures. It is clear that the economic adjustment that is underway requires policy change to address the now critical issue of foreign exchange supply.

Whilst the needs of lager production within the country will be met comfortably, the smaller barley crop will result in reduced barley malt exports.

The Company is proceeding with the previously announced project to launch a sorghum-based lager beer. The equipment is now in transit. This project is expected to begin operating in the last quarter of 2005 and will provide an exciting new offering to consumers.

Interest rate risk remains high so the Company will, in the year ahead, continue to target cash conservation, production efficiencies and overhead costs.

APPRECIATION

I wish to thank all employees for their efforts during the year and my fellow directors for their support and contribution to the business.

Dr. Robbie M. Mupawose
CHAIRMAN
13 May 2005

Review of Operations

Lager Beer Business

LAGER

Lager beer volumes grew by 25% compared to last year reflecting good availability and a firm market throughout the period. A deliberate policy decision was made to moderate price increases to a level that would be below cost inflation, but would be likely to stimulate demand.

The growth of Lion Lager in the brand mix has continued and this brand now accounts for 47% of volume. The 375ml 'pint' bottle remains the most popular pack size at 50% of the market, but the 750 ml bottle comes a strong second and holds its status as a value pack accounting for 42% of sales.

Preparations are well advanced for the launch of a sorghum-based lager beer expected to come to the market in the last quarter of 2005. Production is largely compatible with that of malt-based lager so production will take place at the lager plant in Harare. There is one significant item of new imported equipment needed for this project, this has been sourced in Europe and is expected to arrive in Zimbabwe soon.

The lager beer business has continued with 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, one of the premier freshwater fishing competitions on the continent, attracting a record 202 teams including 25 from outside the country. The Zambezi Ironwill Eco-Challenge, a multidisciplinary event which combines mountain climbing, cycling and canoeing raised a total of $160 million for charity. As part of its support for soccer, Castle Lager sponsored the Castle Soccer Stars of the year which culminated in an award ceremony in November. Lion Lager hosted the first Annual Invitational Rugby Tournament in August and supports the Zimbabwe Musical Awards which honours outstanding musicians for their contribution. Castle Milk Stout sponsors a winter jazz festival.

brewed to the highest
quality standards

TRADITIONAL

TRADITIONAL BEER BUSINESS

Chibuku volumes ended the year 2% up on last year. Packaged beer, the well known two litre "Scud", continues to make up over 90% of volumes with draught beer making up the balance. The constraints seen in the past in respect of the capacity of suppliers to supply the closures for the Scud were resolved during the year as additional capacity came on stream.

The finals for the Chibuku Road to Fame competition which seeks to nurture local musical talent, to discover budding artists and to further the careers of the best through recording contracts took place in October and the winners' inaugural CDs were released in February. The Neshamwari Traditional Dance Festival competition, an adult traditional dance competition which seeks to encourage dance traditions from all over the country, continued this year hosted by the Chibuku brand. The Scud Tertiary Soccer Tournament which involves Teachers' Colleges, Polytechnics and Universities took place again this year and after a lively competition University of Zimbabwe won the finals in September.

brewed with the finest
natural ingredients

REVIEW OF OPERATIONS (CONTINUED)

CARBONATED

CARBONATED SOFT DRINKS BUSINESS

Carbonated Soft Drink volumes showed a strong volume rebound compared to last year with an increase of 34%. Strong demand was seen throughout the year, driven in part by pricing which was below optimum levels for much of the period. Supply constraints which have dogged this business in the past had limited impact – power shedding was adequately dealt with by the newly installed generators, water supply failure resulted in only stoppages in the first half of the year and the regional shortage of CO_2 which occurred in December 2003 did not recur in 2004.

The supply of glass has been good with circulation back from the market better than it has been in recent years and new glass from the factory in Gweru which has been producing primarily soft drink bottles in the first few months of its operation.

The market shortages that have occurred periodically during the year are for the most part attributable to surges in demand at a time when the base level is so high that it has not been possible to build up stocks on the floor. Towards the end of the year low relative prices have seen demand outstrip supply.

The dominance of Coca-Cola at 62% of the total sales of carbonated soft drinks continues and at 73% the 300ml 'Kingsize' remains the most popular pack.

The Delta Beverages Soft Drinks business is proud of its longstanding association with sports and culture development together with Coca-Cola Central Africa. This year saw the first ever Fanta Mega Music Party attended by 14 000 youngsters. 5000 senior schools participated in the Coca-Cola NASH soccer tournament which was launched in 1989 with the vision of developing soccer at grassroots. Brand Sprite sponsors a popular high schools basketball competition and there are Coca-Cola supported rugby trials from which the winning team goes onto a regional rugby week. Delta Beverages is proud to lend its name to HIFA, a major event on the cultural calendar of Zimbabwe, which is gaining in international recognition with its mix of international and local artists.

Zimbabwe's leading brands
....enjoyed by all

NON-CARBONATED BEVERAGES

Rainbow Beverages Division handles the range of non-carbonated beverages brought to the market in December 2003 under the brand name Mr Juicy. This range which includes ready-to-drink fruit nectars, concentrates, cordials and mineral water in a variety of convenient pack types and sizes has proved popular and has, as a result, shown strong growth during the year. Sales are constrained by our own limited production capacity and that of the suppliers of certain plastic packaging.

Towards the end of the year a new product, Premier Plus Maheu, was launched and initial sales are well ahead of expectations.

It has become clear that demand for this product range, including Premier Plus Maheu, has outgrown production capacity. During the past year, the Harare operation moved to new, larger premises and production capacity was increased. This has space for expansion and plans are underway for the acquisition of increased filler capacity to handle demand.


ORANGE
Juicy

TRANSPORT

TRANSPORT SERVICES

Transport Services handles the distribution of beverages around the country through management of the Company's fleet of heavy vehicles and trailers and the use of outside hauliers, particularly for freighting between major centres in the country. In addition to this, considerable efficiencies have been gained by this division taking over the operation of the forklift fleet.

As a result of the work of the project team set up to review the distribution model in the light of rising distribution costs a decision was made to open ten new depots around the country and to refurbish and then reopen a number of others. This project will continue into the new year.

Nine prime movers were acquired during the year, a further twenty eight were on order as at the year end and eight had been delivered by the end of April 2005. These, together with the twenty forklifts and 51 trailers on order will go some way to restoring the age profile of the fleet.


WASH
BAY

REVIEW OF OPERATIONS (CONTINUED)

MALTINGS BUSINESS

The volume of malt sold has increased by 10%, primarily as a result of increased lager production in the local market. Export tonnage fell by 7% due to the difficulties experienced in remaining competitive in the light of high production costs, unrealistic exchange rates and low international prices. Exports accounted for Z$35 billion of sales.

Planting levels for the 2004 winter season were satisfactory, but the final level of maltable barley delivered fell short of expectations because of in-field germination due to the sustained early rains at the time the crop was maturing in many of the barley producing areas. At 30 000 tonnes the final out turn was only 75% of the previous crop. The barley received is more than sufficient to satisfy the needs of the local lager production, but there will be some loss of exports.

MEGAPAK ZIMBABWE

Volumes for the year were 7% up on the prior year. Steady annual growth in volumes in the business has been the result of a capital expenditure programme to increase capacity to meet demand in a market that has been undersupplied. In this last year a total of $8,1 billion was spent on capital items, with the largest expenditure being on machines to produce 2 litre PET bottles. As a result of this the PET factory now accounts for over 40% of the 5 200 tonnes converted.

During the year the Company assisted the town council in a project to bring relief to the longstanding shortage of purified water in the Ruwa area by providing bridging finance for the necessary 4,6 kilometre pipeline linking the new water purification plant to the Ruwa reservoir.

HEADEND

Headend Enterprises (Private) Limited is a company, controlled by Delta Corporation Limited, which operates a glass factory in Gweru. Glass manufacturing operations commenced in November 2004 and, by the end of March, 3 880 tonnes of glass bottles had been produced bringing welcome relief from importation to group companies and to a number of other organisations.

The furnace produces one colour of glass at a time and all production to date has been of clear glass, known in the trade as 'flint' as this represents the greatest demand. It is anticipated that as the demand for flint becomes satisfied during the course of 2005 a colour switch to brown glass, known as amber, will be made.

When this factory is operating at full production and the backlog of demand has been met, it is anticipated that approximately 70% of production will be required within the country, with Delta beverages as the biggest single user, and 30% will be available for export.


THE MARK OF THE FINEST M
50Kg NET
PIECE No.
THE MARK OF THE EST MALT
50Kg NE
PIECE No

Report of the Directors

The Directors present their Fifty Eighth Annual Report and the Audited Financial Statements of the Group for the year ended 31 March 2005.

YEAR'S RESULTS

		$m's	$m's
Earnings attributable to shareholders			459 653
Less: Dividends			
Interim:	$34,00 per share paid January 2005	32 005	
Final:	$120,00 per share payable July 2005	119 951	
Total:	$154,00 per share (2004 – $ 26,00)		151 956
			307 697
Add: Distributable reserves at beginning of year			108 316
Transfer from non-distributable reserve			6
Distributable reserves at end of year			416 019

FIXED ASSETS

Capital expenditure for the year to 31 March 2005 totalled $114,5 billion. The capital expenditure for the year to 31 March 2006 is planned at $470,7 billion, of which $19,8 billion has been committed.

INVESTMENTS

African Distillers Limited

The Company's effective shareholding is 30,7%.

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 100 540 753 ordinary shares. 47 068 620 were allotted in consideration for plant and equipment required for the construction of a glass furnace in Gweru, while 14 534 020 were allotted in accordance with the share option schemes and 38 938 113 in respect of a scrip dividend. The issued share capital, therefore, is $50 million with a share premium of $48 145 million. The number of shares currently under option is 28 746 600.

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 (continued)

DIRECTORS

Messrs A J Hermann, R H M Maunsell, J S Mutizwa, W H Turpin and Dr M S Mushiri are due to retire by rotation. 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 Eighth Annual General Meeting of the Company will be held at 12:00 hours on Friday 29 July 2005 at the Registered Office of the Company.

BY ORDER OF THE BOARD

DR. R.M. MUPAWOSE	J.S. MUTIZWA	H.D. GAITSKELL
Chairman	Chief Executive	Company Secretary

13 May 2005

Corporate Governance at Delta

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 2006. 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 2005, which appear on pages 30 to 61 were approved by the Board of Directors on 13 May 2005 and are signed on its behalf by:

Dr R.M. MUPAWOSE
Chairman

J.S. MUTIZWA
Chief Executive Officer

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 2005. 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 2005 and of the results of the operations and group cash flows for the financial year ended on that date.

Chartered Accountants (Zimbabwe)
Harare, Zimbabwe,
20 June 2005

GROUP INCOME STATEMENTS

FOR THE YEARS ENDED 31 MARCH

		INFLATION ADJUSTED		HISTORICAL	
	Notes	2005 $m's	2004 $m's	2005 $m's	2004 $m's
TURNOVER	5	3 459 031	2 542 331	2 347 607	580 257
NET OPERATING COSTS	6	(3 067 971)	(2 410 321)	(1 717 291)	(391 474)
OPERATING INCOME		391 060	132 010	630 316	188 783
Non-recurring items	7		(2 105)		(941)
Net financing income	8	45 234	(123 483)	44 277	(29 017)
Monetary loss		(73 086)	180 742		
Equity accounted earnings		26 864	7 570	21 881	6 524
		390 072	194 734	696 474	165 349
Taxation	9	(8 310)	30 965	(206 848)	(46 493)
INCOME AFTER TAXATION		381 762	225 699	489 626	118 856
Attributable to minority shareholders		(8 196)	(29 343)	(29 973)	(8 100)
EARNINGS ATTRIBUTABLE TO SHAREHOLDERS		373 566	196 356	459 653	110 756
Dividends	10	(168 310)	(72 504)	(151 956)	(23 276)
Retained earnings for the year	20	205 256	123 852	307 697	87 480
Retained earnings for the year attributable to:					
Company		(17 088)	(73 262)		
Subsidiaries and arising on consolidation		205 528	194 130	294 793	83 190
Associated companies		16 816	2 984	12 904	4 290
		205 256	123 852	307 697	87 480
EARNINGS PER SHARE (DOLLARS)					
– attributable earnings basis	2.6	397,3	220,8	488,9	124,6
– headline earnings basis	2.6	397,3	222,5	488,9	125,3
– cash equivalent earnings basis	2.7			484,7	121,6
DIVIDENDS PER SHARE (DOLLARS)	10	168,4	58,2	154,0	26,0

GROUP CASH FLOW STATEMENTS

FOR THE YEARS ENDED 31 MARCH

		INFLATION ADJUSTED		HISTORICAL	
	Notes	2005 $m's	2004 $m's	2005 $m's	2004 $m's
Cash retained from operating activities					
Cash generated from trading	11.1	453 022	445 793	637 552	189 497
Utilised to decrease/(increase) working capital	11.2	130 430	(129 313)	(192 425)	(151 504)
Cash generated from operating activities		583 452	316 480	445 127	37 993
Net financing income		45 234	(123 483)	44 277	(29 017)
Taxation paid	11.3	(100 152)	(123 069)	(41 702)	(4 814)
Cash flow from operations		528 534	69 928	447 702	4 162
Dividends paid	11.4	(76 490)	(95 561)	(36 911)	(7 331)
Net cash generated		452 044	(25 633)	410 791	(3 169)
Cash utilised in investment activities					
Investment to maintain operations					
Replacement of fixed assets		(68 230)	(30 933)	(42 973)	(5 622)
Proceeds on disposal of fixed assets		2 408	4 409	1 771	323
		(65 822)	(26 524)	(41 202)	(5 299)
Investment to expand operations					
Fixed asset additions		(69 781)	(34 730)	(71 535)	(14 317)
Increase in loans and investments		(10 708)	(1 192)	(19 077)	(7 406)
		(80 489)	(35 922)	(90 612)	(21 723)
Net cash invested		(146 311)	(62 446)	(131 814)	(27 022)
Cash generated from financing activities					
Movement in long-term borrowings		(116)	(1 228)		
Increase in shareholder funding	11.5	39 274	238	30 761	106
Net cash generated from financing activities		39 158	(990)	30 761	106
Net increase in cash and cash equivalents		344 891	(89 069)	309 738	(30 085)
Cash and cash equivalents at beginning of year		(63 571)	25 498	(28 418)	1 667
Cash and cash equivalents at the end of year	11.6	281 320	(63 571)	281 320	(28 418)
Cash flow per share (dollars)	2.8	574,2	68,5	447,0	4,4

GROUP CASH VALUE ADDED STATEMENTS

FOR THE YEARS ENDED 31 MARCH

	INFLATION ADJUSTED		HISTORICAL	
	2005 $m's	2004 $m's	2005 $m's	2004 $m's
CASH GENERATED				
Cash derived from sales	2 699 053	2 047 826	2 222 016	555 159
Income from investments	3 303	412	2 232	184
	2 702 356	2 048 238	2 224 248	555 343
Cash payments to suppliers of materials, facilities & services	(957 761)	(997 852)	(910 921)	(334 727)
Cash value added	1 744 595	1 050 386	1 313 327	220 616
Cash utilised to:				
Remunerate employees for their services	401 164	240 059	298 679	59 831
Pay income, value added and excise taxes to Government	860 130	616 915	608 088	126 928
Received from lenders as a return on monies invested	(45 234)	123 483	(41 142)	29 695
Provide shareholders with a reward for the use of their risk capital	76 490	95 561	36 912	7 331
CASH DISBURSED AMONG STAKEHOLDERS	1 292 550	1 076 018	902 537	223 785
CASH RETAINED IN THE BUSINESS				
Cash retained from shareholders in exchange for scrip	15 186	8 528	15 186	3 812
Further retentions	436 859	(34 160)	395 604	(6 981)
NET CASH RETAINED	452 045	(25 632)	410 790	(3 169)

GROUP BALANCE SHEETS

AT 31 MARCH

	Notes	INFLATION ADJUSTED 2005 $m's	INFLATION ADJUSTED 2004 $m's	HISTORICAL 2005 $m's	HISTORICAL 2004 $m's
ASSETS					
Non-Current Assets					
Property, plant and equipment	12	1 320 704	1 315 479	135 421	29 920
Investments in associates	13	59 114	41 114	19 650	5 651
Investments and other long term assets	14	41 659	32 135	28 861	8 647
		1 421 477	1 388 728	183 932	44 218
CURRENT ASSETS					
Inventories	15	608 094	766 712	472 953	235 292
Debtors	16	231 453	124 245	226 590	51 607
Short term loans		3 807	1 119	3 807	500
Bank balances and cash		283 262	29 886	283 262	13 360
		1 126 616	921 962	986 612	300 759
Total Assets		2 548 093	2 310 690	1 170 544	344 977
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	17	312 140	312 135	50	45
Share premium	18	617 654	567 266	48 145	5 181
Non-distributable reserves	19			18	24
Distributable reserves	20	499 290	393 417	416 019	108 316
Proposed dividend	10	119 951	37 202	119 951	16 630
		1 549 035	1 310 020	584 183	130 196
Minority interest		62 216	56 161	38 866	9 377
NON-CURRENT LIABILITIES					
Long term financing	21	94	210	94	94
Tax equalisation and deferred taxation		394 683	488 678	5 336	1 636
		394 777	488 888	5 430	1 730
CURRENT LIABILITIES					
Short term borrowings	21	1 942	93 457	1 942	41 778
Creditors	22	338 171	256 463	338 171	114 645
Taxation		201 952	105 701	201 952	47 251
		542 065	455 621	542 065	203 674
Total Equity and Liabilities		2 548 093	2 310 690	1 170 544	344 977

GROUP STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 MARCH

		INFLATION ADJUSTED		HISTORICAL	
	Notes	**2005**	2004	**2005**	2004
		$m's	$m's	**$m's**	$m's
Changes in share capital					
Share capital issued	17 & 18	**50 393**	8 765	**42 969**	3 918
Changes in distributable reserves					
Deferred tax arising on reindexing	20	**(99 383)**	(201 703)		
Earnings attributable to shareholders		**373 566**	196 356	**459 653**	110 756
Dividends declared – prior year final		**(37 202)**	(67 575)	**(16 630)**	(4 418)
– current year interim		**(48 359)**	(35 302)	**(32 005)**	(6 646)
Shareholders' equity at the beginning of the year		**1 310 020**	1 409 479	**130 196**	26 586
Shareholders' equity at the end of the year		**1 549 035**	1 310 020	**584 183**	130 196

GROUP FIVE YEAR FINANCIAL REVIEW

FOR THE YEARS ENDED 31 MARCH

HISTORICAL FINANCIAL INFORMATION

	5 Year Compound Growth % p.a.	2005 $m's	2004 $m's	2003 $m's	2002 $m's	2001 $m's
CONSOLIDATED INCOME STATEMENTS						
Turnover	164,3	2 347 607	580 257	103 682	43 971	24 985
Taxed operating income	193,9	459 031	138 907	23 735	7 656	2 596
Taxed interest payable		30 595	(20 051)	(214)	(548)	(892)
Income after taxation	218,3	489 626	118 856	23 521	7 108	1 704
Outside shareholders	168,2	(29 973)	(8 100)	(1 111)	(564)	(23)
Earnings attributable to ordinary shareholders	224,3	459 653	110 756	22 410	6 544	1 681
Dividends	205,8	(151 956)	(23 276)	(6 177)	(2 799)	(689)
Retained income	236,4	307 697	87 480	16 233	3 745	992
CONSOLIDATED BALANCE SHEETS						
ASSETS						
Non-current Assets	101,3	183 932	44 218	14 377	4 336	6 215
Current Assets	186,2	986 612	300 759	47 540	12 145	7 063
TOTAL ASSETS	155,7	1 170 544	344 977	61 917	16 481	13 278
EQUITY AND LIABILITIES						
Shareholders' equity	163,0	584 183	130 196	26 586	8 190	5 772
Minority Interest	103,8	38 866	9 377	1 356	306	1 130
Total shareholders' funds	155,3	623 049	139 573	27 942	8 496	6 902
Tax equalisation	122,0	5 336	1 636	658	408	164
Long term financing		94	94	94	94	28
Current Liabilities	162,3	542 065	203 674	33 223	7 483	6 184
TOTAL EQUITIES AND LIABILITIES	155,7	1 170 544	344 977	61 917	16 481	13 278

GROUP STATISTICS

FOR THE YEARS ENDED 31 MARCH

HISTORICAL FINANCIAL INFORMATION

	2005	2004	2003	2002	2001
SHARE PERFORMANCE					
PER SHARE (DOLLARS)					
Attributable earnings	**488,85**	124,56	25,50	7,53	1,95
Headline earnings	**488,85**	125,30	25,69	7,42	2,04
Cash equivalent earnings	**484,65**	121,64	25,09	7,87	2,17
Dividends	**154,00**	26,00	7,00	3,20	0,80
Cash flow	**446,99**	4,36	13,89	4,76	1,11
Net asset value	**584,50**	144,84	30,09	9,36	6,70
Closing market price	**4 100,00**	145,00	240,00	60,00	18,50
ZSE industrial index	**2 483 961**	347 709	179 531	48 091	29 198
SHARE INFORMATION					
In issue (m's)	**999**	899	884	875	862
Market capitalisation ($m's)	**4 097 895**	130 347	212 056	52 505	15 948
Trading volume (m's)	**108**	82	126	111	369
Trading percentage (%)	**11,5**	9,3	14,3	12,8	42,9
RATIOS AND RETURNS PROFITABILITY					
Return on equity (%)	**78,7**	85,1	84,3	79,9	29,1
Income after taxation to total capital employed (%)	**77,7**	64,9	71,1	76,0	17,9
Taxed operating return (%)	**39,2**	40,3	71,8	81,9	27,3
Pretax return on total assets (%)	**59,5**	47,9	52,2	56,1	16,7
SOLVENCY					
Long term debt to total shareholders' funds (%)	**0,02**	0,10	0,34	1,11	0,41
Interest cover (times)	**n/a**	6,5	65,7	12,5	2,6
Total liabilities to total shareholders' funds (%)	**87,9**	147,2	121,6	94,0	92,4
LIQUIDITY					
Current assets to interest free liabilities & short term borrowings	**1,82**	1,48	1,43	1,62	1,14
PRODUCTIVITY					
Turnover per employee ($m's)	**329,95**	99,86	17,99	4,66	2,20
Turnover to payroll (times)	**7,86**	9,70	10,77	8,80	8,31
Cash value added to payroll (times)	**4,40**	3,69	4,72	3,57	3,16
OTHER					
Number of employees	**7 115**	5 811	5 764	7 174	11 378
Number of shareholders	**3 104**	3 104	3 081	2 881	2 550
INFLATION ADJUSTED INFORMATION					
PER SHARE (DOLLARS)					
Attributable earnings	**397,3**	220,8	420,1	331,5	252,8
Headline earnings	**397,3**	222,5	427,3	330,0	269,3
Net asset value	**1 549,8**	1 457,4	1 595,2	1 492,1	1 923,8
SOLVENCY					
Long term debt to total shareholder's funds (%)	**0,01**	0,02	0,10	0,34	0,16
Interest cover (times)	**n/a**	2,58	148,12	5,88	0,91
Total liabilities to total shareholders' funds (%)	**33,98**	69,10	64,12	57,62	61,60

NOTES TO THE FINANCIAL STATEMENTS

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.

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 2005, using a 1995 base year, are as follows:

	Index	Conversion Factor
31 March 2005	69 577,2	1,000
31 March 2004	31 102,7	2,237
31 March 2003	4 548,9	15,295

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:

Financing costs and exchange differences: 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

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. 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 and associated companies are included from the effective dates of acquisition up to the effective dates of disposal.

1.4 INTEREST IN SUBSIDIARIES AND ASSOCIATED COMPANIES

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 and associated companies. 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 operating 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 and value added tax. 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 shareholders' equity.

2.4 PRETAX RETURN ON TOTAL ASSETS

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

2.5 TAXED OPERATING RETURN

This is calculated by relating to closing total equity and liabilities, 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: 940 278 709 (2004 – 889 148 305). 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	
	2005 $m's	2004 $m's	**2005 $m's**	2004 $m's
Earnings attributable to shareholders	**373 566**	196 356	**459 653**	110 756
Add non-recurring items (See Note 7)		1 454		650
Headline earnings	**373 566**	197 810	**459 653**	111 406

2.7 CASH EQUIVALENT EARNINGS BASIS

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 :-

	2005 $m's	2004 $m's
Earnings attributable to shareholders	**459 653**	110 756
Adjusted for		
Non-cash items	**7 236**	714
Equity accounted retained earnings	**(15 136)**	(4 474)
Tax equalisation	**3 700**	978
Add: minority share of adjustments	**257**	190
Cash equivalent earnings	**455 710**	108 164

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 generated 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 total shareholders' funds.

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, Plastics and Glass 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.

5. TURNOVER

	INFLATION ADJUSTED		HISTORICAL	
	2005 $m's	2004 $m's	2005 $m's	2004 $m's
Sales proceeds	3 237 753	2 381 383	2 162 881	550 762
Excise and levies	391 097	392 258	281 753	90 291
Value added taxes	368 881	101 587	284 633	31 822
Other	38 010	76 666	33 482	17 133
	4 035 741	2 951 894	2 762 749	690 008
Less: intra-group sales	(576 710)	(409 563)	(415 142)	(109 751)
	3 459 031	2 542 331	2 347 607	580 257
Export sales included above	51 748	82 400	36 691	20 019

6. OPERATING INCOME

Operating income is arrived at after charging/(crediting):-

6.1 NET OPERATING COSTS

	INFLATION ADJUSTED		HISTORICAL	
	2005 $m's	2004 $m's	2005 $m's	2004 $m's
Sundry operating income	(56 555)	(105 610)	(128 930)	(26 456)
Changes in inventories of finished goods and work in progress	73 199	138 517	17 319	9 286
Raw materials and consumables used	1 211 255	1 025 050	714 760	155 260
Net gain on container deposit increase	(19 038)	(121 126)	(32 711)	(33 065)
Depreciation expense (See Note 6.2)	130 852	130 467	8 085	1 850
Staff costs	401 164	240 059	298 679	59 831
Excise, levies and value added tax	759 978	493 846	566 386	122 114
Other operating expenses	567 116	609 118	273 703	102 654
	3 067 971	2 410 321	1 717 291	391 474

6.2 DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Buildings	15 876	18 265	55	26
Plant, equipment and vehicles	114 976	112 202	8 030	1 824
	130 852	130 467	8 085	1 850

6.3 EXCHANGE GAINS

Gross amount	(1 226)	12 957	(882)	3 148

6.4 AUDITORS' REMUNERATION

Current year audit fees and expenses	9 671	3 474	4 148	844
Prior year under provision	180	320	77	78
	9 851	3 794	4 225	922

Included in current year Group audit fees are fees for the Company of $120 million (2004 – $35million).

6.5 NET LEASING EXPENSES

	INFLATION ADJUSTED		HISTORICAL	
	2005 $m's	2004 $m's	2005 $m's	2004 $m's
Minimum lease payments	8 731	1 284	6 281	312

7. NON-RECURRING ITEMS

	2005 $m's	2004 $m's	2005 $m's	2004 $m's
Reorganisational expenditure		2 105		941
Related taxation (See Note 9)		(651)		(291)
		1 454		650

8. NET FINANCE INCOME

	2005 $m's	2004 $m's	2005 $m's	2004 $m's
Income:-				
– Long term loans	(6 277)		(4 806)	
– Short term loans and investments	(41 395)		(40 561)	
Expenditure:-				
– Long and medium term financing	964	4 940	431	117
– Short term borrowings	1 474	118 543	659	29 578
Total	(45 234)	123 483	(44 277)	29 695
Capitalised				(678)
Net Finance Income	(45 234)	123 483	(44 277)	29 017

9. TAXATION

9.1 TAXATION CHARGE

	2005 $m's	2004 $m's	2005 $m's	2004 $m's
Income tax:-				
Holding company and subsidiaries				
Current				
– standard	191 667	94 824	191 667	42 389
– AIDS levy	4 694	3 020	4 694	1 350
Prior years	42	38	42	17
Associated companies	6 745	4 586	6 745	2 050
Non recurring items				
Holding company and subsidiaries		(651)		(291)
Deferred taxation	(198 538)	(134 970)		
Tax equalisation	3 700	2 188	3 700	978
	8 310	(30 965)	206 848	46 493

9.2 RECONCILIATION OF RATE OF TAXATION

	HISTORICAL	
	2005 $m's	2004 $m's
Standard rate	**30,9**	30,9
Adjusted for:-		
Capital allowances in excess of depreciation	**(1,8)**	(1,5)
Tax equalisation	**0,5**	0,6
Other adjustments including permanent differences	**0,1**	(1,9)
	(1,2)	(2,8)
Effective rate	**29,7**	28,1

10. DIVIDENDS

	HISTORICAL		INFLATION ADJUSTED			
	2005 $m's	2004 $m's	2005 $m's	2004 $m's	2005 $m's	2004 $m's
Interim	**34,0**	7,5	**48 359**	35 302	**32 005**	6 646
Final – proposed	**120,0**	18,5	**119 951**	37 202	**119 951**	16 630
	154,0	26,0	**168 310**	72 504	**151 956**	23 276

11. CASH FLOW INFORMATION

11.1 CASH GENERATED FROM TRADING

	2005 $m's	2004 $m's	2005 $m's	2004 $m's
Operating income	**391 060**	132 010	**630 316**	188 783
Monetary loss	**(73 086)**	180 742		
Non-recurring items		(2 105)		(941)
Depreciation	**130 852**	130 467	**8 085**	1 850
Loss/(profit) on disposal of property, plant and equipment	**(474)**	13 353	**(849)**	(195)
Other non cash items	**4 670**	(8 674)		
	453 022	445 793	**637 552**	189 497

11.2 UTILISED TO DECREASE/(INCREASE) WORKING CAPITAL

	INFLATION ADJUSTED		HISTORICAL	
	2005 $m's	2004 $m's	2005 $m's	2004 $m's
Decrease/(increase) in inventories	158 618	(97 034)	(237 661)	(202 790)
(Increase)/decrease in debtors and short term loans	(109 896)	20 868	(178 290)	(43 117)
Increase/(decrease) in creditors	81 708	(53 147)	223 526	94 403
	130 430	(129 313)	(192 425)	(151 504)

11.3 TAXATION PAID

Liability at beginning of year	(105 701)	(131 539)	(47 251)	(8 600)
Taxation provided (see note 9)	(203 148)	(101 817)	(203 148)	(45 515)
Associated company taxation	6 745	4 586	6 745	2 050
Liability at end of year	201 952	105 701	201 952	47 251
	(100 152)	(123 069)	(41 702)	(4 814)

11.4 DIVIDENDS PAID

By the Company:				
Proposed dividend at beginning of year	(37 202)	(67 575)	(16 630)	(4 418)
Shares issued in lieu of dividends	15 186	8 527	15 186	3 812
Current year dividends (see note 10)	(168 310)	(72 504)	(151 956)	(23 276)
Proposed dividend at end of year	119 951	37 202	119 951	16 630
	(70 375)	(94 350)	(33 449)	(7 252)
By Subsidiaries:				
Minority's share of dividends at beginning of year	(2 718)	(1 211)	(1 215)	(79)
Minority's share of dividends declared	(10 834)	(2 718)	(9 684)	(1 215)
Minority's share of dividends at end of year	7 437	2 718	7 437	1 215
	(6 115)	(1 211)	(3 462)	(79)
Total dividends paid	(76 490)	(95 561)	(36 911)	(7 331)

11.5 INCREASE IN SHAREHOLDE FUNDING

Proceeds of shares issued:-				
By the Company	35 207	238	27 783	106
By subsidiaries to minority shareholders	4 067		2 978	
	39 274	238	30 761	106

11.6 CASH AND CASH EQUIVALENTS

	INFLATION ADJUSTED		HISTORICAL	
	2005 $m's	2004 $m's	2005 $m's	2004 $m's
Made up as follows:-				
Bank balances and cash	283 262	29 886	283 262	13 360
Short term borrowings	(1 942)	(93 457)	(1 942)	(41 778)
	281 320	(63 571)	281 320	(28 418)

12. PROPERTY, PLANT AND EQUIPMENT

	INFLATION ADJUSTED 2005 $m's	INFLATION ADJUSTED 2004 $m's	HISTORICAL 2005 $m's	HISTORICAL 2004 $m's
FREEHOLD PROPERTIES				
Cost	868 960	866 982	3 848	2 300
Capital work in progress	213	174	196	68
	869 173	867 156	4 044	2 368
Depreciation	351 992	336 386	152	95
	517 181	530 770	3 892	2 273
LEASEHOLD PROPERTIES				
Cost	15 748	15 726	83	63
Depreciation	8 183	7 903	6	9
	7 565	7 823	77	54
PLANT AND EQUIPMENT				
Cost	1 642 045	1 557 674	82 890	19 114
Capital work in progress	19 491	12 233	13 908	4 255
	1 661 536	1 569 907	96 798	23 369
Depreciation	1 018 207	928 681	7 702	2 218
	643 329	641 226	89 096	21 151
VEHICLES				
Cost	289 802	263 598	41 780	7 648
Capital work in progress	4 464		4 234	
	294 266	263 598	46 014	7 648
Depreciation	141 637	127 938	3 658	1 206
	152 629	135 660	42 356	6 442
Total property, plant and equipment	1 320 704	1 315 479	135 421	29 920

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	INFLATION ADJUSTED		HISTORICAL	
	2005 $m's	2004 $m's	2005 $m's	2004 $m's
Movement in net book amount for the year:				
At beginning of the year	1 315 479	1 398 045	29 920	11 959
Capital expenditure	138 011	65 663	114 508	19 939
Disposals	(1 934)	(17 762)	(922)	(128)
Depreciation charged to operating income	(130 852)	(130 467)	(8 085)	(1 850)
At end of the year	1 320 704	1 315 479	135 421	29 920
Capital expenditure comprised :				
Freehold properties	202	3 071	1 743	1 218
Leasehold properties	2 002	313	21	32
Plant and equipment	92 087	49 747	74 303	14 451
Vehicles	43 720	12 532	38 441	4 238
	138 011	65 663	114 508	19 939
Disposals comprised:				
Freehold properties		1 974		11
Leasehold properties		10 115		28
Plant and equipment	1 232		889	
Vehicles	702	5 673	33	89
	1 934	17 762	922	128
Original cost and indexed cost of fully depreciated assets still in use:				
Freehold and leasehold properties	9 196	9 190	83	2
Plant and equipment	375 424	339 252	175	189
Vehicles	89 085	60 222	123	59
	473 705	408 664	381	250
Net book amount of assets temporarily idle:				
Plant and equipment	1 407	1 362	1	5

13. INVESTMENT IN ASSOCIATES

Shares at cost	16 658	15 509	1 436	341
Post acquisition distributable reserves	42 456	25 605	18 214	5 310
	59 114	41 114	19 650	5 651

14. INVESTMENTS, AND OTHER LONG TERM ASSETS

	INFLATION ADJUSTED		HISTORICAL	
	2005 $m's	2004 $m's	2005 $m's	2004 $m's
14.1 INVESTMENTS				
Unquoted shares at cost	141	246	141	110
14.2 LOANS				
Secured	28 106	18 977	28 106	8 483
Unsecured	608	110	608	49
	28 714	19 087	28 714	8 532
14.3 TRADEMARKS				
At cost	12 804	12 802	6	5
Total	41 659	32 135	28 861	8 647

14.4 Included in the Group's secured loans of $28,1 billion are loans of $9 billion (2004 – $2,1 billion) to Directors and Officers of the Group. These are made in terms of a Group Housing Loan Scheme. During the year $7,2 billion was advanced and $220 million repaid.

15. INVENTORIES

	INFLATION ADJUSTED 2005 $m's	INFLATION ADJUSTED 2004 $m's	HISTORICAL 2005 $m's	HISTORICAL 2004 $m's
Consumable stores	90 649	81 051	72 274	29 963
Containers	248 377	322 000	177 704	107 707
Finished products	38 203	45 230	32 366	16 496
Raw materials	204 823	290 620	168 907	72 257
Products in process	26 042	27 811	21 702	8 869
	608 094	766 712	472 953	235 292

16. DEBTORS

	INFLATION ADJUSTED		HISTORICAL	
	2005 $m's	2004 $m's	2005 $m's	2004 $m's
Trade debtors	156 685	69 550	156 685	31 094
Prepaid expenses and other debtors	74 768	54 695	69 905	20 513
	231 453	124 245	226 590	51 607

17. SHARE CAPITAL

17.1 AUTHORISED

	2005 $m's	2004 $m's	2005 $m's	2004 $m's
1 100 000 000 ordinary shares of 5 cents each	55	55	55	55

17.2 ISSUED AND FULLY PAID

	2005 $m's	2004 $m's	2005 $m's	2004 $m's
Cost	50	45	50	45
Arising on inflation adjustment	312 090	312 090		
	312 140	312 135	50	45

Comprising 999 486 528 (2004 – 898 945 775) 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 $5 million has been placed at the disposal of the directors for an indefinite period.

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 2005.

Date of grant	Subscription price (Dollars)	Number of shares
1 March 2002	45,00	1 310 000
1 October 2002	150,00	400 000
14 February 2003	180,00	3 000 000
15 January 2004	150,00	10 841 000
13 May 2004	250,00	13 195 600
		28 746 600

Movements for the year:	
At 31 March 2004	30 845 020
New options granted	13 195 600
Options exercised	(14 534 020)
Options forfeited	(760 000)
At 31 March 2005	28 746 600

17.5 DIRECTORS' SHARHOLDINGS

At 31 March 2005, the Directors held directly and indirectly the following number of shares in the Company:

	2005	2004
P. Gowero	521 821	460 000
S.J. Hammond	8 817	8 181
M.E. Kahari	10 000	30 000
A.S. Kamba	2 278	
R.H.M. Maunsell	1 774 739	691 907
Dr. E.S. Mazhindu	1 897	
M.S. Mushiri	1 648 592	810 161
J.S. Mutizwa	1 000 000	1 000 000
W.H. Turpin	3 602	3 361
	4 971 746	3 003 610

No changes in Directors' shareholdings have occurred between the financial year end and 13 May 2005.

18. SHARE PREMIUM

	INFLATION ADJUSTED		HISTORICAL	
	2005 $m's	2004 $m's	2005 $m's	2004 $m's
At beginning of year	567 266	558 501	5 181	1 264
Arising on issue of shares	50 388	8 765	42 964	3 917
At end of year	617 654	567 266	48 145	5 181

19. NON-DISTRIBUTABLE RESERVES

Comprising donated assets received at beginning of year			24	30
Transfer to distributable reserves			(6)	(6)
At end of year			18	24

20. DISTRIBUTABLE RESERVES

At beginning of year	393 417	471 268	108 316	20 830
Indexing of deferred taxation	(99 383)	(201 703)		
Retained earnings for the year	205 256	123 852	307 697	87 480
Transfer from non-distributable reserves			6	6
At end of year	499 290	393 417	416 019	108 316
Retained in:				
Holding company	(859 816)	(766 776)	4 618	4 618
Subsidiaries and arising on consolidation	1 315 790	1 133 693	391 845	98 435
Associated companies	43 316	26 500	19 556	5 263
	499 290	393 417	416 019	108 316

21. INTEREST BEARING DEBT

	INFLATION ADJUSTED		HISTORICAL	
	2005 $m's	2004 $m's	**2005 $m's**	2004 $m's
Long term borrowings				
Unsecured				
Long term loans : Rate of Interest % nil	**94**	210	**94**	94
Short term borrowings				
Overdraft	**1 466**	6 519	**1 466**	2 914
Short term loans	**476**	86 938	**476**	38 864
Total short term borrowings	**1 942**	93 457	**1 942**	41 778
Total interest bearing debt	**2 036**	93 667	**2 036**	41 872

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 $584,2 billion.

Short term borrowings include foreign loans amounting to $235 million (2004 – $6,3 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.

21. INTEREST BEARING DEBT (Continued)

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

	INFLATION ADJUSTED		HISTORICAL	
	2005 $m's	2004 $m's	2005 $m's	2004 $m's
UNSECURED				
United States Dollars (USD)				
Interest rate % – 6,0				
Amount: US$38 062	235	14 008	235	6 262

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.

22. CREDITORS

	INFLATION ADJUSTED 2005 $m's	INFLATION ADJUSTED 2004 $m's	HISTORICAL 2005 $m's	HISTORICAL 2004 $m's
Trade creditors	137 396	107 218	137 396	47 929
Accruals and other creditors	191 582	149 008	191 582	66 610
Dividends payable	9 193	237	9 193	106
	338 171	256 463	338 171	114 645

Amounts are payable within twelve months.

23. DIRECTORS' EMOLUMENTS

	INFLATION ADJUSTED 2005 $m's	INFLATION ADJUSTED 2004 $m's	HISTORICAL 2005 $m's	HISTORICAL 2004 $m's
Paid by subsidiaries:				
For services as directors	200	78	144	19
For managerial services	8 038	11 565	5 783	1 354
	8 238	11 643	5 927	1 373

24. CONTINGENT LIABILITIES

	INFLATION ADJUSTED		HISTORICAL	
	2005 $m's	2004 $m's	2005 $m's	2004 $m's
Guarantees	2 075	3 333	2 075	1 490
Deferred taxation	19 913	14 227	19 913	6 360
	21 988	17 560	21 988	7 850

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

The contingent liability for deferred tax comprises :

	2005 $m's	2004 $m's
Capital allowances in excess of depreciation	20 929	6 823
Prepaid expenses	4 320	1 173
Amount provided in tax equalisation	(5 336)	(1 636)
	19 913	6 360

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 $12,4 billion (2004 decrease – $4,3 billion) and attributable and headline earnings per share would have been $475,7 (2004 – $119,8) and $475,7 (2004– $120,5) respectively.

25. NET FUTURE OPERATING LEASE COMMITMENTS

	2005 $m's	2004 $m's
Lease payments:		
– Payable within one year	5 072	2 281
– Payable two to five years	3 057	472
– Payable thereafter	2 432	
	10 561	2 753

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

	HISTORICAL 2005 $m's	HISTORICAL 2004 $m's
Contracts and orders placed	19 774	100
Authorised by directors but not contracted	450 903	181 828
	470 677	181 928

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

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 $22 500 per month (2004 – $1 440) for each employee.

27.4 PENSION COSTS RECOGNISED AS AN EXPENSE FOR THE YEAR

	INFLATION ADJUSTED		HISTORICAL	
	2005 $m's	2004 $m's	2005 $m's	2004 $m's
Defined contribution funds	24 606	15 216	17 702	3 697
National Social Security Authority Scheme	1 483	322	1 067	78
	26 089	15 538	18 769	3 775

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 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 $184 billion (2004 – $65,0 billion) and the demand for its corporate paper.

28.5 CREDIT RISK MANAGEMENT

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

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.

COMPANY BALANCE SHEETS

AT 31 MARCH

		INFLATION ADJUSTED		HISTORICAL	
	Notes	2005 $m's	2004 $m's	2005 $m's	2004 $m's
ASSETS					
NON-CURRENT ASSETS					
Investments in associated companies		15 798	14 614	1 436	340
Interest in subsidiaries	A	64 285	92 166	61 482	6 892
		80 083	106 780	62 918	7 232
CURRENT ASSETS					
Short term instruments	B		11 185		5 000
Debtors – dividends receivable		119 039	32 100	119 039	14 348
		119 039	43 285	119 039	19 348
Total Assets		199 122	150 065	181 957	26 580
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES					
Share capital	17	312 140	312 135	50	45
Share premium	18	617 654	567 266	48 145	5 181
Distributable reserves	20	(859 816)	(766 776)	4 618	4 618
Proposed dividend	10	119 951	37 202	119 951	16 630
		189 929	149 827	172 764	26 474
CURRENT LIABILITIES					
Creditors – accruals and dividends payable		9 193	238	9 193	106
Total Equity and Liabilities		199 122	150 065	181 957	26 580

	INFLATION ADJUSTED		HISTORICAL	
	2005 $m's	2004 $m's	2005 $m's	2004 $m's
A INTEREST IN SUBSIDIARIES				
Shares at cost less provisions	1 568	2 512	764	764
Indebtedness to the Company	62 717	89 654	60 718	6 128
	64 285	92 166	61 482	6 892
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.		11 185		5 000

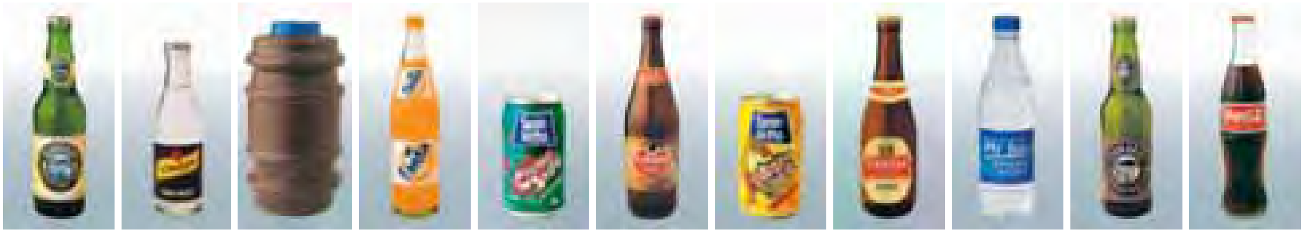
SAFETY, HEALTH &

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.

visit our website: www.delta.co.zw



Safety, Health & Environment

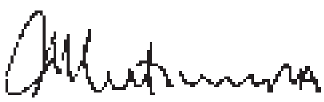
At Delta, we have developed and adopted social responsibility programmes that demonstrate our commitment to assisting the community that provides the market for our various businesses.

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

In order to fulfil this obligation Delta will:

- Conduct environmental impact assessments when establishing new facilities;
- Utilise the best available technology to limit emissions and effluents, improve land eco-efficiencies and waste recovery;
- Support research into the protection of the environment;
- Conform to prescribed and self determined environmental, health and safety standards;
- Support and promote supplies of environmental friendly products and services;
- Promote continuous improvement in safety, health and environmental performance aspects which impact on employees, customers and the community through setting standards in a process of proactive risk management, subject to internal and external compliance;
- Involve employees and their representatives in participative endeavours to agree and implement health and safety improvement programmes;
- 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:
Business Council for Sustainable Development in Zimbabwe,
World Business Council for Sustainable Development,
International Chamber of Commerce and
International Network for Environmental Management.



J. S. Mutizwa
Chief Executive Officer

13 May 2005

Portfolio of Businesses

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
    - 90% HEADEND ENTERPRISES (PRIVATE) LIMITED
    - 49% FOOD & INDUSTRIAL PROCESSORS (PRIVATE) LIMITED
  - 31% AFRICAN DISTILLERS LIMITED

Portfolio of Businesses

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 Lager, Zambezi Lite Lager,
Bohlinger's Lager

Traditional Beer Business
Brewing sorghum beer, 14 Breweries
Chibuku and Rufaro

Carbonated Soft Drinks Business
Bottling carbonated soft drinks, 2 Bottling Plants
Coca-Cola, Diet Coke, Coke Light, Fanta, Sparletta, Sprite, Schweppes

Non-Carbonated Soft Drinks Business
Bottling non-carbonated soft drinks
"Mr Juicy" range of syrups, crushes, water, Maheu and ready to drink flavours.

Transport and Distribution Business
Provision and maintenance of primary and secondary vehicles
and the distribution of beverage products
26 Workshops, 38 Delta Beverage Centres
and 7 Customer Collection Depots

KWEKWE MALTINGS
Barley malting, 1 Malting Plant

MEGAPAK ZIMBABWE (PVT) LTD
Manufacture of PET, injection and blow moulded plastic products, 1 Factory

HEADEND ENTERPRISES (PVT) LTD
Manufacture of glass containers, 1 furnace

FOOD AND INDUSTRIAL PROCESSORS (PVT) LTD
Food processing, 1 Factory

AFRICAN DISTILLERS LIMITED
Wine and spirit producer, 3 Farms, 1 Distillery, 5 Depots

DIRECTORATE & MANAGEMENT

J.S Mutizwa

G.J. van den Houten

A.J. Hermann

Dr M.S. Mushiri

Dr R.M Mupawose
Chairman

R.H.M. Maunsell

Dr. E.S. Mazhindu

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.

* Member of the Audit Committee
~ Member of the Remuneration Committee

NON-EXECUTIVE DIRECTORS

C.F. Dube	LLB
S.J. Hammond	B.Comm; CA(Z) ~
A.J. Hermann	
M.E. Kahari	BA *
Mrs A.S. Kamba	BA(SA); PCE (London); MLS (Columbia Univ)
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

M.E. Kahari
P. Gowero
S.J. Hammond
C.F. Dube
Mrs A.S. Kamba
W.H Turpin
T.N. Sibanda
A.C. Parker

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	Director – Marketing
Dr M.S. Mutopo	B.Sc(Hons); M.Sc; Phd	General Manager – Beverages Operations
M.M. Valela	B. Acc(Hons); 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

Notice to Members

Notice is hereby given that the Fifty Eighth 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 29 July 2005 at 12 00 hours for the following purposes.

ORDINARY BUSINESS

1. To receive and adopt the Financial Statements for the year ended 31 March 2005, together with the Report of Directors and Auditors thereon.

2. To appoint Directors:
   Messers A.J. Hermann, R.H.M. Maunsell, J.S. Mutizwa, W.H. Turpin and Dr M.S. Mushiri are due to retire by rotation. 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. DIRECTORS' FEES

To review fees payable to the Chairman and Non-Executive Directors.

2. INCREASE IN AUTHORISED SHARE CAPITAL

To **RESOLVE** as a **SPECIAL RESOLUTION**, with or without amendments

THAT the authorised share capital of the Company of $55 000 000 (fifty five million dollars) divided into 1 100 000 000 (one billion one hundred million) ordinary shares of five cents each be increased by $15 000 000 (fifteen million dollars) divided into 300 000 000 (three hundred million) ordinary shares of five cents each to $70 000 000 (seventy million dollars) divided into 1 400 000 000 (one billion four hundred million) ordinary shares of five cents each.

And further, that subject to the limitations imposed by the Companies Act (Chapter 24:03), the unissued share capital be placed at the disposal of the directors for an indefinite period.

3. SHARE OPTION SCHEME – 2005

TO RESOLVE

that the **"Delta Corporation Limited Share Option Scheme – 2005"** be and is hereby authorised and implemented and that the directors can allocate up to 50 000 000 (fifty million) ordinary shares to this scheme. The rules of the scheme will be available for inspection at the registered office of the Company 14 days before the meeting.

NOTICE TO MEMBERS (CONTINUED)

4. SHARE BUY BACK

Shareholders will be asked to consider and if deemed fit, to resolve with or without amendments, **THAT** the Company authorises in advance, in terms of Section 79 of the Companies Act (Chapter 24:03) the purchase by the Company of its own shares upon such terms and conditions and in such amounts as the Directors of the Company may from time to time determine and such authority hereby specifies that:

a. the authority shall expire on the date of the Company's next Annual General Meeting;
b. acquisitions shall be of ordinary shares which, in aggregate in any one financial year, shall not exceed 10% (ten percent) of the Company's issued ordinary share capital.
c. the maximum and minimum prices, respectively which such ordinary shares may be acquired will be 50% (fifty percent) above and 25% (twenty five percent) below the weighted average of the market price at which such ordinary shares are traded on the Zimbabwe Stock Exchange, as determined over the 5 (five) business days immediately preceding the date of purchase of such ordinary shares by the Company;
d. a press announcement will be published as soon as the Company has acquired ordinary shares constituting, on a cumulative basis in the period between Annual General Meetings, 3% (three percent) of the number of ordinary shares in issue prior to the acquisition.

It will be recorded that, in terms of the Listing Requirements of the Zimbabwe Stock Exchange, the Directors of the Company state that it is their intention to utilise this authority at a future date provided that the cash resources of the Company are in excess of its requirements and the transaction is considered to enhance headline earnings per share. In considering cash resource availability the Directors will take account of, inter alia, the long term cash needs of the Company, and will ensure the Company will remain solvent after re-purchase.

BY THE ORDER OF THE BOARD

H.D. GAITSKELL
Company Secretary

Sable House
Northridge Close
Borrowdale
Harare
Zimbabwe

30 June 2005

SHAREHOLDERS ANALYSIS

Size of Shareholding	Number of Shareholders	%	Issued Shares	%
1 to 5,000	1 915	61,7	2 534 053	0,3
5,001 to 10,000	295	9,5	2 109 946	0,2
10,001 to 25,000	285	9,2	4 570 769	0,5
25,001 to 50,000	177	5,7	6 361 362	0,6
50,001 to 100,000	146	4,7	10 903 152	1,1
100,001 to 200,000	107	3,5	15 123 798	1,5
200,001 to 500,000	72	2,2	22 974 505	2,3
Over 500,000	107	3,5	934 908 943	93,5
	3 104	**100,0**	**999 486 528**	**100,0**

Category				
Local Companies	177	5,7	24 335 615	2,4
Foreign Companies	7	0,2	356 404 408	35,7
Pension Funds	168	5,4	82 446 616	8,3
Nominees, local	102	3,3	73 741 861	7,4
Nominees, foreign	10	0,3	8 846 908	0,9
Insurance Companies	23	0,7	158 762 522	15,9
Resident Individuals	1 880	60,6	24 226 547	2,4
Non Resident Individuals	246	7,9	46 165 397	4,6
Investments & Trusts	350	11,3	204 129 700	20,4
Fund Manager	28	0,9	4 207 550	0,4
Deceased Estates	12	0,4	135 562	
Other Organisations	101	3,3	16 083 842	1,6
	3 104	**100,0**	**999 486 528**	**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 3 195 employees who participate in the scheme.

TOP TEN SHAREHOLDERS

Shareholder	2005	%	2004	%
Rainier Inc.	185 392 430	18,6	162 421 203	18,1
Old Mutual Life	149 500 938	15,0	141 452 320	15,7
OM Portfolio Holdings Ltd	109 863 498	11,0	102 522 144	11,4
Sabmiller Zimbabwe BV	151 169 476	15,1	91 202 139	10,2
Post Office Savings Bank	53 109 103	5,3	49 560 220	5,5
Barclays Zimbabwe Nominees P/L	18 756 887	1,9	38 355 618	4,3
Datvest Nominees	13 725 339	1,4		
National Social Security Authority	9 554 440	1,0	24 408 894	2,7
Old Mutual Zimbabwe Ltd	33 032 167	3,3	30 824 875	3,4
Browning Investments NV	21 289 394	2,0	18 651 511	2,0
Fed Nominees P/L			30 196 082	3,4
Other	254 092 856	25,4	209 350 769	23,3
	999 486 528	**100,0**	**898 945 775**	**100,0**

Shareholders Analysis & Calender (continued)

MAJOR SHAREHOLDERS	2005	%	2004	%
Old Mutual	292 396 603	29,3	281 572 796	31,3
South African Breweries	357 851 300	35,8	272 274 853	30,3
	650 247 903	65,1	553 847 649	61,6

RESIDENT AND NON-RESIDENT SHAREHOLDERS				
Resident	596 916 723	59,7	617 174 699	68,7
Non-Resident	402 569 805	40,3	281 771 076	31,3
	999 486 528	100,0	898 945 775	100,00

SHARE PRICE INFORMATION

Mid Range Price at:	
30 June 2004	$410
30 September 2004	$980
31 December 2004	$1 800
31 March 2005	$4 150

Price Range:	
Highest: 30 March 2005	$4 200
Lowest: 16 April 2004	$135

CALENDAR

Fifty eighth Annual General Meeting	29 July 2005
Financial Year End	31 March 2006

Interim Reports:	**Anticipated Dates:**
6 months to 30 September 2005	November 2005
12 months to 31 March 2006 and final dividend declaration	May 2006
Dividend Payment Date – final	July 2006
Annual Report Published	July 2006

ADDRESS DETAILS

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Transfer Secretaries:
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4th Floor
Intermarket Centre
Cnr. Kwame Nkrumah / 1st Street
(P.O. Box 2208)
Harare
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NOTES

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