

# Delta Corporation

LIMITED

## UNAUDITED FINANCIAL INFORMATION FOR THE PERIOD ENDED 30 SEPTEMBER 2016

### SALIENT FEATURES

**Revenue**  
Decreased by 8% to US\$ 246,6 million

**Operating Income**  
Down by 9% to US\$ 39,4 million

**EBITDA**  
Decreased by 8% to US\$ 54,9 million

**Earnings per share**  
Decreased by 13% to US2,52 cents

**Attributable Income**  
Down by 13% to US\$ 31 million

**Dividend per share up 43%**  
Interim dividend paid per share – US 2,00 cents

**Government Taxes**  
Tax remittances for the period - US\$ 93 million

**Net Funding**  
Net cash - US\$ 132,1 million

### GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	UNAUDITED Period ended 30 September 2016 US\$'000	UNAUDITED Period ended 30 September 2015 US\$'000	AUDITED Year ended 31 March 2016 US\$'000
<b>Revenue</b>	<b>246 639</b>	269 021	538 198
Operating income	39 449	43 467	96 072
Finance cost	(3 255)	(2 911)	(5 726)
Finance income	5 065	5 599	11 621
Share of profit of associates	351	1 463	3 944
Profit before tax	41 610	47 618	105 911
Income tax expense	(10 626)	(11 885)	(25 822)
Profit for the period	30 984	35 733	80 089
Other comprehensive income	-	-	-
<b>Total comprehensive income for the period</b>	<b>30 984</b>	35 733	80 089
Profit for the period attributable to:			
Owners of the parent	30 984	35 733	80 089
<b>Weighted average shares in issue (millions)</b>	<b>1 228,0</b>	1 236,0	1 234,2
<b>Earnings per share (US cents)</b>			
From operations :			
Attributable earnings basis	2,52	2,89	6,49
Fully diluted basis	2,52	2,87	6,48

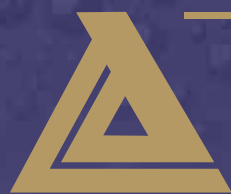
### GROUP STATEMENT OF FINANCIAL POSITION

	UNAUDITED As At 30 September 2016 US\$'000	UNAUDITED As At 30 September 2015 US\$'000	AUDITED As At 31 March 2016 US\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	341 430	338 182	345 332
Investments in associates	42 213	36 065	42 122
Investments, loans and trademarks	12 831	11 900	12 654
	<b>396 474</b>	386 147	400 108
<b>Current assets</b>			
Inventories	85 420	96 779	86 431
Trade and other receivables	42 894	56 498	43 683
Cash and cash equivalents	197 138	135 864	166 016
	<b>325 452</b>	289 141	296 130
<b>TOTAL ASSETS</b>	<b>721 926</b>	675 288	696 238
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	12 310	12 443	12 310
Share premium	33 074	30 134	33 074
Share options reserve	6 616	5 341	5 985
Retained earnings	437 197	415 227	436 530
<b>Shareholders' equity</b>	<b>489 197</b>	463 145	487 899
<b>Non-current liabilities</b>			
Long term borrowings	25 000	70 000	65 000
Deferred tax liabilities	51 037	45 068	48 833
	<b>76 037</b>	115 068	113 833
<b>Current liabilities</b>			
Short term borrowings	40 000	-	-
Trade and other payables	113 215	94 873	86 443
Current tax liability	3 477	2 202	8 063
	<b>156 692</b>	97 075	94 506
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>721 926</b>	675 288	696 238
<b>Net asset value per share (US cents)</b>	<b>39,84</b>	37,47	39,53

### GROUP STATEMENT OF CASH FLOWS

	UNAUDITED Period ended 30 September 2016 US\$'000	UNAUDITED Period ended 30 September 2015 US\$'000	AUDITED Year ended 31 March 2016 US\$'000
<b>Cash flow from operating activities</b>			
Operating income	39 449	43 467	96 072
Depreciation	15 455	15 949	32 856
Other non-cash items	3 780	1 332	8 771
Decrease\increase in working capital	28 573	(1 860)	12 876
<b>Cash generated from operations</b>	<b>87 257</b>	58 888	150 575
Finance cost	(3 255)	(2 911)	(5 726)
Finance income	5 065	5 599	11 621
Income taxation paid	(12 973)	(14 696)	(19 007)
<b>Net cash flow from operating activities</b>	<b>76 094</b>	46 880	137 463
<b>Cash flow from investing activities</b>			
Purchase of fixed assets for maintaining operations	(12 259)	(12 542)	(27 407)
Purchase of fixed assets for expanding operations	(2 410)	(1 130)	(16 864)
Purchase of shares in associate	-	(1 128)	(5 372)
Dividend received from associate	260	-	668
(Increase)\decrease in loans and investments	(266)	95	(659)
Proceeds from disposal of property, plant and equipment	19	121	208
<b>Net cash invested</b>	<b>(14 656)</b>	(14 584)	(49 426)
<b>Cash flow from financing activities</b>			
Dividends paid in cash	(25 852)	(28 440)	(45 736)
Increase in shareholder funding	-	1 205	1 205
Share buy back	(4 464)	(2 808)	(6 101)
Decrease in borrowings	-	-	(5 000)
<b>Net cash flow from financing activities</b>	<b>(30 316)</b>	(30 043)	(55 632)
Net increase in cash and cash equivalents	31 122	2 253	32 405
Cash and cash equivalents at beginning of period	166 016	133 611	133 611
Cash and cash equivalents at end of period	197 138	135 864	166 016





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## UNAUDITED FINANCIAL INFORMATION FOR THE PERIOD ENDED 30 SEPTEMBER 2016

### GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	UNAUDITED Period ended 30 September 2016 US\$'000	UNAUDITED Period ended 30 September 2015 US\$'000	AUDITED Year ended 31 March 2016 US\$'000
Shareholders' equity at beginning of the period	487 899	456 645	456 645
Share options exercised	-	1 205	1 205
Share buy back	(4 464)	(2 808)	(6 101)
Recognition of share based payments	630	810	1 797
Total comprehensive income for the period	30 984	35 733	80 089
Dividends paid			
- Prior year final	(25 852)	(28 440)	(28 440)
- Current year interim	-	-	(17 296)
Shareholders' equity at end of the period	489 197	463 145	487 899

### SUPPLEMENTARY INFORMATION

	UNAUDITED Period ended 30 September 2016 US\$'000	UNAUDITED Period ended 30 September 2015 US\$'000	AUDITED Year ended 31 March 2016 US\$'000
<b>1. Revenue</b>			
Gross sales	287 420	314 522	632 938
Less VAT and discounts	(40 781)	(45 501)	(94 740)
<b>Revenue</b>	<b>246 639</b>	<b>269 021</b>	<b>538 198</b>
Less Excise duty and levies	(26 569)	(30 272)	(57 888)
<b>Net Sales</b>	<b>220 070</b>	<b>238 749</b>	<b>480 310</b>
<b>2. Depreciation of property, plant and equipment</b>	<b>15 455</b>	<b>15 949</b>	<b>32 856</b>
<b>3. Taxation</b>			
Current income tax expense	8 200	8 225	18 075
Withholding tax	222	372	694
Deferred tax			
- arising during current year	2 204	3 288	7 053
	<b>10 626</b>	<b>11 885</b>	<b>25 822</b>
<b>4. Commitments for capital expenditure</b>			
Contracts and orders placed	28 000	14 000	19 623
Authorised by directors but not contracted	6 000	31 000	27 283
	<b>34 000</b>	<b>45 000</b>	<b>46 906</b>

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

### 5. Reportable segments

	Lager Beer Business US\$'000	Sparkling Beverages Business US\$'000	Sorghum Beer Business US\$'000	Total Reportable Segments US\$'000	All Other Segments US\$'000	Total US\$'000
<b>30 September 2016</b>						
Segment revenue	92 884	68 144	83 477	244 505	9 715	254 220
Inter-segment revenue	-	-	-	-	(7 581)	(7 581)
External revenue	92 884	68 144	83 477	244 505	2 134	246 639
Segment operating income	10 274	5 458	19 648	35 380	4 069	39 449
<b>30 September 2015</b>						
Segment revenue	107 098	75 861	81 237	264 196	14 214	278 410
Inter-segment revenue	-	-	-	-	(9 389)	(9 389)
External revenue	107 098	75 861	81 237	264 196	4 825	269 021
Segment operating income	12 862	7 850	18 367	39 079	4 388	43 467

### 6. Currency of Reporting

The financial information reflects United States Dollars. This is the functional currency of the Group.

### 7. Accounting policies

Accounting policies are consistent with those used in the previous year with no significant impact arising from new and revised International Financial Reporting Standards applicable for the period ended 30 September 2016.

### COMMENTARY

#### Overview

The trading environment continues to be constrained by depressed consumer spending, limited access to cash and the generally weak macro-economic performance. The shortage of foreign currency, though supporting demand of local products, is significantly impacting the sourcing of critical raw materials.

There is an emerging risk on water supply due to depleted dam and ground water sources. This may lead to disruptions to production.

#### VOLUME AND OPERATIONS REPORT

##### Lager Beer

Lager beer volume is down 11% on prior year conceding some retail spend to traditional beer and other cheaper alcohol offerings.

##### Sparkling Beverages

Sparkling beverages volume is down 3% for the six months compared to prior year with some positive trend recorded in the second quarter.

##### Sorghum Beer

Sorghum beer volume increased by 6% on prior year. The contribution of Chibuku Super remains strong. The delay in paying foreign suppliers has resulted in late commissioning of the new plants at Masvingo and Kwekwe which are now expected to contribute to production before the end of the calendar year.

#### FINANCIAL RESULTS

Revenue is 8% below prior year due to a changed product mix and pricing decisions. Operating income declined by 9% while EBITDA was down 8% reflecting lower revenues and tight cost control. Net finance income results from higher cash holdings tempered down by lower interest rates. The difficult trading environment also resulted in reduced profitability for our associates.

There has been a considerable delay in settling foreign creditors and external dividend payments resulting in a higher net funding of US\$132 million.

#### SHAREHOLDER CHANGES AND THE COCA-COLA BOTTLER'S AGREEMENT

Following the conclusion of the combination of SABMiller and AB InBev, the Company is now an associate of the new AB InBev Group. Consequently, The Coca-Cola Company (TCCC) issued a notice of its intention to terminate the Bottler's Agreements with Delta Beverages and its associate Schweppes Holdings Africa Limited. The Company has issued a cautionary statement in this regard. All relevant parties are now engaged and stakeholders will be updated on progress.

#### DIRECTORATE

Mr Mark Bowman has resigned as director of the Company and has been replaced by Mr RT Almeida Cabral De Soares as the representative of AB InBev with effect from 4 November 2016. We wish to thank Mr Bowman for his invaluable contribution since 2007. Mr R T Almeida Cabral De Soares is the Africa Zone President of AB InBev. He brings a wealth of experience from the beverages sector in Latin America. He was most recently the Zone President for Mexico.

#### OUTLOOK

The macro-economic environment continues to deteriorate. The Company will focus on its strategic intent of optimising value and generating positive returns in this difficult period.

#### DIVIDEND

The Board declared an interim dividend of US2,00 cents per share to be paid on 6 December 2016.

#### For and on behalf of the Board

CF Dube  
Chairman

4 November 2016

#### DIVIDEND DECLARATION

The Board declared an interim dividend, number 114, of US2,00 cents per share in respect of all qualifying ordinary shares of the Company out of the profits of the current financial year.

The dividend will be payable in United States dollars to shareholders registered in the books of the Company at the close of business on 25 November 2016 as per the following timetable.

Action	Date
Announcement Date	10 November 2016
Last Date to Trade - cum dividend	18 November 2016
Ex Dividend Date	21 November 2016
Record Date	25 November 2016
Payment Date	6 December 2016
Dividend Amount	US\$25 000 000

#### By Order of the Board

A Makamure  
Company Secretary



C F Dube (Chairman), P Gowero (Chief Executive),  
R T Almeida Cabral De Soares, C C Jinya, S J Hammond,  
J A Kirby, T Moyo, L E M Ngwerume, Prof. H C Sadza,  
T N Sibanda, M M Valela

Website address: <http://www.delta.co.zw>