# DELTA CORPORATION LIMITED

ANNUAL REPORT 2012

*The Future Is In Our Brands*

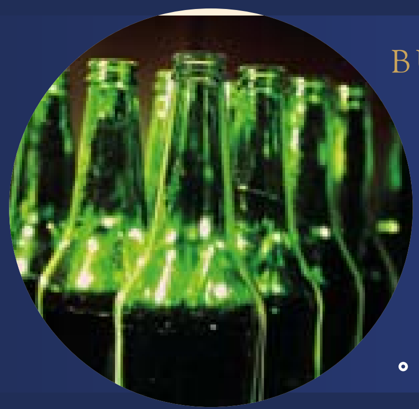
# ORGANISATIONAL VISION

## STRATEGIC INTENT

We are, and seek to remain, an integrated Total Beverage Business dominating the beverage market in Zimbabwe.

## MISSION STATEMENT

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, Delta employees will be guided by 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."

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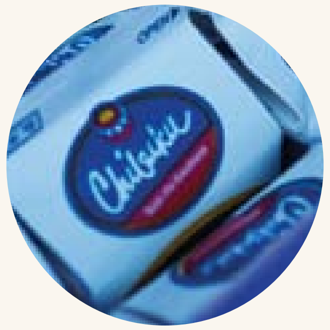
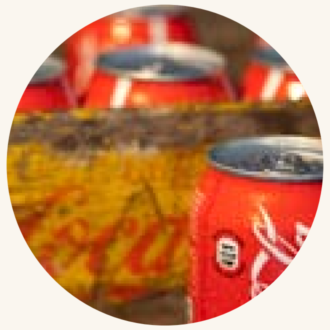
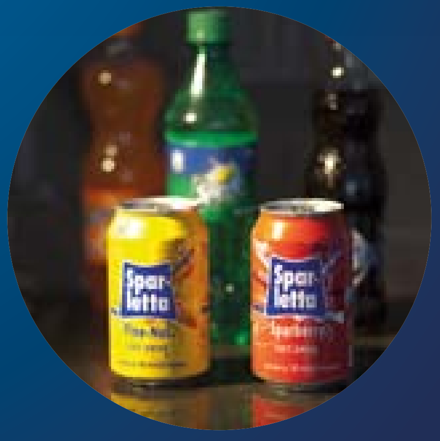




# VALUE STATEMENTS

WE ARE, AND SEEK TO REMAIN, AN INTEGRATED TOTAL BEVERAGE BUSINESS SERVICING THE MARKET IN ZIMBABWE.




# VALUE STATEMENTS

## OUR PEOPLE ARE OUR ENDURING ADVANTAGE

- The calibre and commitment of our people set us apart
- We value and encourage diversity
- We select and develop people for the long–term
- Performance is what counts
- Health and Safety issues receive priority attention

## ACCOUNTABILITY IS CLEAR AND PERSONAL

- We favour decentralised management and a practical maximum of local autonomy
- Goals and objectives are aligned and clearly articulated
- We prize both intellectual rigour and passion for our work
- We are honest about performance
- We require and enable self–management

## WE WORK AND WIN IN TEAMS

- We actively develop and share knowledge within the Group
- We consciously balance local and Group interests
- We foster trust and integrity in internal relationships
- We encourage camaraderie and a sense of fun

## WE UNDERSTAND AND RESPECT OUR CUSTOMERS AND CONSUMERS

- We are endlessly concerned with our customers' needs and perceptions
- We build lasting relationships, based on trust
- We aspire to offer the preferred choices of product and service
- We innovate and lead in a changing world

## OUR REPUTATION IS INDIVISIBLE

- Our reputation relies on the actions and statements of every employee
- We build our reputation for the long term
- We are fair and ethical in all our dealings
- We benefit the local communities in which we operate
- We endeavour to conduct our business in an environmentally sustainable manner

# FINANCIAL HIGHLIGHTS

| | 2012 | 2011 |
|---|---|---|
| **GROUP SUMMARY (US$000)** | | |
| Revenue | 554 767 | 408 001 |
| Earnings before interest, tax, depreciation and armotisation | 118 659 | 81 720 |
| Profit after taxation | 75 206 | 54 114 |
| Attributable earnings | 73 747 | 53 012 |
| Net funds | (25 803) | (19 016) |
| Total assets | 467 146 | 347 107 |
| Market capitalisation | 810 632 | 827 128 |
| **SHARE PERFORMANCE (US cents)** | | |
| Earnings per share: | | |
| Attributable earnings basis | 6,22 | 4,50 |
| Cash equivalent earnings basis | 9,25 | 5,91 |
| Cash flow per share | 10,04 | 7,63 |
| Dividends per share | 2,08 | 1,50 |
| Net asset value per share | 22,25 | 17,66 |
| Market price per share | 68,00 | 70,00 |
| **FINANCIAL STATISTICS (%)** | | |
| Return on equity (%) | 27,41 | 25,05 |
| Operating margin (operating income to net sales) % | 20,48 | 19,53 |



# CHAIRMAN'S STATEMENT

## INTRODUCTION

It is my pleasure to present to you a very pleasing report for the year. Delta's financial performance was underpinned by volume growth across our beverage portfolio, and a deliberate revenue and cost management focus. We continued to renovate our brands and invest in capacity to create a platform for sustained growth.

## VOLUMES AND OPERATIONS REPORT

Total beverage volumes grew by 19% over prior year reflecting firm demand across all the beverage categories.

Lager volumes grew by 23 % underpinned by a faster growth of the premium segment and improved product availability. A new beer packaging line, the third since dollarisation is scheduled for commissioning by the summer of 2012, which will afford the business a lot more flexibility in product availability and allow it to maintain its strong position in the increasingly competitive environment.

Total beverage volumes grew by 19% over prior year

Sparkling beverages grew by 26% driven by improved product availability following the commissioning of the Graniteside packaging line in August 2011. This growth will be supported by investment in a second PET line to be commissioned in Bulawayo ahead of the festive season. Sorghum beer grew 15% thereby reversing the prior year downward trend. Maheu is up 4% on prior year following the commissioning of a new local production facility in early 2012.

## FINANCIAL RESULTS

During the year under review the Group recorded revenue growth of 36% over prior year while operating income grew by 44%. The operating margin improved by 95 basis points arising from increased premium contribution and cost control measures.

Cash generated from operations increased by US$30 million over prior year to US$121 million. The increase in working capital to support the business growth was US$11 million. Net debt increased by US$7 million as the Company accessed long term offshore funding of US$60 million at favourable rates. Capital expenditure for the year amounted to US$74 million.

## DIVIDEND

The Board has recommended a final dividend of US1,25 cents per share to be paid to shareholders on 6 June 2012. This brings the total dividend for the year to US2,08 cents, a 39% increase over prior year.




# CHAIRMAN'S STATEMENT

## ENTERPRISE DEVELOPMENT AND COMMUNITY BENEFIT

The bulk of our manufacturing inputs are deliberately sourced locally supporting the recovery of the Zimbabwean economy. We continue to be actively involved in funding agriculture both large commercial and small scale farmers. We remain a significant contributor to the state revenues with a contribution of US$158,5 million in excise and other taxes, an increase of 61% over prior year.

## OUR PEOPLE

We have a solid skills base in the business and are grateful for their dedication and loyalty to the Group. We continue to train and develop our people to further deepen skills and leadership capabilities on an on-going basis to meet both the current and future business needs while also striving to meet individuals' career advancement needs. We note that at the national level, the mismatch between productivity trends and pressure on wages is of concern.

## CORPORATE GOVERNANCE

The Directors are committed to maintaining the highest standards of corporate governance while also providing the leadership, controls and strategic oversight to ensure sustained value delivery to shareholders.

## DIRECTORATE

Mr. Joe Mutizwa retires from the Company as the Chief Executive and Director on 31 May 2012. He has been the Chief Executive since 2002 and a director since 1994, having joined the Group in 1983. He was instrumental in consolidating and refocusing the Group to the core beverages business and successfully steered the Company through the difficult years of hyperinflation. He led the business recovery since the dollarisation of the economy in 2009 and leaves the Company in a very good position.

Dr. Sam Mushiri retired from the Company as a Director at the end of December 2011 having been with the Company since 1980 in various capacities, becoming an Executive Director in April 2002. The

We have a solid skills base in the business and are grateful for their dedication and loyalty to the Group

# Chairman's Statement

Company benefited immensely from his significant contribution over the years, particularly in the areas of beer brewing, technical services and strategic supplies.

On behalf of the Board, I thank both Mr. Joe Mutizwa and Dr. Sam Mushiri for their outstanding service to the Company.

Mr. Pearson Gowero has been appointed as the Chief Executive with effect from 1 June 2012, having joined the Company in 1997. He brings a wealth of experience having held various senior positions within the Company including Managing Director of Chibuku Breweries, Operations Director of Delta Beverages and most recently Chief Operating Officer of Delta Corporation. He also spent five years as the Managing Director of Zambian Breweries – a subsidiary of SABMiller. I wish him all the success in this position.

With effect from 1 April 2012 I welcome two new Executive Directors, Mr. Daud Taranhike as Supply Chain Director and Mr. Max Karombo as Marketing Director.

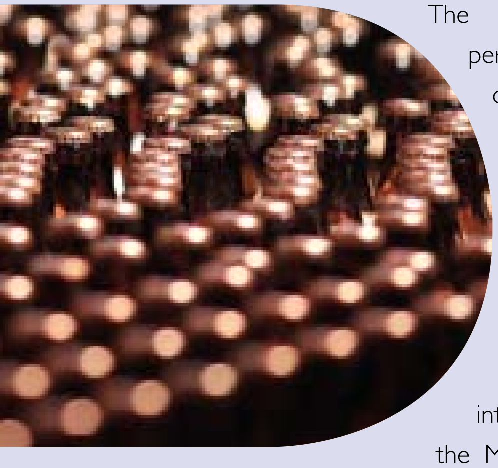
## FUTURE PROSPECTS

I am confident that the business will continue to deliver value to all stakeholders. The Company remains focused on its strategy of investing for both volume and revenue growth while focusing on cost containment by improving efficiency and engaging value chain partners.

C F DUBE
CHAIRMAN
4 May 2012



# REVIEW OF OPERATIONS - OVERVIEW



The Company witnessed strong performance across all beverage categories buoyed in the main by proceeds from agricultural cash crops and mining activities. Sales opportunities were captured through improved product availability, quality consistency and the various new brand and pack innovations. Of particular interest were the developments in the Midlands Province with increased informal mining activity, higher cotton revenues and some injection of disposable incomes at the steel works. The Lowveld witnessed increased economic activity in the sugarcane plantations driven by the commissioning of the ethanol plant and its ancillary services.

An uncharacteristically high demand for our products was witnessed during the winter months which was attributed to the increased disposable incomes during the tobacco and cotton marketing season. The traditional festive peak extended well into January as a result of staggered salary and bonus payments.

The surtax of 25% effected in January 2012 on a number of imported beverage brands and consumer products had the impact of slowing down the consumption of our international worthmore brands and created an uneven competition platform as this did not apply to imports of similar products from selected regional countries. This also increased the landed cost of equipment, (such as beverage coolers), that are not available from the local manufacturers.

The Company continued to work closely with the Environmental Management Agency with respect to management of packaging waste and effluent emissions. Considerable strides have been made in setting up collection and disposal operations in partnership with other industry players and environmental agencies.

Sales opportunities were captured through improved product availability, quality consistency...








The Company witnessed strong performance across all beverage categories

# LAGER BEER BUSINESS

A pleasing performance was recorded this year with lager beer volumes increasing by 23% above prior year, reaching record sales volumes.

Our investment in the Bulawayo bottling line had a positive impact on quality and availability of our brand offerings. In view of the sustained high levels of demand, a number of bottling lines originally scheduled for decommissioning had to continue running in order to meet the peak demand.

A third bottling line, since dollarisation in 2009, will be commissioned in August 2012 at the Southerton Brewery. This will substantially reduce the supply pressure during peak periods whilst also enhancing efficiency and productivity across the key sustainable manufacturing metrics. The investments in packaging capacity have, in part, been driven by the need to comply with alcohol regulations as they relate to health warnings, alcohol content declarations and manufacturer's details, whilst also enhancing the attractiveness of our portfolio.

The improvements in trade execution through investments in cold drink and merchandising equipment and point of sale material, has resulted in the market share position remaining at well above 95% by volume. This market share position has been achieved through enhancements to the look and feel, quality and availability of the brand portfolio. The mainstream portfolio, consisting of Castle Lager, Lion Lager and Carling Black Label has grown significantly





# Review Of Operations

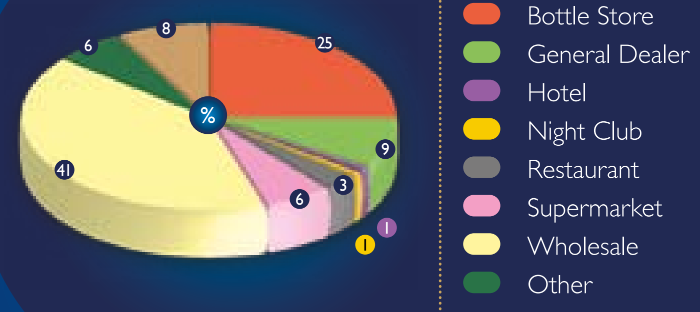
to command a leading position in this category. The year saw our Castle Lager's volumes grow to be the highest in Africa outside of South Africa.

Golden Pilsener has grown to become Zimbabwe's number one premium beer. Together with Zambezi lager, Bohlingers, and Zambezi Light, the premium brands portfolio received a major boost in performance through the arrival of the Magnum (660ml) bottle. The broader pack offering enabled the Company to tap into the growing premium segment by appealing to a wider consumer profile.

New "Look of Success" Channel standards were also developed during the course of the year. This program is set to continue in the current year and will enhance market execution through world class brand visibility standards. The improved outlet ambience for our consumers has helped in establishing very strong market share positions across key channels. The market share gains, particularly in the Image On-Premise Consumption channel have been encouraging and point towards strong volume growth into the future.

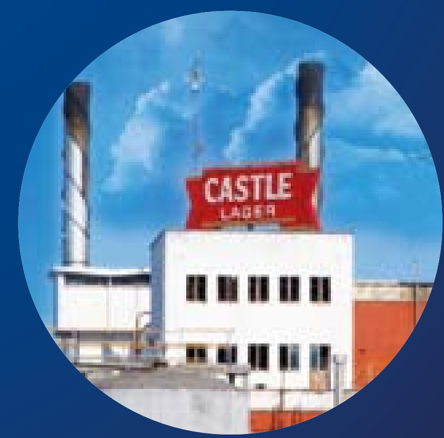
The brands continue to support key properties in sports and arts particularly the Castle Lager Premier Soccer League, the Lion Lager National Rugby League, Lion Lager Summer Beer Festival, Castle Tankard, Golden Pilsener Zimbabwe Open Golf, HIFA and the T20 Cricket series. These sponsorships allow the consumer to interface with our brands and have become the catalyst in the development of sports and arts and hence attract additional support from other players.


Castle Lager's volumes grew to be the highest in Africa outside of South Africa.




**LAGER BEER TRADE CHANNEL SALES**
**% CONTRIBUTION**





## SPARKLING BEVERAGE BUSINESS

This market segment remains very dynamic with several new entrants, particularly in the stills, flavoured ready to drink and dairy fruit mixes categories and some imported variants of carbonated soft drinks.

The investment in PET packaging capacity in the prior year has put the business in a very strong position, as most of the competitor propositions are in that form of packaging. The business recorded encouraging growth for the period of 26% over prior year driven by the much improved availability of the returnable glass packages following commissioning of the new 42 000 bottles per hour line at Graniteside in early November 2011. The investment in capacity has allowed the Company to resume brand awareness campaigns such as the Summer "Pimped-Up Ride" consumer promotion which ran for four months to January 2012.

The demand for the PET package continues to grow, particularly the larger take-home offerings. The category now contributes in excess of 15 % to total volume. Additional PET packaging capacity is scheduled to be installed in Bulawayo by August 2012.

Packaging renovation continued during the year with the introduction of the lightweight 300 ml Coke, Fanta and Sprite returnable bottles and crates. This changeover will continue and be completed by the year 2014.



## REVIEW OF OPERATIONS

The Coca Cola brand continued to sponsor events in sport and arts, particularly cricket, the Copa Coca Cola Under-17 schools soccer and the iconic HIFA festival, whilst the Fanta and Sprite enhanced their brand themes also in music and sport.

Market execution continues to improve with the deployment of additional cold drink and merchandising equipment, increases in pre-sold deliveries and world class in-store and outdoor advertising which manifest in a market share which remains firmly above 95% by volume in the non-alcoholic carbonated beverages category.


The demand for the PET package continues to grow. The category now contributes in excess of 15% to total volume




# SORGHUM BEER BUSINESS

The sorghum business recovered to record a strong volume growth of 15% over prior year, a result that reflects the turnaround in the two key breweries supplying the Harare and Chitungwiza markets.

A major promising development within the industry is the leasing to private operators of outlets previously owned and managed by brewing local authorities. This is a welcome move that encourages competition and ultimately value to consumers.

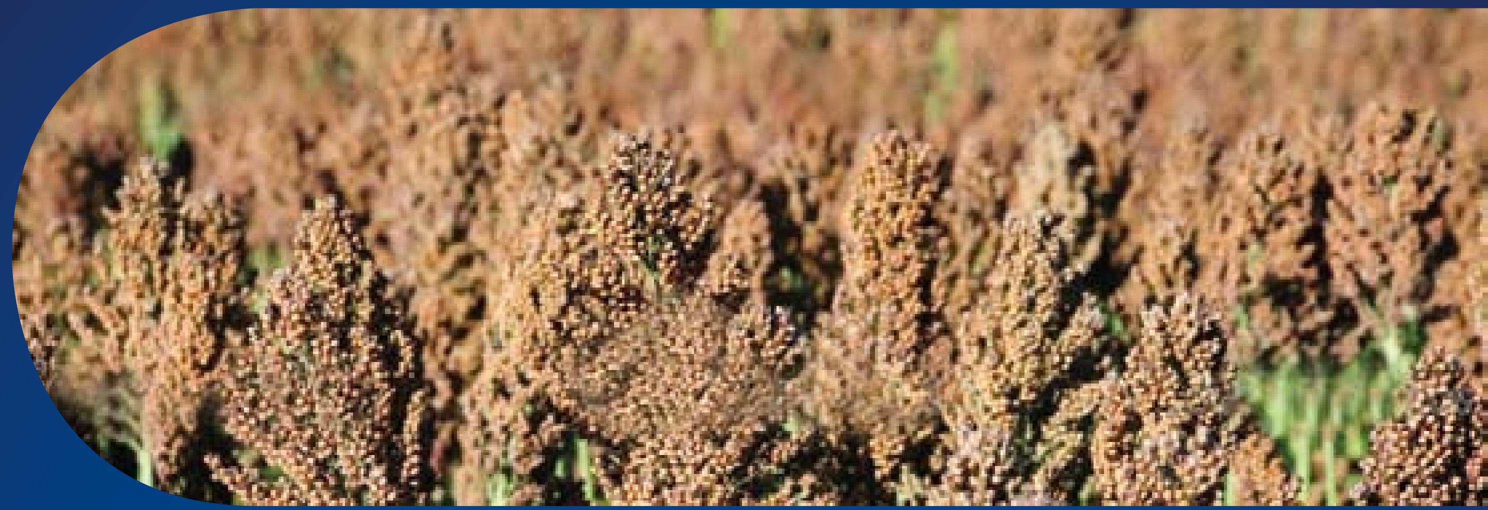
The erratic supplies of electricity and water in most of the country operations continues to significantly impact upon the sorghum beer operations and hence the ongoing capital investments in boreholes and stand-by diesel generators.

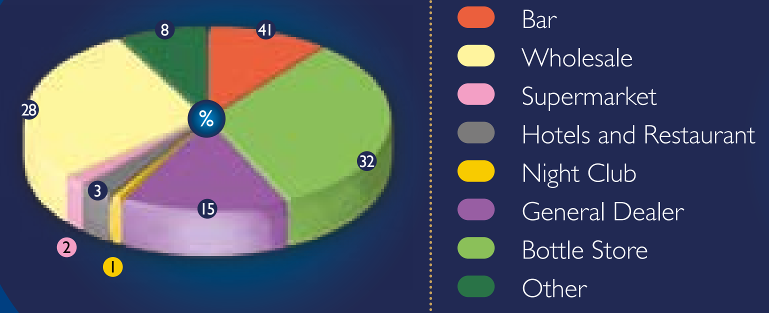
The very strong volume recovery and growth experienced during the year saw Chibuku market share improve to over 90%. The brand was buoyed by a loaded marketing programme anchored on key sponsorship properties such as Chibuku Road-To-Fame and Neshamwari Dance Festivals behind which exciting promotional campaigns were held.





# REVIEW OF OPERATIONS






SORGHUM BEER TRADE CHANNEL SALES
% CONTRIBUTION

The very strong volume recovery and growth experienced during the year saw Chibuku market share improve to over 90%.

# Review Of Operations

### MAHEU BUSINESS

During the course of the year the business model transitioned from imports to local production following installation and commissioning of a new brewing and packaging plant at our Willowvale facility. We are excited that the product launched under the Shumba Maheu trademark has already gained a strong foothold and is delivering meaningful volumes. A strong innovation pipeline will see the Shumba brand attain a leadership position.

### TRANSPORT OPERATIONS

As part of the Group's recapitalisation programme and the on-going initiatives to enhance customer service, the Transport Division injected 35 new heavy motor vehicles, 25 forklift trucks and 10 trailers bringing the running fleet complement to 220 prime mover vehicles, 96 forklift trucks and 440 trailers, travelling some 9,3 million kilometres during the year.

The GPS based vehicle tracking and monitoring system which is installed to all our vehicles helped to improve vehicle utilisation and efficiency resulting in significant reduction in fuel consumption and hence the running cost per kilometre.


### MALTINGS

The barley intake from the 2011 winter crop was 26,000 tonnes from 5 100 hectares contracted for the season. The yield improved to 5,01 tonnes per hectare from 4,5 tonnes per hectare achieved the previous season benefiting from the improved supply of electricity, although intermittent outages were experienced in most areas.

The current barley stocks provide adequate cover for domestic lager beer production requirements to December 2012 which will be in time for the new crop. The contracts for the 2012 crop will be increased in line with the lager beer sales volume projections.

The agricultural value chains in Zimbabwe remain inefficient due to the unstable power supplies, lower production scales, and other variables in the agricultural arena. The Company continues to engage farmers' organizations and agricultural input suppliers in an effort to improve yields and reduce costs in order to enhance productivity and price competitiveness.

The barley malting operation benefited from the improved throughput as a result of the strong domestic lager beer volume growth and the toll malting arrangement for a sister regional brewery. The electricity supply stabilized resulting in malt production process improvements and enhanced malt quality.

The sorghum malting operation at Aspindale in Harare increased its throughput by 70% over prior year. The contracted hectrage for red sorghum has been increased to 7 500 hectares for the 2011/12 season and plans are underway to increase malt output to over 10 000 tonnes per annum so that the plant capacity is fully utilized.

Research and development work on the sorghum varieties is continuing and field trials for two varieties currently in progress.



# Review Of Operations

### MEGAPAK ZIMBABWE

The plastic packaging volumes sold for the year, at 7 468 tonnes, were 29% up on last year. This performance was underpinned by the investment in new capacity in the PET preform and blow-moulding factories. Increased preform volumes are anticipated as the sparkling beverages business increases the PET contribution. A new Urola M12 machine was installed in the blow moulding factory to cover the requirements of the new Maheu business and other customers in the dairy fruit drinks category. Production disruptions were mitigated by the use of diesel powered generators which were installed to cover the large injection and blow moulding factories during the previous financial year.

The large injection moulding factory recorded a negative volume growth of 3% due to the slowdown in reinvestment in beverage crates and the completion of a significant export order. PET packaging sales volumes increased by 22% as the sparkling beverages capacity was fully utilised, with the customer having to resort to imports to meet supply gaps. There was mixed performance in the edible oils and cordials sectors as customers continued to experience difficulties with working capital and competition from imports of finished product.

The blow moulding factory recorded a significant rebound in sales volumes, up 38% due to some recovery in the demand for 'Scud' bottles and closures from the sorghum beer business and the additional volumes from the Maheu and dairy fruit mix sectors.

Margins were satisfactory despite pressures from the escalation in international polymer and PET resin prices which eased somewhat towards the end of the year. There are on-going initiatives to improve price competitiveness in the face of keen prices from cross-border competitors who benefit from bigger economies of scale.

### SCHWEPPES ZIMBABWE LIMITED

The beverage volumes for the year ended December 2011 were 25% up on prior year on an undiluted basis. Demand for the products remains relatively strong as the Mazoe Orange Crush, which constitutes 60% of total volumes, maintaining a commanding market share in the dilutables segment. A recent market survey indicated that the business has over 60% share of the cordials and nectars categories and around 10% of the juice drinks category.

> The beverage volumes for the year ended December 2011 were 25% up

The Minute Maid brand was officially launched in Zimbabwe based on imports of both nectars and 100% juice drinks in the carton, can and PET packs. This brand is now firmly established in this highly competitive market, for which local production is scheduled for June 2012 when the new hot-fill packaging plant is commissioned.

Profit margins were under pressure due to the escalation in resin and international sugar prices. The periodic shortages of juice concentrates in the early part of the year impacted on profitability as the company had to rely on more expensive imports and adjust the sales mix away from the core flavours. The after tax share of profits from this investment, which is accounted for as an associate company, amounted to US$1,3 million for the year to March 2012. In addition to this a US$1,9 million gain arising on acquisition was recorded. The focus for the current year to December will be to drive the expansion into the juice drinks category and derive benefits from the US$12 million investment in a new state of the art plant whilst enhancing the route to market and distribution efficiencies.


# REPORT OF THE DIRECTORS

The Directors present their Sixty-Fifty Annual Report together with the Audited Financial Statements of the Group for the year ended 31 March 2012.

### YEAR'S RESULTS

The year's results are presented in United States Dollars which is the functional currency applicable to the Group.

| | US$000 |
|---|---|
| Earnings attributable to Shareholders | 73 747 |
| Transfer from share option reserve | 772 |
| | 74 519 |
| Less Dividends: | |
| Interim US$0,0083 per share paid December 2011 | 9 835 |
| Final US$0,0125 per share payable June 2012 | 14 901 |
| Add: Distributable Reserves at the beginning of the year | 164 223 |
| Distributable Reserves at the end of the year (net of proposed dividends) | 214 006 |

### PROPERTY, PLANT AND EQUIPMENT

Capital expenditure (inclusive of returnable containers) for the year to 31 March 2012 totalled US$74 million. The capital expenditure for the year to 31 March 2013 is planned at US$80 million.

### INVESTMENTS

The Company's effective shareholding in African Distillers Limited is 28,4% and that in Schweppes Zimbabwe Limited is 49%.

### SHARE CAPITAL

The authorised share capital of the Company was redenominated in 2009 to US$14,0 million comprising 1 400 000 000 ordinary shares of US$0,01 (one cent) each.The issued share capital has increased by the allotment of 10 494 700 ordinary shares in accordance with the share option schemes. The ordinary shares in issue are 1 192 105 715.

Accordingly, the issued share capital is now US$31,5 million comprising nominal capital of US$11,9 million and share premium of US$19,6 million. The number of shares currently under option is 60 048 320.

### DIVIDENDS

The Board declared an interim dividend of 0. 83 US cents per share and a final dividend of 1. 25 US cents per share. This brings the total dividend in respect of the year ended 31 March 2012 to 2. 08 US cents per share.

### RESERVES

The movements in the Reserves of the Group and the Company are shown in the Consolidated Statement of Comprehensive Income, Group and Company Statements of Changes in Equity and in the Notes to the Financial Statements.

### DIRECTORS

Messrs M M Valela and P Gowero were appointed as directors in July 2011 and their appointments ratified at the last annual general meeting.

Dr. M S Mushiri retired from the Company and as a Director at the end of December 2011 whilst Mr. J S Mutizwa retires from the Company as the Chief Executive Officer and Director on 31 May 2012.

Messrs D Taranhike and M P Karombo were appointed to the Board as Executive Directors with effect from 1 April 2012 and retire at the conclusion of their interim appointments.

Messrs S J Hammond and T N Sibanda are due to retire by rotation. Together with Messrs D Taranhike and M P Karombo, they are eligible for re-election and hence they will offer themselves for re-election.



# REPORT OF THE DIRECTORS

No Directors had, during or at the end of the year, any material interest in any contract of significance in relation to the Group's businesses. The beneficial interests of the directors in the shares of the Company are shown in note 18 of the financial statements.

### BOARD ATTENDANCE (FROM 1 APRIL 2011 TO 31 MARCH 2012)

| NAME OF DIRECTOR | MAIN BOARD | | AUDIT COMMITTEE | | REMUNERATION COMMITTEE | |
|---|---|---|---|---|---|---|
| | ATTENDED | POSSIBLE | ATTENDED | POSSIBLE | ATTENDED | POSSIBLE |
| MR J S MUTIZWA | 4 | 4 | 2 | 2 | 4 | 4 |
| MR. M J BOWMAN | 3 | 4 | | | 3 | 4 |
| MR. C F DUBE | 4 | 4 | 2 | 2 | 4 | 4 |
| MR. P GOWERO | 3 | 3 | | | | |
| MR. S J HAMMOND | 2 | 4 | | | 2 | 4 |
| MR. R H M MAUNSELL | 1 | 1 | | | | |
| MR. E R MPISAUNGA | 4 | 4 | | | | |
| DR M S MUSHIRI | 2 | 3 | | | | |
| MR. LEM NGWERUME | 2 | 4 | | | | |
| PROF H C SADZA | 3 | 4 | | | | |
| MR. T N SIBANDA | 4 | 4 | 2 | 2 | | |
| MR. M M VALELA | 3 | 3 | | | | |
| MR. G J VAN DEN HOUTEN | 4 | 4 | | | | |
| MR. G BESSON | | | 0 | 2 | | |

### AUDITORS

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

### ANNUAL GENERAL MEETING

The Sixty- Fifth Annual General Meeting of the Company will be held at 12:00 hours on Wednesday 25 July 2012 at the Registered Office of the Company at Sable House, Borrowdale, Harare.

### BY ORDER OF THE BOARD

C F DUBE
CHAIRMAN

J S MUTIZWA
CHIEF EXECUTIVE OFFICER

A MAKAMURE
COMPANY SECRETARY

4 May 2012

# 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. It 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.

### CORPORATE GOVERNANCE AND RISK MANAGEMENT

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 complies with Company policies on risk; the process is reviewed centrally on a quarterly basis and is supervised by the Audit Committee.



# 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 operations and cash flows for the period. In preparing the accompanying financial statements, generally accepted accounting practices have been followed, 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 International Financial Reporting Standards and best practice.

The directors have reviewed the Group's budget and cash flow forecast for the year to 31 March 2013. 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 24.

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 2012, which appear on pages 25 to 58 were approved by the Board of Directors on 4 May 2012 and are signed on its behalf by:

C F DUBE
CHAIRMAN

J S MUTIZWA
CHIEF EXECUTIVE OFFICER

# REPORT OF THE INDEPENDENT AUDITORS

Deloitte.

To the Members of Delta Corporation Limited

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Delta Corporation Limited (the Company) and its subsidiaries (the Group) on pages 25 to 58, which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position as at 31 March 2012, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act (Chapter 24. 03). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### OPINION

In our opinion the financial statements present fairly, in all material respects, the financial position of Delta Corporation Limited and its subsidiaries as at 31 March 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have, in all material respects, been properly prepared in compliance with the disclosure requirements of the Companies Act (Chapter 24:03) and statutory instruments (SI 33/99 and SI 62/96).

Deloitte & Touche
HARARE, ZIMBABWE
10 May 2012



# FINANCIAL STATEMENTS




WE ARE, AND SEEK TO REMAIN, AN INTEGRATED TOTAL BEVERAGE BUSINESS SERVICING THE BEVERAGE MARKET IN ZIMBABWE.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH

| | Notes | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|---|
| REVENUE | 8 | 554 767 | 408 001 |
| NET OPERATING COSTS | 9.1 | (456 479) | (339 763) |
| OPERATING INCOME | | 98 288 | 68 238 |
| Gain on acquisition of associate | 14 | 1 930 | 2 895 |
| Finance cost | | (4 727) | (2 281) |
| Finance income | | 2 077 | 300 |
| Share of profit from associates | | 1 725 | 902 |
| Profit before tax | | 99 293 | 70 054 |
| Taxation | 11 | (24 087) | (15 940) |
| PROFIT FOR THE YEAR | | 75 206 | 54 114 |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 75 206 | 54 114 |
| Profit for the year attributable to: | | | |
| Owners of the parent | | 73 747 | 53 012 |
| Non-controlling interest | | 1 459 | 1 102 |
| | | 75 206 | 54 114 |
| Weighted average shares in issue (millions) | | 1 186,0 | 1 176,9 |
| EARNINGS PER SHARE (CENTS) | | | |
| - Attributable earnings basis | 5.6 | 6,22 | 4,50 |
| - Fully diluted basis | 5.6 | 6,03 | 4,35 |
| - Cash equivalent basis | 5.7 | 9,25 | 5,91 |



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH

| | Notes | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non- current Assets** | | | |
| Property, plant and equipment | 12 | 268 470 | 226 969 |
| Investments in associates | 13 | 14 347 | 10 692 |
| Investments, loans and trademarks | 14 | 13 786 | 10 034 |
| | | 296 603 | 247 695 |
| **Current Assets** | | | |
| Inventories | 15 | 77 620 | 67 877 |
| Trade and other receivables | 16 | 37 345 | 26 376 |
| Cash and cash equivalents | | 55 578 | 5 159 |
| | | 170 543 | 99 412 |
| **Total Assets** | | 467 146 | 347 107 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and Reserves** | | | |
| Share capital | | 11 927 | 11 822 |
| Share premium | | 19 553 | 17 749 |
| Share options reserve | | 3 553 | 2 240 |
| Retained earnings | | 228 907 | 176 039 |
| Equity attributed to equity holders of the parent | | 263 940 | 207 850 |
| Non-controlling interest | | 5 129 | 3 767 |
| Total Shareholders' equity | | 269 069 | 211 617 |
| **Non-current Liabilities** | | | |
| Long- term borrowings | 19 | 60 000 | - |
| Deferred tax liabilities | 11 | 27 247 | 22 811 |
| | | 87 247 | 22 811 |
| **Current Liabilities** | | | |
| Short- term borrowings | 19 | 21 381 | 24 175 |
| Trade and other payables | 20 | 89 449 | 88 504 |
| | | 110 830 | 112 679 |
| **Total Equity and Liabilities** | | 467 146 | 347 107 |
| **Net asset value per share (Cents)** | | 22,25 | 17,66 |

C F DUBE
CHAIRMAN

J S MUTIZWA
CHIEF EXECUTIVE OFFICER

4 May 2012

# CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 MARCH 2011

| | Notes | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Cash generated from operating activities | 21.1 | 132 257 | 85 905 |
| (Increase)/ decrease in working capital | 21.2 | (10 866) | 5 756 |
| Cash generated from operating activities | | 121 391 | 91 661 |
| Finance cost | | (4 727) | (2 281) |
| Finance income | | 2 077 | 300 |
| Income taxation paid | 21.3 | (28 552) | (8 392) |
| **Net cash flow from operating activities** | | 90 189 | 81 288 |
| **Cash flow from investing activities** | | | |
| Increase in investments, loans and trademarks | | (3 752) | (5 400) |
| Purchase of property, plant and equipment to expand operations | | (21 208) | (42 617) |
| Purchase of property, plant and equipment to maintain operations | | (52 544) | (39 526) |
| Proceeds from disposal of property, plant and equipment | | 367 | 701 |
| **Net cash flow utilized in investing activities** | | (77 137) | (86 842) |
| **Cash flow from financing activities** | | | |
| Dividend paid | 21.4 | (21 748) | (5 969) |
| Increase in long-term borrowings | 21.5 | 60 000 | - |
| (Decrease)/ increase in short-term borrowings | 21.6 | (2 794) | 9 175 |
| Increase in shareholder funding | 21.7 | 1 909 | 196 |
| **Net cash flow generated from financing activities** | | 37 367 | 3 402 |
| Net increase/ (decrease) in cash and cash equivalents | | 50 419 | (2 152) |
| Cash and cash equivalent at the beginning of the year | | 5 159 | 7 311 |
| Cash and cash equivalent at the end of the year | 21.8 | 55 578 | 5 159 |
| Cash flow per share (cents) | 5.8 | 10,04 | 7,63 |



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH

| | Notes | Share Capital $000 | Share Premium $000 | Share Options $000 | Retained Earnings $000 | Attributable to owners of the parent $000 | Non controling Interest $000 | Total Equity $000 |
|---|---|---|---|---|---|---|---|---|
| **At 1 April 2010** | | - | 29 375 | 1 546 | 128 285 | 159 206 | 2 733 | 161 939 |
| Transfer to share capital on redenomination of the nominal value | | 11 802 | (11 802) | - | - | - | - | - |
| Share options exercised | | 20 | 176 | - | - | 196 | - | 196 |
| Transfer from share option reserves | | - | - | ( 643) | 643 | - | - | - |
| Recognition of share based payments | | - | - | 1 337 | - | 1 337 | - | 1 337 |
| Total comprehensive income for the year | | - | - | - | 53 012 | 53 012 | 1 102 | 54 114 |
| Payment of dividends | 21.4 | - | - | - | (5 901) | (5 901) | (67) | (5 969) |
| **At 1 April 2011** | | 11 822 | 17 749 | 2 240 | 176 039 | 207 850 | 3 767 | 211 618 |
| Share options exercised | | 105 | 1 804 | - | - | 1 909 | - | 1 909 |
| Transfer from share options reserves | | - | - | (772) | 772 | - | - | - |
| Recognition of share based payments | | - | - | 2 085 | - | 2 085 | - | 2 085 |
| Total comprehensive income for the year | | - | - | - | 73 747 | 73 747 | 1 459 | 75 206 |
| Payment of dividends | 21.4 | - | - | - | (21 651) | (21 651) | (97) | (21 748) |
| **At 31 March 2012** | | 11 927 | 19 553 | 3 553 | 228 907 | 263 940 | 5 129 | 269 069 |

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The principal accounting policies of the Group, which are set out in note 4, are in all material respects consistent with those applied in the previous year with no significant impact arising from the new and revised International Financial Reporting Standards (IFRS) applicable for the year ended 31 March 2012.

These financial statements are shown in United States Dollars, the adopted functional currency of the Group.

## 2. TRANSITION TO IFRS

The revisions to International Financial Reporting Standards (IFRS) 1 First-time Adoption of IFRS (issued December 2010 and effective for periods beginning on or after 1 July 2011) provide for certain exemptions for entities which cease to operate in an environment of severe hyperinflation. The revised standard accepts use of the fair values for assets and liabilities as the deemed cost at the date of change of functional currency.

The Group adopted the amendments to this standard in 2011 and the Statement of Financial Position as at 31 March 2009 was adopted as the opening IFRS statement of financial position at the date of change of functional currency or transition to IFRS. The adoption of this standard enabled the Group to be in full compliance with IFRS for the year ended 31 March 2011.

## 3. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

### 3.1 NEW AND REVISED IFRSs WITH NO MATERIAL EFFECT ON CURRENT YEAR REPORTING

In the current year, the Group adopted the following new and revised IFRSs and annual improvements to IFRSs with no significant impact on the consolidated results or financial position:

- IFRS 3 Business Combinations (issued May 2010): amendment provides clarification that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation.
- FRS 7 Financial Instruments: Disclosures (issued May and October 2010): amendment provides clarification on the required level of disclosure about credit risk and collateral held and provides relief from disclosures previously required regarding renegotiated loans. It increases the disclosure requirements for transactions involving transfers of financial assets.
- International Accounting Standards (IAS) 12 Income Taxes (revised December 2010): limited scope amendment relating to recovery of underlying assets.
- IAS 24 Related Party Disclosures (revised November 2009): Modifies the definition of a related party simplifies disclosures for government related entities and includes a specific requirement to disclose commitments involving related parties.
- IAS 27 Group and Separate Financial Statements (revised May 2010): Increases or decreases in ownership interests are dealt with in equity, with no impact on goodwill or profit or loss.
- IAS 34 Interim Financial Reporting (revised May 2010).
- International Financial Reporting Interpretations Committee (IFRIC) 13 Customer Loyalty Programmes (revised 2010).
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments: Provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments.

### 3.2 NEW AND REVISED IFRSs IN ISSUE, BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective nor applied by the Group:

- IFRS 7 - Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets (effective for annual financial statements for periods beginning on or after 1 July 2011).
- IFRS 7 - Financial Instruments: Disclosures - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities (effective for annual financial statements for periods beginning on or after 1 January 2013).
- IFRS 7 - Financial Instruments: Disclosures - Amendments requiring disclosures about the initial application of IFRS 9 (effective for annual financial statements for periods beginning on or after 1 January 2015).
- IFRS 9 - Financial Instruments - Classification and measurement of financial assets (effective for annual financial statements for periods beginning on or after 1 January 2015).
- IFRS 9 - Financial Instruments - Accounting for financial liabilities and derecognition (effective for annual financial statements for periods beginning on or after 1 January 2015).
- IFRS 10 - Consolidated Financial Statements (effective for annual financial statements for periods beginning on or after 1 January 2013).
- IFRS 11 - Joint Arrangements (effective for annual financial statements for periods beginning on or after 1 January 2013).
- IFRS 12 - Disclosure of Interests in Other Entities (effective for annual financial statements for periods beginning on or after 1 January 2013).
- IFRS 13 - Fair Value Measurement (effective for annual financial statements for periods beginning on or after 1 January 2013).
- Revised IAS 1 - Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented (effective for annual financial statements for periods beginning on or after 1 July 2012).
- Revised IAS 19 - Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects (effective for annual financial statements for periods beginning on or after 1 July 2012).
- Revised IAS 27 - Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements (as amended in 2011) (effective for annual financial statements for periods beginning on or after 1 January 2013).
- Revised IAS 28 - Investments in Associates -Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) (effective for annual financial statements for periods beginning on or after 1 January 2013).
- Revised IAS 32 - Financial Instruments: Presentation - Amendments to application guidance on the offsetting of financial assets and financial liabilities (effective for annual financial statements for periods beginning on or after 1 January 2014).

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 STATEMENT OF COMPLIANCE

The financial statements of the Group and of the company have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared in compliance with the Zimbabwe Companies Act (Chapter 24:03).

# Notes To The Financial Statements

4.2 BASIS OF PREPARATION

The financial statements of the Company and of the Group are prepared under the historical cost convention except for the fair valuation of financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

4.3 BASIS OF CONSOLIDATION

The consolidated financial statements consist of the financial statements of Delta Corporation Limited and its subsidiaries, together with an appropriate share of post acquisition results and reserves of its associated companies. All companies' financial years end on 31 March with the exception of three associates, Food and Industrial Processors (Private) Limited and Schweppes Zimbabwe Limited, which have 31 December year ends and AFDIS Holdings Limited which has a 30 June year end. The results and reserves of subsidiaries and associated companies are included from the effective dates of acquisition up to the effective dates of disposal.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Where the cost of acquisition is below the fair values of the identifiable net assets acquired the gain is credited to profit and loss in the period of acquisition.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders are stated at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Any losses applicable to the non-controlling interests in excess of the non-controlling interest are allocated against the interest of the parent.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions and balances are eliminated on consolidation.

4.4 INVESTMENTS IN ASSOCIATES

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the statement of financial position at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are not recognised. Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Where the cost of acquisition is below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition, the discount on acquisition is credited in profit and loss in the period of acquisition. Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses incurred by an associate may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

4.5 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.



Notes To The Financial Statements

When the Group is committed to a sale plan involving cessation of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of selling.

4.6 GOODWILL

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

4.7 FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Assets and liabilities denominated in foreign currencies are converted to United States Dollars at the rates of exchange ruling at the end of the reporting date. Transactions in other currencies are translated to United States Dollars 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 profit or loss in the determination of the operating income.

4.8 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated 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 values 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 |
| **Returnable Containers** | Straight line | 1–4 years |

**Returnable containers**

Returnable containers which comprise bottles and crates are considered to be property, plant and

# Notes To The Financial Statements

equipment which are sold and re-purchased at their deposit prices at reporting date. Containers on hand are treated as a component of property, plant and equipment. A further asset is shown in property, plant and equipment, together with its matching liability which is shown in short-term liabilities, to reflect the estimated value of the returnable container population in the market and the Group' obligation to re-purchase 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 cost of purchasing new returnable containers and the related current deposit price is included in property, plant and equipment and disclosed as deferred container expenditure. Deferred container expenditure is amortised over four years ("expected useful life of containers") following the year of purchase.

In the event of an increase in deposit prices the deferred container expenditure is reduced by the subsequent increase. Gains arising from the deposit price increase of containers on hand after reducing deferred container expenditure to nil are included in income. Increases in deposit prices of containers in the market are credited to current liabilities which indicate the Group's obligation to purchase the containers at the new deposit price. The value of any returnable containers scrapped is charged to profit and loss.

## 4.10 INTANGIBLE ASSETS

Intangible assets with an indefinite useful life are carried at cost.

### Internally-generated intangible assets

Expenditure on research and development activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

## 4.11 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

Tangible and intangible 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 the higher of fair value less costs to sell and 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 rates of return. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Impairment losses are recognised as an expense in profit or loss and the carrying value of the asset and its annual depreciation are



Notes To The Financial Statements

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 profit or loss. 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.

## 4.12 SHARE BASED PAYMENTS

The Group issues share options to certain employees. The options are valued at fair value at the date of grant. The fair value determined is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, and the liability is disclosed in a share options reserve which forms part of equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. The fair value is calculated using the Black-Scholes option pricing model, as adjusted for dividends by Robert Merton. The expected life used in the model has been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions as regards closed periods and behavioural considerations. The value transferred to the share options reserve is amortised to retained earnings as the related share options are exercised or forfeited.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders the service.

Cash-settled share based payment transactions are measured based on the fair value of the goods or services received unless this cannot be reasonably determined, in which case the transaction is valued based on the fair value of the underlying shares. Where services are rendered over a period, proportional accrual takes place on a straight line basis. The Group re-measures the fair value of the liability at the end of each reporting period and at the date of settlement using the fair value of the underlying shares, with any changes in fair value being recognised in the profit or loss for the period.

## 4.13 INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Cost is determined on the following bases:

Merchandise, raw materials and consumable stores are valued at cost on a weighted average cost 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.

## 4.14 FINANCIAL INSTRUMENTS

Financial instruments are initially recorded at fair value which usually approximates 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 Group intends to hold to maturity are amortised over the life of the instrument based on the underlying effective interest rate.

Investments regarded as financial assets held for trading and for which fair value can be reliably determined are stated at fair value with the change in value being credited or debited to profit and loss.

Unquoted investments and financial assets regarded as held for trading, 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 profit and loss.

# Notes To The Financial Statements

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 statement of financial position and statement of comprehensive income respectively.

**Other financial instruments**
Other financial instruments, including borrowings, payables and receivables, are initially measured at fair value, net of transaction costs. Subsequent measurement is at amortised cost using the effective interest method, with the interest expense recognised on an effective yield basis.

## 4. 15 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. It comprises sales (net of trade discounts), fees and rentals and excludes value added tax. Intra-group revenue which arises in the normal course of business is excluded from Group revenue.

The Group presents revenue gross of excise duties because unlike value added tax, excise is not directly related to the value of sales. It is not generally recognised as a separate item on invoices. The Group therefore considers excise as a cost to the Group and reflects it as a production cost.

**Interest income**
Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Rental income**
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

**Dividend income**
Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group) and the amount of revenue can be measured reliably.

## 4. 16 TAXATION

**Current tax**
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

**Deferred tax**
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control



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the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**Current and deferred tax for the period**
Current and deferred tax are recognised as income or as an expense in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

## 4. 17 RETIREMENT BENEFIT COSTS

Retirement benefits are provided for Group employees through various independently administered defined contribution funds, including the National Social Security Authority. Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

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

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

## 4. 18 LEASE PAYMENTS

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## 4. 19 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the

# Notes To The Financial Statements

present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Onerous contracts
Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Restructurings
A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Group.

4. 20 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
In the application of the Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual outcomes may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Critical judgements in applying accounting policies:

- Share based payments
  The operating environment impacted on the application of Black Scholes. The valuation of the share options took into consideration the adverse economic conditions that existed in the market leading to trade ceasing on the Zimbabwe Stock Exchange and a change in functional currency. The economic fundamentals that existed during the Zimbabwe dollar trading period and the more recent US$ trading period have impacted significantly on the valuation of share options. In valuing share options issued subsequent to the change in functional currency the Group adopted provisions of International Financial Reporting Standards (IFRS) 2 which states that a newly listed entity could consider the historical volatility of similar entities following a comparable period in their lives. The Group has, for this purpose, considered a listed entity within the beverages industry which is also a related party. Management have assumed that the economic conditions that prevailed in the country prior to dollarization and the subsequent re-opening of the Zimbabwe Stock Exchange are similar to a new listing for the purposes of valuing the share options. The Group has used the historical volatility and dividend yield of similar entities following a comparable period in their lives. A sensitivity analysis showing the impact of different valuation methods has been disclosed in Note 17. 4.

  The assumptions and methodology underlying the valuation of share based payments are fully described in Note 17.

- Useful lives and residual values of property, plant and equipment
  The Group assesses useful lives and residual values of property, plant and equipment each year taking to account past experience and technology changes. The useful lives are set out in note 4. 9 and no changes to those useful lives have been considered necessary during the year. In the case of plant, the residual value at the end of useful life has been assessed as negligible due to the specialist nature of the plant, technology changes and likely de-commissioning costs. Heavy motor vehicles are considered to have a residual value, at end of useful life, of approximately 20% of their original cost.

- Land and Buildings split and applicable deferred tax
  In determining the split between the cost of land and buildings, the Group used the historical information prior to dollarisation for the years in which the reliable inflation indices were available. The directors have determined that this is the most appropriate basis of determining the value of land and buildings for the purposes of financial reporting. The deferred tax on land is at a rate of 5% and the deferred tax on buildings is at a rate of 25. 75% on the basis that the principal value of land may be recovered only through disposal and buildings through use.

- Associates
  Associates are entities in which the Group has a long-term interest and over which the Group has directly or indirectly significant influence, where significant influence is the ability to influence the financial and operating policies of the entity.

  The associates AFDIS Holdings Limited and Schweppes Zimbabwe Limited have statutory accounting reference dates of 30 June and 31 December respectively. In respect of each financial year ending 31 March, these companies are included based on financial statements drawn up to the previous reporting date but taking into account any changes in the subsequent period from such reporting date to 31 March that would materiality affect the results.

Key sources of estimation uncertainty

- Containers in the market
  In determining the quantity of useable containers in the market the population is determined based on the actual purchases of containers for the past five years, which is the estimated normal period of use for each container.

  As explained in note 4. 9 the deferred container expenditure is amortised from 1 to 4 years following the year of purchase. The Group recognises write offs for containers in excess of 4 years only to the extent to which the Group has re-purchased and destroyed containers on hand.

## 5. DEFINITIONS

5. 1 TAXED INTEREST PAYABLE
This is calculated by taxing interest payable at the standard rate of taxation.

5. 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).

5. 3 NET ASSETS
These are equivalent to shareholders' equity.

5. 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.

5. 5 TAXED OPERATING RETURN


Notes To The Financial Statements

# NOTES TO THE FINANCIAL STATEMENTS

This is calculated by relating to closing total capital employed, income after taxation plus taxed interest payable.

5.6 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 1 185 992 732: (2011 –1 176 930 598). Fully diluted earnings per share are disclosed in the statement of comprehensive income. Dilution arising in respect of share options granted amounts to 3,20% and 3,55% for 2012 and 2011 respectively.

5.7 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:-

| | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|
| Earnings attributable to shareholders | **73 747** | 53 012 |
| Adjusted for: | | |
| Non-cash items | **33 969** | 17 666 |
| Share of profit of associate | **(1 725)** | (902) |
| Deferred tax charge | **4 436** | 91 |
| Add: non-controlling interest's share of adjustments | **(624)** | (343) |
| Cash equivalent earnings | **109 803** | 69 524 |

5.8 CASH FLOW PER SHARE

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

5.9 FINANCIAL GEARING RATIO

This represents the ratio of interest bearing debt, less cash, to total shareholders' funds.

## 6. COUNTRY OF INCORPORATION AND CURRENCY

All Group companies are incorporated in Zimbabwe. The financial statements are expressed in United States Dollars (US$).

## 7. SEGMENTAL REPORTING

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



# NOTES TO THE FINANCIAL STATEMENTS

## 8. REVENUE

| | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|
| Gross Sales | **653 938** | 481 764 |
| Less VAT and discounts | **(99 171)** | (73 763) |
| Revenue | **554 767** | 408 001 |
| Less excise (Refer to note 9.1) | **(74 860)** | (58 667) |
| Net Sales | **479 907** | 349 334 |

All income has been derived from the sale of goods.

## 9. OPERATING INCOME

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

9.1 NET OPERATING COSTS

| | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|
| Raw materials and consumables used | **201 711** | 150 601 |
| Depreciation expense (note 9.2) | **20 372** | 13 484 |
| Staff costs | **78 278** | 53 684 |
| Restructuring costs | **3 663** | - |
| Excise duties and levies | **74 860** | 58 667 |
| Share option expense | **2 085** | 1 337 |
| Selling and marketing expenses | **13 475** | 8 768 |
| Other operating expenses | **62 035** | 53 222 |
| | **456 479** | 339 763 |

9.2 DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

| | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|
| Buildings | **1 500** | 1 412 |
| Plant and equipment | **10 474** | 6 798 |
| Vehicles | **2 211** | 1 758 |
| Containers (Deferred container expenditure) | **6 187** | 3 516 |
| | **20 372** | 13 484 |

9.3 AUDITORS' REMUNERATION

| | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|
| Current year audit fees and expenses | **392** | 322 |

# Notes To The Financial Statements

## 10. THE GROUP AS A LESSEE

| | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|
| **10.1 NET LEASING EXPENSE** | | |
| Lease payments: | | |
| - Minimum lease payments | **1 378** | 1 225 |
| **10.2 NET FUTURE OPERATING LEASE COMMITMENTS** | | |
| Lease payments: | | |
| - Payable within one year | **1 180** | 919 |
| - Payable two to five years | **1 104** | 1 654 |
| | **2 284** | 2 573 |

## 11. TAXATION

| | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|
| **11.1 TAXATION** | | |
| Income tax: | | |
| Current tax | **19 651** | 15 849 |
| Deferred tax | **4 436** | 91 |
| | **24 087** | 15 940 |
| **11.2 RECONCILIATION OF RATE OF TAXATION** | | |
| Standard rate % | **25,75** | 25,75 |
| Adjusted for: | | |
| Effect of expenses not deductible for tax % | **1,11** | 0,26 |
| Effect of income not taxable in determining taxable profit % | **(1,65)** | (1,86) |
| Effects of associates income % | **(0,95)** | (1,40) |
| Effective rate % | **24,26** | 22,75 |
| **11.3 DEFERRED TAX LIABILITIES** | | |
| Balance at beginning of year | **22 811** | 22 720 |
| Charge to statement of comprehensive income | **4 436** | 91 |
| Balance at end of year | **27 247** | 22 811 |
| Analysis of balance at end of year | | |
| Property plant and equipment | **27 839** | 23 025 |
| Other temporary differences | **(592)** | (214) |
| | **27 247** | 22 811 |



# Notes To The Financial Statements

## 12. PROPERTY, PLANT AND EQUIPMENT

| | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|
| FREEHOLD PROPERTIES | | |
| Cost | **102 453** | 99 940 |
| Accumulated depreciation | **(49 875)** | (48 651) |
| | **52 578** | 51 289 |
| PLANT AND EQUIPMENT | | |
| Cost | **262 660** | 241 289 |
| Capital work in progress | **28 427** | 4 765 |
| | **291 087** | 246 054 |
| Accumulated depreciation | **(160 450)** | (150 966) |
| | **130 637** | 95 088 |
| VEHICLES | | |
| Cost | **53 362** | 47 522 |
| Accumulated depreciation | **(29 470)** | (30 047) |
| | **23 892** | 17 475 |
| CONTAINERS | | |
| Containers on hand | **44 044** | 41 000 |
| Containers in the market | **17 319** | 22 117 |
| | **61 363** | 63 117 |
| Total property, plant and equipment | **268 470** | 226 969 |
| **Movement in net book amount for the year :** | | |
| At beginning of the year | **226 969** | 162 368 |
| Capital expenditure | **73 752** | 82 143 |
| Disposals | **(867)** | (1 545) |
| Decrease in containers in the market | **(11 012)** | (2 513) |
| Depreciation charged to operating income | **(20 372)** | (13 484) |
| At end of the year | **268 470** | 226 969 |
| **Capital expenditure comprised :** | | |
| Freehold properties | **1 551** | 4 301 |
| Plant and equipment | **47 656** | 40 435 |
| Vehicles | **9 100** | 4 873 |
| Containers | **15 445** | 32 534 |
| | **73 752** | 82 143 |
| **Disposals comprised :** | | |
| Freehold properties | **1** | 25 |
| Plant and equipment | **4** | 295 |
| Vehicles | **862** | 1 225 |
| | **867** | 1 545 |

# Notes To The Financial Statements

## 13. INVESTMENTS IN ASSOCIATES

| | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|
| **Shares at cost** | **2 923** | 2 923 |
| **Post acquisition reserves** | **11 424** | 7 769 |
| | **14 347** | 10 692 |
| Analysis of results and statement of financial position of associates. | | |
| **AFDIS Holdings Limited (28%)** | | |
| Shares at cost | **2 393** | 2 393 |
| Group's share of post acquisition distributable reserves | **(1 190)** | (1 618) |
| | **1 203** | 775 |
| Total assets | **12 432** | 11 590 |
| Total liabilities | **(7 097)** | (7 919) |
| Net assets | **5 335** | 3 671 |
| Group's share of net assets of associate | **1 516** | 1 043 |
| Total revenue | **24 791** | 17 395 |
| Total profit/(loss) for the year | **1 508** | (3 079) |
| Group's share of profit/ (loss) of associate | **428** | (875) |
| **Schweppes Zimbabwe Limited (49%)** | | |
| Shares at cost | **530** | 530 |
| Gain arising on acquisition | **9 278** | 7 348 |
| Group's share of post acquisition distributable reserves | **3 336** | 2 039 |
| | **13 144** | 9 917 |
| Total assets | **55 978** | 44 164 |
| Total liabilities | **(39 634)** | (22 156) |
| Net assets | **16 344** | 22 008 |
| Group's share of net assets of associate | **8 008** | 10 784 |
| Total revenue | **76 994** | 56 884 |
| Total profit for the year | **2 646** | 3 627 |
| Group's share of profits of associate | **1 297** | 1 778 |

The purchase agreement for Schweppes Zimbabwe Limited provides for the purchase by the incoming shareholders, for a nominal value, of certain amounts owing to the seller in the event that certain market development milestones are met by the management of Schweppes. The Group realised gains on acquisition on achieving the set milestones. The last milestone was met during the current year resulting in the Group realising a gain on acquisition amounting to US$1,9 million (2011: US$2,9 million). This mainly relates to amounts payable by Schweppes for shareholder long-term loans which have no fixed repayment terms and are not interest bearing.

# Notes To The Financial Statements

The fair value of the Group's interest in AFDIS Holdings Limited, which is listed on the stock exchange in Zimbabwe, was US$3,4 million (2011: US$3,8 million).

The reporting date of AFDIS Holdings Limited is 30 June and that of Schweppes Zimbabwe Limited is 31 December. For the purpose of applying the equity method of accounting, the financial statements of the associates for the previous reporting dates have been used. Appropriate adjustments have been made for the effects of significant transactions in the subsequent period from such reporting dates to 31 March 2012.

## 14. INVESTMENTS, LOANS AND TRADEMARKS

| | | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|---|
| 14.1 | **INVESTMENTS** | | |
| | Shares at cost | **87** | 87 |
| 14.2 | **LOANS** | | |
| | Secured | **10 785** | 7 033 |
| 14.3 | **TRADEMARKS** | | |
| | At cost | **2 914** | 2 914 |
| | Total | **13 786** | 10 034 |

14.4 Included in the Group's secured loans of US$10,8 million are loans to employees made in terms of a group housing and vehicle ownership scheme. This includes loans to Directors and officers of the Group amounting to US$2,3 million. During the year, US$1,7 million was advanced and US$0,08 million was repaid. Housing loans are secured through mortgage bonds whilst the underlying assets are pledged as security under the car loan scheme. The loans are of various tenure and attract interest of up to 16% per annum. The interest rates are reviewed periodically by the Remuneration Committee in line with prevailing market conditions.

## 15. INVENTORIES

| | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|
| Consumable stores | **26 165** | 20 482 |
| Finished products | **15 689** | 14 770 |
| Raw materials | **34 012** | 31 235 |
| Work in progress | **1 754** | 1 390 |
| Total | **77 620** | 67 877 |

## 16. TRADE AND OTHER RECEIVABLES

| | 2012 | 2011 |
|---|---|---|
| Trade receivables | **27 910** | 19 906 |
| Prepaid expenses and other receivables | **9 435** | 6 470 |
| Total | **37 345** | 26 376 |

Trade receivables disclosed above include amounts which are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are considered recoverable. The amount due includes interest accrued after the receivable is over 60 days outstanding. The Group

# Notes To The Financial Statements

holds collateral on some receivable balances. The estimated value for this collateral is US$2,8 million (2011:US$2,2 million). The Group does not hold other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty. The average debtor days are 16 (2011:15)

| | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|
| Ageing of past due but not impaired | | |
| 60-90 days | **1 060** | 257 |
| Over 90 days | **2 295** | 319 |

## 17. SHARE CAPITAL

### 17.1 AUTHORISED SHARE CAPITAL

Authorised share capital comprises of 1 400 000 000 ordinary shares of US$0. 01 (one US cent) per share. At the Annual General meeting held on 28 July 2010, the shareholders approved a redenomination of the authorised share capital of the Company from 5 cents per share in Zimbabwe dollars (that is Z$ prior to any restatement to address inflation) to US 1 cent per share. It was further approved that a transfer should be made from the share premium account to the share capital account of an amount equivalent to the number of shares in issue multiplied by US 1 cent. Accordingly an amount of US$11,8 million was transferred from the share premium account to the share capital account.

### 17.2 ORDINARY SHARES ISSUED AND FULLY PAID

| | 2012 Number of shares in millions | 2011 Number of shares in millions |
|---|---|---|
| At beginning and end of year | **1 182** | 1 159 |
| Exercise of share options | **10** | 23 |
| At end of year | **1 192** | 1 182 |

### 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 the General Meeting, the unissued share capital comprising 207 894 285 (2011 –218 388 985) ordinary shares 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 exercisable for a period of ten years at a price determined by the middle market price ruling on the Zimbabwe Stock Exchange on the day prior to the granting of the options. Each employee share option converts into one ordinary share of Delta Corporation Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The number of shares subject to option is approved by shareholders in General Meeting, and the number of options granted is calculated in accordance with the performance-based formula approved by the Remuneration Committee. The number of share options are limited in line with the Zimbabwe Stock Exchange (ZSE) regulations.



# Notes To The Financial Statements

Details of the share options outstanding during the year are as follows:

| Date of Grant | Subscription Prices US$ | Number of shares 2012 | Number of shares 2011 |
|---|---|---|---|
| 11 May 2007 | - | **-** | 100 000 |
| 2 January 2008 | - | **23 560 000** | 28 830 000 |
| 1 March 2009 | 0,150 | **12 470 000** | 14 790 000 |
| 8 May 2009 | 0,150 | **1 880 000** | 1 910 000 |
| 2 January 2010 | 0,505 | **7 208 000** | 9 208 000 |
| 1 October 2010 | 0,500 | **500 000** | 500 000 |
| 3 January 2011 | 0,636 | **7 126 800** | 7 901 500 |
| 1 July 2011 | 0,785 | **874 920** | - |
| 3 November 2011 | 0,746 | **6 428 600** | - |
| | | **60 048 320** | 63 239 500 |

| Movements in Share options during the year | 2012 '000 | 2011 '000 |
|---|---|---|
| Number outstanding at beginning of year | **63 239** | 80 328 |
| New options granted during year | **7 304** | 6 401 |
| Exercised during year | **(10 495)** | (22 735) |
| Forfeited/reinstated during year | **-** | (755) |
| Outstanding at end of year | **60 048** | 63 239 |

All options expire, if not exercised, ten years after the date of grant.

The weighted average price of exercise of share options and the weighted average stock exchange price on the date of exercise were US$0,18 (2011 : US$0,01) and US$0,74 (2011 : US$0,47) respectively. No shares were forfeited in 2012 and the average price for the shares forfeited in 2011 was US$0,03.

Share options granted under the employee share option plan carry no rights to dividends and no voting rights.

In terms of the company share option scheme, options were granted on 1 July 2011 and 3 November 2011. The estimated fair value of the options granted on those dates was US$0,3 million and US$1,7 million respectively. The Group recognised total expenses of US$2,1 million in respect of share options granted. The options granted mature after three years and, accordingly, the fair value will be amortised over those periods.

These fair values were calculated using the Black-Scholes option pricing model, as adjusted for dividends by Robert Merton and the following weighted average assumptions for each grant.

| Date of issue | July 2012 | November 2011 |
|---|---|---|
| Grant date share price – US$ | **0,79** | 0,75 |
| Exercise price | **0,79** | 0,75 |
| Expected volatility | **22,5%** | 22,5% |
| Dividend yield | **2,1%** | 2,1% |
| Risk-free interest rate | **10%** | 10% |

# Notes To The Financial Statements

Expected volatility and dividend yield was determined as detailed earlier by reference to an entity in a similar industry (SABMiller) and market due to the circumstances that prevailed in the country. Ordinarily the historical volatility of the Company's share over four years and dividend yield realised is the basis of calculation. The expected life is based on experience over a ten year period, but the life used in the model has been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions as regards closed periods and behavioural considerations. The weighted average value takes to account an expected 0 % level of forfeiture.

**Share options sensitivity analysis**

**Volatility based on longest period of trade in US$**

The Group recognises limitations to the use of a volatility determined based on the experience of a newly listed entity which does not have sufficient information on historical volatility and therefore allows an alternative which computes historical volatility for the longest period for which trading activity is available. The Analysis below provides the impact of the valuation of shares had this alternative been applied and its impact on the financial statements:

| Date of issue | July 2012 | November 2011 |
|---|---|---|
| Grant date share price | **0,79** | 0,75 |
| Exercise price | **0,79** | 0,75 |
| Expected volatility | **141,3** | 141,3 |
| Dividend yield | **8. 2%** | 8. 2% |
| Risk-free interest rate | **10%** | 10% |
| Impact on profit before tax | | |
| Decrease in profit | **446** | |
| Increase in share option reserve | **(446)** | |

## 18. DIRECTORS' SHAREHOLDINGS

At 31 March 2012, the Directors held directly and indirectly the following number of shares in the Company:

| | 2012 | 2011 |
|---|---|---|
| L E M Ngwerume | **7 000** | 7 000 |
| M M Valela | **2 233 359** | - |
| * R H M Maunsell | **-** | 1 319 782 |
| H C Sadza | **764** | 764 |
| * M S Mushiri | **-** | 7 210 905 |
| J S Mutizwa | **3 786** | 103 786 |
| D Taranhike | **1 549 024** | - |
| | **3 793 933** | 8 642 237 |

No changes in Directors' shareholdings have occurred between the financial year end and 4th of May 2012, being the date of the last meeting of the directors.

* Retired as directors during the course of the year.



# Notes To The Financial Statements

## 19. BORROWINGS

| | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|
| **19. 1 Long- term borrowings** | | |
| Long- term borrowings | **60 000** | - |

The long-term loan is payable at the end of a three year term and bears interest at a fixed margin of 675 basis points above a LIBOR base rate, which gives an all-in rate of approximately 7,43%. The loan is denominated in US dollars and is guaranteed by SABMiller Africa BV a subsidiary of SABMiller, the largest shareholder of the Company.

| | | |
|---|---|---|
| **19. 2 Short- term borrowings** | | |
| Short- term borrowings | **21 381** | 24 175 |

Short- term borrowings, which are unsecured, 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 US$269,1 million.

The outstanding balances are repayable within twelve months.

Short- term borrowings bear interest in accordance with ruling short-term money market rates. An average of 8% per annum was applicable to the outstanding balance.

## 20. TRADE AND OTHER PAYABLES

| | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|
| Trade payables | **31 573** | 28 147 |
| Obligation for containers in the market | **17 319** | 22 117 |
| Current tax payable | **3 813** | 12 714 |
| Accruals and other payables | **36 744** | 25 526 |
| | **89 449** | 88 504 |

The average credit period on purchases of certain goods and services is 30 days. No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The carrying amount of trade and other payables is approximately equal to their fair values.

## 21. CASH FLOW INFORMATION

### 21. 1 CASH GENERATED FROM OPERATING ACTIVITIES

| | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|
| Operating income | **98 288** | 68 238 |
| Depreciation | **20 372** | 13 484 |
| Loss on disposal of property, plant and equipment | **500** | 844 |
| Other non cash items | **13 097** | 3 339 |
| | **132 257** | 85 905 |

# Notes To The Financial Statements

## 21.2 (DECREASE)/INCREASE IN WORKING CAPITAL

| | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|
| Increase in inventories | **(9 743)** | (16 457) |
| Increase in trade and other receivables | **(10 969)** | (3 494) |
| Decrease in containers in the market | **(4 798)** | (8 351) |
| Increase in trade and other payables (excluding container purchase obligation) | **14 644** | 34 058 |
| | **(10 866)** | 5 756 |

## 21.3 INCOME TAXATION PAID

| | | |
|---|---|---|
| Liability at beginning of year | **(12 714)** | (5 257) |
| Taxation provided (see note 11) | **(19 651)** | (15 849) |
| Liability at end of year | **3 813** | 12 714 |
| | **(28 552)** | (8 392) |

## 21.4 DIVIDEND PAID

| | | |
|---|---|---|
| By the Company: | | |
| Proposed dividend at the beginning of year | **(11 816)** | - |
| Current year dividends | **(24 736)** | (17 717) |
| Proposed dividend at end of year | **14 901** | 11 816 |
| | **(21 651)** | (5 901) |
| By Subsidiary | | |
| Non-controlling interest's dividends at beginning of year | **(97)** | - |
| Non-controlling interest's share of dividends declared | **(162)** | (165) |
| Non-controlling interest's share of dividends at end of year | **162** | 97 |
| | **(97)** | (68) |
| Total dividends paid | **(21 748)** | (5 969) |

## 21.5 MOVEMENTS IN LONG TERM BORROWINGS

| | | |
|---|---|---|
| Liability at beginning of year | **-** | - |
| Amounts drawn | **60 000** | - |
| Balance at end of year | **60 000** | - |

## 21.6 MOVEMENTS IN SHORT TERM BORROWINGS

| | | |
|---|---|---|
| Liability at beginning of year | **24 175** | 15 000 |
| Amounts (paid)/drawn | **(2 794)** | 9 175 |
| Balance at end of year | **21 381** | 24 175 |

## 21.7 INCREASE IN SHAREHOLDER FUNDING

| | | |
|---|---|---|
| Proceeds of shares issued: | | |
| By the Company | **1 909** | 196 |
| | **1 909** | 196 |

## 21.8 CASH AND CASH EQUIVALENTS

| | | |
|---|---|---|
| Made up as follows: | | |
| Bank balances and cash | **55 578** | 5 159 |
| | **55 578** | 5 159 |



# Notes To The Financial Statements

## 22. DIVIDENDS

| | 2012 US Cents | 2011 US Cents | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|---|---|
| Interim | **0,83** | 0,50 | **9 835** | 5 901 |
| Final - proposed | **1,25** | 1,00 | **14 901** | 11 816 |
| | **2,08** | 1,50 | **24 736** | 17 717 |

## 23. RELATED PARTY TRANSACTIONS

### 23.1 PARTIES WITH SIGNIFICANT INFLUENCE OVER THE GROUP

The entities and individuals known to be significant shareholders (owning more than 5% of a class of equity) of Delta Corporation Limited are shown on page 72 of this report.

SABMiller Group entities are considered to be related parties of the Group by virtue of its 39.99% equity shareholding. Details of the transactions are shown below. There were no transactions with Old Mutual and other significant shareholders during the year.

### 23.2 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between Group companies and other related parties are disclosed below.

| | Purchase of Goods US$ 000 | Royalties & Technical Fees US$ 000 | Rental Payments US$ 000 | Amounts Owed by Related Parties US$ 000 | Amounts Owed to Related Parties US$ 000 |
|---|---|---|---|---|---|
| **2012** | | | | | |
| SABMiller Companies | 60 198 | **10 976** | - | 134 | (13 135) |
| Associates | 2 139 | - | - | - | (36) |
| Delta Pension Fund | - | - | 251 | - | - |
| | 62 337 | **10 976** | 251 | | (13 171) |
| **2011** | | | | | |
| SABMiller Companies | 36 565 | **8 749** | - | **77** | (10 865) |
| Associates | 224 | **-** | - | **8** | (16) |
| Delta Pension Fund | - | **-** | 136 | **-** | - |
| | 36 789 | **8 749** | 136 | **85** | (10 881) |

Sales and purchases of goods were carried out at normal commercial prices. Rentals are market related and are determined by an independent third party. The royalties and technical fees are based on subsisting agreements. The amounts outstanding are unsecured and will be settled on normal terms. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties. An associate company which is a subsidiary of SABMiller Plc. has provided a guarantee to the bank that extended the long-term loan of US$60 million to the Group (Note 19).

# Notes To The Financial Statements

## 23.2 REMUNERATION OF DIRECTORS AND OTHER KEY MANAGEMENT

The remuneration of directors and other members of key management during the year was as follows:

| | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|
| Short- term benefits | **2 678** | 2 018 |
| Post- employment benefits | **394** | 221 |
| Share based payments | **1 259** | 1 251 |
| | **4 331** | 3 490 |

Included in the above amounts are the following in respect of directors' emoluments:

| | 2012 | 2011 |
|---|---|---|
| Paid by subsidiaries: | | |
| For services as directors | **87** | 54 |
| For managerial services | **3 095** | 2 655 |
| | **3 182** | 2 709 |

## 23.4 PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

| Name | Country of Incorporation | Principal Activity | Effective Interest 2012 | Effective Interest 2011 |
|---|---|---|---|---|
| MegaPak Zimbabwe (Private) Limited | Zimbabwe | Beverages Manufacture | 51% | 51% |
| Delta Beverages (Private) Limited | Zimbabwe | Beverages Manufacture | 100% | 100% |
| National Breweries Limited | Zimbabwe | Dormant | 100% | 100% |
| Chibuku Breweries Limited | Zimbabwe | Dormant | 100% | 100% |
| United Bottlers (Private) Limited | Zimbabwe | Dormant | 100% | 100% |
| Bevcool (Private) Limited | Zimbabwe | Dormant | 100% | 100% |
| Headend (Private) Limited | Zimbabwe | Dormant | 92% | 92% |
| Rainbow Beverages (Private) Limited | Zimbabwe | Dormant | 100% | 100% |
| Polycon Converters (Private) Limited | Zimbabwe | Dormant | 100% | 100% |
| Matchwell Investments (Private) Limited | Zimbabwe | Dormant | 100% | 100% |
| African Distillers Limited | Zimbabwe | Beverages Manufacture | 28% | 28% |
| Schweppes Zimbabwe Limited | Zimbabwe | Beverages Manufacture | 49% | 49% |
| Food & Industrial Processors (Private) Limited | Zimbabwe | Food processing | 49% | 49% |

## 24. COMMITMENTS FOR CAPITAL EXPENDITURE

| | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|
| Contracts and orders placed | **16 544** | 3 931 |
| Authorised by directors but not contracted | **63 456** | 63 322 |
| | **80 000** | 67 253 |

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



# Notes To The Financial Statements

## 25. PENSION FUNDS

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

### 25.1 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.

### 25.2 NATIONAL SOCIAL SECURITY AUTHORITY SCHEME

This is a defined contribution 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 US$200 per month for each employee.

### 25.3 PENSION COSTS RECOGNISED AS AN EXPENSE FOR THE YEAR

| | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|
| Defined contribution funds | **4 423** | 3 354 |
| National Social Security Authority Scheme | **640** | 431 |
| | **5 063** | 3 785 |

## 26. FINANCIAL RISK MANAGEMENT

### 26.1 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.

### 26.2 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. Operating subsidiaries manage short-term currency exposures relating to trade imports and exports within approved parameters.

### 26.3 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. The risk is limited as there are no variable/ floating rate instruments held.

### 26.4 LIQUIDITY RISK MANAGEMENT

The Group has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

**Liquidity and Interest rate tables**

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods and fixed interest rates. There are no financial liabilities with variable/ floating rates. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. All interest rate cash flows are fixed in nature. The contractual maturity is based on the earliest date on which the Group may be required to pay.

| | Weighted average effective interest rate % | 0-6 Months US$ 000 | 6-36 Months US$ 000 | Total US$ 000 |
|---|---|---|---|---|
| **31 March 2012** | | | | |
| **Fixed interest rate instruments** | **8** | **21 381** | **60 000** | **81 381** |
| 31 March 2011 | | | | |
| Fixed interest rate instruments | 10 | 24 175 | - | 24 175 |

The Group has access to financing facilities of which US$19,2 million were unused at the end of the reporting period. The Group expects to meet its other obligations from operating cash flows.

| FINANCING FACILITIES | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|
| Unsecured bank loan facility, with various maturity dates through to 2012 and of which: | | |
| Total available | **40 500** | 37 500 |
| Amount used | **21 381** | 24 175 |
| Amount unused | **19 119** | 13 325 |

The directors consider that the carrying amounts of financial assets and financial liabilities in the financial statements approximate their fair values.

## 26.5 CREDIT RISK MANAGEMENT

Potential concentration of credit risk consists 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. The Group uses publicly available financial information and its own trading records to rate its major customers. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually. The Group does not have significant credit risk exposure to any single trade debtor. Concentration of credit risk did not exceed 10% for any counter-party. The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies.



# NOTES TO THE FINANCIAL STATEMENTS

## 26.6 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

## 26.7 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders. The capital structure of the Group consists of net debt (comprising borrowings as offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings). The Group is not subject to any externally imposed capital requirements. The gearing ratio is 9,59 % in current year (2011 : 8,99%).

## 26.8 FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

# COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH

| | Notes | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|---|
| REVENUE | | | |
| Dividend income | | 24 736 | 32 717 |
| Share of profit/(loss) from associates | | 428 | (875) |
| Profit before tax | | 25 164 | 31 842 |
| Taxation | | - | - |
| PROFIT FOR THE YEAR | | 25 164 | 31 842 |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 25 164 | 31 842 |

All statement of comprehensive income transactions relate to dividends received and share of profits in associate. All cashflows are managed by the subsidiary, Delta Beverages (Private) Limited, and are settled through the intercompany accounts. Thus, no seperate cashflow has been presented.



# COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH

| | Notes | 2012 US$ 000 | 2011 US$ 000 |
|---|---|---|---|
| ASSETS | | | |
| NON- CURRENT ASSETS | | | |
| Investments in Associated Companies | 13 | 1 203 | 775 |
| Interest in Subsidiaries | A | 87 | 87 |
| Loans to Subsidiaries | B | 33 253 | 31 344 |
| | | 34 543 | 32 206 |
| CURRENT ASSETS | | | |
| Trade and other receivables | C | 15 167 | 11 816 |
| TOTAL ASSETS | | 49 710 | 44 022 |
| EQUITY AND LIABILITIES | | | |
| CAPITAL AND RESERVES | | | |
| Share capital | | 11 927 | 11 822 |
| Share premium | | 19 553 | 17 749 |
| Retained earnings | | 17 964 | 14 451 |
| TOTAL EQUITY | | 49 444 | 44 022 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | D | 266 | - |
| Total Equity and Liabilities | | 49 710 | 44 022 |

A INTEREST IN SUBSIDIARIES

Details of all subsidiaries are provided in the Group structure included elsewhere in this report.

B LOANS TO SUBSIDIARIES

Loans to subsidiaries relate to long term non- interest bearing loans issued to Delta Beverages (Private) Limited. The loans do not have fixed repayment dates and nil interest.

C TRADE AND OTHER RECEIVABLES

Receivables relate to dividends owing from the subsidiary Delta Beverages (Private) Limited as well as dividends paid over to the share transfer secretaries but not yet issued to shareholders.

D TRADE AND OTHER PAYABLES

Outstanding dividends are those which have been declared but not collected by the shareholders from the share transfer secretaries.

# COMPANY STATEMENT OF CHANGES IN EQUITY
AS AT 31 MARCH

| | Notes | Share Capital US$ 000 | Share Premium US$ 000 | Retained Earnings US$ 000 | Total US$ 000 |
|---|---|---|---|---|---|
| At 1 April 2010 | | - | 29 375 | (11 490) | **17 885** |
| Transfer to share capital on redenomination of the nominal value | | 11 802 | (11 802) | - | - |
| Share options exercised | | 20 | 176 | - | **196** |
| Total comprehensive income for the year | | - | - | 31 842 | **31 842** |
| Payment of dividends | 21.4 | - | - | (5 901) | **(5 901)** |
| **At 1 April 2011** | | **11 822** | **17 749** | **14 451** | **44 022** |
| Share options exercised | | 105 | 1 804 | - | **1 909** |
| Total comprehensive income for the year | | - | - | 25 164 | **25 164** |
| Payment of dividends | 21.4 | - | - | (21 651) | **(21 651)** |
| **At 31 March 2012** | | **11 927** | **19 553** | **17 964** | **49 444** |



# GROUP STATISTICS
FOR THE YEAR ENDED 31 MARCH

| | 2012 | 2011 |
|---|---|---|
| **SHARE PERFORMANCE** | | |
| PER SHARE (US cents) | | |
| Attributable earnings | **6,22** | 4,50 |
| Diluted earnings | **6,03** | 4,35 |
| Cash equivalent earnings | **9,25** | 5,91 |
| Dividends | **2,08** | 1,50 |
| Cash flow | **10,04** | 7,63 |
| Net asset value | **22,25** | 17,66 |
| Closing market price (US cents) | **68,00** | 70,00 |
| ZSE industrial index | **136,76** | 160,65 |
| **SHARE INFORMATION** | | |
| In issue (m's) | **1 192** | 1 182 |
| Market capitalisation (US$000's) | **810 632** | 827 127 |
| Trading volume (m's) | **405** | 125 |
| Trading percentage (%) | **33,98** | 10,56 |
| **RATIOS AND RETURNS** | | |
| **PROFITABILITY** | | |
| Return on equity (%) | **27,41** | 25,05 |
| Income after taxation to total capital employed (%) | **28,49** | 26,04 |
| Pretax return on total assets (%) | **21,26** | 20,18 |
| **SOLVENCY** | | |
| Long term debt to total Shareholders' funds (%) | **22** | - |
| Interest cover (times) | **21** | 30 |
| Total liabilities to total Shareholders' funds (%) | **73,62** | 64,03 |
| **LIQUIDITY** | | |
| Current assets to interest free liabilities & short-term borrowings | **1,54** | 0,88 |
| **PRODUCTIVITY** | | |
| Turnover per employee ($000's) | **97** | 81 |
| Turnover to payroll (times) | **6,77** | 7,58 |
| **OTHER** | | |
| Number of shareholders | **6 716** | 7 015 |

# SUSTAINABLE DEVELOPMENT REPORT

Our business makes its greatest contribution to society by delivering high quality products that consumers enjoy. In doing so, we create jobs, pay taxes, build skills; which demonstrates that business growth and sustainable development can be mutually reinforcing rather than be in conflict. We integrate sustainable development into the day to day management of our business through the ten key priority areas as formulated in the prior year and measure, track and evaluate performance using a bespoke Sustainability Assessment Matrix (SAM) methodology.

### THE SUSTAINABILITY ASSESSMENT MATRIX (SAM)

The SAM is a rigorous and transparent management system used for collecting, measuring, monitoring and presenting the Company's performance in sustainable development issues with respect to each of the ten priority areas. Specific standards and performance targets are being developed based on local circumstances and conditions taking into account the results of benchmarking to best practice and other peers in similar sectors. The full business scorecard is yet to be finalised and adopted.

Each priority area has a 'stairway' that plots a course through five levels of performance from minimum standard to leading edge. To achieve a performance step (or level) our business must meet a series of assessment criteria which include both qualitative and quantitative measurements. Progress is assessed every six months. The Company is in the process of developing an understanding and capability through assistance from SABMiller in setting these objective measures, and identifying partners that can provide assurance to the broad range of users and stakeholders.

### THE 10 PRIORITY AREAS

We appreciate that our business is not something separate from the society hence is at one and the same time an employer, a customer, a supplier and a taxpayer. The interests of the Company and the wider community are therefore inextricably intertwined. We have therefore identified the following ten priorities as our key areas of responsibility:-

1. Discouraging irresponsible drinking
2. Producing more beverages products using less water
3. Reducing our energy and carbon footprint
4. Packaging, reuse and recycling
5. Working towards reducing waste in our operations
6. Encouraging enterprise development in our value chains
7. Benefiting local communities
8. Respecting Human Rights
9. Contributing to the reduction of HIV& AIDS
10. Transparency & Ethics

In this report we highlight the key issues in each priority area and provide highlights on the current projects.

### 1. DISCOURAGING IRRESPONSIBLE DRINKING

Our beer adds to the enjoyment of life for the overwhelming majority of consumers. We, however, acknowledge that a small percentage of consumers use our products irresponsibly. The Company operates within the framework of its Alcohol and Communications Policies whose main thrust is to set principles and guidelines on combating the harmful effects of irresponsible alcohol consumption and ensuring that information provided to consumers about alcohol consumption should be accurate and balanced.



SUSTAINABLE DEVELOPMENT REPORT

We therefore continue to work with other stakeholders to address the harmful effects of alcohol abuse through the following:

- The Company is a member of and plays an integral role within the Zimbabwe Alcoholic Beverages Manufacturers Association (ZABMA)
- Embarking on the 'Don't Drink and Drive' campaigns through ZABMA and Zimbabwe Traffic Safety Board.
- Supporting relevant authorities in developing the National Alcohol Policy.
- Training employees in the Alcohol Intelligence Quotient (AIQ) and the Alcohol Behaviour & Communication (AB&C) Programmes to enhance knowledge on alcohol use and responsible behaviour.
- Discouraging underage alcohol drinkers
- Upgrading the health warning on beer labels. In the current year, an additional label was added onto our beer bottles in order to carry the full health warning. In addition, our regional suppliers of certain imported beer brands have adapted health warning on the beer labels to meet the local regulations.

### 2. REDUCING THE USAGE OF WATER IN OUR PRODUCTION PROCESSES

The Company's operations use significant amounts of water, hence the need for strategies that minimise its use in our operations and assisting our communities in accessing this key resource.

It is noted that water remains a scarce resource in most of the centres where our businesses are located, driven by the insufficient infrastructure, which requires huge investments to resolve.

It is noted that in excess of 80% of our beverage volumes are sold in returnable bottles, requiring large amounts of water for cleaning and washing the containers. The infrastructural challenges alluded to impact on the production processes, requiring secondary purification of mains water to attain food grade quality standards. It will therefore take a number of years before the usage levels can be compared to international benchmarks.

The initiatives in this arena include the following:

- Assisting our communities to increase the access to portable water through the RAIN project as noted under Community projects (See 7 below). In the past we have worked in collaboration with certain local authorities to upgrade or repair their water reticulation infrastructure for the benefit of the communities.
- Assistance to barley farmers in constructing dams for irrigation as the local barley is grown in the rain free winter season.
- Modernisation of brewing plant, water pipe replacements and packaging water reclaim systems to optimise the water-to-beverage ratio. Major refurbishments of the water reticulation systems were undertaken at the major sites including installation of meters for the accurate measurement of usages. It is envisaged that the water-to-beverage usage ratio improved by 15% in the current year.

# Sustainable Development Report

3. **REDUCING OUR ENERGY AND CARBON FOOTPRINT**

Our operations use energy to produce and transport our products. Statistics on the usages of coal, electricity and fossil fuel are maintained at each plant whilst the process of setting benchmarks and targets is underway. It is noted however that the country faces significant challenges with power supply due to the infrastructure decay over the last few years. This results in the disruption to production and hence causes disparities in the usage of these key resources. It will therefore take a number of years of significant investments in these sectors for companies to register progress in this arena.

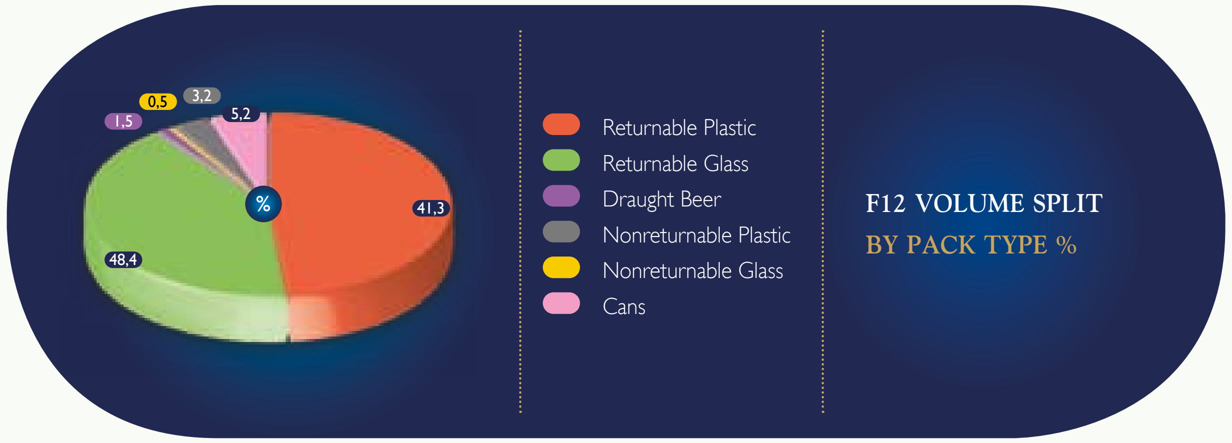
There are various initiatives underway which target to reduce the energy usages which include:

- The on-going capital investment projects aimed at improving production efficiencies.
- Energy conservation strategies such as increased use of natural lighting and energy saving light bulbs. The statistics on coal and energy consumption per unit of beverage indicate an improvement over prior year.
- Strategies to reduce carbon emissions from our factories and heavy motor vehicles.
- Measuring instruments acquired at factories and vehicle workshops to record and monitor the levels of carbon emissions. In the current year we took delivery of a state of the art dynamometer which is used to accurately tune up vehicle engines thereby reducing emissions.
- Increasing payloads on freight vehicles to reduce amount of fuel used in transporting beverages. In the coming year, some new trailers will be introduced which have reinforced lightweight axles; this will reduce the fuel consumed by the distribution fleet.
- The vehicle tracking system allows the constant monitoring of driver performance in order to reduce speeding and idling, with the attendant reduction in fuel consumption.

4. **PACKAGING, REUSE AND RECYCLING**

The Company uses many different types of primary and secondary packaging including glass bottles, steel and aluminium cans, PET plastic, high density polyethylene crates, bottles, cardboard cartons and kegs. The packaging protects and ensures the quality of our products for the enjoyment of our consumers and so it needs to be fit and safe for the purpose. The manufacture and disposal of our packaging substrates have environmental consequences which we must take into account.

- Greater than 85% of the Company's volumes are sold in recyclable packaging material mainly returnable glass bottles.
- Roll out of the soft drinks 300ml lightweight bottles which started in 2011 and will run until 2013. This reduces the weight of each bottle by 20% from 380 to 305 grams and that of the plastic crate by 16% from 1 786 to 1 500 grams. Further light weighting initiatives are being considered for the PET bottles.
- Increasing the contribution of draught beer; through placement of additional draught beer dispensing units in pubs and bars. This is a key strategy in reducing usage of packaging materials.
- The issues relating to the disposal of waste arising from one-way packaging are covered under waste management.






# Sustainable Development Report

5. **WORKING TOWARDS REDUCING WASTE IN OUR OPERATIONS**

It is critical for the Company to use resources efficiently in order to reduce the amount of waste generated and explore opportunities to reuse and recycle waste.

- A significant amount of the waste from our brewing operations is organic material such as spent grains which are sold to farmers as stock feed.
- The remaining waste is made up of damaged used packaging (broken bottles, crowns, cardboard cartons, can bodies, etc. ), effluent sludge from water treatment, boiler ash and other non-recyclable waste.
- Segregated broken glass (cullet) is collected and sent back to the glass manufacturer as cullet for recycling and processed into new glass. A total of 3 321 tonnes of cullet were sent to Zimglass during the year.
- Old plastic crates and high density polyethylene bottles are sent back to plastic manufacturers such as MegaPak for re-chipping and processing into new products such as drums. In excess of 880 tonnes were collected and sent for re-cycling.

The Company is working closely with other stakeholders to reduce the amount of litter arising from one-way packages such as cans and PET. These efforts have culminated in the formation of a joint venture company (PETRECO) that will spearhead the collection and recycling of used PET bottles in the country. Partnerships have also been developed with a number of local authorities, the environmental management agencies and other non-governmental agencies to collect used cans into cages, crush and send them for recycling.

It is noted that there is currently no capacity to recycle the cans in Zimbabwe, hence the need to export the crushed cans to South Africa through the Collect-A-Can initiative.

The Company continues to work with the local authorities and regulators to explore ways to reduce the environmental impact of the Company's waste streams, particularly effluent. This would in some cases require the investment in infrastructure for some of the local authorities to comply with the requirements of the Water Act and other environmental regulations. During the current year our sewer systems at Mvurwi were connected to the municipal lines through the laying of several kilometres of drainage pipes. Similar projects are planned for Fairbridge and Hwange.

6. **ENCOURAGING ENTERPRISE DEVELOPMENT IN OUR VALUE CHAINS**

Our influence extends beyond our immediate operations to include those of our value chain partners particularly suppliers of raw materials. To this end we endeavour to:

a) Develop local suppliers to substitute imports of key raw materials or increase the proportion spent on locally sourced raw materials.

b) Continue supporting small scale and subsistence farmers in growing small grains and supporting the barley contract farming initiative.

c) Work in partnership with suppliers to ensure compliance with environmental and safety legislation.

The Company continues to support a network of farmers and in the year under review supported 4 543 communal sorghum farmers who produced a total of 7 525 tonnes. Of this number, 2 200 were female farmers. The 87 contracted barley farmers delivered 25 903 tonnes of barley. The Company supports the farmers through the provision of extension services, agricultural inputs and a guaranteed market for their barley and sorghum grain output. A critical element of the scheme is the research and development of seed varieties of both sorghum and barley that target to improve agronomic performance and crop yields. In the coming years it is intended to develop partnership with other players to broaden the small scale farming model to cover other crops.

# Sustainable Development Report

**7. BENEFITING LOCAL COMMUNITIES**

The prosperity of our business is closely aligned to the health and well-being of the communities in which we work, hence the Company's corporate social investment initiatives are aimed at integrating our business priorities with the needs of the local communities.

- The Company contributes significant amounts with respect to fiscal revenues particularly excise duty on lager beer, traditional beer levy, value added tax, company tax and pay as you earn withheld from employees' emoluments. The amounts paid during the year with respect to company tax, excise duty, net value added tax and other withholding taxes increased by 61% to US$158,5 million, noting that government taxes (excise duty and VAT) account for 33% of the lager beer retail prices.
- The Company is participating in The Replenish Africa Initiative (RAIN) which was launched in February 2011. The project is funded by The Coca Cola Africa Foundation with a primary focus on water stewardship projects across Africa over the next 5 years. 700 households are set to benefit from this initiative which is implemented by CARE International and supported by the three Coca Cola bottlers in Zimbabwe namely Delta, Mutare Bottling Company and Schweppes Zimbabwe Limited.
- During 2011, the initiative supported the rehabilitation of 20 boreholes in 20 schools in the Zaka and Gutu Districts of Masvingo Province. This programme will see the construction of pit latrines with hand washing centres at the chosen schools and include the running of sanitation and hygiene education programmes.
- The Company has continued with the Schools Assistance Program which saw the handover of three classroom blocks in the Midlands, Mashonaland Central and Manicaland Provinces with our implementation partners providing school furniture. Under the program the Company is committed to the construction of classroom blocks for disadvantaged communities in the country's rural provinces. In addition, the Company provides financial support to gifted but disadvantaged children through the Bursary Scheme, taking some of the students through Advanced Level and university education.
- Our involvement in the Sports and Arts has continued with sponsorships of festivals such as HIFA, Jikinya Dance festival, INTWASA and the 2011 Danhiko Paralympics Games. For the third successive year we sponsored the country's premier sports awards ANSA.
- The Company continues to support various charitable institutions such as St. Giles, Chinyaradzo Children's Home, Jairos Jiri, Kidz Can and other deserving institutions.



# Sustainable Development Report

**8. RESPECTING HUMAN RIGHTS**

Delta employs over 5 000 employees with almost 80% being permanent. A total of 46 managers within the group are female of which 18 are in senior grades. As noted in our Values Statement, we acknowledge that our people are our enduring advantage, hence the need to provide a safe and healthy working environment. Our conditions of service stress the need to discourage any forms of discrimination recognise the right to collective bargaining and the need to promote fairness at the work place.

- Safety committees are in place throughout the business under the guidance of suitably qualified Safety, Health and Environmental Managers who ensure adherence to the safety and health procedures. Statistics on accidents are collated and evaluated against internationally accepted benchmarks, with safety matters being deliberated at divisional boards under the oversight of the audit committee. The lost time injuries were impacted by the off-site road traffic accidents that sadly claimed the lives of our one crew and three members of the public.
- During the last financial year, the Group provided close to 13 000 days of training to employees. 66 Management Trainees (including Articled Clerks and Information Communication Technology Interns) and 379 Apprentices were in training during the period. The Group continues to feed the talent pipeline through annual intakes with a retention rate of about 80%. The remainder is absorbed by the external market and Delta is fully cognisant of the need to develop skills for the country as well.

**9. CONTRIBUTING TO THE REDUCTION OF HIV & AIDS**

The adverse effects of the HIV/AIDS pandemic continue to impact on our employees, their families and the wider community in which the Company operates. The overall objective of our business' comprehensive Wellness Program is to reduce the impact of HIV/AIDS and other non-communicable diseases on our employees, customers and suppliers. A major highlight for the year was the introduction of the Provider Initiated Testing and Counselling at the Company's clinics. This intervention had instant results with the number of employees being tested almost doubling within a six month period. Similarly, there was a marked increase in the uptake of anti-retroviral drugs. General awareness of health issues through the wellness program also increased. The table below gives a summary of the major activities during the year as follows:-

| Activity/Event | 2011 | 2010 |
|---|---|---|
| Peer Educators trained | 351 | 93 |
| Employee Wellness Days conducted | 17 | 5 |
| Onsite HIV Testing sessions | 15 | 14 |
| Number of employees tested for HIV onsite | 1 225 | 590 |
| Male condoms pieces distributed | 96 163 | 52 700 |
| Number of days lost due to illness | 4 353 | 5 327 |
| Number of workers who collected ARVs at our clinics | 192 | 134 |

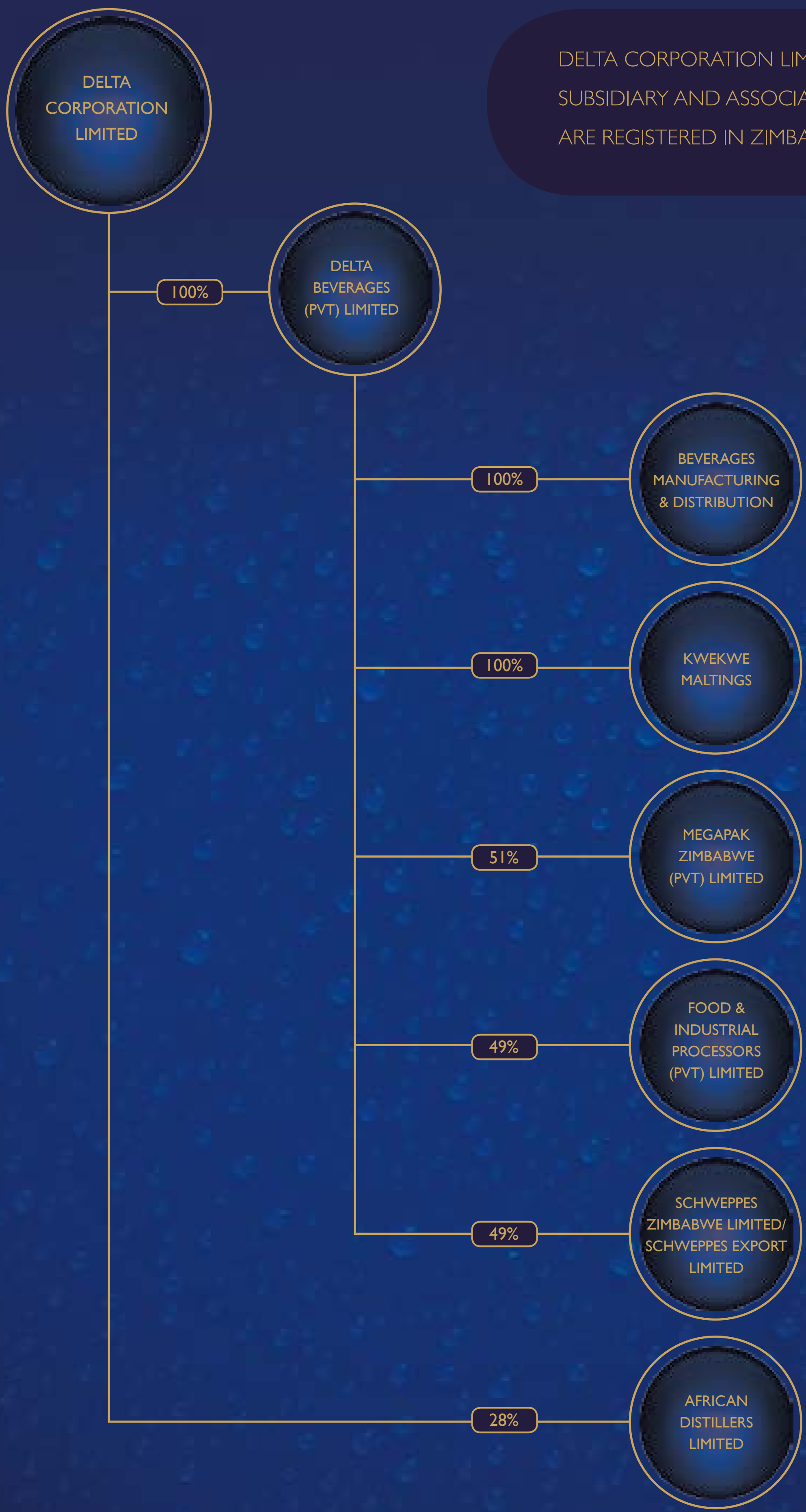
The crowning moment for the Wellness initiative came when the Company was awarded the prestigious Auxillia Chimusoro Trophy for best practice under the Corporate Social Responsibility category. Following this award, the Southern Africa Information Dissemination Services (SAFAIDS) saw it befitting to shoot a Training video using Delta as focal benchmark. During the year a Knowledge, Attitudes and Practices Survey (KAP) was also conducted. The outcome of the survey will inform the key interventions required for the business going forward.

**10. TRANSPARENCY AND ETHICS**

The company's Ethics Policy, which was recently updated, continues to be issued to all new employees on engagement. Corporate Governance and Ethics remain integral subjects in the Management Development Program (MDP). In addition the company sponsors SIFE's (Students In Free Enterprise) Ethics Pillar in a separate competition that is aimed at grooming ethical business leaders for the future.

# PORTFOLIO OF BUSINESS • GROUP STRUCTURE

DELTA CORPORATION LIMITED AND ALL SUBSIDIARY AND ASSOCIATED COMPANIES ARE REGISTERED IN ZIMBABWE.




# PORTFOLIO OF BUSINESS • 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 Light Lager, Bohlinger's Lager, Eagle Lager **Imported Brands:** Miller Genuine Draft, Peroni, Castle Lite, Sarita, Brutal Fruit, Redds

### TRADITIONAL BEER BUSINESS

Brewing sorghum beer, 14 Breweries
Chibuku and Rufaro

### SPARKLING BEVERAGES BUSINESS

Bottling carbonated sparkling beverages, 2 Bottling Plants, Coca-Cola, Coca ColaLight, Coke Zero, Fanta, Sparletta, Sprite, Schweppes, Burn

### TRANSPORT AND DISTRIBUTION BUSINESS

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

### MAHEU BUSINESS

Shumba & Super Maheu, 1 factory

## AGRO INDUSTRIAL

**Kwekwe Maltings**

Barley and Sorghum malting, 2 Malting Plants

## MEGAPAK ZIMBABWE (PVT) LTD

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

## SCHWEPPES ZIMBABWE LIMITED

Bottling of Non-carbonated cordials,
2 Plants, Mazoe, Calypso, Ripe & Ready, Still Water, Minute Maid

## FOOD AND INDUSTRIAL PROCESSORS (PVT) LTD

Food processing, 1 Factory

## AFRICAN DISTILLERS LIMITED

Wine & spirit producer, 1 Distillery, 6 Depots plus imported wines & ciders

# MANAGEMENT AND DIRECTORATE

C F DUBE

J S MUTIZWA

P GOWERO

S J HAMMOND

PROF H C SADZA

G J VAN DEN HOUTEN

L E M NGWERUME

T N SIBANDA

M J BOWMAN

D TARANHIKE

M KAROMBO

M M VALELA

E R MPISAUNGA



# Management And Directorate

## BOARD OF DIRECTORS

**CHAIRMAN**

| | |
|---|---|
| C F Dube | LLB; MBA * ° |

**CHIEF EXECUTIVE OFFICER**

| | |
|---|---|
| J S Mutizwa | B.Sc.Soc.Sc.(Hons); MBA * ° |

**EXECUTIVE DIRECTORS**

| | |
|---|---|
| P Gowero | BSc Econ (Hons); MBL (CEO Designate) |
| M P Karombo | B Tech (Mgmt); MBA; MCIM |
| E R Mpisaunga | B.Sc (Hons) |
| D Taranhike | M.Sc; MBA |
| M M Valela | B Tech (Accounts) ; CA(Z) |

**NON-EXECUTIVE DIRECTORS**

| | |
|---|---|
| M J Bowman | B.Com; MBA ° |
| S J Hammond | B.Comm; CA(Z) ° |
| L E M Ngwerume | BA; MBA; IMS |
| Prof H C Sadza | B.Sc; MA; PhD; MIPMZ; Mzim |
| T N Sibanda | B.Acc; CA(Z) * |
| G J van den Houten | B.Sc.Eng.; B Comm; MBL |

Mr. G Besson was co-opted as a member of the Audit Committee

He has been replaced by Mr. G Nel effective 1 May 2012

* Member of the Audit Committee

° Member of the Remuneration Committee

## GROUP MANAGEMENT COMMITTEE

| | | |
|---|---|---|
| J S Mutizwa | B.Sc.Soc.Sc.(Hons); MBA * ° | Chief Executive Officer |
| P Gowero | BSc Econ (Hons); MBL | Chief Operating Officer & CEO Designate |
| M M Valela | B Tech (Accounts); CA(Z) | Executive Director - Finance |
| E R Mpisaunga | B.Sc (Hons) | Executive Director - Operations |
| D Taranhike | M.Sc; MBA | Executive Director - Supply Chain |
| M P Karombo | B Tech (Mgmt); MBA; MCIM | Executive Director - Marketing |
| A Makamure | B. Acc (Hons); CA(Z) | Company Secretary |
| M R Makomva | B.Acc(Hons); CA(Z); MBL | Managing Director - MegaPak |
| C Malaba (Mrs) | B Acc(Hons); B Compt, CA(Z)/SA | General Manager - Beverage Operations (South) |
| D Mange | B.Sc; MBL | Director - Information Technology |
| G T Mutendadzamera | BL; LLB | Director - Corporate Affairs |
| Dr M G Nyandoroh | B.Sc (Hons); M.Sc; PhD | General Manager - Beverage Operations (North) |
| M Pemhiwa | BSc Psych; MBA | Director - Human Resources |
| T Rinomhota | BSc Eng; MBA | Director - Technical |

# NOTICE TO MEMBERS

Notice is hereby given that the sixty-fifth Annual General Meeting of Members of Delta Corporation Limited will be held at the Registered Office of the Company at Northridge Close, Borrowdale on Wednesday 25 July 2012 at 12 00 hours for the following purposes.

### ORDINARY BUSINESS

1. Statutory Financial Statements

   To receive and adopt the Financial Statements for the year ended 31 March 2012, together with the Report of Directors and Auditors thereon.

2. To appoint Directors

   Messrs S J Hammond and T N Sibanda are due to retire by rotation. Messrs D Taranhike and M P Karombo were appointed to the Board on 1 April 2012 and retire at the end of their interim appointments. All being eligible, they offer themselves for re-election.

3. Directors Fees

   To approve the directors' fees for the financial year ended 31 March 2012.

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

### SPECIAL BUSINESS

1. SHARE OPTION SCHEME - 2012

   To Resolve with or without amendments:

   That the "Delta Corporation Limited Share Option Scheme - 2012" be and is hereby authorised for implementation and that the Directors can allocate up to 25 000 000 (Twenty five million) ordinary shares to this Scheme. The rules of the Scheme will be available for inspection at the Registered Office of the Company fourteen (14) days before the meeting.

2. 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, at which such ordinary shares may be acquired will be not more than 10% (ten percent) above and 10% (ten 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 cummulative basis in the period between Annual General Meeting, 3% (three percent) of the number of ordinary shares in issue prior to the acquisition.



# Notice To Members

It will be recorded that, in terms of the Companies Act and the regulations of the Zimbabwe Stock Exchange, it is the intention of the Directors of the Company to utilise this authority at a future date provided the cash resources of the Company are in excess of its requirements and the transaction is considered to be in the best interests of shareholders generally. In considering cash resource availability the Directors will take account of, inter alia, the long term cash need of the Company and will ensure the Company will remain solvent after the re-purchase.

### BY THE ORDER OF THE BOARD

A MAKAMURE
COMPANY SECRETARY

Sable House
Northridge Close
Borrowdale
Harare
Zimbabwe

26 June 2012

# SHAREHOLDERS' ANALYSIS AND CALENDAR

| Size of Shareholding | Number of Shareholders | % | Issued Shares | % |
|---|---|---|---|---|
| 1 to 5,000 | 5 250 | 78,2 | 4 616 050 | 0,4 |
| 5,001 to 10,000 | 381 | 5,7 | 2 696 848 | 0,2 |
| 10,001 to 25,000 | 388 | 5,8 | 6 216 404 | 0,5 |
| 25,001 to 50,000 | 215 | 3,2 | 7 633 264 | 0,6 |
| 50,001 to 100,000 | 162 | 2,4 | 11 663 330 | 1,0 |
| 100,001 to 500,000 | 197 | 2,9 | 47 802 584 | 3,5 |
| Over 500,000 | 123 | 1,8 | 1 117 477 235 | 93,8 |
| | 6 716 | 100,0 | 1 192 105 715 | 100,0 |
| Category | | | | |
| Local Companies | 800 | 11,9 | 23 392 359 | 23,8 |
| Foreign Companies | 11 | 0,2 | 477 038 137 | 40,0 |
| Pension Funds | 215 | 3,2 | 57 752 796 | 4,8 |
| Nominees, local | 212 | 3,2 | 57 509 178 | 4,8 |
| Nominees, foreign | 109 | 1,6 | 263 803 905 | 22,1 |
| Insurance Companies | 85 | 1,3 | 8 461 855 | 0,7 |
| Resident Individuals | 4 707 | 70,1 | 29 126 177 | 2,4 |
| Non Resident Individuals | 171 | 2,5 | 1 786 016 | 0,1 |
| Investments & Trusts | 179 | 2,7 | 3 617 912 | 0,3 |
| Fund Managers | 185 | 2,8 | 2 415 037 | 0,2 |
| Deceased Estates | 40 | 0,6 | 609 690 | 0,1 |
| Other Organisations | 2 | 0,0 | 6 592 653 | 0,6 |
| | **6 716** | **100,0** | **1 192 105 715** | **100,0** |

Included in the category of 'over 500 000 shares' is Delta Employee Participation Trust Company (Private) Limited which holds 27 491 151 shares on behalf of 2 720 employees who participate in the two schemes.

## TOP TEN SHAREHOLDERS

| Shareholder | 2012 | % | 2011 | % |
|---|---|---|---|---|
| SABMiller Zimbabwe BV | 261 451 932 | 21,9 | 218 873 400 | 18,5 |
| Rainer Inc. | 193 137 519 | 16,2 | 193 137 519 | 16,3 |
| Barclays Zimbabwe Nominees (P/L) NNR | 147 829 283 | 12,4 | 113 055 460 | 9,6 |
| Old Mutual Life Assurance Co. | 141 560 379 | 11,9 | 143 498 020 | 12,2 |
| Stanbic Nominees (Pvt) Ltd NNR | 81 648 222 | 6,8 | 134 963 062 | 11,4 |
| Old Mutual Zimbabwe Ltd | 79 862 907 | 6,7 | 87 378 242 | 7,4 |
| Standard Chartered Nominees (PVT) LTD | 32 382 172 | 2,7 | - | - |
| Delta Employees Share Participation Trust Co | 27 491 151 | 2,3 | 27 766 151 | 2,3 |
| Browning Investments NV | 22 178 835 | 1,9 | 22 178 835 | 1,9 |
| Fed Nominees P/L | 17 507 950 | 1,5 | 20 371 598 | 1,7 |
| Stanbic Nominees (PVT) LTD | - | - | 16 128 867 | 1,4 |
| Other | 187 055 365 | 15,7 | 204 259 861 | 17,3 |
| | **1 192 105 715** | **100,0** | **1 181 611 015** | **100,0** |

# SHAREHOLDERS' ANALYSIS AND CALENDAR

| MAJOR SHAREHOLDERS | 2012 | % | 2011 | % |
|---|---|---|---|---|
| Old Mutual | 221 423 286 | 18,6 | 230 876 262 | 19,6 |
| SABMiller | 476 768 286 | 40,0 | 434 189 754 | 36,7 |
| | **698 768 286** | **58,6** | **665 066 016** | **56,3** |

## RESIDENT AND NON-RESIDENT SHAREHOLDERS

| | 2012 | % | 2011 | % |
|---|---|---|---|---|
| Resident | 713 300 704 | 59,8 | 739 942 626 | 62,2 |
| Non-Resident | 478 805 011 | 40,2 | 441 668 389 | 37,8 |
| | **1 192 105 715** | **100,0** | **1 181 611 015** | **100,0** |

The residency of a shareholder is based on place of domicile as recorded in the share register as defined for Exchange Control purposes and does not denote status in terms of the indigenisation regulations.

## SHARE PRICE INFORMATION

**Mid Range Price (US cents) at:**

| | |
|---|---|
| 30 June 2011 | 80,00 |
| 30 September 2011 | 72,00 |
| 31 December 2011 | 70,00 |
| 31 March 2012 | 68,00 |

**Price Range:**

| | |
|---|---|
| Highest: 11 May 2011 | 82,00 |
| Lowest: 19 October 2011 | 66,00 |

## CALENDAR

| | |
|---|---|
| Sixty Fifth Annual General Meeting | 25 July 2012 |
| Financial Year End | 31 March 2013 |
| Interim Reports: | **Anticipated Dates:** |
| 6 months to 30 September 2012 | November 2012 |
| 12 months to 31 March 2013 and | |
| Final dividend declaration | May 2013 |
| Dividend Payment Date – final | July 2013 |
| Annual Report Published | July 2013 |

**REGISTERED OFFICE :**
Sable House, Northridge Close
Northridge Park, (P O Box BW294)
Borrowdale, Harare, Zimbabwe
Telephone: 263 4 883865
E–mail: a. makamure@delta. co. zw

**TRANSFER SECRETARIES :**
Corpserve (Private) Limited
2nd Floor, Intermarket Centre
Cnr. Kwame Nkrumah / 1st Street
(P O Box 2208), Harare, Zimbabwe
Telephone: 263 4 751559/61
E–mail: corpserve@corpserve. co. zw

DELTA CORPORATION
LIMITED