DELTA

The future is in our brands

UNAUDITED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 3O SEPTEMBER 2010.

SALIENT FEATURES

Headline earnings per share
Increased by 106% to 1,71 cents

Attributable income
Up by 115% to $20,0 million

Operating income
(from continuing operations)
Grew by 82% to $27,2 million

Turnover
Increased by 51% to $214,5 million

Dividend per share
Dividend per share declared - 0,50 cents

Investment activities
To maintain and expand operations - $ 34,8 million

Net borrowings
Net funding - $ 16,9 million

GROUP STATEMENT OF FINANCIAL POSITION

	UNAUDITED As At 30 September 2010 US$'000	As At 30 September 2009 US$'000	AUDITED As At 31 March 2010 US$'000
ASSETS			
Non- current assets			
Property, plant and equipment	186 956	133 923	162 368
Investments, loans and trademarks	12 276	5 819	11 018
	199 232	139 742	173 386
Current assets			
Inventories	54 550	40 393	51 420
Trade and other receivables	38 224	23 209	22 882
Discontinued operations	–	4 000	–
Bank balances and cash	6 129	4 901	7 311
	98 903	72 503	81 613
Total assets	298 135	212 245	254 999
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	11 802	–	–
Share premium	17 707	29 364	29 375
Share option reserve	2 222	1 416	1 546
Dividend payable	5 901	–	–
Retained earnings	142 398	96 243	128 285
Equity attributed to equity holders of the parent	180 030	127 023	159 206
Non-controlling interests	3 184	5 993	2 733
Shareholders' equity	183 214	133 016	161 939
Non-current liabilities			
Deferred tax	23 898	32 409	22 720
	23 898	32 409	22 720
Current liabilities			
Short-term borrowings	23 000	5 315	15 000
Trade and other payables	68 023	41 505	55 340
	91 023	46 820	70 340
Total equity and liabilities	298 135	212 245	254 999
Net asset value per share (cents)	15,35	11,35	13,74

GROUP STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 September 2010 Unaudited US$'000	2009 Unaudited US$'000	Year ended 31 March 2010 Audited US$'000
CONTINUING OPERATIONS			
Turnover	214 498	142 510	330 803
Net Revenue	27 195	15 048	38 604
(Loss) / profit on disposal of discontinued operations		(111)	220
Operating Income	27 195	14 937	38 824
Net finance expense	(1 198)	(160)	(785)
Gain on acquisition of associate	1 323		4 453
Share of loss of associates	(366)	(115)	(617)
Profit before tax from continuing operations	26 954	14 662	41 875
Income tax expense	(6 488)	(4 566)	(2 191)
Profit for the period / year from continuing operations	20 466	10 096	39 684
DISCONTINUED OPERATIONS			
Loss for the period / year from discontinued operations	–	(617)	(4 151)
Total comprehensive income for the period / year	20 466	9 479	35 533

GROUP STATEMENT OF COMPREHENSIVE INCOME (CONT.)

Profit for the period / year attributable to:			
Owners of the parent	20 014	9 295	35 952
Non-controlling interests	452	184	(419)
	20 466	9 479	35 533
Profit for the period / year from continuing operations attributable to:			
Owners of the parent	20 014	9 912	38 963
Non-controlling interests	452	184	721
	20 466	10 096	39 684
Weighted average shares in issue (millions)	1 173,1	1 119,2	1 138,1
Earnings per share (cents)			
From continuing and discontinued operations			
Attributable earnings basis	1,71	0,83	3,16
Fully diluted basis	1,65	0,78	2,99
From continuing operations			
Attributable earnings basis	1,71	0,89	3,42
Fully diluted basis	1,65	0,83	3,24

GROUP STATEMENT OF CASH FLOW

	UNAUDITED For the six months ended 30 September 2010 US$'000	2009 US$'000	AUDITED For the year ended 31 March 2010 US$'000
Cash retained from operating activities			
Operating income	27 195	14 937	38 824
Depreciation	4 667	4 614	10 318
Other non - cash items	6 784	(1 266)	1 286
Increase in working capital	(4 807)	(17 804)	(21 814)
Cash generated from operating activities	33 839	481	28 614
Net financing expense	(1 198)	(160)	(785)
Income taxes paid	(6 293)	(222)	(6 146)
Cash flow from operations	26 348	99	21 683
Cash utilised in investing activities			
Maintaining operations	(17 637)	(496)	(11 248)
Expanding operations	(17 118)	(14 278)	(36 372)
Increase in loans and investments	(1 258)	(266)	(1 016)
Proceeds from disposal of property, plant and equipment	349	–	538
Proceeds from disposal of discontinued operations	–	–	4 000
Net cash invested	(35 664)	(15 040)	(44 098)
Financing activities			
Increase in shareholder funding	134	12 136	12 148
Increase in borrowings	8 000	–	15 000
Net cash used in financing activities	8 134	12 136	27 148
Net (decrease) / increase in cash and cash equivalents	(1 182)	(2 805)	4 733
Cash and cash equivalents at beginning of period / year	7 311	2 391	2 578
Cash and cash equivalents at end of period / year	6 129	(414)	7 311
Cash flow per share (cents)	2,24	0,01	0,40
Cash flow from discontinued operations			
Net cash outflow from operating activities			(428)
Net cash inflow from investing activities			213
Net cash inflow from financing activities			10
Total cash outflow from discontinued operations			(205)

GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	UNAUDITED For the six months ended 30 September 2010 US$'000	2009 US$'000	AUDITED For the year ended 31 March 2010 US$'000
Total equity at the beginning of the period / year	161 939	118 420	118 420
Share capital issued of the parent	134	12 136	12 148
Recognition of share based payments	675	293	1 094
Profit for the period / year	20 014	9 295	35 952
Earnings attributable to non controlling shareholders	452	184	(419)
Non-controlling interest in discontinued operations	–	(7 312)	(5 257)
Shareholders' equity at the end of the period / year	183 214	133 016	161 939
Attributable to:			
Owners of the parent	180 030	127 023	159 206
Non-controlling interests	3 184	5 993	2 733
	183 214	133 016	161 939

SUPPLEMENTARY INFORMATION

	Period ended 30 September 2010 Unaudited US$'000	2009 Unaudited US$'000	Year ended 31 March 2010 Audited US$'000
1. Depreciation of property, plant and equipment	4 667	4 614	10 318
2. Taxation			
Current income tax expense	5 310	3 412	11 403
Deferred tax– Arising during current year	1 178	1 154	6 156
– Reversal due to rate reduction	–	–	(15 368)
	6 488	4 566	2 191
3. Commitments for capital expenditure			
Contracts and orders placed	–	–	16 869
Authorised by directors but not contracted	38 032	21 733	39 625
	38 032	21 733	56 494

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

4. Currency of reporting

The financial statements reflect United States Dollars. This is the functional currency of the Group.

5. Accounting policies

Accounting policies are consistent with those used in the previous year However, the Statement of Financial Position at 30 September 2009 has been restated to reflect a change in policy which took place in the year to 31 March 2010 after the publication of interim financial statements. In keeping with industry practice, returnable containers which had previously been treated as a component of inventory are now treated as a component of property, plant and equipment. The number also incorporates an estimate of the containers in the market and the related liability.

This has not resulted in any change to comprehensive income and there is no impact on reserves. The restatements of the Statement of Financial Position at 30 September was as follows:

	September 2009 US$'000
Increase in property, plant and equipment	22 970
Decrease in inventories	17 451
Increase in short term liabilities	5 519

6. Share Capital

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 $11 802 060 was transferred from the share premium account to the share capital account. No adjustment has been made to comparative figures.

COMMENTARY

Overview

This has been an exciting half year with demand holding firm and investment in production capacity resulting in improved ability to meet that demand.

The focus of investment in capacity has been mainly in the lager beer business where ageing plant had resulted in high process losses and regular plant breakdowns which in turn reduced overall output. The increased capacity for lagers in Harare which came on line in the prior year made it possible to decommission one of the older packaging lines in Bulawayo without major disruption to national supply. The decommissioning was done in January 2010 to allow for the commencement of civil works for the installation of a new 42 000 bottle per hour packaging line. The new line started production in the first week of November 2010, in time for the peak sales season. Further lager capacity was brought on line in Harare at the beginning of October 2010 with the refurbishment of a packaging line which had been mothballed when the new plant came in a year earlier. This gives national lager packaging capacity of a little over two million hectolitres per annum.

The existing soft drinks packaging capacity has been in a better position to meet demand. However the company has had no capacity to produce soft drinks in PET since the existing line was decommissioned several years ago. In July 2010 a new PET line was brought on stream. This line has the capacity to produce 350 000 hectolitres per annum and can handle a wide range of pack sizes up to the two litre pack. Production to date has been in 500ml and 2 000ml. As of October 2010, the product range has been expanded to include mixers and it is intended that a range of flavoured and unflavoured carbonated bottled waters under the Schweppes brand will come into production during November, 2010.

Total beverages volumes for the half year at 2.8 million hectolitres are 16% up on the same period last year, a level not seen since the period to September 2005. This composite growth figure gives an incomplete picture as it hides a trend that can be seen better by disaggregating the components. Beverage volume growth for the half year compared to the same period last year was as follows: Lagers up 48%, Sparkling Beverages up 63% and Traditional Beer reflected a 4% loss in volumes.

COMMENTARY (CONT.)

As the economy recovers there has been quite a strong movement from traditional beer into lager beer. This trend was apparent in the prior year where the growth rate for traditional beer was only two thirds that of lagers, but has become more marked now that lager brand and pack availability has improved. This is a desirable trend because, although the lager business is more capital intensive, margins are better. Of interest, the level of lager volumes achieved in the six months to September 2010 was last seen in September 1999.

Significant improvements were recorded in market execution and overall customer service on the back of improved product supply and investments in refrigeration and merchandising.

Plastic volumes were up 33% on prior year, achieving an all time high tonnage throughput.

Financial information

Operating income from continuing operations amounted to $27.2 million, a growth of 82% on prior year.

The contribution of the Group to the fiscus through company income tax, value added tax and excise duty amounted to $60.3 million, with excise having grown disproportionately by 77% due to the swing to lagers.

Gross margins have held relatively constant, with productivity gains from new plant being absorbed by raw material price increases, but net margins have improved as expected as the backlog of maintenance starts to fall away.

In respect of cashflow, net working capital grew by $4.8 million, mainly representing an increase in trade receivables as the granting of credit becomes more common and increased inventories. Of the $34.8 million capital expenditure to date, around half relates to new returnable containers. At September the Group was in a net borrowed position of $ 16.9 million at an average interest rate of slightly below 10%.

Included in income is an amount of $1.3 million which arises from the acquisition of Schweppes Zimbabwe Limited and is as a result of certain post acquisition milestones having been achieved in the current year. The share of associate income shows a loss for the half year due to the losses made by African Distillers Limited arising primarily from the cost of their retrenchment exercise.

Directors

Dr Robbie Mupawose retired from the board with effect from 30 July 2010 after serving on the board for 13 years as non-executive chairman. His calm, carefully considered guidance was an important contribution to the Company, particularly in the latter years when the country went through a difficult period. I was appointed non-executive Chairman with effect from 1 August 2010, having been a member of the board since February 2004, and deputy chairman since 2009.

Kennedy Mandevhani resigned from the board as from 28 July 2010 having been a non-executive board member since June 2007. I would like to thank Kennedy for what he added to the board discussions, particularly his ability to look at existing issues with a new perspective.

Prospects

The next six months is a period of consolidation as new or improved capacity settles in and it is possible to supply the market with the full product range.

The focus will be on the route to market and ensuring that the higher volumes translate into improved margins through right-pricing of inputs, improved plant efficiencies and cost containment.

I take great pleasure in presenting this my first interim report as non-executive chairman, and would like to express my thanks to my board colleagues for their confidence in me and their support and commitment to the Company. My thanks must also go to management and staff for these improved Group results.

For and on behalf of the Board
C F Dube
Chairman 5 November 2010

Dividend Declaration

NOTICE is hereby given that on 5 November 2010 the Board of Directors declared an interim dividend, number 101, of 0.50 cents per share payable out of the profits of the Company for the year to 31 March 2011.

The dividend will be payable in United States Dollars to Shareholders registered in the books of the Company at the close of business on 10 December 2010. Dividend warrants will be posted or direct payments made on or about 15 December 2010.

The share register of the Company will be closed from 11 to 13 December 2010, both dates inclusive.

By order of the Board

A Makamure
Company Secretary.

DELTA CORPORATION LIMITED

Directors :
C F Dube (Chairman), J S Mutizwa (Chief Executive), M J Bowman, S J Hammond, R H M Maunsell,E R Mpisaunga, Dr M S Mushiri, L E M Ngwerume,Prof. H C Sadza, T N Sibanda, G J van den Houten.
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