



# Delta Corporation LIMITED

## UNAUDITED FINANCIAL INFORMATION For the period ended 30 September 2017

### GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	UNAUDITED Period Ended 30 September 2017 US\$'000	UNAUDITED Period Ended 30 September 2016 US\$'000	AUDITED Year ended 31 March 2017 US\$'000
Shareholders' equity at beginning of the period	503 862	487 899	487 899
Share options exercised	6 015	—	795
Share buy back	(1 896)	(4 464)	(7 198)
Recognition of share based payments	788	630	1 643
Total comprehensive income for the period	32 331	30 984	69 885
Dividends	(58 086)	(25 852)	(49 162)
Shareholders' equity at end of the period	483 014	489 197	503 862

### SUPPLEMENTARY INFORMATION

	UNAUDITED Period Ended 30 September 2017 US\$'000	UNAUDITED Period Ended 30 September 2016 US\$'000	AUDITED Year ended 31 March 2017 US\$'000
<b>1. Revenue</b>			
Gross sales	292 084	287 420	562 933
Less VAT and discounts	(42 018)	(40 781)	(79 965)
<b>Revenue</b>	250 066	246 639	482 968
Less excise duty and levies	(29 004)	(26 569)	(52 702)
<b>Net sales</b>	221 062	220 070	430 266
<b>2. Depreciation of property, plant and equipment</b>	14 934	15 455	30 714
<b>3. Taxation</b>			
Current income tax expense	9 304	8 200	16 971
Withholding tax	270	222	372
Deferred tax - Arising during current period	1 100	2 204	1 189
	10 674	10 626	18 532
<b>4. Commitments for capital expenditure</b>			
Contracts and orders placed	2 500	28 000	2 500
Authorised by directors but not contracted	27 233	6 000	34 889
	29 733	34 000	37 389

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

	Lager Beer US\$'000	Sparkling Beverages US\$'000	Sorghum Beer US\$'000	Total Reportable Segments US\$'000	All Other Segments US\$'000	Total US\$'000
<b>5. Reportable segments</b>						
<b>30 September 2017</b>						
Segment revenue	100 999	66 362	83 227	250 588	6 250	256 838
Inter-segment revenue	—	—	—	—	(6 772)	(6 772)
External revenue	100 999	66 362	83 227	250 588	(522)	250 066
Segment operating income	12 784	5 144	16 823	34 751	3 273	38 024
<b>30 September 2016</b>						
Segment revenue	92 884	68 144	83 477	244 505	9 715	254 220
Inter-segment revenue	—	—	—	—	(7 581)	(7 581)
External revenue	92 884	68 144	83 477	244 505	2 134	246 639
Segment operating income	10 274	5 458	19 648	35 380	4 069	39 449

The Sparkling Beverages Business and associate entity Schweppes Holdings Africa produce brands under licence from The Coca-Cola Company (TCCC) in terms of bottlers' agreements. Following the merger of SABMiller and AB InBev in October 2016, TCCC has indicated an intention to terminate these bottlers agreements and that TCCC and AB InBev are pursuing strategies that could result in a restructure of these business entities. No specific official positions have been reached regarding these matters, consequently the entities have not been identified as a disposal group.

#### 6. Currency of reporting

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

#### 7. Accounting policies

Accounting policies are consistent with those used in the previous year with no significant impact arising from new and revised International Financial Reporting Standards applicable for the period ended 30 September 2017.

#### 8. Contingencies

The Zimbabwe Revenue Authority has raised tax assessments of \$27.8 million for the period 2009 to 2014 based on disallowing expenditure on royalties and technical assistance fees. Based on the legal advice received to date the Board is of the view that the company has acted within the confines of existing statutes. Consequently, no provision has been made pending the resolution of the matter which is now before the courts. The Delta Board cannot at this stage estimate the likely timing of the resolution of the matters.



### COMMENTARY

#### DEAR SHAREHOLDER,

#### OPERATING ENVIRONMENT

The operating environment has been mixed with both challenges and opportunities. The inability to remit foreign payments and constrained payment methods impacted negatively on the trading environment while the improved agricultural out-turn and small scale mining spurred consumer spending.

There is heightened nervousness about currency risk and the value of monetary assets occasioned by higher liquidity on the RTGS platform and depleting nostro balances. This is driving up valuations across available investment classes as evidenced by the bull run on the Zimbabwe Stock Exchange. There is an urgent need for fiscal consolidation.

The business remains profitable and cash generative with lager beer volume up 11% on prior year with a volume mix in favour of value packs and brands. Sparkling beverages were flat on last year while maheu grew 19%. Sorghum beer is down 4% affected by the transactional challenges in the rural markets and the trading up to lager beer. Revenue is up 1% on prior year driven by higher volume of lager beer with operating profit and EBITDA both down 4% reflecting the contribution of value packs and brands in the mix. The higher contribution of finance and associate income resulted in attributable income growth of 4% above prior year.

Included in cash balances is US\$39 million with respect to unremitted dividends due to foreign shareholders which together with reduced working capital resulted in net cash rising to US\$182.9 million.

#### THE COCA-COLA BOTTLER'S AGREEMENT

Shareholders are reminded that the Company is trading under a cautionary issued with respect to the notice received from The Coca-Cola Company (TCCC) advising of an intention to terminate the Bottler's Agreements with the Group entities (Notified Intention). This followed the merger of AB InBev and SABMiller Plc in October 2016 and the subsequent agreement in principle reached between TCCC and AB InBev to explore options to restructure the bottling operations in a number of countries. The discussions have progressed slower than anticipated.

#### REGIONAL INVESTMENT

Your company is in the process of finalising a transaction to acquire a controlling shareholding of National Breweries Plc (Natbrew), the Zambian Sorghum beer company which is listed on the Lusaka Stock Exchange. We intend to leverage our extensive experience in the Sorghum beer business to deliver long term value in this entity. The transaction is subject to the customary regulatory approvals. Details of the transaction will be availed as soon as the approvals are in place.

#### OUTLOOK

The Board will continue to seek sound investment opportunities and capital projects to optimise our cash balances and protect capital, while delivering a sustainable yield to our shareholders. Little change if any is expected in the operating environment to the end of the financial year.

#### DIVIDEND

The Board declared an interim dividend of US2.25 cents per share to be paid on 3 November 2017.

For and on behalf of the Board

CF Dube  
Chairman  
3 November 2017