

# DELTA EMD

## AUDITED GROUP RESULTS FOR THE YEAR ENDED 27 DECEMBER 2013

### SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Note	Audited year to December 2013 R'000	Audited year to December 2012 R'000
<b>Revenue</b>	<b>375 187</b>	<b>365 459</b>
Gross profit	129 220	117 821
Investment income	6 073	6 226
Under recovery of manufacturing overheads	(29 422)	(25 393)
Distribution expenses	(34 469)	(32 034)
Administrative expenses	(39 214)	(31 282)
Other costs	(8 799)	(4 006)
Profit on sale of assets	46	–
Impairment raised	(121 655)	(659)
Net foreign exchange gains/(losses)	4 535	(3 808)
<b>(Loss)/Profit before taxation</b>	<b>(93 685)</b>	<b>26 865</b>
Taxation	24 568	(9 742)
Normal taxation	24 568	(8 513)
Secondary taxation on companies	–	(1 229)
<b>(Loss)/Profit for the year</b>	<b>(69 117)</b>	<b>17 123</b>
<b>Other comprehensive income</b>		
Increase in foreign currency translation reserve	924	1 746
<b>Total comprehensive(loss)/ income for the year</b>	<b>(68 193)</b>	<b>18 869</b>
<b>Attributable to equity holders of parent company</b>		
(Loss)/Profit for the year	(69 117)	17 123
Total comprehensive (loss)/income for the year	(68 193)	18 869
<b>Headline earnings attributable to ordinary shareholders</b>	<b>18 538</b>	<b>17 782</b>
Number of shares in issue ('000)	49 166	49 166
Weighted number of shares in issue ('000)	49 166	49 166
Dilutive number of shares in issue ('000)	49 166	49 166
Attributable (loss)/earnings per share (cents)		
– basic	(140,6)	34,8
– diluted	(140,6)	34,8
Dividend per share (cents)	25,0	25,0

### SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited year at December 2013 R'000	Audited year at December 2012 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	132 774	260 251
Other non-current assets	2 274	3 291
<b>Current assets</b>		
– Inventories	161 672	121 142
– Trade and other receivables	112 507	105 037
– Bank balances and cash	121 128	153 622
Non-current assets held for sale	13 182	12 871
<b>Total assets</b>	<b>543 537</b>	<b>656 214</b>
<b>EQUITY AND LIABILITIES</b>		
Total shareholders' funds	444 278	524 446
<b>Non-current liabilities</b>		
Deferred taxation liabilities	10 060	46 191
Other non-current liabilities	7 294	8 108
<b>Current liabilities</b>		
– Trade and other payables	71 160	62 669
– Short-term provisions	3 000	3 727
– Taxation payable	7 745	11 073
<b>Total equity and liabilities</b>	<b>543 537</b>	<b>656 214</b>
<b>Net asset value per share (cents)</b>	<b>904</b>	<b>1 067</b>

### SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited year to December 2013 R'000	Audited year to December 2012 R'000
<b>Cash generated by trading</b>	<b>42 313</b>	<b>45 821</b>
(Increase)/decrease in working capital	(39 182)	17 288
<b>Cash generated by operations</b>	<b>3 131</b>	<b>63 109</b>
Net interest received	6 073	6 226
Taxation paid – normal	(14 890)	(9 296)
Taxation paid – secondary tax on companies	–	(1 229)
<b>Cash (outflow)/inflow from operating activities</b>	<b>(5 686)</b>	<b>58 810</b>
Replacement capital expenditure	(15 844)	(14 074)
Decrease in non-current assets	1 017	1 156
Proceeds on sale of assets	53	–
<b>Net cash (outflow)/inflow before financing activities</b>	<b>(20 460)</b>	<b>45 892</b>
Dividend paid – ordinary	(12 291)	(12 291)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(32 751)</b>	<b>33 601</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>153 622</b>	<b>118 996</b>
Currency translation of cash in foreign subsidiary	257	1 025
<b>Cash and cash equivalents at end of year</b>	<b>121 128</b>	<b>153 622</b>

### SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital and premium R'000	Foreign currency translation reserve R'000	Accumulated profit R'000	Total R'000
<b>Balance at 27 December 2011</b>	<b>4 856</b>	<b>1 550</b>	<b>510 387</b>	<b>516 793</b>
Total comprehensive income for the year	–	1 746	17 123	18 869
Dividend paid – ordinary	–	–	(12 291)	(12 291)
Prior years unclaimed dividends reversed	–	–	1 075	1 075
<b>Balance at 27 December 2012</b>	<b>4 856</b>	<b>3 296</b>	<b>516 294</b>	<b>524 446</b>
Total comprehensive loss for the year	–	924	(69 117)	(68 193)
Dividend paid – ordinary	–	–	(12 291)	(12 291)
Prior years unclaimed dividend reversed	–	–	316	316
<b>Balance at 27 December 2013</b>	<b>4 856</b>	<b>4 220</b>	<b>435 202</b>	<b>444 278</b>

### NOTES

	Audited year to December 2013 R'000	Audited year to December 2012 R'000
<b>1. Reconciliation between attributable earnings and headline earnings</b>		
Attributable (loss)/earnings after taxation	(69 117)	17 123
Impairment raised	121 655	659
Profit on sale of assets	(46)	–
Taxation effect	(33 954)	–
<b>Headline earnings attributable to ordinary shareholders</b>	<b>18 538</b>	<b>17 782</b>
Attributable headline earnings per share (cents)		
– basic	37,7	36,2
– diluted	37,7	36,2
<b>2. Basis of presentation</b>		
The Group is domiciled in South Africa. The audited summarised consolidated financial results at and for the year ended 27 December 2013 comprise the company and its subsidiaries (the 'Group').		
The Group's principal accounting policies have been applied consistently over the current and prior financial years.		
The Group's summarised consolidated financial results have been prepared in accordance with the framework concepts and measurement and recognition requirements of International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRIC), the Companies Act of South Africa, as well as SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.		
The auditors, Deloitte & Touche, have issued their unmodified opinion on the Groups' financial statements for the year ended 27 December 2013. The audit was conducted in accordance with International Standards on Auditing. This preliminary report has been derived from the Group financial statements and consistent in all material respects, with the Group financial statements. A copy of their audit reports are available for inspection at the company's registered office. The auditors have issued an unmodified audit opinion for the annual financial statements as well as an unmodified audit opinion for this extract from the annual financial statements. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the Company's auditors.		
	<b>Audited year to December 2013 R'000</b>	<b>Audited year to December 2012 R'000</b>
<b>3. Commitments</b>		
Capital commitments – authorised but not contracted	7 007	6 475
Capital commitments – contracted	2 815	4 975
	<b>9 822</b>	<b>11 450</b>
Operating lease commitment	3 038	3 471

### COMMENTARY

The Group's underlying performance for 2013 reflects continued oversupply in the global electrolytic manganese dioxide (EMD) market, increasingly competitive pricing, and market selling prices that did not afford a full recovery of higher input costs.

#### PERFORMANCE OF THE GROUP'S EMD BUSINESS

The Group's revenue totaled R375,2 million and exceeded the prior year (2012: R365,5 million) with marginally lower sales volumes and an improved sales mix which resulted in slightly improved average selling prices.

The majority of the Group's sales were made in Rand-denominated selling prices, which on average were slightly higher than the prior year. The average Rand selling price realised on US dollar denominated sales was also slightly higher than the prior year, due to a weaker Rand, and notwithstanding lower average US dollar selling prices.

Average per unit production cost for the year increased from the prior year due to input cost increases, particularly for electricity, transport, labour and maintenance. Input cost increases were only partly offset by operational improvements.

Administration costs increased to R39,2 million (2012: R31,3 million), and included once off costs for product and market development, costs responding to regulatory reviews of the EU and Japanese anti-dumping duties, and advisory costs associated with the Group's strategic review.

Trading profit for the year totaled R25,5 million (2012: R29,1 million), and included a write down of inventory and work in progress (R9,6 million), and administration cost increases (R7,9 million).

During the year, the Group undertook an impairment review in accordance with IAS 36, which gave rise to a pre-tax impairment of R121,7 million on the carrying value of the Nelspruit EMD manufacturing plant and equipment, reducing the carrying value of these assets to fair value.

Interest received of R6,1 million was in line with the prior year (2012: R6,3 million). The Group's taxation charge for the year of R11,5 million (2012: R9,7 million) was offset with a R36,1 million deferred tax credit arising from the impairment charge. The net tax for the year is a tax credit of R24,6 million.

Attributable loss for the year totaled R69,1 million (2012: attributable profit R17,1 million), and loss per share was 140,6 cents (2012: earnings per share 34,8 cents). Headline earnings for the year were R18,5 million (2012: headline earnings R17,8 million), and headline earnings per share for the year were 37,7 cents (2012: 36,2 cents).

Cash generated by operations for the year totaled R3,1 million (2012: R63,1 million). Working capital increased during the year by R39,2 million (2012: decrease of R17,3 million), and capital expenditures for the year totaled R15,9 million (2012: R14,1 million). Dividend payments totaled R12,3 million (2012: R12,3 million).

Year-end cash balances decreased to R121,1 million (2012: R153,6 million).

#### DISPOSAL OF THE GROUP'S AUSTRALIAN PLANT SITE

Efforts to sell the Group's former plant site in Australia continue.

#### PROSPECTS

Global EMD market conditions continue to be difficult. Demand for EMD in the US, Europe and Japan has declined with battery production migrating to China and South East Asia, and with the replacement of larger batteries with smaller batteries that require less EMD. The EMD market remains oversupplied, particularly in the US, Europe and Japan.

Delta EMD's competitive position has also weakened due to higher input costs, overseas customers' preference for domestic supply, relative product performance and anti-dumping duties.

The Group's product research and development efforts have included work on cathode materials for electric vehicle batteries, as well as other manganese materials. Our review of opportunities that would employ competitive advantages available to Delta EMD has concluded that none of the possible investments would provide an acceptable return.

As disclosed previously, a substantial North American customer has advised that its 2014 purchases from Delta EMD will be substantially lower than prior years. This longstanding customer has chosen domestic supply that is now available due to additional capacity and reduced demand from another customer that has migrated battery production to South East Asia. Reduced sales volumes will adversely affect Delta EMD's sales revenue, manufacturing overhead recoveries, profitability and cash flows.

Management has revised the Group's 2014 business plan and is reducing production in line with the reduced sales volumes expected during 2014, as well as reducing costs where possible. Discussions are underway with Delta EMD's significant customers to assess their short and longer term EMD requirements.

Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group's auditors.

#### DIVIDEND

No dividend has been declared.

#### PREPARER OF FINANCIAL STATEMENTS

These summarised consolidated financial statements have been prepared under the supervision of JS Seymore CA(SA) in his capacity as Chief Financial Officer of the Group.

TG Atkinson

(Chairman)

7 February 2014

Johannesburg

#### DELTA EMD LIMITED

Registration number: 1919/006020/06

Income tax number: 9375057719

Share code: DTA ISIN: ZAE000132817

("Delta EMD" or "the Group")

#### Registered Office

15 Heyneke Street, Industrial Site, Nelspruit, 1200

#### Transfer Secretaries

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70 Marshall Street, Johannesburg, 2001, PO Box 61051, Marshalltown, 2107

#### Directors:

**Independent non-executive:** AC Hicks, BR Wright, L Matteucci

**Non-executive:** TG Atkinson\* (Chairman) \*USA

**Executive:** P Bajjnath (Chief Executive Officer), JS Seymore, CA(SA) (Chief Financial Officer)

**Sponsor:** Rand Merchant Bank (A division of FirstRand Bank Limited)

P Bajjnath

(Chief Executive Officer)