



**INTEGRATED  
ANNUAL REPORT**

for the year ended  
27 December 2015

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## **DELTA EMD LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number 1919/006020/06)

Share code: DTA ISIN: ZAE000132817

### **Secretary and registered office**

EJ Nel, CA(SA)  
15 Heyneke Street  
Industrial Site  
Nelspruit  
Mpumalanga  
PO Box 2197  
Nelspruit  
1200

### **Transfer secretaries**

Computershare Investor Services  
Proprietary Limited  
70 Marshall Street  
Johannesburg  
2001

### **Bankers**

ABSA Limited  
Investec Limited  
Nedbank Limited

Registered auditors  
Deloitte & Touche

## BOARD OF DIRECTORS

		Non-executive (Non-independent)	Non-executive (Independent)	Executive	Committee
TG Atkinson (USA) (59)	Chairman of Delta EMD Limited – Appointed 2003 and Chairman in 2004. Acting CEO of Delta EMD Limited – Dec 2015.			✓	NC, RC
P Bajjnath (52)	Chief Executive Officer of Delta EMD Limited – until 15 May 2015 from 16 May 2015 Director of companies	✓			
AC Hicks (70)	Director of Companies – Appointed 2006		✓		AC, NC, RC
BR Wright (69)	Director of Companies – Appointed 2006. Designated lead Independent director		✓		AC, NC, RC
L Matteucci (62)	Director of Companies – Appointed 2012		✓		AC
JS Seymore (47)	Chief Financial Officer of Delta EMD Limited – Appointed 2009 Acting Chief Executive Officer of Delta EMD Limited – Appointed May 2015 Deceased – Nov 2015			✓	
EJ Nel (42)	Acting Chief Financial Officer of Delta EMD Limited – Appointed May 2015 Financial Director of Delta EMD Limited – Appointed Dec 2015			✓	
C Naicker (44)	Operational Director Delta EMD Limited – Appointed Dec 2015			✓	

AC Member of the Audit and Risk Committee.

NC Member of the Nominations Committee.

RC Member of the Remuneration Committee.

## Non-executive directors

### Directors

The full names, ages and profiles of the directors at the last practicable date are set out below:

**Mr Praveen Bajinath** – Non-independent Non-executive  
Age: 52

**Qualifications:** ChemEng, MSAIChe, MBA (Wales),  
PMD (UCT)

**Profile:** Praveen Bajinath was appointed CEO for Delta EMD Limited on 26 January 2009 and currently has a total of 25 years' experience in the industrial chemical, minerals processing and beneficiation industry. He was previously CEO for Gold Reef Speciality Chemicals, as well as director on the Operational Board of Frame Textile Group. His previous positions spanning a period of 20 years were with ICI/Huntsman Tioxide in Process/Chemical Engineering, Plant management and Senior Management roles in Operations, EHS, Technical and Strategic Development. Praveen is a Member of SA Institute of Chemical Engineers and Institute of Directors in Southern Africa. Mr Bajinath services as Chief Executive officer ceased on 15 May 2015 but he remains on the board as a non-executive director. He is currently Chief Executive Officer at Rand Refinery.

**Business address:** 15 Heyneke Street, Nelspruit  
Mpumalanga

**Nationality:** South African

**Mr Alf C Hicks** – Independent non-executive Age: 70

**Profile:** Alf C Hicks has spent more than 30 years in the dry cell battery business as Sales and Marketing Director of Eveready South Africa and Business Director of Duracell in Poland. He joined the Delta Board in 2006 and is a member of the Delta Audit and Risk Committee and of the Remuneration and Nominations Committees.

**Business address:** 14 Greenacres Village, 1 Ascot Road  
Greenacres, Port Elizabeth, Eastern Cape

**Nationality:** South African

**Mr Brian R Wright** – Designated Lead Independent  
non-executive Age: 69

**Qualifications:** BCom, CA(SA)

**Profile:** Brian R Wright joined the Delta Group in 1974. During his career he held a number of senior executive positions in the Group and was appointed to the Delta Board in 1987. In 2006 he retired from his position as Group Managing Director and was appointed to the Delta Board as a non-executive Director. He is a member of the Delta Audit and Risk Committee.

**Business address:** 2300 Waterfall Valley, 1 Country Estate  
Drive, Midrand, 1682.

**Nationality:** South African

**Mr Luigi Matteucci** – Independent non-executive Age: 62

**Qualifications:** BCom, CA(SA)

Mr Matteucci is the chairman of the Delta Audit and Risk Committee. He was a non-executive Director of Metmar Limited until October 2015, and a non-executive Director and Chairman, Audit Committee, of Small Enterprise Foundation. In May 2016 he was appointed as non-executive director at Renergan.

**Profile:** Mr Matteucci retired as Financial Director of Highveld Steel and Vanadium Corporation Limited ("Highveld") in 2007. He completed his articles at Coopers & Lybrand in 1978. He joined Highveld in 1979 as Chief Accountant and was appointed Financial Director in 1985.

**Business address:** 33 Sawgrass Avenue, Silver Lakes,  
Pretoria, 0054

## Executive directors

**Mr Todd G Atkinson** – Executive Chairman Age: 59

**Qualifications:** BSc (Accounting), Juris Doctorate, LLM

**Profile:** Todd G Atkinson has been executive Vice President of Valmont Industries since July 2011. Prior to joining Valmont he was Chief Executive of Delta plc, a UK-listed group acquired by Valmont during 2010. He became Chairman of Delta EMD Limited in May 2004 and has taken on the role as Executive Chairman after the passing of Mr JS Seymore.

**Business address:** One Valmont Plaza, Omaha, Nebraska  
68154, USA

**Nationality:** American

## BOARD OF DIRECTORS (continued)

**Mr Johan S Seymore** – Chief Finance Officer and Company Secretary Age: 46

**Qualifications:** BCom, CA(SA)

**Profile:** Johan S Seymore joined Delta as Executive Director on 3 December 2009 and appointed as CFO on 18 February 2010. He has 24 years' diverse financial, strategic and operational management experience within global engineering, telecoms, defence, mining and industrial groups and served as CFO for VWS Envig Proprietary Limited and prior to that as CFO for SAAB Grintek Limited. He was appointed as Company Secretary for Delta on 10 December 2010. He was appointed Chief Executive Officer in May 2015. Mr Seymore passed away on 27 November 2015.

**Business address:** 15 Heyneke Street, Nelspruit Mpumalanga

**Nationality:** South African

**Mrs EJ Nel** – Financial director and Company Secretary Age: 42

**Qualifications:** BCom, CA(SA)

**Profile:** Ms Emma Nel joined the Company in 1998. Emma has 17 years experience in the financial, strategic and operational management of the EMD business. She was acting in the role of CFO of Delta EMD Limited since May 2015 and was appointed financial director and Company Secretary in December 2015.

**Business address:** 15 Heyneke Street, Nelspruit Mpumalanga

**Nationality:** South African

**Mr C Naicker** – Operations director Age: 44

**Qualifications:** HND Mechanical Engineering, BCom Management, MBA

**Profile:** Collin Naicker was appointed Operations Manager at Delta EMD (Pty) Ltd on 1 April 2012 and Operations Director in May 2015. Collin has a total of 23 years' experience in the manufacturing, industrial chemical, mining and metal industries. Before joining Delta EMD Limited, Collin held positions in engineering, operations and senior management within BHP Billiton Aluminium division, where he was Operations Manager at Hillside Aluminium. Collin has extensive experience in areas of Engineering, Capital Project Management, Production, Maintenance, Strategy, Business re-engineering and operations. Collin was appointed as director of Delta EMD Limited in Dec 2015.

**Business address:** 15 Heyneke Street, Nelspruit Mpumalanga

## Discontinuation process

Delta EMD Limited approved the discontinuation of its business at the Annual General meeting on 9 May 2014. The Company remains listed and continues to comply as far as it is applicable with all the requirements of the JSE Listings Requirements as well as the Companies Act and regulation of King III. This corporate governance report should be read against the background of the status of the Company as a listed group in the process of discontinuation of its business with the ultimate goal of closure, delisting and deregistration. Various elements of corporate governance practices applicable to a sustainable business no longer apply in the process of closure.

## Shareholder profile

Delta EMD Limited is listed on the Johannesburg Stock Exchange ("JSE") Main Board. Detailed analysis of its shareholders' profile appears on page 60. The major shareholder of Delta EMD Limited ("Delta") is Valmont EMD Holdings Limited, a private limited company incorporated in the United Kingdom which held 49.1% (2014: 49.1%) of the issued share capital of Delta at 27 December 2015.

## Ethical leadership and corporate citizenship

### Governance of ethics

The Board provides effective leadership based on principled effective corporate governance. Delta subscribes to high ethical standards. Operating within the guidelines of the Code of Corporate Practices and Conduct as contained in the King Report on Corporate Governance in South Africa, the Directors recognise the need to conduct business with integrity and in accordance with generally accepted corporate practices. The fundamental objective will always be to do business ethically recognising the short- and long-term impact of its activities on the economy, society and the environment.

In its deliberations, decisions and actions, the Board is sensitive to the legitimate interests and expectations of the Company's stakeholders. The Board as a whole acts as a steward of the Company and each Director acts with intellectual honesty and independence of mind in the best interests of the Group and its stakeholders.

### Management of ethics

Our commitment to building and sustaining an ethical organisational culture is fostered in our day-to-day management of the operations. While the Board has ultimate responsibility for the Company's ethics performance, executive management is responsible for setting up a properly implemented ethics management process, under the guidance of the Social and Ethics Committee, now incorporated in the Audit and Risk Committee.

The code of ethics enjoins Delta Directors, management and employees to:

- hold paramount the safety, health and welfare of the public in the performance of their duties;
- act in such a manner as to uphold and enhance personal and professional honour and integrity;
- treat with respect and consideration all persons, regardless of race, religion, gender, sexual orientation, marital or family status, disability, age or national origin;
- build professional reputations on the merit of our product and refrain from competing unfairly;
- avoid any interest of activity that is in conflict with the conduct of their role in Delta; and
- demonstrate the highest standard of integrity, truthfulness, honesty and fortitude in all activities in order to inspire confidence and trust in all actions.

The Company maintains an ethics hotline. This is an independent and confidential system for stakeholders to report unethical, dishonest or improper behaviour, including non-compliance with company policies as well as corruption and fraud. All reported incidents are investigated by the Audit Committee Chairman and, where appropriate, action is taken. The service is outsourced to an independent service provider. In line with legislation, our well-communicated commitment not to victimise whistleblowers ensures transparency and promotes ethical conduct, and the identity of whistleblowers is protected by the service provider.

The Group's comprehensive risk management approach covers risks associated with corrupt and dishonest behaviour. These are analysed and assessed as part of the risk management process. Induction and other staff training programmes address aspects of expected behaviour in terms of the Company's ethics, codes, policies and procedures.

### Compliance with laws, rules, codes and standards

The Board is responsible for ensuring that Delta complies with applicable laws and considers adhering to non-binding rules, codes and standards.

Through the Audit and Risk and Social and Ethics Committees, the Board ensures that appropriate structures and systems with appropriate checks and balances are established to help it discharge its legal responsibilities and oversee legal compliance. As from 1 January 2015 the remaining activities of the Social and Ethics Committee were incorporated with the Audit and Risk Committee. Processes are also in place to ensure the Board is appraised of significant developments in applicable laws, rules, codes and standards. Compliance risk is thus an integral part of the Company's risk management process and the Board delegates to management the task of implementing an effective compliance framework and processes.

## Corporate governance

We confirm that Delta applies the governance principles contained in King III and continues to further entrench and strengthen recommended practices in our governance structures, systems, processes and procedures. The financial impact of implementing all the relevant governance principles for a company of Delta's size and in the process of closure is material. In relevant sections of this integrated annual report Delta refers to areas where the Group applies a King III recommended practice differently due to its current status.

## Regulatory compliance

Delta is listed on the JSE. The Board annually confirms that the Company complies with the Listings Requirements of the JSE.

The Board places strong emphasis on the highest standards of financial management, accounting and reporting. The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). For non-financial aspects, the Company has adopted the Global Reporting Initiative's ("GRI G3.1") sustainability reporting guidelines on economic, environmental and social performance.

## Statutory compliance

Compliance remains a core focus of the Board which is ultimately responsible for ensuring that the Group identifies and complies with applicable laws.

## Standards of directors' conduct

The Board always acts consistently in its duties of care, skill and diligence as well as its fiduciary duties.

## Conflict of interest

The Board recognises the importance of acting in the best interest of the Company and protecting the legitimate interests and expectations of its stakeholders. The Board consistently applies the provisions of the Companies Act on disclosing or avoiding conflicts of interest. Directors are required to declare their interests in general annually and specifically at each meeting of the Board. Among other measures to deal with conflicts of interest, the Company has a policy that addresses the acceptance of gifts which requires that gifts be officially declared and registered in the Company's gift register.

## Insider trading

Through appropriate procedures, the Board ensures that no director, manager, prescribed officer, employee or nominee or members of their immediate family deals, directly or indirectly, in the securities of the Company on the basis of unpublished price-sensitive information nor during the closed period determined by the Board in terms of a formal policy implemented by the Company Secretary. Closed periods are from the end of the interim and annual periods to the start of the business day following the results announcement.

## Statutory powers

Section 66(1) of the Companies Act provides that the business and affairs of a company must be managed by or under the direction of its Board which has the authority to exercise all the powers and perform all the functions of the Company, except to the extent that the Act or the Company's memorandum of incorporation provides otherwise. The general powers of the directors are set out in the Company's memorandum of incorporation. The directors have further unspecified powers and authority for matters that may be exercised and dealt with by the Company, which are not expressly reserved to shareholders of the Company in general meeting.

## Board of directors

### Role and function of the Board

The Board functions in accordance with the requirements of King III and within the context of the Companies Act, the Listings Requirements of the JSE and other applicable laws, rules and codes of governance. The Board is responsible for, among other things, the governance of risk and information technology and has ensured that the Company has an effective, independent Audit Committee and an effective outsourced risk-based internal audit function. The internal audit function was effective up to August 2015; up to this point most of the assets of the Company have been sold. The only remaining assets of value is cash. The Board introduced new controls involving the Audit Committee relating to the transfer of cash. With the new controls in place and the status of the accounts the Board is of the opinion that outsourced risk based internal audit will not add any real value. On the recommendation of the Audit Committee, the Board has considered and approved the Company's integrated annual report. Based on the report of the Audit Committee and the written assessment of the Company's internal auditor up to half year, the Board is satisfied that the Company's system of internal controls is effective.

The main responsibilities of the Board, as set out in the Board Charter, are:

- To determine the Group's purpose, values and stakeholders and to develop strategies to achieve its purpose, implement its values and satisfy its stakeholders.
- To exercise leadership, enterprise, integrity and judgement based on fairness, accountability, responsibility and transparency.
- To safeguard the Group's compliance with all the relevant laws, regulations and codes of best business practice.
- To promote the Group operating ethically by adopting and regularly reviewing and updating the Group's code of ethics and by approving mechanisms implemented aimed at fraud prevention, detection and response.
- To manage conflicts of interest and independence issues by overseeing the development and enforcement of a code of conduct.

- To provide direction to and equip management to formulate strategy and planning processes to meet such strategy and to adopt the recommended strategic plan.

While retaining overall accountability and subject to matters reserved to itself, the Board has delegated to the Chief Executive and other executive directors authority to run the day-to-day affairs of the Company.

### Composition of the Board

The Delta Board is committed to the effective leadership, strategic direction and control of Delta. Delta has a unitary Board, consisting of executive directors who have an intimate knowledge of Delta's business and non-executive directors who add a broader view to Delta's activities. Collectively, the Board believes the current mix of knowledge, skills and experience meets the requirements to lead the business effectively. The Board has seven directors, comprising four non-executive directors and three executive directors. Three non-executive directors are independent. Mr BR Wright is the lead independent director. Refer to pages 3 to 4 for detail of the Board of Directors.

### Board appointment process

To ensure a rigorous and transparent procedure, any new appointment of a director is considered by the Board as a whole, on the recommendation of the Remuneration and Nominations Committees. The selection process involves considering the existing balance of skills and experience, and a continual process of assessing the needs of the Company. Non-executive directors are required to devote sufficient time to the Company's affairs.

### Independence of non-executive directors

The Board comprises a majority of non-executive directors of whom a majority are independent non-executive directors. The Board considered the issue of independence of directors, evaluating the rationale and meaning of the requirements of independence according to King III. An assessment, considering the salient factors and unique circumstances of each director, was performed for each non-executive director. The Board is satisfied that three of the four non-executive directors are independent.

Todd Atkinson is not regarded as independent in view of his position as Executive Vice President and Corporate Secretary of Valmont Industries Inc. as major shareholder of Delta and his role of acting as Executive Chairman since December 2015. Despite the determination reached on Mr Atkinson, the Board believes the skills, knowledge and experience of this director remain valuable to the organisation.

### Retirement of directors

In terms of the Company's Memorandum of Incorporation, at every Annual General Meeting, at least one-third of the directors retire from the Board. According to the Companies Act, a director appointed by the Board to fill a vacant seat

will serve as a director of the Company on a temporary basis until the vacancy has been filled by election.

### Chairman and Chief Executive

No individual has unfettered powers of decision-making. Responsibility for running the Board and executive responsibility for conducting the business are differentiated. Todd Atkinson, is Chairman of the Board and is acting as Chief Executive. The roles of the Chairman and Chief Executive are thus no longer separate and clearly defined. Mr Atkinson as Chairman is responsible for leading the Board, ensuring its effectiveness and setting its agenda, and in his role as the Chief Executive leads the executive team in running the process of the discontinuation of the business. With the loss of Mr Seymore the decision was made not to appoint a Chief Executive at this late stage and Mr Atkinson agreed to fulfill the role.

### Board meetings and attendance

Board meetings are convened by formal notice incorporating a detailed agenda and relevant written proposals and reports. Information is distributed in good time before Board meetings to enable adequate preparation for thorough discussion at these meetings. Decisions are allowed to be taken between Board meetings, by written resolution, in accordance with the Company's Memorandum of Incorporation and these are tabled for noting at each subsequent Board meeting.

When directors are not able to attend in person, video and teleconferencing facilities allow them to participate fully. Where directors are unable to attend a meeting in person or via video/teleconference, they are able to make submissions in advance on matters to be discussed and these submissions are recorded at the meeting.

### Director development

Directors are appraised, wherever relevant, of new legislation and changing commercial risks that may affect the Company.

In certain circumstances, it may become necessary for a non-executive or independent director to obtain independent professional advice to act in the best interests of the Company. Such a director also has unrestricted access to the Chairman, executive directors and Company Secretary. Where a non-executive or independent director takes reasonable action and costs are incurred, these are borne by the Company.

### Remuneration of directors and senior executives

Remuneration plays a critical role in attracting, motivating and retaining high-performing and talented individuals to achieve Delta's business objectives. The remuneration report was prepared by the Remuneration and Nominations Committee and has been approved by the Board. The report sets out the Company's remuneration philosophy, policy and practice for executive directors, non-executive directors and senior executives. Details of the remuneration policy of

the Company as it pertains to executive and non-executive directors are set out in the Remuneration report commencing on page 24 of the integrated annual report.

## Company Secretary

The Group Company Secretary is duly appointed by the Board in accordance with the Companies Act. The Company Secretary provides the Board as a whole and directors individually with guidance on discharging their responsibilities. She is also a central source of information and advice to the Board and the Company on matters of ethics and good corporate governance. The Company Secretary ensures that, in accordance with pertinent laws, the proceedings and affairs of the Board and its members, the Company itself and, where appropriate, the owners of securities in the Company are properly administered.

The Company Secretary ensures compliance with the Listings Requirements of the JSE. She also assists in developing the annual Board plan, and ensures compliance with the statutory requirements of the Company and its

subsidiaries. In terms of section 3.84(i) of the JSE Listings Requirements the Board must satisfy itself, on an annual basis, on the competence, qualifications and experience of the Company Secretary. The Board satisfied itself of this requirement during the year.

The Board acknowledges the JSE Listings Requirements in respect of the independence and arm's length relationship between the Company Secretary and the Directors. Due to the size of the Company and the process of discontinuation of the business the Board evaluate the combination of the two roles annually and is satisfied the Chief Financial Officer which is also the Company Secretary is providing the Board with the correct guidance, and independence required to fulfil both these roles. The JSE is aware of this position and provided consent that the dual role is acceptable as long as the current process of discontinuation of the business continues as per the decision approved by the shareholders at the Annual General Meeting in May 2014.

## Board attendance

During the year under review four board meetings were held:

Name	6 February 2015	14 May 2015	2 September 2015	6 November 2015
Todd Atkinson (Chairman)	✓	✓	✓	✓
Praveen Baijnath	✓	✓	✓	✓
Alf Hicks	✓	✓	✓	✓
Brian Wright	✓	✓	✓	✓
Luigi Matteucci	✓	✓	✓	✓
Johan Seymore (CFO/Acting CEO)	✓	✓	✓	✓
Emma Nel (Acting CFO)		✓	✓	✓

During the year under review four conference call board meetings were held:

Name	5 January 2015	2 March 2015	22 October 2015	3 December 2015
Todd Atkinson (Chairman)	✓	✓	✓	✓
Praveen Baijnath	✓	✓	✓	✓
Alf Hicks	✓	✓	✓	✓
Brian Wright	✓	✓	✓	✓
Luigi Matteucci	✓	✓	✓	✓
Johan Seymore (CFO/Acting CEO)	✓	✓	✓	
Emma Nel (Acting CFO)			✓	✓

## Board committees

The Board has three sub-committees that assist in discharging its responsibilities. These committees, listed below, play an important role in enhancing good corporate governance, improving internal controls and, thus, the performance of the Company:

- Audit and Risk Committee;
- Remuneration and Nominations Committee; and
- Social and Ethics Committee (was incorporated into Audit and Risk Committee from 1 January 2015).

Each Board committee acts according to written terms of reference, approved by the Board and reviewed annually, setting out its purpose, membership requirements, duties and reporting procedures (copies of the terms of reference, including the Board Charter, are posted on the Company's website: [www.deltaemd.com](http://www.deltaemd.com)). Board committees may take independent professional advice at the Company's expense. The committees are subject to annual evaluation by the Board on performance and effectiveness. Chairmen of the Board committees and the registered auditor are required to attend Annual General Meetings to answer questions raised by shareholders. The Board has determined that the three sub-committees have fulfilled their responsibilities for the year under review in compliance with their terms of reference.

### Audit and Risk Committee

The Delta Board has elected to combine the role of the Audit Committee and Risk Committee. The committee comprises Messrs Luigi Matteucci (Chairman), Alf Hicks and Brian Wright, all of whom are independent non-executive directors. The Chairman of the Company is not a member of the committee. The Audit and Risk Committee was appointed by the shareholders for the 2015 financial year. At the Annual General Meeting, 1 September 2016, shareholders will be asked to approve the appointment of the Chairman and members of the Audit and Risk Committee for the 2016 financial year. In terms of the Companies Act, the committee reports directly to shareholders. The Board recommends to the shareholders the appointment of Messrs Luigi Matteucci (Chairman), Alf Hicks and Brian Wright as members for the Audit and Risk Committee for the 2016 financial year.

The Audit and Risk Committee's terms of reference include, *inter alia*:

- considering the independence of the external auditors and making recommendations to the shareholders on the appointment or dismissal of the external auditors;
- evaluating the independence, effectiveness, performance and terms of engagement of the external auditors and considering and confirming the external audit fees;
- considering and pre-approving any non-audit services rendered by those auditors, including satisfying themselves as to the validity of the non-audit services and defining any limits in this regard;

- considering and reviewing the reliability and accuracy of financial information and appropriateness of accounting policies and disclosure practices and recommending to the Board corrective actions to be taken as a consequence of audit findings;
- examining and reviewing the interim report, final profit statement, annual financial statements, the integrated annual report or any other documentation to be published by the Company, and recommending the adoption of such statements by the Board;
- reviewing compliance with applicable laws, best corporate governance practices, accounting standards and regulatory requirements;
- reviewing the effectiveness of the Group risk management assessment process, adequacy of accounting records and internal control systems;
- assisting the Board in its deliberations regarding the Company's continuing viability as a going concern and the liquidity and solvency tests required in terms of the Companies Act;
- considering the appropriateness of the expertise and adequacy of the resources in the Group's financial function as well as the expertise of senior financial management;
- reviewing and confirming the suitability and expertise of the Chief Financial Officer of the Company;
- monitoring and supervising the functioning and performance of internal audit; and
- to receive and deal appropriately with any concerns or complaints relating to accounting practise and internal audit of the Company, the content or auditing of the Company's financial statements and the internal financial controls of the Company.

The committee reports annually to the Board and stakeholders on the effectiveness of the Company's internal financial controls, based on review of the reports prepared by the internal auditors, external auditors, management and other assurance providers.

The Chairman of the committee reports to the Board on the activities and recommendations made by the committee. The committee carried out its functions by meeting three times during the year and obtaining assurance from management and internal and external auditors.

The Chief Financial Officer and the external audit partner are invited to attend all meetings.

## Attendance

During the year under review three scheduled meetings were held with attendance shown below:

Name	6 February 2015	1 September 2015	5 November 2015
Luigi Matteucci (Chairman)	✓	✓	✓
Alf Hicks	✓	✓	✓
Brian Wright	✓	✓	✓

Annually, the committee assesses the qualifications, expertise, resources and independence of the Company's internal and external auditors. This assessment is based on reports produced by the auditors, the committee's own dealings with the auditors and feedback from the executive team.

The independence and objectivity of the auditors is regularly considered by the committee in relation to proposed non-audit services.

The report of the Audit and Risk Committee is on page 19 of the integrated annual report.

## Risk management process

The risk management charter was approved by the Board during 2012.

Delta evaluates all risk through an ongoing systematic, enterprise-wide risk assessment process. This ensures risks and opportunities are adequately identified, evaluated and managed at the appropriate level in the business, and that their individual and joint impact on Delta is considered.

Senior managers conduct ongoing self-assessment of risk. This process identifies critical business, operational, financial and compliance exposures facing the Group and the adequacy and effectiveness of control factors at all levels. The assessment methodology considers severity and probability of occurrence and applies a rating based on the quality of control to rank risks and set priorities. Top risks are addressed through action plans with assigned responsibilities.

The internal auditors assist the Audit and Risk Committee in evaluating the effectiveness of the risk management process and comment on this in their own assessment reports.

## IT governance

The Board, which bears ultimate responsibility for information technology ("IT") governance, has delegated responsibility for developing an IT governance framework to the Audit and Risk Committee. The Audit and Risk Committee has approved the IT Governance Policy which defines the structures, processes and responsibilities for IT governance.

Considering the size and structures of the Delta business, the Chief Financial Officer has been allocated responsibility for managing IT and for reporting IT governance to the Audit and Risk Committee and the Board. The Audit and Risk Committee is responsible for monitoring disaster-recovery readiness and adherence to information security management policies.

## Internal audit

### Role of internal audit

The purpose, authority and responsibility of the internal audit function are defined in the Audit and Risk Committee Charter that is consistent with the Institute of Internal Auditors' definition of internal auditing, and the principles of King III. The Board, on recommendations from the Audit and Risk Committee, elected to outsource the internal audit function to Grant Thornton for the 2015 financial year.

### Internal audit's independence

The head of the outsourced internal audit reports functionally to the Chairman of the Audit and Risk Committee. He has unrestricted access to members of the Audit and Risk Committee and executives of the organisation. In addition separate meetings took place between the head of the outsourced internal audit and the Audit and Risk Committee during the year under review.

### Internal audit's approach and plan

A risk-based methodology has been applied for the year under review with input from management and aligned to the organisation's risk management processes. Internal audit plans were approved in February 2015. Audit findings were formally reported to the Audit and Risk Committee in September 2015. The internal audit function was fully operational until June 2015, when most of the operating activities of Delta EMD ceased. The only remaining activity in the second half of the year related to the winding down of the Company.

### Combined assurance

Although not reliant on external auditors for any resource support, the internal audit function continues to liaise with the external auditors, and other assurance providers identified, to maximise efficiencies in assurance coverage on key risks.

### Internal audit assessment

Based on the work internal audit carried out during the year, controls evaluated were assessed as adequate and effective to provide a reasonable level of assurance that risks are being managed and that business objectives should be met. Systems and controls were adequate and could be relied upon for the preparation of the annual financial statements. The internal audit function was effective up to August 2015; up to this point most of the assets of the Company have been sold. The only remaining assets of value are cash in the bank. The Board introduced additional

internal controls involving the Audit Committee relating to the transfer of cash. On a quarterly basis all management reports are reviewed in detail by Audit and Risk Committee and any concerns are discussed and cleared by management. With the new controls in place and the status of the accounts the Board is of the opinion that outsourced risk-based internal audit will not add any real value.

### Remuneration and Nominations Committee

The Board has elected to combine the roles of the Remuneration and Nomination Committees. A single charter sets out the terms of reference for the combined Remuneration and Nominations Committee. The committee comprises three non-executive directors of which two are independent, Messrs Todd Atkinson (Chairman), Alf Hicks and Brian Wright. The Chief Executive may be invited to attend meetings, but may not participate in any discussion pertaining to his own remuneration. On 14 December 2015 Mr Todd Atkinson become executive chairman. He will continue his role as Chairman of the Remuneration committee, he is still independent as his remuneration is not determined by this committee.

The committee makes recommendations to the Board on the structure and development of policy on executive and senior management remuneration, taking into account market conditions. It determines the criteria necessary to measure the performance of executive directors in discharging their functions and responsibilities. It also determines remuneration packages for the executive directors.

For non-executive directors, the committee makes recommendations to the Board on fees to be paid to each director for services rendered as a member of the Board or a Board sub-committee.

The committee makes recommendations to the Board on the composition of the Board and balance between executive, non-executive and independent directors. Skill, experience and diversity are considered in this process. The committee reviews the succession planning for the executive and non-executive directors and makes recommendations to the Board where actions are required.

Where appropriate, the committee consults with the Chief Executive or other executive or non-executive directors to fulfil the duties set out in its terms of reference.

The key responsibilities and role of the committee include but are not limited to:

- Ensuring that the remuneration policy is put to a non-binding advisory vote at the general meeting of shareholders once every year.
- Determining, agreeing and developing the Company's general policy on executive and senior management remuneration so that it will promote the achievement of strategic objectives and encourage individual performance.

- Determining specific remuneration packages for executive directors of the Company, including but not limited to basic salary, benefits in kind, any annual bonuses, performance-based incentives, share incentives, pensions and other benefits, and ensuring that the mix of these remuneration elements meets the Company's needs and strategic objectives.
- Determining any criteria necessary to measure the performance of executive directors in discharging their functions and responsibilities, and reviewing the outcomes of the implementation of the remuneration policy for whether the set objectives are being achieved.
- Reviewing (at least annually) the terms and conditions of executive directors' service agreements, taking into account information from comparable companies, when relevant.
- Ensuring that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued.
- Considering the results of the evaluation of the performance of the CEO and other executive directors, both as directors and as executives in determining remuneration.
- Regularly reviewing incentive schemes to ensure continued contribution to shareholder value and that these are administered in terms of the rules.
- Advising on the remuneration of non-executive directors.
- To perform any other function required by the Board.

During the year under review, the committee considered the issue of prescribed officers as required by the Companies Act, and resolved that due to the nature and structure of Delta and the role of the executive directors on the Board, the Company has no prescribed officers within the meaning of such Act.

### Attendance

During the year under review, four scheduled meetings were held with attendance shown below:

Name	5 February 2015	14 May 2015	1 September 2015	5 November 2015
Todd Atkinson (Chairman)	✓	✓	✓	✓
Alf Hicks	✓	✓	✓	✓
Brian Wright	✓	✓	✓	✓

### Stakeholder engagement

Delta engages with stakeholders on matters considered material to its business, which helps identify many of the important commercial and sustainable development issues facing the business.

## Engagement with shareholders

The Company is a proponent of transparency, best-practice disclosure, consistent communication and equal and timely dissemination of information to shareholders. It welcomes the active participation of shareholders at general meetings.

The Chief Executive and Chief Financial Officer have dialogue with institutional shareholders. The interests of private shareholders remain key and, in recognition of their needs, the Company's website contains investor relations information and materials. Delta is mindful that King III encourages companies to inform their investors about important non-financial issues. Continued inclusion of these issues in the Group's annual integrated report is indicative of the Group's commitment to this principle.

The Annual General Meeting is normally attended by all directors. Shareholders are welcome to attend and to ask questions during the meeting. They also have the opportunity to meet with directors after formal proceedings have ended. The notice of the Annual General Meeting, detailing all proposed resolutions, is on pages 45 to 49 of this integrated annual report.

## Engagement with government, authorities and regulators

Engagement with relevant government authorities occurs as the needs require. Focus is on the local government level as Delta was a major business in the Mbombela, Mpumalanga region. As environmental matters are a critical important focus for Delta, continuous engagement with the Departments of Water Affairs, Environmental Affairs and Tourism is key to ensuring the Lowveld bio-diversity is not affected by Delta.

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# DIRECTORS' RESPONSIBILITY AND APPROVAL

for the year ended 27 December 2015

## To the shareholders of Delta EMD Limited

The directors of Delta EMD Limited have pleasure in presenting the annual financial statements for the year ended 27 December 2015.

In terms of the South African Companies Act, 2008, the directors are required to prepare annual financial statements that fairly present the state of affairs and business of the Company and of the Group at the end of the financial year.

To achieve the highest standards of financial reporting, these annual financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") of the International Accounting Standards Board, Interpretations issued by the IFRS Interpretations Committee, the Companies Act of South Africa as well as the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

On 5 March 2014 the Company announced that the Board of directors had taken the decision, subject to approval by the Company's shareholders, to discontinue operations in a phased and orderly manner during 2014 and to realise value for the Company's assets during 2014 and 2015. This decision was approved at the Annual General Meeting of the Company held on 9 May 2014. The Company will be wound down and de-registered in due course.

The above information highlights that the going-concern principle is not applicable in the preparation of the consolidated and separate financial statements.

When the Company ceases trading the directors are of the opinion that the Company will be in a position to discharge all of its liabilities due to the Company's cash resources and to recover the assets at their carrying amounts. The effect, if any, of preparing the financial statements, other than on the going concern basis, would be negligible. Consequently the financial statements have been prepared on a basis consistent with IFRS which, among other things, requires writing assets down to their recoverable amounts. It also requires recognising a liability for contractual commitments that may have become onerous as a consequence of the decision to cease trading.

These annual financial statements have been audited in compliance with the requirements of the South African Companies Act, 2008.

The Executive Chairman and Financial Directors' report, on pages 17 to 18, discuss the results of operations for the year and those matters which are material for an appreciation of the state of affairs and business of the Company and of the Delta EMD Group.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these 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.

The directors acknowledge their responsibility to ensure the integrity of the integrated report and are of the opinion that the integrated report fairly presents in all material respects the state of affairs and business of the Company and the Group at 27 December 2015 and of the profit for the year to that date.

The annual financial statements were approved by the Board of directors and were signed on their behalf by:

**T Atkinson**

*Executive Chairman*

22 February 2015

## CERTIFICATE BY COMPANY SECRETARY

for the year ended 27 December 2015

In my capacity as Company Secretary, I hereby confirm, in terms of section 88(2)(e) of the Companies Act, 71 of 2008, ("Act"), that for the year ended 27 December 2015, Delta EMD Limited has lodged with the Registrar of Companies all such returns as are required in terms of the Act. Due to delays at the offices of CIPC and information previously submitted not recorded, all records are not up to date.

**EJ Nel, CA(SA)**

*Company Secretary*

Nelspruit

22 February 2015

## PREPARER OF FINANCIAL STATEMENTS

The Group and Company financial statements have been prepared by EJ Nel, CA(SA).

**EJ Nel, CA(SA)**

*Company Secretary*

Nelspruit

22 February 2015

# INDEPENDENT AUDITOR'S REPORT

## To the Shareholders of Delta EMD Limited Report on the financial statements

We have audited the consolidated and separate financial statements of Delta EMD Limited set out on pages 20 to 42, which comprise the statements of financial position as at 27 December 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the consolidated and separate financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate 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 about whether the consolidated and separate 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 control 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 control. 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Delta EMD Limited as at 27 December 2015, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

## Emphasis of matter

Without qualifying our opinion, we draw attention to the basis of preparation note, Note 1.2, in the financial statements regarding the basis of preparation used to prepare the consolidated and separate financial statements in the current year.

## Other reports required by the companies act

As part of our audit of the consolidated and separate financial statements for the year ended 27 December 2015, we have read the Executive Chairman's and Financial Directors' Report, the Audit and Risk Committee's Report and the Certificate by Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

## Report on other legal and regulatory requirements

In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Delta EMD Limited for 23 years. We are independent of the Company in accordance with the IRBA Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

*Deloitte & Touche*

## Deloitte & Touche

Registered Auditors  
Per DA Steyn  
Partner

22 February 2016

## Overview

The Group's efforts to discontinue its business, realise value for its assets, and fulfil its obligations responsibly continued during the year with important progress. The Group's 2015 results include the expenses incurred or accrued relating to the orderly discontinuation of the business, as well as the profit and losses realised on the sale of assets.

## Business discontinuation process

Discontinuation of the Group's business involves six key work streams:

- Discontinuation of production and realisation of value for input raw materials, work in progress and inventory.
- Staggered retrenchment of employees based on operational requirements.
- Realisation of best possible value for the Group's assets.
- Detailed assessments of the Group's liabilities.
- Decommissioning and decontamination of plant and equipment.
- Remediation of the Group's plant sites based on environmental assessments.

Important progress was made during 2015 in respect of all these work streams.

During the first quarter of 2015 the Company realised value for all raw materials, work in progress and finished goods inventories, and later during the year the Company realised value for all consumables stocks. By year end, value had been realised for all inventories other than the materials and consumables required for salvaging, demolition and rehabilitation of the Nelspruit site.

The sale of the Company's former plant site located in Australia was completed during the year and full payment was received by the Company. The dissolution of the Company's Australian subsidiary is underway. The sale of the Company's calcining operation and assets also was completed during the year, and full payment was received.

During 2014 the Company had raised a provision for the early cancellation of a transport and logistics contract. During this year the Company paid R4 million in full settlement of any claims related to that contract.

The Company also entered into an agreement for the sale and salvage of most of the plant and equipment located at the Company's Nelspruit plant site. Full payment for those assets was received during the year, and the salvaging and removal of those assets by the purchaser should be completed during the first quarter of 2016.

The Company will market the Nelspruit plant site, including the parcels owned by the Company and those parcels historically leased by the Company from Manganese Metal Company ("MMC"). The group will continue with the

salvage, demolition and rehabilitation of the site. During 2015 the Company agreed to purchase from MMC the parcels historically leased by the Company from MMC. That purchase was completed during January 2016 and full payment will be made in 2016.

The Company's 2014 year end provisions included R22.3 million as an estimate of the Company's contractual liability to MMC related to the Pappas Quarry waste disposal facility located in Nelspruit. During the year, the Company paid MMC R37.5 million in full settlement of all the Company's obligations to MMC related to the Pappas Quarry waste disposal facility.

A definitive remediation order for the Nelspruit plant site was received from the Department of Environmental during December 2015. The Company has engaged Golder Associates and other contractors to undertake the work required by the remediation plan and to fulfil the remediation order.

The majority of the Company's permanent employees were retrenched during 2014 and 2015. The company presently employs three permanent employees who are responsible for completing the discontinuation of the Company's business as described above and the de-registration and de-listing of the Company.

## The Group's Financial Results

Revenue from the sale of inventories totalled R15.2 million for the year (2014: R283.9 million), resulting in a gross profit of R3.0 million (2014: 119.7 million). Distribution expenses totalled R1.5 million (2014: R25.7 million).

Administration expenses totalled R8.4 million (2014: R70.7 million). 2014 administration expenses included all manufacturing overhead costs after the production of the EMD was discontinued during April 2014. 2015 administrative expenses included only normal administration expenses. The Group's expenses relating to the discontinuation of its business totalled R42.2 million for the year including the following main expenses:

- Retention incentives R12.1 million.
- Power cost R4.2 million.
- General work R4.7 million.
- Salaries and wages paid to Delta implementation team R12.6 million.
- Adjustments to retrenchment provision R2.7 million.
- Provision for commission payable on land sale R2.5 million.

A further R15.0 million was raised during the year for the settlement of the Company's contractual obligations related to the Pappas Quarry waste management facility.

The Group realised a profit of R9.9 million (2014: R23.3 million) on the sale of various assets with a book value of R93.2 million.

The assets presently held for sale (net book value: R25.9 million) include mainly the Nelspruit plant site.

Attributable losses for the year totalled R41.8 million (2014: R152.9 million), and losses per share were 85.2 cents (2014: 311 cents). Headline losses per share for the year were 105.3 cents (2014: 296.6 cents).

Net cash utilised by operations during the year totalled R14.6 million (2014: net cash generated of R77.5 million). Working capital decreased during the year by R93.6 million (2014: R135.6 million), and proceeds on the sale of assets totalled R103.0 million (2014: R31.0 million).

Group's year end cash balances decreased by R41.8 million to R185.5 million (2014: R227.4 million). The Group has no interest-bearing debt.

Total assets employed by the Group at year end including cash balances decreased to R214.2 million (2014: R419.7 million), reflecting in part the payment of a 250 cents per share dividend, which required a total cash outflow of R122.9 million. The net asset value per share decreased to 259 cents (2014: 594 cents).

**T Atkinson**  
*Executive Chairman*

**EJ Nel, CA(SA)**  
*Financial Director*

22 February 2015

# AUDIT AND RISK COMMITTEE REPORT

for the year ended 27 December 2015

This is the report of the Audit and Risk Committee ("committee") of Delta EMD Limited for the financial year ended 27 December 2015 in Compliance with section 94(7)(f) of the Companies Act, 2008, ("the Act"), and in terms of the JSE Listings Requirements.

The Committee has detailed terms of reference that comply with the Act and King III which have been approved by the Board. Copies of the terms of reference are available from the Company Secretary on request.

## Membership

The committee for the 2015 financial year was appointed by the shareholders on 14 May 2015 at the Annual General Meeting. At the Annual General Meeting, 1 September 2016. Shareholders will be asked to approve the appointment of the chairman and members of the committee for the 2016 financial year.

The committee consists solely of independent non-executive directors who are all financially literate. The current members are L Matteucci (Chairman), BR Wright and AC Hicks.

## Purpose

The purpose of the committee is:

- to assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control and reporting processes, and the preparation of accurate reporting and financial statements and accounting standards;
- to provide management, external and internal auditors access to the chairman or any other member of the committee about any matter within the committee's scope;
- to meet separately with the external and internal auditors at least once a year;
- to provide a forum for discussing business risk and control issues and developing recommendations for consideration by the Board;
- to monitor enterprise-wide, operational, market, regulator, safety and other risks, and to monitor controls designed to minimise risk;
- to review the Company's integrated annual report, including the annual financial statements, as well as its interim report and any other public reports or announcements containing financial information;
- to pre-approve all permissible non-audit services to be provided by the external auditors, and where such services are to be rendered to the Company or any of its subsidiaries, any proposed contract or the provision of such services;
- to oversee the activities of, and to ensure co-ordination between, the activities of internal and external audit;
- to perform duties assigned to it under the Act and other legislation, including statutory audit committee functions for subsidiary companies;

- to receive and deal with any complaints concerning the accounting practices, internal audit or the content and audit of its financial statements or related matter; and
- to annually review the committee's work and terms of reference annually and to make recommendations to the Board to ensure its effectiveness.

## Duties carried out

The committee has performed its duties and responsibilities during the financial year according to its terms of reference.

## External audit

The committee:

- nominated Deloitte & Touche as auditors and Dr DA Steyn as the independent auditor and designated audit partner, respectively, to the shareholders for appointment as auditors for the financial year ended 27 December 2015, and ensured that the appointments complied with legal and regulatory requirements for the appointment of an auditor;
- confirmed that the independent auditor and the designated audit partner are accredited by the JSE; and
- approved the external audit engagement letter, the audit plan, the budgeted audit fee and the non-audit fees.

## Financial statements

- Reviewed and recommended for adoption by the Board such financial information that is publicly disclosed, which for the year, included:
  - the unaudited interim results for the six months ended 27 June 2015;
  - the audited year-end results announcement for the year ended 27 December 2015; and
  - the audited annual financial statements for the year ended 27 December 2015.
- The committee reviewed the performance, appropriateness and expertise of the Financial Director, EJ Nel, CA(SA) and confirm her suitability for appointment as financial director in terms of the JSE requirements.

## L Matteucci

*Audit and Risk Committee Chairman*

22 February 2015

# STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 27 December 2015

Company		Group		
2015 R'000	2014 R'000	Notes	2015 R'000	2014 R'000
-	-		15 211	283 922
-	-		(12 223)	(164 251)
-	-		2 988	119 671
2	-	3	13 223	6 859
-	-		(714)	-
-	-		-	(12 258)
-	-		(1 465)	(25 668)
(3 368)	(2 695)		(8 389)	(70 717)
-	-		(42 217)	(175 283)
-	-		1 694	(1 963)
-	-		(16 203)	(1 189)
-	-		9 899	23 257
(144 003)	(50 919)		-	(33 085)
-	-		839	7 264
(147 369)	(53 614)	2	(40 345)	(163 112)
-	-	4	(1 545)	10 193
-	-		(1 545)	10 193
(147 369)	(53 614)		(41 890)	(152 919)
<b>Other comprehensive income</b>				
Items that may be reclassified subsequently to profit or (loss):				
Reclassification adjustments relating to foreign operations				
-	-		4 650	-
-	-		-	430
(147 369)	(53 614)		(37 240)	(152 489)
<b>Attributable to equity holders of parent company</b>				
		5	(41 890)	(152 919)
			(37 240)	(152 489)
			49 166	49 166
			49 166	49 166
		5	(85.2)	(311.0)
		6	250.0	-



# STATEMENTS OF CHANGES IN EQUITY

for the year ended 27 December 2015

	Share capital R'000	Foreign currency translation reserve R'000	Accumulated profit R'000	Total R'000
<b>Group</b>				
Balance at 27 December 2013	4 856	4 220	435 202	444 278
Total comprehensive loss for the year	–	430	(152 919)	(152 489)
Prior years unclaimed dividends reversed	–	–	181	181
<b>Balance at 27 December 2014</b>	<b>4 856</b>	<b>4 650</b>	<b>282 464</b>	<b>291 970</b>
Loss for the year	–	–	(41 890)	(41 890)
Reversal of prior year foreign currency translation reserve	–	(4 650)	4 650	–
Dividend paid	–	–	(122 914)	(122 914)
Prior years unclaimed dividends reversed	–	–	16	16
<b>Balance at 27 December 2015</b>	<b>4 856</b>	<b>–</b>	<b>122 326</b>	<b>127 182</b>
<b>Company</b>				
<b>Balance at 27 December 2013</b>	<b>4 856</b>	<b>–</b>	<b>340 547</b>	<b>345 403</b>
Total comprehensive loss for the year	–	–	(53 614)	(53 614)
Prior years unclaimed dividends reversed	–	–	181	181
<b>Balance at 27 December 2014</b>	<b>4 856</b>	<b>–</b>	<b>287 114</b>	<b>291 970</b>
Total comprehensive loss for the year	–	–	(147 369)	(147 369)
Dividend received	–	–	107 759	107 759
Dividend paid	–	–	(122 914)	(122 914)
Prior years unclaimed dividends reversed	–	–	16	16
<b>Balance at 27 December 2015</b>	<b>4 856</b>	<b>–</b>	<b>124 606</b>	<b>129 462</b>

# STATEMENTS OF CASH FLOWS

for the year ended 27 December 2015

Company				Group	
2015 R'000	2014 R'000		Notes	2015 R'000	2014 R'000
(3 366)	(2 695)	Cash (utilised from) trading	A	(108 227)	(58 130)
1 099	(463)	Decrease/(Increase) in working capital	B	93 607	135 647
(2 267)	(3 158)	Cash (utilised from)/generated by operations		(14 620)	77 517
107 759	–	Interest received		13 223	6 859
–	–	Interest paid		(714)	–
–	–	Taxation paid	C	–	(7 705)
105 492	(3 158)	Cash inflow/(outflow) from operating activities		(2 111)	76 671
–	–	Capital expenditure		(20 000)	(3 875)
–	–	Decrease in non-current asset		–	2 274
–	–	Proceeds on sale of assets		103 189	30 999
–	–	Cash inflow from investing activities		83 189	29 389
105 492	(3 158)	Net cash inflow/(outflow) before financing activities		81 078	106 069
(122 914)	–	Dividend paid – ordinary		(122 914)	–
17 541	3 157	Movement in loans to subsidiaries		–	–
(105 397)	3 157	Cash (outflow) from financing activities		(122 914)	–
119	(1)	Net (decrease)/increase in cash and cash equivalents		(41 836)	106 069
24	25	Cash and cash equivalents at beginning of year		227 378	121 128
–	–	Currency translation of cash in foreign subsidiary		11	181
143	24	Cash and cash equivalents at end of year	D	185 553	227 378

# NOTES TO THE STATEMENTS OF CASH FLOWS

for the year ended 27 December 2015

Company			Group	
2015 R'000	2014 R'000		2015 R'000	2014 R'000
		<b>A. Cash (utilised from) by trading</b>		
(147 369)	(53 614)	Loss before taxation	(40 345)	(163 112)
		<i>Adjustments for:</i>		
-	-	Depreciation of property, plant and equipment	-	10 014
144 003	50 919	Impairments raised	-	33 085
-	-	Interest received	13 223	(6 859)
-	-	Interest paid	(714)	-
-	-	Profit on sale of assets	(9 899)	(23 257)
-	-	Movement in non-current and current provisions	(45 474)	(91 999)
(3 366)	(2 695)	<b>Cash (utilised from) trading</b>	(108 227)	(58 130)
		<b>B. Decrease/(increase) in working capital</b>		
-	-	Decrease in inventories	14 676	146 996
(16)	1	(Increase)/decrease in receivables	75 699	34 192
1115	(464)	Increase/(decrease) in payables	3 232	(45 541)
1 099	(463)	<b>Decrease/(increase) in working capital</b>	93 607	135 647
		<b>C. Taxation paid</b>		
(8)	(8)	Taxation receivable/(owing) at beginning of year	93	(7 745)
-	-	Normal taxation	(1 545)	133
8	8	Taxation payable/(receivable) at end of year	1 452	(93)
-	-	<b>Taxation paid</b>	-	(7 705)
		<b>D. Cash and cash equivalents</b>		
		Cash and cash equivalents consist of:		
143	24	Bank balances and cash	185 553	227 378
143	24	<b>Cash and cash equivalents</b>	185 553	227 378

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 27 December 2015

Delta EMD Limited is a listed entity and is incorporated in the Republic of South Africa. The address of the registered office is disclosed on page 1. The principal place of business is at the South African manufacturing plant at 15 Heyneke Street, Industrial Site, Nelspruit. The annual financial statements have been audited in compliance with all applicable requirements of the Companies Act of South Africa.

## 1.1 Adoption of new and revised Standards

At the date of authorisation of these financial statements, the following Standards or amendments were in issue but not yet effective:

IFRS 1	First-time Adoption of International Financial Reporting Standards (effective earliest year-end 27 December 2016);
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations (effective earliest year-end 27 December 2016);
IFRS 7	Financial Instruments: Disclosures (effective earliest year-end 27 December 2016);
IFRS 9	Financial Instruments (effective earliest year-end 27 December 2018);
IFRS 10	Consolidated Financial Statements (effective earliest year end 27 December 2016);
IFRS 14	Regulatory Deferral Accounts (effective earliest year-end 27 December 2016);
IFRS 15	Revenue from contracts with customers (effective earliest year-end 27 December 2017);
IFRS 16	Leases (effective earliest year-end 27 December 2019)
IAS 1	Presentation of Financial Statements (effective earliest year-end 27 December 2016);
IAS 16	Property, Plant and Equipment (effective earliest year-end 27 December 2016);
IAS 19	Employee Benefits (effective earliest year-end 27 December 2016);
IAS 27	Separate Financial Statements (effective earliest year-end 27 December 2016); and
IAS 34	Interim Financial Reporting (effective earliest year-end 27 December 2016).

The adoption of the above Standards is not expected to have a material impact on the Group.

## 1.2 Basis of preparation

On 5 March 2014 the Company announced that the board of directors had taken the decision, subject to approval by the Company's shareholders, to discontinue operations in a phased and orderly manner during 2014 and to realise value for the Company's assets during 2014 and 2015. This decision was approved at the Annual General Meeting of the Company held on 9 May 2014. The Company will be wound down and de-registered in due course.

The above information highlights that the going concern principle is not applicable in the preparation of the consolidated and separate financial statements.

When the Company ceases trading the directors are of the opinion that the Company will be in a position to discharge all of its liabilities, due to the Company's cash resources and to recover the assets at their carrying amounts. The effect, if any, of preparing the financial statements, other than on the going concern basis would be negligible. Consequently the financial statements have been prepared on a basis consistent with International Financial Reporting Standards ("IFRS") which, among other things, requires writing assets down to their recoverable amounts. It also requires recognising a liability for contractual commitments that may have become onerous as a consequence of the decision to cease trading.

## 1.3 Significant accounting policies

The Group's consolidated financial statements have been prepared in accordance with IFRS, Interpretations issued by the IFRS Interpretations Committee ("IFRIC"), containing the information required by the Companies Act of South Africa, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council.

The annual financial statements are prepared on the historical cost basis, except for the revaluation of certain financial instruments, assets and liabilities that are periodically revalued. They have been consistently applied in all material respects.

The principal accounting policies of the Group are set out below:

### 1.3.1 Consolidated results

The consolidated financial statements include the results and financial position of the Company and enterprises controlled by the Company up to 27 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

All inter-company transactions and balances between Group enterprises are eliminated on consolidation.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 27 December 2015

## 1.3 Significant accounting policies (continued)

### 1.3.2 Revenue

Revenue represents the net value of sales to customers. Sales of goods are recognised when goods are delivered and title has passed. Interest income is accrued on the time basis, by reference to the principal outstanding and the interest rate applicable. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### 1.3.3 Retirement benefits

The policy of the Group is to provide retirement benefits for its employees via its defined contribution retirement benefit plan. The contributions by Group companies to fund the obligations for the payment of retirement benefits are charged against income in the year that they become payable. Payments to industry-managed retirement benefit schemes are dealt with as defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement plan.

### 1.3.4 Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange prevailing on the transaction date. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the statement of financial position date. Profits and losses arising on exchange are included in net profit or loss for the period. On consolidation, the assets and liabilities of foreign entities are translated at the exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the average exchange rates for the year. Exchange differences are classified as equity through other comprehensive income and transferred to the Group's Foreign Currency Translation Reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

### 1.3.5 Leases

Rentals payable under operating leases are charged to expenses on a straight-line basis over the term of the relevant lease.

### 1.3.6 Impairment

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of the asset is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognised in the statement of comprehensive income immediately.

### 1.3.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of the assets, other than freehold land and assets under construction, over their estimated useful lives using the straight-line method. Provision for depreciation or replacement of loose tools and moulds is not made as the costs of renewals are written off in the year in which they are incurred.

The residual value of assets and their useful lives are reviewed at each statement of financial position date. Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in operating profit.

The estimates of useful lives as translated into depreciation rates are detailed below:  
Property, plant and equipment 2 to 50 years.

## 1.3 Significant accounting policies (continued)

### 1.3.8 Inventories

Inventories are valued at the lower of cost or net realisable value with due allowance being made for obsolescence, wherever applicable. Cost is determined on the following basis:

*Raw materials – on the average cost method.*

*Work-in-progress – at cost of materials on the average cost method together with direct costs and appropriate works overheads according to the state of production reached.*

*Finished goods – on the average cost method together with direct costs and appropriate works overheads based on the production capacity.*

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### 1.3.9 Taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-taxable or disallowed. It is calculated using the tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred taxation liabilities are recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

### 1.3.10 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

### 1.3.11 Long-term compensation benefits

Obligations in respect of long-term employee benefits are recorded at the present value of the estimated future benefits payable.

### 1.3.12 Environmental rehabilitation

The cost of ongoing programmes to prevent and control pollution and to rehabilitate the environment is charged against income as incurred. Where a present constructive or legal obligation for future rehabilitation exists, a provision is raised for the future cost. Where the effect of discounting to present value is material, these provisions are adjusted to reflect the time value of money.

### 1.3.13 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.

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 to sell.

## 1.3 Significant accounting policies (continued)

### 1.3.14 Financial instruments

#### Financial assets

Financial assets are classified into the following specified categories: “held-to-maturity” (“HTM”) investments, “available-for-sale” (“AFS”) financial assets and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. At the reporting dates included in these consolidated financial statements, the Company had only loans and receivables on its statement of financial position.

#### (a) *Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### (b) *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

#### Financial liabilities

##### *Equity and other financial liabilities*

#### (a) *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

#### (b) *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire.

## 1.4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1.3, the directors are 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 results 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 balances that are based on estimates are the Pappas Quarry rehabilitation provision, the provision for the demolition and rehabilitation of the Nelspruit production facility, the provision for obsolete stock, the impairment raised on fixed assets, the provision for retrenchments, the provision for incentives, the provision for contract settlement and useful life and residual value of assets (Refer to note 15).

	2015 R'000	2014 R'000		
<b>2. Loss before taxation</b>				
Loss before taxation has been arrived at after taking into account:				
<b>Group INCOME</b>				
Profit on sale of assets	9 899	23 257		
<b>EXPENSES</b>				
<b>Cost of sales</b>	12 223	164 251		
<b>Auditor's remuneration</b>				
– audit fees – current year	615	1 098		
– fees for other services	180	206		
<b>Total auditor's remuneration</b>	795	1 304		
<b>Internal auditor's remuneration</b>	100	364		
<b>Impairment raised on plant and equipment</b>	–	33 085		
<b>Depreciation of property, plant and equipment</b>				
– buildings	–	295		
– plant and equipment	–	9 719		
<b>Total depreciation of property, plant and equipment</b>	–	10 014		
<b>Operating lease expenses</b>				
– land, buildings and equipment	1 116	2 169		
<b>Environmental and other provisions raised</b>	31 427	116 477		
<b>Pension fund contributions</b>	1 176	2 923		
<b>Staff costs</b>	11 475	47 615		
<b>Operating expenses by function</b>				
– distribution costs	1 465	25 668		
– administration costs – excluding foreign exchange losses and gains	8 389	70 717		
	<b>Group</b>	<b>Company</b>		
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
<b>3. Net investment income</b>				
Interest received – bankers	13 223	6 859	2	–
Interest paid – receiver of revenue	(714)	–	–	–
<b>Total net – interest received</b>	12 509	6 859	2	–

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 27 December 2015

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
<b>4. Taxation</b>				
South African normal				
– current this year	–	–	–	–
– current previous year	(1 545)	(133)	–	–
– deferred	–	(10 060)	–	–
<b>Total taxation</b>	<b>(1 545)</b>	<b>(10 193)</b>	<b>–</b>	<b>–</b>
<b>Reconciliation of rate of taxation on profit:</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
South African company tax rate	28.0	28.0	28.0	28.0
<b>Decrease in rate of taxation due to:</b>				
– Non-deductible expenses	–	(1.4)	(28.0)	(28.0)
– Prior year tax	(24.0)	–	–	–
– Deferred tax asset not raised	–	(20.3)	–	–
	(24.0)	(21.7)	(28.0)	(28.0)
<b>Effective rate of taxation</b>	<b>4.0</b>	<b>6.3</b>	<b>–</b>	<b>–</b>

Non-deductible expenses relates to expense not incurred in the production of income.

## 5. Attributable and headline (loss)/earnings per share

### Weighted average number of shares

The calculations are based on 49 165 553 (2014: 49 165 553) ordinary shares, being the weighted average number in issue during the year.

Dilutive average number of shares

The calculation is based on 49 165 553 (2014: 49 165 553) ordinary shares.

#### 5.1 Attributable loss

The calculation of attributable loss per share is based on a loss of R41 889 967 (2014: R152 919 551)

#### 5.2 Headline (loss)/earnings

The calculation of headline (loss) per share is based on a loss of R51 788 648 (2014: R145 843 304).

#### Reconciliation of attributable loss to headline (loss)/earnings:

<b>Attributable loss</b>	<b>(41 890)</b>	(152 919)
Impairment raised	–	33 085
Profit on sale of assets	<b>(9 899)</b>	(23 257)
Taxation effect	–	(2 752)
<b>Headline (loss)</b>	<b>(51 789)</b>	(145 843)
<b>Headline (loss) per share (cents)</b>		
– basic	<b>(105.3)</b>	(296.6)
– diluted	<b>(105.3)</b>	(296.6)

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
<b>6. Dividends paid</b>				
Ordinary dividend of 250 cents (2014: 0 cents) per share	(122 914)	–	(122 914)	–

## 7. Directors' emoluments and interests

### Prescribed officers

Due to the nature and structure of the Group and the role of the executive directors on the Board of the Company, the directors have concluded that there are no prescribed officers of the Company.

The directors' remuneration for the year ended 27 December 2015

Executive directors	Basic remuneration R'000	Other benefits R'000	Retirement/ Medical benefits R'000	Cash incentives R'000	Retirement benefits R'000	Severance Package R'000	Total emoluments R'000
P Bajjnath (Jan – May)	1 050	150	14	4 782	418	3 517	9 931
JS Seymore	1 726	493	49	2 925	191	2 800	8 184
EJ Nel (Jun – Dec)	788	1	20	1 315	72	–	2 196
C Naicker (From 14 Dec)	68	–	2	90	6	–	166
	<b>3 632</b>	<b>644</b>	<b>85</b>	<b>9 112</b>	<b>687</b>	<b>6 317</b>	<b>20 477</b>

Year ended

27 December 2014

### Executive directors

P Bajjnath	2 690	291	35	1 204	506		4 726
JS Seymore	1 658	326	49	619	182		2 834
	<b>4 348</b>	<b>617</b>	<b>84</b>	<b>1 823</b>	<b>688</b>		<b>7 560</b>

### Directors' fees

	2015 R'000	2014 R'000
<b>Non-executive directors</b>		
TG Atkinson	570	600
P Bajjnath	111	–
AC Hicks	336	360
L Matteucci	346	370
BR Wright	336	460
	<b>1 699</b>	<b>1 790</b>
Total directors' emoluments – paid by subsidiaries	<b>22 176</b>	<b>8 025</b>

The executive directors have employment contracts with a notice period of three months.

### Interests of directors in contracts

The directors have certified that there were no material interest in any transaction of any significance with the Company or any of its subsidiaries. Accordingly, a conflict of interest with regard to directors' interests in contracts does not exist.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 27 December 2015

## 7. Directors' emoluments and interests (continued)

### Long-term incentive scheme

The long-term incentive scheme consists of a 2013 scheme.

The executive directors and senior management participate in a long-term incentive scheme which is based on an incentive grant. In terms of the rules of the schemes, these incentive grants will vest over a period of three years from the grant date, or upon change of control of Delta EMD Proprietary Limited.

2013 scheme: The value of the incentive grants when vested will equal the initial value of the incentive grant multiply with the SPF. The SPF is a ratio of vesting share price plus dividend per share paid during the period divided by the share price at granting date.

### Incentive grants allocated to executive directors and senior managers

	2013 Incentive grant R'000
CEO – P Baijnath	1 132
CFO – JS Seymore	660
R Nel	472
C Naicker	377
<b>Total</b>	<b>2 641</b>

### 2014 Discontinuation retention scheme allocated to executive directors and senior managers

The successful execution of the discontinuation process within the project timeline, achieving the required milestones and optimisation of the shareholder value is dependent on the availability of resources with the correct experience and skills level. The Board identified 12 employees as the implementation team ("member") and approved a retention incentive scheme for the implementation team.

The retention incentives are aligned with the achievements of the critical milestones, as well as ensuring maximum value for shareholders. The incentives consist of a short-term portion, payable in July 2015, and a long-term portion which payments are linked to the payment of dividends to shareholders.

Short-term incentives: The goal of the short-term incentives is to ensure that specific milestone targets are achieved for either the successful completion of a predefined activity by a certain date or ensuring the creation of maximum value e.g. conversion and sale of all work in progress and inventory by June 2015 and achieving a minimum profit margin.

The short-term incentives consist of two elements:

- Each member has been granted short-term incentives for successfully executing milestone based activities of significant importance to the success of the discontinuation. These activities relate directly to the responsibilities allocated to the specific individual. An incentive value was allocated to each specific activity.
- All the members have been granted an incentive to ensure all inventory is sold at a minimum margin and all debtors are collected by 30 June 2015. The incentive value that each member can earn is between 80% to 100% of their basic salary for the period 1 January 2014 up to the earliest of their termination dates or 30 June 2015.

Long-term incentives: The long-term incentives are designed to ensure retention of the implementation team and alignment of the rewards with the share value generated for the shareholders. The long-term incentive is based on a phantom-share scheme. Each team member will be allocated phantom shares every month until his/her pre-agreed termination date. The number of phantom shares is determined by the member's basic monthly salary times two divided by the share price ("base share price") at the date of the announcement of the discontinuation of the business. The base share price is R4.71 per share. The member will receive dividends on the phantom shares accumulated at each date that a dividend is paid to the shareholders once the accumulated dividends paid to shareholders from 9 May 2014 exceeds the threshold of R4.21 dividend per share.

## 7. Directors' emoluments and interests (continued)

### Retention incentive

	Short-Term 1	Short-Term 2 Paid September 2015	Long-Term – number of shares allocated at 27 December 2015	Long-Term – number of shares allocation to anticipated termination date
CEO – P Baijnath	540 000	3 778 125	1 317 675	1 317 675
CFO – JS Seymore	320 000	2 484 375	1 285 386	1 621 550
R Nel	–	1 719 000	270 745	270 745
C Naicker	221 267	850 138	896 174	1 055 410
EJ Nel	165 405	1 314 974	701 199	966 592
Remainder of team	133 372	5 440 641	2 158 128	2 218 561
<b>Total</b>	<b>1 380 044</b>	<b>15 587 253</b>	<b>6 629 307</b>	<b>7 450 533</b>

### Interests of directors of the Company in share capital

The aggregate beneficial holdings as at 27 December 2015 of the directors of the Company and their immediate families (none of which has a holding in excess of 1%) in the issued ordinary shares of the Company are detailed below. There have been no changes in these shareholdings since that date and the date of this integrated annual report.

	2015		2014	
	Direct	Indirect	Direct	Indirect
<b>Non-executive directors</b>				
BR Wright	6 823	2 002	6 823	2 002
	6 823	2 002	6 823	2 002

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 27 December 2015

## 8. Property, plant and equipment

Group	Freehold land R'000	Buildings R'000	Plant and equipment R'000	Total R'000
<b>Year ended 27 December 2015</b>				
Opening net book value	5 151	576	48 047	53 774
Capital expenditure	20 000	–	–	20 000
Disposals	–	(462)	(47 363)	(47 825)
Non-current assets held for sale	(25 151)	(114)	(684)	(25 949)
Closing net book value	–	–	–	–
<b>At 27 December 2015</b>				
Cost	–	–	–	–
Accumulated depreciation and impairment	–	–	–	–
Closing net book value	–	–	–	–
<b>Year ended 27 December 2014</b>				
Opening net book value	6 579	6 579	119 396	132 774
Capital expenditure	–	–	3 875	3 875
Depreciation charged	–	(295)	(9 719)	(10 014)
Disposals	(1 428)	(1 458)	(4 856)	(7 742)
Non-current assets held for sale	–	(2 162)	(29 872)	(32 034)
Impairment	–	(2 308)	(30 777)	(33 085)
Closing net book value	5 151	567	48 047	53 774
<b>At 27 December 2014</b>				
Cost	5 151	21 201	289 812	316 164
Accumulated depreciation and impairment	–	(20 625)	(241 765)	(262 390)
Closing net book value	5 151	576	48 047	53 774

The register of land and buildings is open for inspection at the registered office of the Company.

### Impairment of assets

In 2015 there was no impairment of assets, due to the fact that all assets were impaired in 2014. In 2014 the Group has undertaken an impairment review in accordance with IAS 36, which gave rise to a pre-tax impairment of R33.1 million on the carrying value of the Black Rock manufacturing plant and equipment, effectively reducing the carrying value of these assets to fair value. The indicators for the impairment applied by Delta in 2014 were:

- Delta's production capacity of 30 000mt of EMD has been under-utilised for a number of years due to the availability of ore as well as poor market conditions;
- export customers source their EMD first from domestic producers and Delta would supply any shortfall. Due to this there is no opportunity for Delta to increase its market share in the global market;
- Delta's share price has been trading at a substantial discount to NAV for more than two years;
- Delta's EMD product offering is no longer suitable for the continuously higher performance standard required by major battery manufacturers; and
- a detailed five-year profit plan and forecast capital expenditure plan prepared by management indicated a decline in net cash inflows and operating profits.

## 8. Property, plant and equipment (continued)

The value of the impairment was determined as per IAS 36:

1. The business has two cash-generating units ("CGU"):
  - a. Nelspruit EMD production site; and
  - b. Blackrock MnO production site.
2. For both CGU's the calculated recoverable amount, is the higher of:
  - a. value in use; or
  - b. fair value less cost to sell.
3. In 2013 the Nelspruit plant valuation determined that its current carrying value was higher than its value in use and fair value.
4. The fair value of Nelspruit was used per the requirement of IAS 36 and Nelspruit plant and equipment was impaired by R121.3 million in the 2013 financial year.
5. In 2014 the Black Rock plant was offered to the market for sale. The highest offer that was received represents fair value less cost to sell which was lower than the carrying value of the assets at Black Rock and the carrying value was adjusted to the fair value. The Black Rock assets were impaired by R33.1 million in the 2014 financial year.

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
<b>9. Investment in subsidiaries</b>				
Shares at cost	-	-	329 949	329 949
Net amounts owing (to)/by subsidiaries	-	-	(1 537)	15 980
Less: Provision for impairment	-	-	(197 467)	(53 456)
<b>Net interest in subsidiaries</b>	-	-	130 945	292 473
Details of subsidiary companies are set out in Annexure A.				
<b>10. Inventories</b>				
Raw materials	-	9 719	-	-
Finished goods	-	12 488	-	-
Provision for obsolete inventories	-	(7 531)	-	-
<b>Total inventories</b>	-	14 676	-	-
<b>11. Trade and other receivables</b>				
Trade receivables	-	71 935	-	-
Provision for doubtful debts	-	-	-	-
Pre-payments	507	1 448	23	7
Other receivables	2 109	4 932	-	-
<b>Total trade and other receivables</b>	2 616	78 315	23	7

The average credit period taken on sales is 0 days (2014: 31 days). The directors consider that the carrying amount of trade and other receivables approximates their fair value.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 27 December 2015

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
<b>12. Share capital</b>				
<b>Authorised share capital</b>				
75 000 000 no par value shares (2013: 75 000 000 no par value shares)	6 750	6 750	6 750	6 750
<b>Issued share capital</b>				
49 165 553 no par value shares (2013: 49 165 553 no par value shares)	4 856	4 856	4 856	4 856
<b>Total share capital</b>	<b>4 856</b>	<b>4 856</b>	<b>4 856</b>	<b>4 856</b>

The balance of unissued shares is under the control of the directors until the forthcoming Annual General Meeting of the Company.

	Group			
	2015		2014	
	Maximum permissible R'000	Actual R'000	Maximum permissible R'000	Actual R'000
<b>13. Borrowing limitations</b>				
The Company's borrowings are limited by its Memorandum of Incorporation to the aggregate of the paid-up issued shares plus the aggregate of the revenue reserves of the Company and its subsidiary and undistributed profits standing to the credit of consolidated profit and loss account plus any goodwill or intangible asset that is shown as an asset less any goodwill that has arisen from the issue of any share capital.				
<b>Total Group borrowing limits</b>	<b>127 182</b>	<b>–</b>	<b>278 320</b>	<b>–</b>

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
<b>14. Deferred taxation</b>				
<b>Movement of deferred taxation:</b>				
Liability at beginning of year	–	10 060	–	–
Statement of comprehensive income	–	(10 060)	–	–
<b>Liability at end of year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Comprising:</b>				
Capital allowances	–	–	–	–
Provisions	–	–	–	–
<b>Total deferred taxation</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

At the statement of financial position date, the Group had R107 954 951 (2014: R46 671 176) in unused estimated tax losses.

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
<b>15. Current and non-current provisions</b>				
<b>15.1 Rehabilitation and restoration:</b>				
Balance at beginning of year	62 304	10 294	–	–
Expensed to the statement of comprehensive income	16 619	52 010	–	–
Paid during the year	(41 647)	–	–	–
Balance at end of year	37 276	62 304	–	–
<b>15.2 Retention incentive:</b>				
Balance at beginning of year	17 881	–	–	–
Expensed to the statement of comprehensive income	12 107	17 881	–	–
Paid during the year	(17 510)	–	–	–
Balance at end of year	12 478	17 881	–	–
<b>15.3 Retrenchment provision:</b>				
Balance at beginning of year	18 108	–	–	–
Expensed to the statement of comprehensive income	2 701	42 586	–	–
Amount already paid to retrenched employees	(13 751)	(24 478)	–	–
Balance at end of year	7 058	18 108	–	–
<b>15.4 Provision for contract settlement:</b>				
Balance at beginning of year	4 000	–	–	–
Expensed to the statement of comprehensive income	–	4 000	–	–
Paid during the year	(4 000)	–	–	–
Balance at end of year	–	4 000	–	–
<b>Total current and non-current provisions</b>	<b>56 812</b>	<b>102 293</b>	<b>–</b>	<b>–</b>

**The Rehabilitation and restoration provision:** During 2014 the rehabilitation and restoration balance included an estimated cost of rehabilitating Delta (EMD) Proprietary Limited's share of rehabilitating the Manganese Metal Company Proprietary Limited Pappas Quarry waste disposal facility in Nelspruit. The pappas quarry liability was settled during the year for an amount of R37.5 million and Delta (EMD) Proprietary Limited was released of all responsibilities towards the site.

IFRS reporting standards require that where a probability of a future liability exists, a provision of the current best estimate needs to be used as basis for raising a provision. To comply with this requirement a provision of R40 million was raised for the rehabilitation of the Nelspruit facility in 2014. During the last quarter of 2015 the remediation order was received from the Department of Environmental affairs for the rehabilitation of the land. Cost estimates were adjusted to be in line with the work required by the remediation order.

**The retention incentive provision:** The long-term incentive is designed to ensure retention of the implementation team and alignment of the rewards with the value generated for the shareholders. The long-term incentive is based on a phantom-share scheme. Each team member will be allocated phantom shares every month until his/her pre-agreed termination date. The number of phantom shares is determined by the member's basic monthly salary times two divided by the share price ("base share price") at the date of the announcement of the discontinuation of the business. The base share price is R4.71 per share. The member will receive dividends on the phantom shares accumulated at each date that a dividend is paid to the shareholders once the accumulated dividends paid to shareholders from 9 May 2014 exceeds the threshold of R4.21 dividend per share.

**The retrenchment provision:** The Company agreed with all employees that each employee will be entitled to three weeks' retrenchment pay for every completed year of services with a minimum of 12 weeks and each employee will be paid their notice period.

**The provision for contract settlement:** The Company entered into a long-term contract until January 2016 for the transport of ore from Black Rock to Nelspruit. With the closing of business a settlement on the contract was offered to the supplier for loss of profit on the contract. This contract was settled and paid in 2015.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 27 December 2015

## 16. Trade and other payables

Trade and other payables principally comprise amounts outstanding in respect of trade purchases and ongoing costs. The average credit period taken is 0 days (2014: 88 days).

The directors consider that the carrying amount of trade and other payables approximates their fair value.

	2015 R'000	2014 R'000
<b>17. Commitments</b>		
<b>17.1 Capital expenditure</b>		
– contracted	–	–
– authorised but not contracted	–	–
<b>Total capital commitments</b>	<b>–</b>	<b>–</b>
This expenditure will be financed from available internal resources.		
<b>17.2</b> Delta (EMD) Proprietary Limited issued a bank guarantee of R2.8 million to Eskom Holding SOC Limited during 2014 to cover the electricity supply to Delta (EMD) Proprietary Limited's Black Rock Calciner facility. This guarantee is expected to be cancelled during 2016.		
<b>17.3 Lease commitments</b>		
The Group has entered into operating leases in respect of certain of its property, plant and equipment. The future minimum commitments in respect of these leases are as follows:		
<b>OPERATING LEASES</b>		
<b>Plant and equipment</b>		
Due within one year	8	576
Thereafter	–	8
<b>Total plant and equipment</b>	<b>8</b>	<b>584</b>
Period of leases	<b>3 months</b>	1 year
<b>Property</b>		
Due within one year	–	1 784
Thereafter*	–	1 year
Period of leases	–	1 year
<b>Total property</b>	<b>–</b>	<b>1 784</b>
<b>Total operating lease commitments</b>	<b>8</b>	<b>2 368</b>

\* The Delta EMD Proprietary Limited previously leased with Manganese Metal Company Proprietary Limited ("MMC") in respect of the land had an indefinite term which terminated when manufacture of electrolytic manganese dioxide ceased. Delta has during 2015 purchased the land and consolidated the land with the land previously owned.

## 18. Related party transactions

Various transactions are entered into by the Company and its subsidiaries during the year with related parties. Group transactions are eliminated on consolidation.

Delta (EMD) Proprietary Limited contracted the joint venture of The Fair Labour Practice – Gauteng and The Fair Labour Practice – Mpumalanga 2014 to assist in the section 189 Retrenchment process and Employee Outplacement Centre after the Group announced the decision to discontinue the business. The value of the contract was R799 482. The contract concluded on 30 October 2014. The Fair Labour Practice – Mpumalanga is owned and managed by the spouse of Delta's Chief Financial Officer.

### Subsidiaries

Details of investments in subsidiaries are disclosed in note 9 and balances in Annexure A.

### Directors

Details regarding directors' remuneration and interests are disclosed in note 7.

### Shareholders

The principal shareholders of the Company are disclosed on page 44.

## 19. Financial instruments

The Group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk (which comprises interest rate risk and market price risk). This note presents information about the Group's exposure to each of the aforementioned risks, the Group's objectives, policies and processes for measuring and managing risks and the Group's management of capital. The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries. The Group has no borrowings and consequently no gearing.

In respect of all financial instruments mentioned above, book value approximates fair value.

Categorisation	Loans and receivables R'000	Non-financial liabilities or assets R'000	Equity R'000	Total R'000
<b>At 27 December 2015</b>				
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	–	–	–	–
<b>Current assets</b>				
Inventories	–	–	–	–
Trade and other receivables	2 616	–	–	2 616
Taxation receivable	–	101	–	101
Bank and cash balances	185 553	–	–	185 553
<b>Non-current assets held for sale</b>	–	25 949	–	25 949
	<b>188 169</b>	<b>26 050</b>	<b>–</b>	<b>214 219</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share capital and premium	–	–	4 856	4 856
Foreign currency translation reserve	–	–	–	–
Accumulated profit	–	–	122 326	122 326
<b>Non-current liabilities</b>				
Non-current provisions	–	–	–	–
<b>Current liabilities</b>				
Trade and other payables	28 672	–	–	28 672
Short-term provisions	–	56 812	–	56 812
Taxation payable	1 553	–	–	1 553
	<b>30 225</b>	<b>56 812</b>	<b>127 182</b>	<b>214 219</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 27 December 2015

## 19. Financial instruments (continued)

Categorisation	Loans and receivables R'000	Non- financial liabilities or assets R'000	Equity R'000	Total R'000
<b>At 27 December 2014</b>				
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	–	53 774	–	53 774
<b>Current assets</b>				
Inventories	–	14 676	–	14 676
Trade and other receivables	71 935	6 380	–	78 315
Taxation receivable	–	101	–	101
Bank and cash balances	227 378	–	–	227 378
<b>Non-current assets held for sale</b>	–	45 466	–	45 466
	<b>299 313</b>	<b>120 397</b>	<b>–</b>	<b>419 710</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share capital	–	–	4 856	4 856
Foreign currency translation reserve	–	–	4 650	4 650
Accumulated profit	–	–	282 464	282 464
<b>Non-current liabilities</b>				
Other non-current provisions	–	5 228	–	5 228
<b>Current liabilities</b>				
Trade and other payables	25 301	–	–	25 301
Short-term provisions	–	97 065	–	97 065
Taxation payable	–	8	–	8
Non-current liability held for sale	138	–	–	138
	<b>25 301</b>	<b>102 439</b>	<b>291 970</b>	<b>419 710</b>

### 19.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and short-term cash investments.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk. The carrying values, net of impairment allowances, amount to Rnil (2014: R71 935 000) for trade receivables (refer note 11) and R2 616 000 (2014: R6 380 000) for other receivables.

The impairment allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point, the amount which is considered irrecoverable is written off against the financial assets directly.

The Group has a general credit policy of dealing with creditworthy counterparties and obtaining insurance through Lombard's Insurance Group, where appropriate, as a means of mitigating the risk of financial loss from defaults. New customers are analysed for creditworthiness before payment and delivery terms are offered. Operational management are held responsible for monitoring the operations' credit exposure.

## 19. Financial instruments (continued)

### 19.1 Credit risk (continued)

When deemed necessary, the Group maintains an impairment allowance that represents its estimate of incurred losses in respect of trade and other receivables. The provision would be based on management's estimate of the total specific loss that relates to individually significant exposures, when deemed necessary. The total impairment allowance raised in the current financial year is Rnil. (2014: Rnil) and the total amount written off to the statement of comprehensive income was Rnil (2014: Rnil). The credit quality of assets that are neither past due nor impaired is considered to be good.

	2015 R'000	2014 R'000
Ageing of trade receivables at 27 December		
Not past due:		
Overdue:		
0 – 30 days	–	70 479
61 – 180 days	–	1 456
	–	–
	–	71 935

#### Investments

It is Group policy to deposit short-term cash investments with only the major banks with a limit of R50 million per institution.

At the year-end management did not consider there to be any material credit risk exposure that was not already covered by credit guarantee insurance or a bad debt provision.

### 19.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The total balance of trade and other payables of R28.7 million (2014: R25.3 million) is payable within six months. Non-current liabilities represent mainly the long-term portion of the provision for management incentives.

The overdraft facilities with ABSA Bank Limited was cancelled in 2014.

### 19.3 Market risk

Market risk is the risk that changes in foreign exchange rates, interest rates and equity prices will affect the Group's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

#### Currency risk

The Group exposure to currency risk is in respect of sales to foreign customers and foreign purchases. It is the Group's policy not to trade in derivative financial instruments for speculative purposes.

#### Interest rate risk

A sensitivity analysis has not been performed as the effect of changes in interest rates are not believed to have a significant effect on the Group's profit for the year.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 27 December 2015

## 19. Financial instruments (continued)

### 19.3 Market risk (continued)

Interest rate profile of the Group's interest-bearing financial instruments at 27 December was:

Description	Currency	Interest rate %	2015 R'000	2014 R'000
<b>Cash investments</b>				
Australia	AUD	2	–	786
South Africa	ZAR	6	185 370	199 395
South Africa	ZAR	0	175	14 055
South Africa	USD	0	–	12 024
South Africa	EUR	0	–	882
South Africa	JPY	0	–	228
Total bank balances			185 545	227 370
Cash on hand			8	8
Total bank balances and cash			185 553	227 378

#### Equity risk

The Group does not have significant exposure to equity price risk as it does not hold equity investments classified as held-for-trading or available-for-sale.

## 20. Contingent Liability

In connection with the sale of the former Australia plant site the Deed of Environmental Responsibilities entered into upon the purchase of that site was revised, and Delta EMD Limited retains certain responsibilities with respect to environmental conditions at that site. Both the timing and amount of this liability is uncertain. The directors are of the opinion that the possibility of any amount having to be paid out is remote.

## 21. Post-statement of financial position events

The agreement for the sale of the Nelspruit land signed in 2015 was cancelled. The Group will continue to search for an appropriate buyer for the land.

## INVESTMENTS IN SUBSIDIARY COMPANIES (ANNEXURE A)

Financial information in respect of interests in subsidiary companies:

Name of company	Percentage holding		Nature of business	Issued share capital R'000	Interest of holding company Shares		Indebtedness	
	2015 %	2014 %			2015 R'000	2014 R'000	2015 R'000	2014 R'000
<b>DIRECT SUBSIDIARIES</b>								
EMD Investments Proprietary Limited	100	100	Investment holding company	2 129	327 412	327 412	(1 537)	15 980
Dormant companies	–	–	Dormant	777	2 537	2 537	–	–
Total direct subsidiary companies					329 949	329 949	(1 537)	15 980
<b>INDIRECT SUBSIDIARIES</b>								
Delta (EMD) Proprietary Limited	100	100	Manufacture and distribution of electrolytic manganese dioxide	–				
Delta EMD Australia Proprietary Limited	100	100	Dormant	–				
Total investment in subsidiaries					329 949	329 949	(1 537)	15 980
Less: Provision for impairment					(197 467)	(53 456)	–	–
<b>Total investment in subsidiaries after impairment</b>					<b>132 482</b>	<b>276 493</b>	<b>(1 537)</b>	<b>15 980</b>

Profits after tax attributable to subsidiary companies were Rnil (2014: Rnil).

Losses after tax attributable to subsidiary companies for the year were R38 719 394 (2014: R150 224 073).

The directors confirmed that the book value of the investment in subsidiaries after impairment is not overstated.

## SHAREHOLDERS' PROFILE (ANNEXURE B)

By type of shareholder			Ordinary shares issued	
Number	%		Number in 000's	%
430	68.6	Individual shareholders	3 020	6.2
196	31.2	Corporate bodies	21 992	44.7
1	0.2	Valmont EMD Holdings Limited	24 154	49.1
627	100.0		49 166	100.0
By size of shareholding				
469	74.8	Held up to 7 000 shares	613	1.2
76	12.1	Held between 7 001 and 35 000 shares	1 307	2.7
58	9.3	Held between 35 001 and 175 000 shares	4 816	9.8
24	3.8	Held over 175 000 shares	42 430	86.3
676	100.0		49 166	100.0

### MAJOR INDIVIDUAL HOLDINGS

According to the register of shareholders and having made enquiries of nominees and other registered holders at 27 December 2015, the following parties hold beneficial interest of 2% or more of the issued share capital:

Valmont EMD Holdings Limited (including directors' qualification shares)	24 154	49.1
Coronation Asset Management	4 537	9.2
Mr J Biccard	2 925	5.9
CACEIS BANK	1 995	4.1
Delta PLC Pension Fund	1 500	3.1
Mr C Banducci	1 000	2.0
	36 111	73.4

### NON-PUBLIC SHAREHOLDER SPREAD ANALYSIS

Valmont EMD Holdings Limited (Including Delta directors' qualification shares)	24 154	49.1
Total non-public interests	24 154	49.1
Balance as held by public as defined	25 012	50.9
	49 166	100.0



## **DELTA EMD LIMITED**

(Formerly Delta Electrical Industries Limited)  
(Incorporated in the Republic of South Africa)  
(Registration number 1919/006020/06)  
Share code: DTA ISIN: ZAE000132817  
("Delta" or "the Company" or "the Group")

Notice is hereby given to shareholders recorded in the Company's securities register on 24 June 2016 that the ninety-nine Annual General Meeting of shareholders of the Company will be held at the Boardroom, 10 Bompas Road, Dunkeld Johannesburg on Thursday, 1 September 2016, at 11:00 for the purpose of considering the following business and if deemed fit, to pass, with or without modification, the ordinary shareholders resolutions set out below.

The record date on which shareholders must be recorded as such in the securities register maintained for the Company for the purposes of determining which shareholders are entitled to attend and vote at the Annual General Meeting is Friday, 26 August 2016. As such, the last day to trade in order to be entitled to vote at the Annual General Meeting is Tuesday, 23 August 2016. Any person appointed as a proxy need to be a shareholder of the Company.

## **1. Ordinary resolutions**

### **1.1 Acceptance of annual financial statements**

Ordinary resolution 1 is proposed to receive and accept the Group audited annual financial statements for the year ended 27 December 2015, including the Directors' report, the report of the auditors and the report of the audit committee thereon. The financial statements, the Directors' report, the report of the auditors and the report of the audit committee are set out on pages 16 to 19 of the integrated annual report attached to this notice.

#### **1.1.1 Ordinary resolution 1**

"Resolved that the Group audited annual financial statements for the year ended 27 December 2015, including the Directors' report, the report of the auditors and the report of the audit committee thereon be and are hereby received and accepted."

In order for this resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the Annual General Meeting and entitled to exercise voting rights on the resolution is required.

### **1.2 Re-election of directors**

In terms of the Company's memorandum of incorporation, at every Annual General Meeting at least one-third of the directors must retire and the directors to so retire shall be those who have been longest in office since their last election. The retiring directors shall be eligible for re-election.

Messrs A Hicks and BR Wright are required to retire by rotation and they have offered themselves for re-election.

Ordinary resolutions 2 and 3 are proposed to re-elect the directors who retire as directors of the Company by rotation in accordance with the Company's memorandum of incorporation and who, being eligible for re-election, offer themselves for re-election.

Brief biographical information of each of the retiring directors is set out on pages 3 to 4 of the integrated annual report accompanying this note.

The nomination committee of the Company conducted an assessment of the performance of each of the retiring directors and the board of directors of the Company ("the board") considered the findings of the nomination committee. Based on these findings, the board recommends to shareholders the re-election of each of the retiring directors as set out in ordinary resolutions 2 and 3.

### 1.2.1 Ordinary resolution 2

“Resolved that Mr A Hicks, who retires in terms of article 23 of the memorandum of incorporation of the Company and who is eligible and available for re-election, be and is hereby re-elected as a non-executive director of the Company.”

In order for this resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the Annual General Meeting and entitled to exercise voting rights on the resolution is required.

### 1.2.2 Ordinary resolution 3

“Resolved that Mr BR Wright who retires in terms of article 23 of the memorandum of incorporation of the Company and who is eligible and available for re-election, be and is hereby re-elected as a non-executive director of the Company.”

In order for this resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the Annual General Meeting and entitled to exercise voting rights on the resolution is required.

## 1.3 Election of directors

With the resignation of Mr P Bajjnath and passing of Mr JS Seymore the board decided to appoint Mrs EJ Nel as financial director and Mr C Naicker as operational director.

### 1.3.1 Ordinary resolution 4

“Resolved that Mrs EJ Nel be appointed as Financial Director.

In order for this resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the Annual General Meeting and entitled to exercise voting rights on the resolution is required.

### 1.3.2 Ordinary resolution 5

“Resolved that Mr C Naicker be appointed as Operational Director.

In order for this resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the Annual General Meeting and entitled to exercise voting rights on the resolution is required.

## 1.4 Election of audit committee

Ordinary resolution 4 is proposed to elect an audit committee in terms of section 94(2) of the Companies Act, 71 of 2008 (as amended) (“the Companies Act”) and the King Report on Corporate Governance for South Africa (“King III”).

Section 94 of the Companies Act requires that, at each Annual General Meeting, shareholders of the Company must elect an audit committee comprising at least three members.

The nomination committee conducted an assessment of the performance and independence of each of the directors proposed to be members of the audit committee and the board considered and accepted the findings of the nomination committee. The board is also satisfied that the proposed members meet the requirements of section 94(4) of the Companies Act, that they are independent according to King III and that they possess the required qualifications and experience as prescribed in Regulation 42 of the Companies Act Regulations, 2011, which requires that at least one-third of the members of a company’s audit committee at any particular time must have academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management.

Brief biographical notes of each candidate available for election as a member of the audit committee are set out on pages 3 to 4 of the integrated annual report.

#### 1.4.1 Ordinary resolution 6

“Resolved that Mr L Matteuci be and is hereby appointed as Chairman of the Audit Committee in terms of section 94(2) of the Companies Act to hold office until the next Annual General Meeting and to perform the duties and responsibilities stipulated in section 94(7) of the Companies Act and in King III and to perform such other duties and responsibilities as may from time to time be delegated to it by the board.”

In order for this resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the Annual General Meeting and entitled to exercise voting rights on the resolution is required.

#### 1.4.2 Ordinary resolution 7

“Resolved that Mr BR Wright be and is hereby appointed as member of the Audit Committee in terms of section 94(2) of the Companies Act to hold office until the next Annual General Meeting and to perform the duties and responsibilities stipulated in section 94(7) of the Companies Act and in King III and to perform such other duties and responsibilities as may from time to time be delegated to it by the board.”

In order for this resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the Annual General Meeting and entitled to exercise voting rights on the resolution is required.

#### 1.4.3 Ordinary resolution 8

“Resolved that AC Hicks be and is hereby appointed as member of the Audit Committee in terms of section 94(2) of the Companies Act to hold office until the next Annual General Meeting and to perform the duties and responsibilities stipulated in section 94(7) of the Companies Act and in King III and to perform such other duties and responsibilities as may from time to time be delegated to it by the board.”

In order for this resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the Annual General Meeting and entitled to exercise voting rights on the resolution is required.

### 1.5 Appointment of external auditors

Ordinary resolution 5 is proposed to approve the appointment of Deloitte & Touche as the external auditors of the Company for the financial year ending 27 December 2016 and to remain in office until the conclusion of the next Annual General Meeting, and to authorise the directors to determine their remuneration.

Subject to the passing of the resolution, Mr AJ Wise will be the individual registered auditor who will undertake the audit during the financial year ending 27 December 2016.

Section 90(1) of the Companies Act requires the Company to appoint an auditor each year at its Annual General Meeting. The audit committee conducted an assessment of the performance and the independence of the external auditors and considered whether or not the external auditors comply with the requirements of sections 90(2) and (3) of the Companies Act and section 22 of the Listings Requirements of the JSE Limited (“JSE”), and the board considered and accepted the audit committee findings. The board is satisfied that Deloitte & Touche auditors and Mr AJ Wise comply with the relevant provisions and are duly accredited by the JSE.

#### 1.5.1 Ordinary resolution 9

“Resolved that Deloitte & Touche be appointed as the external auditors of the Company and of the Group for the financial year ending 27 December 2016 and to remain in office until the conclusion of the next Annual General Meeting, and that their remuneration for the financial year ending 27 December 2016 be determined by the directors.”

In order for this resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the Annual General Meeting and entitled to exercise voting rights on the resolution is required.

## 2. Special resolutions

### 2.1 To approve the non-executive directors' fees

Section 66(8) (read with section 66(9)) of the Companies Act provides that, to the extent permitted in the Company's memorandum of incorporation, the Company may pay remuneration to its directors for their services as directors, provided that such remuneration may only be paid in accordance with a special resolution approved by shareholders within the previous two years. The remuneration committee has considered the remuneration for non-executive directors and the board has accepted the recommendations of the remuneration committee.

## 2.1.1 Special resolution 1

“Resolved that the fees payable to the non-executive directors for their services as directors be revised with effect from 1 January 2016 as follows:

Non-executive directors' fees	Present	Proposed*
Chairman of the board – base fee	R350 000	R350 000
– board meeting fee	R25 000	R25 000
– board call meeting fee	R5 000	R5 000
Non-executive directors – base fee	R100 000	R100 000
– board meeting fee	R20 000	R20 000
– board call meeting fee	R4 000	R4 000
Chairman of the audit and risk committee	R150 000	R150 000
Members of the audit and risk committee	R90 000	R90 000
Chairman of other board committees**	R100 000	R100 000
Member of other board committees**	R50 000	R50 000
Chairman of the nomination committee	–	–
Member of the nomination committee	–	–

\* Per calendar year, commencing on 1 January 2016, and subsisting until another special resolution dealing with the fees payable to non-executive directors is adopted, or this special resolution expires, whichever happens first.”

\*\* This excludes the nomination committee.

In order for this resolution to be adopted, the support of at least 75% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the Annual General Meeting and entitled to exercise voting rights on the resolution is required.

## 2.2 Loans or other financial assistance to related or inter-related companies

Section 45 of the Companies Act provides, among other things that, except to the extent that the memorandum of incorporation of a company provides otherwise, the board may authorise the Company to provide direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation and securing any debt or obligation) to a related or inter-related company, provided that such authorisation shall be made pursuant to a special resolution of the shareholders adopted within the previous two years, which approved such assistance either for the specific recipient or generally for a category of potential recipients and the specific recipient falls within that category. It may be necessary for the Company to provide financial assistance from time to time to its subsidiaries. In the circumstances and in order to ensure that the Company's subsidiaries have access to financial assistance from the Company (as opposed to from external sources), it is necessary in terms of section 45 to obtain the approval of shareholders, as set out in special resolution 2. Section 45 of the Companies Act also provides, among other things, that the Board must be satisfied that:

a) immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test contained in section 4 of the Companies Act; b) and the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

### 2.2.1 Special resolution 2

“Resolved that the directors of the Company be and are hereby authorised, in accordance with section 45 of the Companies Act, to authorise the Company to provide direct or indirect financial assistance to any company which is related or inter-related to the Company.”

## Disclosures in regard to other Listings Requirements of the JSE

The Listings Requirements of the JSE prescribe certain disclosures, which are disclosed in the Group audited annual financial statements and the integrated annual report as provided below:

### Certificated shareholders/dematerialised shareholders with own name registration

Registered holders of certificated ordinary shares and holders of dematerialised ordinary shares in their own name, may attend, speak and vote at the Annual General Meeting or are entitled to appoint a proxy or more than one proxy to attend, speak and, on a poll, vote in his/her stead.

### Voting and proxies

A shareholder of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, vote and speak in his/her stead. Forms of proxy may also be obtained on request from the Company's registered office. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the Annual General Meeting should the shareholder subsequently decide to do so.

### Dematerialised shareholders

Shareholders who have dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker, and who have not elected own name registration and wish to attend the Annual General Meeting, should timeously inform their CSDP or broker of their intention to attend the Annual General Meeting and request such CSDP or broker to issue them with the necessary authority to attend. If they do not wish to attend the Annual General Meeting, they may provide such CSDP or broker with their voting instructions.

### Voting rights

The ordinary shareholders are entitled to vote on all the resolutions set out in this notice. On a show of hands, every ordinary shareholder who is present in person or by proxy at the Annual General Meeting will have one vote (irrespective of the number of ordinary shares held in the Company) and, on a poll, every ordinary shareholder will have one vote for every ordinary share held or represented. All the resolutions set out in this notice will be voted on by poll.

### Identification

In terms of section 63(1) of the Companies Act, any person attending or participating in the Annual General Meeting must present reasonably satisfactory identification and the person presiding at the Annual General Meeting must be reasonably satisfied that the right of any person to participate in and vote whether as a shareholder or as a proxy for a shareholder has been reasonably verified. Acceptable forms of identification include valid identity documents, drivers' licences and passports.

### Electronic participation by shareholders

Should any shareholder (or a proxy for a shareholder) wish to participate in the Annual General Meeting by way of electronic participation, that shareholder should make an application in writing to so participate to the transfer secretaries, at the transfer secretaries' address, 70 Marshall Street, Johannesburg, 2001, to be received by the transfer secretaries at least five business days prior to the Annual General Meeting in order for the transfer secretaries to arrange for the shareholder (or its representative or proxy) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act and for the transfer secretaries to provide the shareholder (or its representative or proxy) with details as to how to access any electronic participation to be provided. The costs of accessing any means of electronic participation provided by the Company will be borne by the Company.

By order of the Board

### **EJ Nel, CA(SA)**

*Company Secretary*

Nelspruit, Mpumalanga  
10 June 2016



# FORM OF PROXY



## DELTA EMD LIMITED

(Formerly Delta Electrical Industries Limited)  
(Incorporated in the Republic of South Africa)  
(Registration number 1919/006020/06)  
Share code: DTA ISIN: ZAE000132817  
("Delta" or "the Company")

For use by certificated shareholders and dematerialised shareholders with own name registration only, at the ninety-ninth Annual General Meeting of shareholders of the Company to be held at the Boardroom, 10 Bompas Road, Dunkeld Johannesburg, on **1 September 2016** at 11:00.

Dematerialised shareholders without own name registration must inform their CSDP or broker of their intention to attend the Annual General Meeting and request their CSDP or broker to issue them with the necessary Letter of Representation to attend the Annual General Meeting in person and vote or provide their CSDP or broker with their voting instructions should they not wish to attend the Annual General Meeting in person. These shareholders must not use this form of proxy.

I/We

(Name in block letters)

Of

(address)

being the holders of  shares in the Company, do hereby

appoint (see note 3):

1. \_\_\_\_\_ or failing him/her,
2. \_\_\_\_\_ or failing him/her,

3. the Chairperson of the Annual General Meeting,

as my/our proxy to act for me/us at the Annual General Meeting for purposes of considering and, if deemed fit, passing, with or without modification, the shareholders resolutions to be proposed thereat and at each adjournment thereof; and to abstain from voting for and/or against such resolutions in respect of the ordinary shares registered in my/our name in accordance with the following instructions:

		*In favour of	*Against	*Abstain
Ordinary resolution 1:	Acceptance of annual financial statements			
Ordinary resolution 2:	Re-election of A Hicks as a non-executive director			
Ordinary resolution 3:	Re-election of BR Wright as a non-executive director			
Ordinary resolution 4:	Election of EJ Nel as financial director			
Ordinary resolution 5:	Election of C Naicker as operational director			
Ordinary resolution 6:	Election of L Matteucci as Chairman of Audit Committee			
Ordinary resolution 7:	Election of Mr BR Wright as member of Audit Committee			
Ordinary resolution 8:	Election of Mr AC Hicks as member of Audit Committee			
Ordinary resolution 9:	Re-appointment of Deloitte & Touche as external auditors			
Special resolution 1:	Approval of non-executive directors' fees			
Special resolution 2:	Approval of general authority to grant loans or other financial assistance to related or inter-related companies			

\* Insert an "X" or the number of ordinary shares (see note 9).

Signed at

on

2016

Signature

Assisted by (where applicable)

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in place of that shareholder at the Annual General Meeting.

**Please read the instructions and Companies Act summary on the reverse hereof.**

# NOTES TO THE FORM OF PROXY

## Instructions on signing and lodging of this Annual General Meeting form of proxy

1. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alterations must be signed, not initialled.
2. The Chairperson of the Annual General Meeting shall be entitled to decline to accept the authority of a signatory:
  - (a) under a power of attorney; or
  - (b) on behalf of a company,  
unless the power of attorney or authority is deposited with the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 or PO Box 61051, Marshalltown, 2107 by no later than 11:00 on **30 August 2016**.
3. The signatory may insert the name of any person(s) whom the signatory wishes to appoint as his/her proxy in the blank space/s provided for that purpose.
4. When there are joint holders of shares and if more than one such joint holder be present or represented, then the person whose name appears first in the securities register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof.
5. The completion and lodging of this form of proxy will not preclude the signatory from attending the Annual General Meeting and speaking and voting in person thereat should such person wish to do so, to the exclusion of any proxy appointed in terms hereof.
6. If, in the appropriate place on the face of this form of proxy, there is no indication of how to vote in respect of any resolution, the proxy shall be deemed to have been instructed to vote in favour of the resolution.
7. The Chairperson of the Annual General Meeting may reject or accept any form of proxy which is completed, other than in accordance with these instructions, provided that, in the event of acceptance, the Chairperson is satisfied as to the manner in which a shareholder wishes to vote.
8. If the shareholding is not indicated on this form of proxy, the proxy will be deemed to be authorised to vote the total shareholding registered in the shareholder's name.
9. Please insert an "X" in the relevant space according to how you wish to vote. In respect of a lesser numbers of shares than you own in the Company, insert the number of shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to be on Instruction to the proxy to vote in favour of the resolution. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and/or in respect of which abstention is recorded may not exceed the total number of votes exercisable by the shareholder or by his/her proxy.
10. A form of proxy sent by electronic medium to the Company Secretary or transfer secretaries within the time allowed for submission, shall be deemed to constitute an instrument of proxy.
11. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company Secretary or waived by the Chairperson of the Annual General Meeting.
12. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company Secretary.
13. Forms of proxy should be lodged with or mailed to Computershare Investor Services Proprietary Limited:

<b>Hand deliveries to:</b> Ground Floor, 70 Marshall Street Johannesburg, 2001	<b>Postal deliveries to:</b> PO Box 61051 Marshalltown, 2107
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to be received by no later than 11:00 on **30 August 2016** (or 48 hours before any adjournment of the Annual General Meeting which date, if necessary, will be published in the press or in effect of any adjustment of the Annual General Meeting, by no later than 48 hours before any adjustment such which date is necessary will be published in the press). A proxy form not lodged by this time may be handed to the Chairman before the due commencement of the meeting.

## Summary in terms of section 58(8)(b)(i) of the Companies Act

Section 58(8)(b)(i) provides that, if a company supplies a form of instrument for appointing a proxy, the form of proxy supplied by the Company for the purpose of appointing a proxy must bear a reasonably prominent summary of the rights established by section 58 of the Companies Act, 2008, as amended, which summary is set out below: For purposes of this summary, the term "shareholder" shall have the meaning ascribed thereto in section 57(1) of the Companies Act.

A proxy appointment:

- must be in writing, dated and signed by the shareholder; and
- remains valid for:
  - one year after the date on which it was signed; or
  - any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in section 58(4)(c) of the Companies Act; or expires earlier as contemplated in section 58(8)(d) of the Companies Act.

The memorandum of incorporation of the Company prohibits:

- the concurrent appointment of two or more persons as proxy, therefore shareholders are not permitted to concurrently appoint two or more persons as proxy ; and
- the delegation of authority to act by a proxy, therefore proxies are not permitted to delegate their authority to act to another person.

A copy of the instrument appointing a proxy must be delivered to the Company, or to any other person on behalf of the Company, before the proxy exercises any rights of the shareholder at a shareholders' meeting.

Irrespective of the form of instrument used to appoint a proxy:

- the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
- the appointment is revocable unless the proxy appointment expressly states otherwise; and
- if the appointment is revocable, a shareholder may revoke the proxy appointment by:
  - cancelling it in writing, or making a later inconsistent appointment of a proxy; and
  - delivering a copy of the revocation instrument to the proxy and to the Company.

The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of the date:

- stated in the revocation instrument, if any; or
- upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(iii) of the Companies Act.

Should the instrument appointing a proxy or proxies have been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's memorandum of incorporation to be delivered by the Company to the shareholder must be delivered by the Company to:

- the shareholder, or
- the proxy or proxies if the shareholder has in writing directed the com.

The memorandum of incorporation of the Company provides that the vote of a proxy must be in accordance with the express directions as to voting the shares in question specified in the applicable proxy form or instrument appointing the proxy, failing which the Company will be entitled to disregard the proxy form or instrument appointing the proxy. Accordingly, a proxy will not be entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction.

If the Company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy:

- such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;
- the Company must not require that the proxy appointment be made irrevocable; and
- the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.





[www.deltaemd.com](http://www.deltaemd.com)