DISTELL

CRAFTING BRANDS SINCE 1925

AUDITED GROUP RESULTS

FOR THE YEAR ENDED 30 JUNE 2019
AND CASH DIVIDEND DECLARATION

CONTENTS

SALIENT FEATURES

COMPARABLE GROUP REVENUE on flat volumes[1]

+9,4%

– Solid domestic revenue growth in all three categories in subdued economic conditions and highly competitive market
– Exceptional and profitable growth in Africa
– International margin growth benefiting from premium focus
– Revenue (net of excise) growth in 12 out of the top 15 largest brands

EBITDA reported	NORMALISED EBITDA adjusted for forex[2, 3]	HEADLINE EARNINGS reported	NORMALISED HEADLINE EARNINGS adjusted for forex[3]	TOTAL DIVIDEND FOR THE YEAR	Return on invested capital (ROIC) normalised and adjusted for forex[2,3]
-22,8%	+7,5%	-1,7%	+7,0%	+7,1%	+34bps

[1] The Group adopted the new accounting standard IFRS 15 Revenue from Contracts with Customers with effect from 1 July 2018. The Group makes payments or provides products to customers which, under IFRS 15, are not regarded as payment for distinct goods and services and for which separate performance conditions cannot be determined (see note 12 to the summary financial statements). From 1 July 2018, these costs are allocated against revenue as the Group has applied the modified retrospective application option and comparative information has not been restated. For comparability purposes, pro forma restated figures were calculated as disclosed in note 12.

[2] Normalised earnings before interest, tax, depreciation and amortisation (EBITDA) refers to EBITDA adjusted for the: (a) prior year gain on the unbundling of Lusan and the sale of Bisquit, (b) the prior year one-off losses and write-off in Tanzania Distilleries Limited (TDL), an associate company, following a sachet ban and excise duty dispute, (c) profit on disposal and impairment of property, plant and equipment (PPE) and intangible assets, (d) Group restructuring, retrenchment and other non-recurring costs, (e) expected credit loss on Zimbabwe financial assets, and (f) impairment of the investment in Best Global Brands Limited (BGB).

[3] Foreign currencies and abnormal transactions affect the Group's performance. Where relevant in this report, adjusted non-IFRS measures are presented. These adjusted measures represent pro forma financial information. A reconciliation of the pro forma financial information to the equivalent IFRS metrics is provided in note 3 to the summary financial statements.

("Distell" or "the Group" or "the Company")

COMMENTARY

OPERATING PERFORMANCE OF CONTINUING OPERATIONS

Comparable Group revenue grew by 9,4% to R26,2 billion on constant volumes, with revenue at constant currency growing by 7,1%. Revenue excluding excise duty grew by 8,8%. Reported revenue grew by 8,0%.

Comparable domestic market revenue increased by 9,5% with sales volumes down by 0,9% as consumer confidence and disposable income remain subdued and with increased value offerings by competitors, particularly in beer. The Group took tactical pricing decisions in the period which had a positive effect on revenue and margins. The cider and ready-to-drink (RTD) portfolio delivered double-digit revenue growth, with Savanna, Extreme and Bernini maintaining their excellent growth momentum as they stole share from beer.

The spirits category showed strong revenue growth led by premium white spirits. Cruz Vodka is maintaining double-digit revenue and volume growth following a successful 75% acquisition mid-2017. Count Pushkin doubled volumes and revenues off the back of white spirit trends and an expanded flavour range launched during the financial year. Gin brands continue to deliver double-digit revenue and volume growth. The whisky category showed volume and revenue growth in both the premium and blended portfolio following a refreshed strategy implementation last year. Award winning brands, Bain's and Scottish Leader, delivered double-digit revenue growth while Three Ships showed commendable double-digit revenue growth in a competitive category. Brandy volumes declined as consumers traded down to competing value offerings. However, the overall brandy portfolio showed revenue growth.

The wine portfolio recorded muted revenue growth as wine supply shortages resulted in above-inflation cost increases, which led us to pass on pricing to consumers. This impacted some of our key accessible scale wine brands in particular. The premium wine portfolio, under a newly independent entity, Libertas Vineyards and Estates (LV&E), recorded low revenue growth following a portfolio and route-to-market (RTM) restructure alongside pricing decisions implemented across the brand portfolio. The renewed focus on core brands is yielding results with established brands achieving solid growth and overall margin improvement.

African markets, outside South Africa, delivered exceptional comparable revenue growth of 20,0% on sales volumes which were up by 10,3%. Focus markets on the continent, outside the Southern African Customs Union (SACU), delivered excellent results with revenue and volume growth of 40,6% and 28,6% respectively, as we see the benefits of establishing strong local partnerships, local production and end-to-end RTM platforms. All categories delivered overall double-digit volume and revenue growth, led by Nigeria, Kenya, Zambia, Ghana and Mozambique. The RTD category growth came from Hunter's and Savanna while the spirits category growth was led by Kibao and Hunter's Choice Whisky in Kenya. Strong growth in wines was experienced across the portfolio. Mainstream brands delivered overall double-digit volume and revenue growth with 4th Street delivering triple-digit performance by volume and value.

Trading conditions in Angola and Zimbabwe remained challenging with currency devaluations and liquidity restrictions amidst tough economic conditions impacting on operating performance, specifically in the second half of the financial year. As a result, the Group decided it would be prudent to impair about two-thirds of the value of its 26% investment in BGB, with the majority of its operations in Angola, as well as recognise a credit loss provision of about 80% on its US dollar dominated savings bond with the Zimbabwe Reserve Bank. We remain confident in the Angola business given that volumes and market share continue to improve since our original 26% acquisition as structural reforms take effect. We will also continue to support the African Distillers Limited (Afdis) team in Zimbabwe, in which we own a 31% indirect interest, throughout this period. We are confident in managing these risks by continuing to expand our local production and RTM platforms while being less dependent on our historic export business.

BLNS countries in SACU delivered low overall revenue growth. The Africa region contributed 59,6% to foreign revenue growing its overall contribution to Group revenue to 15,5% in the period.

Volumes in international markets, also under the venture business unit, outside Africa declined by 10,6% with comparable revenue remaining constant. This was in line with expectations as our focus continued to shift from the lower-margin wine and RTD categories, toward our higher-margin premium wine and spirits portfolios. Various markets and categories were exited, such as RTD's as well as distribution agreements being rationalised. As a result, the region grew EBITDA margins by 300 basis points. Volume and revenue growth in our spirits portfolios was impacted by lower Scottish Leader sales in Taiwan despite the brand maintaining its market share. Strong sales of single malts were recorded in all major markets.

Comparable operating costs rose by 10,9%. Our underlying operating costs, which exclude cost of goods sold and the costs referred to below, were well controlled and grew at only 2,9%. Group retrenchment, restructuring and other one-off costs of R223,3 million are included in operating costs. These costs mainly relate to initiatives, which were largely completed by 30 June 2019, to optimise and improve the efficiencies of our supply chain and a review of central support functions throughout the Group. Included in operating costs is R266,1 million relating to the Zimbabwe bond credit loss provision referred to earlier.

Other gains and losses include the impairment of R524,0 million of our investment in BGB referred to above.

Foreign currency translation gains amounted to R25,4 million (2018: R53,1 million in losses).

Net finance costs declined by 8,3% to R270,9 million.

Distell's share of equity-accounted earnings increased from R31,4 million to R61,5 million.

EBITDA declined by 22,8%. Normalised EBITDA, which excludes the impact of the impairments, the profit on sale of investments, the one-off losses in TDL in the prior year, retrenchment and Group restructuring costs, increased by 12,4%. Normalised EBITDA, excluding foreign currency translation movements, increased by 7,5%.

The effective tax rate was 41,5% (2018: 29,7%). This is largely attributable to the R524,0 million impairment of BGB which is not tax deductible.

Headline earnings, including discontinued operations of the prior year, declined by 1,7% to R1,4 billion, and headline earnings per share by 1,8% to 656,4 cents. Excluding the currency conversion movements, the Group retrenchment and restructuring costs, credit loss provision on Zimbabwe bonds and the TDL losses referred to above, headline earnings increased by 7,0%. Earnings per share declined by 45,6% to 408,4 cents.

INVESTMENT AND FUNDING

Total assets increased by 6,4% to R23,5 billion.

Investment in net working capital increased by 2,1% to R6,7 billion, benefiting from improved trade payable management. Inventory, the main component, was up 9,6% to R8,3 billion (2018: R7,6 billion). Bulk spirits in maturation remained unchanged at R2,9 billion. Investments in bottled stock and packaging material increased by 19,5% to ensure that the Group will be able to supply products to customers while we are busy optimising our production network configuration. Trade and other receivables increased by 9,1%, while trade and other payables and provisions increased by 20,3% as the Group benefited from improvements realised in its shared service centre and centralised procurement.

Capital expenditure for the period amounted to R1,3 billion (2018: R1,2 billion). Of this, R536,7 million was spent on the replacement of assets. A further R722,3 million was directed to the expansion of capacity, mainly in relation to the Group's manufacturing and distribution facilities.

Net cash generated from operations was R2,9 billion (2018: R3,1 billion). The Group remains in a strong financial position with low levels of gearing, which is demonstrated by a debt to debt-plus-equity ratio of 24,5% (2018: 22,5%) and a debt-to-equity ratio of 32,5% (2018: 29,0%) at the end of the reporting period.

DISCONTINUED OPERATIONS

The financial results of Bisquit, which was sold on 31 January 2018, have been excluded from the continuing operations of the Group and are disclosed separately as 'discontinued operations' in the comparative numbers in the summary financial statements.

PROSPECTS

The International Monetary Fund (IMF) predicts that global growth should return to 3,6% in 2020 after subdued growth this year of 3,2%. Although global growth is still reasonable, the outlook for many countries is challenging, with considerable uncertainties in the short term. An escalation of trade tensions remain a key source of risk and financial conditions have tightened internationally as debt levels remain high.

Growth in sub-Saharan Africa is expected to rebound to 2,8% in 2019, with countries such as Kenya, Ghana, Tanzania and Mozambique exceeding that. The outlook towards Angola and Nigeria remains cautious.

The IMF has lowered South Africa's projected GDP growth rate for 2019 to 1,2%. We expect that high unemployment, inflationary pressure from rising input costs, particularly fuel and energy costs, and a weaker rand will continue to cause low consumer confidence and constrained spend throughout the next fiscal year.

We will continue to defend and grow our South African business with a targeted increase in market share across our portfolio, while seeking to drive category growth through innovation. These aspirations will be achieved through a combination of investment in our brands and continued improvement in market service excellence. We will continue with our network optimisation programme to build a world-class local production footprint.

Sub-Saharan Africa's growth outlook affirms our strategic focus on this region. We aim to accelerate sustainable growth in select markets on the continent through investment in local brands and the expansion of our local production and RTM platforms.

Going forward, our international operations will be split into three business units: international spirits, exports, and premium wine through Libertas Vineyards and Estates. This will create three highly specialised businesses, focused on their respective strengths. We believe this gives us the best opportunity to grow premium spirits and wines in key markets and drive brand premiumisation in line with consumer demand.

Distell will continue with a number of important changes to its operating model and investments behind its network optimisation alongside strategic future fit capabilities in growth and innovation, shared services and digital transformation.

Distell's diversified portfolio of well-known brands, which trades across taste profiles, mixed-gender occasions and repertoires, underscores our ability to capture growth opportunities as they arise. This is driven by a purpose-led ambition to create memorable moments, while building a better future. We aim to become an African drinks champion and benefit communities in which we operate.

DIRECTORATE

Mr PE Beyers retired as independent non-executive director with effect from 30 June 2019. The board thanks Mr Beyers for his extensive and valuable contribution to the Group over a number of years and wishes him well for the future. Mr T Kruythoff was appointed as independent non-executive director with effect from 1 April 2019.

AUDITOR'S REPORT

The summary consolidated financial statements for the year ended 30 June 2019 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements from which these summary consolidated financial statements were derived.

A copy of the auditor's report on the summary consolidated financial statements and of the auditor's report on the annual consolidated financial statements are available for inspection at the company's registered office, together with the financial statements identified in the respective auditor's reports.

The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

CASH DIVIDEND DECLARATION

The directors have resolved to declare a gross cash dividend, number 3, of 249,0 cents (2018: 230,0 cents) per share for the year ended 30 June 2019.

This represents a total dividend of 423,0 cents (2018: 395,0 cents) for the year and a dividend cover of 1,9 times (2018: 1,9 times) normalised headline earnings.

The dividend has been declared from income reserves. The dividend withholding tax, levied at 20%, will amount to 49,8 cents per ordinary share. As a result, ordinary shareholders who are liable to pay dividends tax will receive a net dividend amount of 199,2 cents per share. Shareholders exempt from paying dividends tax will receive 249,0 cents per share. The issued ordinary share capital as at 27 August 2019 is 222 382 356 (2018: 222 382 356) ordinary shares. The company's income tax reference number is 9759621163.

The dividend will be payable to shareholders who are recorded as such on the register on the record date on Friday, 13 September 2019, and will be paid on Monday, 16 September 2019. The last day to trade cum dividend will be on Tuesday, 10 September 2019, and shares commence trading ex dividend from Wednesday, 11 September 2019. Share certificates may not be dematerialised or rematerialised between Wednesday, 11 September 2019, and Friday, 13 September 2019, both days inclusive.

Signed on behalf of the board:

JJ Durand
Chairman

RM Rushton
Group chief executive officer

Stellenbosch
27 August 2019

Directors: JJ Durand (chairman), GP Dingaan, DP du Plessis, T Kruythoff, PR Louw (alternate), MJ Madungandaba, EG Matenge-Sebesho, CA Otto, AC Parker, RM Rushton (Group chief executive officer), CE Sevillano-Barredo, LC Verwey (Group chief financial officer)
Company secretary: L Malan
Registered office: Aan-de-Wagenweg, Stellenbosch 7600
Transfer secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196
Sponsor: RAND MERCHANT BANK (A division of FirstRand Bank Limited), 1 Merchant Place, c/o Rivonia Road and Fredman Drive, Sandton 2196
Registration number: 2016/394974/06
JSE share code: DGH
ISIN number: ZAE000248811

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AUDITED 30 JUNE	
	2019 R'000	2018 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	**7 040 250**	6 290 094
Financial assets at amortised cost	**92 326**	–
Loans and receivables	**–**	20 391
Financial assets at fair value through other comprehensive income (FVOCI)	**57 800**	–
Available-for-sale financial assets	**–**	60 485
Investments in associates	**432 710**	862 364
Investments in joint ventures	**105 384**	141 165
Intangible assets	**1 951 987**	2 008 475
Retirement benefit assets	**526 812**	522 885
Deferred income tax assets	**108 218**	100 154
Total non-current assets	**10 315 487**	10 006 013
Current assets		
Inventories	**8 315 109**	7 587 016
Trade and other receivables	**3 722 548**	3 413 036
Current income tax assets	**36 510**	35 756
Cash and cash equivalents	**1 153 104**	1 084 215
Total current assets	**13 227 271**	12 120 023
Total assets	**23 542 758**	22 126 036
EQUITY AND LIABILITIES		
Capital and reserves		
Capital and reserves	**11 614 083**	11 640 693
Non-controlling interest	**357 464**	314 944
Total equity	**11 971 547**	11 955 637
Non-current liabilities		
Interest-bearing borrowings	**4 523 673**	4 432 840
Retirement benefit obligations	**27 547**	27 800
Deferred income tax liabilities	**1 130 088**	1 132 135
Total non-current liabilities	**5 681 308**	5 592 775
Current liabilities		
Trade and other payables	**5 112 783**	4 257 093
Interest-bearing borrowings	**522 288**	113 788
Provisions	**212 536**	167 973
Current income tax liabilities	**42 296**	38 770
Total current liabilities	**5 889 903**	4 577 624
Total equity and liabilities	**23 542 758**	22 126 036

SUMMARY CONSOLIDATED INCOME STATEMENT

	AUDITED YEAR ENDED 30 JUNE		
	2019 R'000	2018 R'000	Change %
Continuing operations			
Revenue	**26 179 580**	24 230 765	8,0
Operating costs	**(23 875 292)**	(21 836 072)	9,3
Costs of goods sold	**(18 082 490)**	(16 442 193)	
Sales and marketing costs	**(2 960 669)**	(3 114 655)	
Distribution costs	**(1 239 871)**	(1 246 542)	
Administration and other costs	**(1 289 811)**	(1 032 682)	
Net impairment losses on financial assets	**(302 451)**	–	
Other gains and losses	**(544 806)**	(6 520)	
Operating profit	**1 759 482**	2 388 173	(26,3)
Dividend income	**4 211**	6 657	
Finance income	**69 792**	46 927	
Finance costs	**(340 720)**	(342 494)	
Share of equity-accounted earnings	**61 529**	31 358	
Profit before taxation	**1 554 294**	2 130 621	(27,0)
Taxation	**(644 448)**	(632 101)	
Profit for the year from continuing operations	**909 846**	1 498 520	(39,3)
Discontinued operations	**–**	169 531	
Profit for the year	**909 846**	1 668 051	(45,5)
Attributable to:			
Equity holders of the company	**896 645**	1 646 384	(45,5)
Non-controlling interest	**13 201**	21 667	
	909 846	1 668 051	(45,5)
Per share performance:			
Issued number of ordinary shares ('000)	**222 382**	222 382	
Weighted number of ordinary shares ('000)	**219 543**	219 443	
Earnings per ordinary share (cents)			
Basic earnings basis			
From continuing operations	**408,4**	673,0	(39,3)
From discontinued operations	**–**	77,3	(100,0)
	408,4	750,3	(45,6)
Diluted earnings basis			
From continuing operations	**408,1**	672,3	(39,3)
From discontinued operations	**–**	77,2	(100,0)
	408,1	749,5	(45,6)
Headline basis			
From continuing operations	**656,4**	669,9	(2,0)
From discontinued operations	**–**	(1,7)	(100,0)
	656,4	668,2	(1,8)
Diluted headline basis			
From continuing operations	**656,0**	669,3	(2,0)
From discontinued operations	**–**	(1,8)	(100,0)
	656,0	667,5	(1,7)

	AUDITED YEAR ENDED 30 JUNE		
	2019 R'000	2018 R'000	Change %
Dividends per ordinary share (cents)			
– Interim	**174,0**	165,0	5,5
– Final	**249,0**	230,0	8,3
	423,0	395,0	7,1
Reconciliation of headline earnings:			
Net profit attributable to equity holders of the company	**896 645**	1 646 384	(45,5)
Adjusted for (net of taxation):			
Impairment of equity-accounted investment	**524 000**	–	
Profit on disposal and impairment of PPE included in share of equity-accounted earnings	**–**	(16 025)	
Impairment of intangible assets	**7 510**	31 115	
Impairment of PPE	**8 467**	37 178	
Gain on previously held equity interest and on sale of investments and subsidiaries	**87**	(217 338)	
Loss on sale of PPE	**4 399**	(15 086)	
Headline earnings	**1 441 108**	1 466 228	(1,7)

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	AUDITED YEAR ENDED 30 JUNE	
	2019	2018
	R'000	R'000
Profit for the year	**909 846**	1 668 051
Other comprehensive income (net of taxation)	**(79 413)**	263 414
Items that may be reclassified subsequently to profit or loss:		
Fair value adjustments		
– Available-for-sale financial assets	**–**	7 662
Currency translation differences	**(43 136)**	144 157
Fair value adjustments of cash flow hedges	**(18 251)**	9 115
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefits	**(13 412)**	102 140
Fair value adjustments		
– Financial assets through other comprehensive income	**(3 167)**	–
Share of other comprehensive income of associates	**(1 447)**	340
Total comprehensive income for the year	**830 433**	1 931 465
Attributable to:		
Equity holders of the company	**817 408**	1 911 333
Non-controlling interest	**13 025**	20 132
	830 433	1 931 465
Total comprehensive income attributable to equity shareholders arises from:		
Continuing operations	**817 408**	1 741 802
Discontinued operations	**–**	169 531
	817 408	1 911 333

SUMMARY CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	AUDITED YEAR ENDED 30 JUNE	
	2019 R'000	2018 R'000
Attributable to equity holders		
Opening balance	**11 640 693**	10 542 126
Change in accounting policy (note 12(a))	**(16 396)**	–
Restated opening balance at the beginning of the financial year	**11 624 297**	10 542 126
Comprehensive income		
Profit for the year	**896 645**	1 646 384
Other comprehensive income (net of taxation)		
Fair value adjustments:		
– Available-for-sale financial assets	**–**	7 662
– Financial assets at FVOCI	**(3 167)**	–
Cash flow hedge of foreign exchange transactions	**(18 251)**	9 115
Currency translation differences	**(42 960)**	145 692
Remeasurements of post-employment benefits	**(13 412)**	102 140
Share of other comprehensive income of associates	**(1 447)**	340
Total other comprehensive losses	**(79 237)**	264 949
Total comprehensive income for the year	**817 408**	1 911 333
Transactions with owners		
Employee share scheme:		
– Shares paid and delivered	**1**	1
– Value of employee services	**64 631**	49 926
Capital reorganisation	**–**	13 832
Share issue costs	**(2 099)**	(45 066)
Dividends paid	**(887 711)**	(832 778)
Transactions with non-controlling interests	**(2 444)**	1 319
Total transactions with owners	**(827 622)**	(812 766)
Attributable to equity holders	**11 614 083**	11 640 693
Non-controlling interest		
Opening balance	**314 944**	301 124
Profit for the year	**13 201**	21 667
Dividends paid	**(3 994)**	(4 466)
Currency translation differences	**(176)**	(1 535)
Contribution by non-controlling interests	**37 664**	–
Transactions with non-controlling interests	**(4 175)**	(1 846)
Total non-controlling interest	**357 464**	314 944
Total equity at the end of the year	**11 971 547**	11 955 637

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	AUDITED YEAR ENDED 30 JUNE	
	2019 **R'000**	2018 R'000
Cash flows from operating activities		
Operating profit	**1 759 482**	2 559 330
Non-cash flow items	**1 655 795**	693 155
Working capital changes	**(493 521)**	(173 321)
Inventories	**(766 718)**	(245 024)
Trade and other receivables	**(383 933)**	(208 022)
Trade payables and provisions	**657 130**	279 725
Cash generated from operations	**2 921 756**	3 079 164
Net financing costs	**(278 338)**	(231 935)
Taxation paid	**(633 935)**	(580 575)
Net cash generated from operating activities	**2 009 483**	2 266 654
Net cash outflow from investment activities (note 5)	**(1 599 354)**	(1 144 635)
Net cash inflow from financing activities (note 6)	**132 293**	378 988
Dividends paid	**(891 705)**	(837 244)
Decrease in net cash, cash equivalents and bank overdrafts	**(349 283)**	663 763
Net cash, cash equivalents and bank overdrafts at the beginning of the year	**970 427**	302 876
Exchange gains on cash, cash equivalents and bank overdrafts	**9 672**	3 788
Net cash, cash equivalents and bank overdrafts at the end of the year	**630 816**	970 427

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1. BASIS OF PREPARATION, ACCOUNTING POLICY AND COMPARATIVE FIGURES

The summary consolidated annual financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The directors are responsible for the preparation of the summary consolidated annual financial statements, prepared under supervision of the Group chief financial officer, LC Verwey CA(SA), and the financial information in this summary has been correctly extracted from the underlying annual financial statements.

The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements, with the exception of the adoption of the new accounting statements as indicated in note 12.

The Group has adopted all new and amended accounting pronouncements issued by the International Accounting Standards Board (IASB) that are effective for financial years commencing 1 July 2018. The impact of the new or amended accounting pronouncements that are effective for the financial year commencing 1 July 2018 is disclosed in note 12. None of the other new or amended accounting pronouncements that are effective for the financial year commencing 1 July 2018 which is not disclosed in note 12 have a material impact on the consolidated results of the Group.

	AUDITED 30 JUNE		
	2019 R'000	2018 R'000	Change %
2. SALES VOLUMES (LITRES '000)	**715 449**	715 005	0,1

3. PRO FORMA INFORMATION

The results of the Group are significantly impacted by abnormal or non-recurring transactions and the change in foreign exchange rates.

The Group therefore also discloses adjusted measures in order to indicate the Group's businesses' performance excluding the effect of abnormal transactions and foreign currency fluctuations. These adjusted measures constitute pro forma financial information.

The adjustments below represent abnormal or non-recurring items which significantly impacted the financial results of the Group:

	2019 R'000	2018 R'000	Change %
Headline earnings	**1 441 108**	1 466 228	(1,7)
Adjusted for (net of taxation):			
Expected credit loss on Zimbabwe savings bonds	**190 262**	–	
One-off losses and write-offs in associate following sachet ban and excise dispute	**–**	78 461	
Retrenchment, restructuring and other one-off costs	**168 604**	40 688	
Normalised headline earnings	**1 799 974**	1 585 377	13,5

The results of the Group are also significantly impacted by the change in foreign exchange rates, mainly relating to the UK pound, euro, US dollar (USD) and Angola kwanza (AOA) for both reporting periods, as a result of:

(a) the translation of foreign operations to the reporting currency; and

(b) the translation of South African monetary assets and liabilities denominated in foreign currency to the reporting currency at period-end.

In the prior year comparative period, the income of foreign subsidiaries was converted at an average aggregated daily ZAR/USD exchange rate of R12,87 compared to R14,19 in the current year, and the Angolan kwanza devaluated from an average aggregated daily AOA/USD exchange rate of 203,5 to 305,7 in the current year.

The adjustments below thus represent a restatement of the 2018 foreign income using the current year aggregated daily average exchange rates.

	2019 R'000	2018 R'000	Change %
Normalised headline earnings	**1 799 974**	1 585 377	13,5
Adjusted for (net of taxation):			
Prior year restatement to current year aggregated daily average exchange rates	**–**	16 469	
Exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency			
– Other major currencies	**(33 650)**	43 715	
– Kwanza (in associate)	**58 364**	59 112	
Normalised headline earnings adjusted for foreign exchange movements	**1 824 688**	1 704 673	7,0

	AUDITED 30 JUNE		
	2019 R'000	2018 R'000	Change %
3. PRO FORMA INFORMATION *continued*			
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**2 385 220**	3 091 585	(22,8)
Adjusted for:			
Impairment and profit on disposal of property, plant and equipment (PPE), intangible assets, investments and gain on previously held interest and subsidiaries disposed	**544 806**	(182 962)	
One-off losses and write-offs in associate following sachet ban and excise dispute	**–**	78 461	
Expected credit losses on financial assets	**266 100**	–	
Retrenchment, restructuring and other one-off costs	**223 345**	53 898	
Normalised EBITDA	**3 419 471**	3 040 982	12,4
The adjustments below represent a restatement of the 2018 foreign income using the current year aggregated daily average exchange rates as explained above.			
Normalised EBITDA	**3 419 471**	3 040 982	12,4
Adjusted for:			
Prior year restatement to current year aggregated daily average exchange rates	**–**	38 060	
Exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency			
– Other major currencies	**(40 882)**	58 845	
– Kwanza (in associate)	**58 364**	59 112	
Normalised EBITDA adjusted for currency movements	**3 436 953**	3 196 999	7,5

The pro forma financial information is the responsibility of the board of directors of the Company and is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.

An assurance report (in terms of ISAE 3420: Assurance Engagement to Report on the Compilation of Pro Forma Financial Information) has been issued by the Group's auditors in respect of the pro forma financial information included in this announcement. The assurance report is available for inspection at the registered office of the company and will be included in the integrated report 2019.

	2019 R'000	2018 R'000
4. NET INTEREST-BEARING BORROWINGS		
Interest-bearing borrowings		
Non-current	**4 523 673**	4 432 840
Current	**522 288**	113 788
	5 045 961	4 546 628
Cash and cash equivalents	**(1 153 104)**	(1 084 215)
	3 892 857	3 462 413

		AUDITED 30 JUNE	
		2019 R'000	2018 R'000
5.	**CASH OUTFLOW FROM INVESTMENT ACTIVITIES**		
	Purchases of PPE to maintain operations	**(536 667)**	(464 731)
	Purchases of PPE to expand operations	**(722 359)**	(709 958)
	Proceeds from sale of PPE	**19 957**	126 356
	Purchases of financial assets, associates and joint ventures	**(330 752)**	(752 722)
	Proceeds from financial assets	**6 612**	17 514
	Purchases of intangible assets	**(36 148)**	(66 706)
	Proceeds from intangible assets	**3**	5 400
	Proceeds from disposal of interest in subsidiaries, net of cash	**–**	757 114
	Acquisition of subsidiaries, net of cash	**–**	(56 902)
		(1 599 354)	(1 144 635)
6.	**CASH INFLOW FROM FINANCING ACTIVITIES**		
	Proceeds from ordinary shares issued and share issue costs	**(2 098)**	(45 065)
	Shares issued for cash to minorities	**37 664**	–
	Proceeds from interest-bearing borrowings	**109 788**	828 099
	Repayment of interest-bearing borrowings	**(13 061)**	(404 046)
		132 293	378 988
7.	**CAPITAL COMMITMENTS**		
	Contracted	**675 550**	467 327
	Authorised, but not contracted	**1 752 952**	1 991 198
		2 428 502	2 458 525
8.	**DEPRECIATION OF PPE**	**478 538**	432 434
9.	**NET ASSET VALUE PER SHARE (CENTS)**	**5 383**	5 376

10. SEGMENTAL AND REVENUE ANALYSIS

Operating segments were identified based on financial information reviewed regularly by management for the purpose of assessing performance and allocating resources to these segments. Revenue includes excise duty. The segment information for the prior year has been restated to align with the current year segmentation basis as is currently reported to the chief operating decision maker. Consequently, in order to ensure comparability between the current and prior year segment information, revenue and costs have been re-allocated in the comparative period.

AUDITED YEAR ENDED 30 JUNE 2019

	South Africa R'000	BLNS R'000	Rest of Africa R'000	Europe R'000	Rest of international R'000	Corporate R'000	Total R'000	Change %
Revenue	19 389 665	1 944 846	2 131 209	1 351 746	1 415 362	(53 248)	26 179 580	8,0
Costs of goods sold	(13 577 826)	(1 318 421)	(1 472 134)	(862 681)	(727 638)	(123 790)	(18 082 490)	10,0
Material costs and overheads	(13 577 826)	(1 318 421)	(1 472 134)	(862 681)	(727 638)	(149 165)	(18 107 865)	10,5
Currency conversion gains and losses	–	–	–	–	–	25 375	25 375	
Gross profit	5 811 839	626 425	659 075	489 065	687 724	(177 038)	8 097 090	4,0
Operating costs	(2 286 915)	(231 058)	(362 868)	(384 962)	(525 367)	(2 001 632)	(5 792 802)	7,4
Operating profit before allocations	3 524 924	395 367	296 207	104 103	162 357	(2 178 670)	2 304 288	(3,8)
Equity-accounted earnings and dividend income	(1 625)	–	64 587	–	(2 047)	4 825	65 740	
EBIT before allocations	3 523 299	395 367	360 794	104 103	160 310	(2 173 845)	2 370 028	(2,6)
Allocations	(461 425)	(34 013)	(20 054)	(17 104)	(12 790)	545 386	–	
EBIT after allocations	3 061 874	361 354	340 740	86 999	147 520	(1 628 459)	2 370 028	(2,6)
Other gains and losses	–	–	–	–	–	(544 806)	(544 806)	
Equity-accounted earnings and dividend income	1 625	–	(64 587)	–	2 047	(4 825)	(65 740)	72,9
Operating profit from continuing operations	3 063 499	361 354	276 153	86 999	149 567	(2 178 090)	1 759 482	(26,3)
EBIT before allocations attributable to:								
Equity holders of the company	3 524 883	393 783	358 162	104 103	160 310	(2 184 414)	2 356 827	
Non-controlling interest	(1 584)	1 584	2 632	–	–	10 569	13 201	
	3 523 299	395 367	360 794	104 103	160 310	(2 173 845)	2 370 028	
Non-current assets	6 809 877	100 677	1 166 695	2 231 531	6 707	–	10 315 487	

10. SEGMENTAL AND REVENUE ANALYSIS *continued*

AUDITED YEAR ENDED 30 JUNE 2018

	South Africa R'000	BLNS R'000	Rest of Africa R'000	Europe R'000	Rest of International R'000	Corporate R'000	Total R'000
Revenue	18 080 625	1 900 971	1 515 685	1 283 984	1 510 356	(60 856)	24 230 765
Costs of goods sold	(12 535 299)	(1 300 785)	(1 053 841)	(846 008)	(770 184)	63 924	(16 442 193)
Material costs and overheads	(12 535 299)	(1 300 785)	(1 053 841)	(846 008)	(770 184)	117 010	(16 389 107)
Currency conversion gains and losses	–	–	–	–	–	(53 086)	(53 086)
Gross profit	5 545 326	600 186	461 844	437 976	740 172	3 068	7 788 572
Operating costs	(2 540 205)	(231 885)	(314 657)	(373 681)	(549 427)	(1 384 024)	(5 393 879)
Operating profit before allocations	3 005 121	368 301	147 187	64 295	190 745	(1 380 956)	2 394 693
Equity-accounted earnings and dividend income	–	–	7 596	–	(3 930)	34 349	38 015
EBIT before allocations	3 005 121	368 301	154 783	64 295	186 815	(1 346 607)	2 432 708
Allocations	(166 213)	(18 103)	(6 216)	(5 724)	(13 149)	209 405	–
EBIT after allocations	2 838 908	350 198	148 567	58 571	173 666	(1 137 202)	2 432 708
Other gains and losses	–	–	–	–	–	(6 520)	(6 520)
Equity-accounted earnings and dividend income	–	–	(7 596)	–	3 930	(34 349)	(38 015)
Operating profit from continuing operations	2 838 908	350 198	140 971	58 571	177 596	(1 178 071)	2 388 173
EBIT before allocations attributable to:							
Equity holders of the company	3 006 644	366 808	140 644	64 295	199 607	(1 366 957)	2 411 041
Non-controlling interest	(1 523)	1 493	14 139	–	(12 792)	20 350	21 667
	3 005 121	368 301	154 783	64 295	186 815	(1 346 607)	2 432 708
Non-current assets	6 143 127	93 028	1 572 336	2 190 130	7 392	–	10 006 013

Note: BLNS = Botswana, Lesotho, Namibia and Eswatini (Swaziland)
EBIT = Earnings before interest and tax

The Group also reports on a measure of revenue per category, which is detailed below:

Category	**30 June 2019 R'000**	30 June 2018 R'000	Trend
Spirits	**9 263 061**	8 293 207	11,7
Wine	**7 178 868**	7 043 531	1,9
Cider and RTDs	**9 713 959**	8 880 766	9,4
Other	**23 692**	13 261	78,7
Total revenue	**26 179 580**	24 230 765	8,0

Also refer to note 12(c) for the impact of the adoption of IFRS 15. If IFRS 15 was adopted retrospectively, total revenue would have increased by 9,4%.

10. SEGMENTAL AND REVENUE ANALYSIS *continued*

	30 June 2019 R'000	30 June 2018 R'000
Corporate operating profit		
Corporate operating profit comprises the following major categories:		
Corporate head office	**(324 936)**	(304 005)
Corporate and shared services	**(275 507)**	(258 220)
Group expenses	**(198 363)**	(207 253)
Group provisions, accruals and credit loss provision on financial assets	**(415 491)**	(35 922)
Supply chain	**(989 748)**	(522 470)
Net foreign exchange gains	**25 375**	(53 086)
Allocations to geographical regions	**545 386**	209 405
Other gains and losses	**(544 806)**	(6 520)
Operating profit	**(2 178 090)**	(1 178 071)
Adjusted for:		
impairment of PPE, intangible assets, investments and profit/loss on sale of investments and subsidiaries	**544 806**	(9 505)
expected credit loss on Zimbabwe savings bonds	**266 100**	–
retrenchment, Group restructuring and other one-off costs	**223 345**	53 898
Normalised operating profit	**(1 143 839)**	(1 133 678)

Notes:

The corporate categories listed above includes the following functions:

1. *Corporate head office: Group HR, global marketing, corporate governance, innovation, corporate affairs and development.*
2. *Corporate and shared services: Group ICT, shared service centre, internal audit, HR training and business improvement.*
3. *Group expenses: Employee share scheme and long-service bonus costs, post-retirement medical costs, legal fees, audit fees, directors' fees, administration offices' service and site costs.*
4. *Group provisions, accruals and credit loss provision: Restructuring and retrenchment costs and the credit loss provision for Zimbabwe bonds.*
5. *Supply chain: Centralised procurement and supply chain management. It also includes production variances from standard, inventory losses and provisions. Certain production variances from standard are allocated from "Corporate" to the regions and is included in "Allocations".*

11. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The summary consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 30 June 2019. There have been no material changes in the Group's credit, liquidity and market risk or key inputs in measuring fair value since 30 June 2018.

Fair value estimation

Items carried at fair value are classified according to the fair value hierarchy, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Financial assets at fair value through other comprehensive income (FVOCI) (2018: available-for-sale financial assets) are classified as level 1, 2 or 3 and derivative financial assets and liabilities are classified as level 2.

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Fair value measurements at 30 June 2019:				
Financial asset at FVOCI	**3 504**	**14 117**	**40 179**	**57 800**
Derivative financial assets	**–**	**2 780**	**–**	**2 780**
Derivative financial liabilities	**–**	**(31 084)**	**–**	**(31 084)**
	3 504	**(14 187)**	**40 179**	**29 496**

There have been no transfers between level 1, 2 or 3 during the period, nor were there any significant changes to the valuation techniques and inputs used to determine fair values.

Valuation techniques used to derive level 2 and 3 fair values

Financial assets at FVOCI (2018: available-for-sales financial assets)

These are valued using discounted cash flow techniques or the Group's share in the net assets.

Derivative financial assets and liabilities include the following:

Forward foreign exchange contracts

These are valued using foreign exchange bid or offer rates at year-end.

Interest rate swaps

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows through the use of discounted cash flow techniques using only market observable information.

The movement in level 3 assets for the period ended 30 June 2019 is as follows:

	2019 R'000	2018 R'000
Opening balance	**40 532**	14 113
Fair value adjustments	**(353)**	5 109
Acquisitions	**–**	21 350
Disposals	**–**	(40)
Balance at the end of the year	**40 179**	40 532

The fair values of all other financial assets and liabilities approximate their carrying amounts.

12. CHANGES IN ACCOUNTING POLICIES

The Group adopted the new accounting standards IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* with effect from 1 July 2018. The impact of the adoption of these new accounting standards on the Group's financial statements is as follows:

12(a) Impact on the financial statements

IFRS 9 was generally adopted without restating comparative information in accordance with the transitional provisions in IFRS 9. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position as at 30 June 2018, but are recognised in the opening statement of financial position on 1 July 2018.

In accordance with the transitional provisions in IFRS 15, the Group has applied the modified retrospective application option and certain adjustments are therefore not reflected in the statement of financial position as at 30 June 2018, but are recognised in the opening statement of financial position on 1 July 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Statement of financial position (extract)	30 June 2018 As originally presented R'000	IFRS 9 R'000	IFRS 15 R'000	1 July 2018 R'000
Non-current assets				
Financial assets at amortised cost	**–**	20 391	–	**20 391**
Loans and receivables	**20 391**	(20 391)	–	**–**
Financial assets at FVOCI	**–**	60 485	–	**60 485**
Available-for-sale financial assets	**60 485**	(60 485)	–	**–**
Current assets				
Trade and other receivables	**3 413 036**	(15 875)	12 260	**3 409 421**
Capital and reserves				
Retained earnings	**9 287 547**	(11 430)	(4 966)	**9 271 151**
Non-current liabilities				
Deferred income tax liabilities	**1 132 135**	(4 445)	(1 931)	**1 125 759**
Current liabilities				
Trade and other payables	**4 257 093**	–	19 157	**4 276 250**

12(b) IFRS 9 *Financial Instruments* – Impact of adoption

IFRS 9 replaces IAS 39 and the provisions that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The total financial impact on the Group's retained earnings and other line items as at 1 July 2018 is disclosed in note 12(a) above.

(i) Classification and measurement

(a) Reclassification from loans and receivables to financial assets at amortised cost

Loans and receivables were reclassified to financial assets at amortised cost (R20,4 million as at 1 July 2018). The Group's business model is to hold these investments for collection of cash flows, and the cash flows represent solely payments of principal and interest on the principal amount. The fair value as at 1 July 2018 was equivalent to the amortised cost for these assets and there was no impact on retained earnings.

12. CHANGES IN ACCOUNTING POLICIES *continued*

12(b) IFRS 9 *Financial Instruments* – Impact of adoption *continued*

(i) Classification and measurement *continued*

(b) Equity investments previously classified as available-for-sale

The Group elected to present changes in the fair value of all its equity investments previously classified as available-for-sale in other comprehensive income (OCI) as these investments have been held as long-term investments and are not expected to be sold in the short to medium term. As a result, assets with a fair value of R60,5 million were reclassified from available-for-sale financial assets to financial assets at FVOCI on 1 July 2018. Any subsequent remeasurements or profit and loss on disposal of these instruments will be reflected in OCI and no portion will be transferred to the income statement.

(c) Borrowings

No retrospective adjustments were required in relation to the adoption of IFRS 9 as none of the borrowings outstanding on 1 July 2018 had been refinanced in prior periods, or for which gains or losses have not been recognised.

(ii) Derivatives and hedging activities

The Group enters into forward foreign exchange contracts to cover export proceeds not yet receivable or import commitments not yet payable, as well as held-for-trading commodity hedges on gas, oil and aluminium used in the business and interest rate swaps. The Group adopted IFRS 9 for the recognition and measurement of derivatives and hedging activities. The adoption of IFRS 9 had no impact on the recognition or measurement of these items.

(iii) Impairment of financial assets

The Group has two types of financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade receivables; and
- Debt investments carried at amortised cost.

The Group revised its impairment methodology under IFRS 9 for these financial assets as required under IFRS 9. The impact of the change in impairment methodology on the Group's financial statements is disclosed below.

The calculated impairment loss on cash and cash equivalents, which are also subject to the impairment requirements of IFRS 9, was immaterial.

(a) Trade receivables

The Group applies the simplified approach under IFRS 9 to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables were grouped in categories which recognise similar credit risk characteristics, the days past due and by taking forward looking information into account.

The loss allowance as at 1 July 2018 was determined as follows:

	Current	Up to 60 days past due	Up to 90 days past due	More than 90 days past due	Total
Gross carrying amount (R'000)	2 848 596	129 432	27 145	135 235	3 138 408
Expected loss rate	0,4%	8,7%	13,7%	42,0%	2,7%
Loss allowance (R'000)	11 961	11 312	3 721	56 806	83 800

The loss allowances for trade receivables as at 30 June 2018 reconcile to the opening loss allowances on 1 July 2018 as follows:

	R'000
At 30 June 2018 (IAS 39)	67 925
Amounts restated through opening retained earnings	15 875
Opening loss allowance as at 1 July 2018 (IFRS 9)	83 800

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the debtor absconding or not traceable, the business closed down, the failure of a debtor to agree to a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due.

12. CHANGES IN ACCOUNTING POLICIES *continued*

12(b) IFRS 9 *Financial Instruments* – Impact of adoption *continued*

(iii) Impairment of financial assets *continued*

(b) Debt investments carried at amortised cost

The amortised cost debt investments at 30 June 2018 are considered to have minimal credit risk and the loss allowance calculated for those was therefore limited to 12 months expected losses and was immaterial. The debt instruments are considered to have minimal credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the annual financial statements.

12(c) IFRS 15 *Revenue from Contracts with Customers* – Impact of adoption

The Group has adopted IFRS 15 *Revenue from Contracts with Customers* from 1 July 2018 which resulted in changes in accounting policies.

The impact of the adoption of the new accounting policies is set out below.

(i) Accounting for refunds

When the customer has a right to return the product within a given period, the Group is obliged to refund the purchase price. Previously the Group recognised revenue when the goods had been formally accepted by the customer or the goods had been delivered and the time period for rejection had expired as there was uncertainty about the possibility of return. When goods were subsequently returned, revenue was reversed and the customer credited with the value of the goods originally delivered.

Under IFRS 15, a refund liability for the estimated expected refunds of R19,2 million outstanding to customers was recognised as an adjustment to trade and other payables on 1 July 2018. At the same time, the Group has a right to recover the product from the customer where the customer exercises his right of return and therefore recognised a current asset, included in trade and other receivables (due to it being immaterial), of R12,3 million at 1 July 2018. The asset is measured by reference to the former carrying value of the product. The costs to recover the products are not material as the products are usually returned during the normal distribution process.

(ii) Accounting for payments to customers for non-distinct goods and services

The Group makes payments in the form of various rebates and allowances to customers linked to distribution or sales and marketing-related functions carried out by these customers. These costs have previously been presented as part of 'Distribution costs' or 'Sales and marketing costs' in the income statement.

Under IFRS 15, when consideration is paid or becomes payable to a customer, the consideration payable should be accounted for as a reduction of the transaction price and therefore of revenue, unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity, in which case the entity shall account for the purchase of the good or service in the same way that it accounts for other purchases from suppliers.

The Group has analysed its payments made to customers and concluded these payments to be in lieu of non-distinct services directly related to a revenue contract and, as a result, due to these services not considered to be distinct, these costs are accounted for against revenue when the Group pays or promises to pay the consideration to the customer in accordance with the newly introduced principles of IFRS 15.

The Group has applied the modified retrospective application option and the costs related to these items are classified as part of 'Revenue' from 1 July 2018. The 30 June 2018 comparative figures have therefore not been restated. An extract of the income statement has been prepared, as disclosed below, to indicate the impact if these changes had been applied retrospectively. Amounts of R192,7 million and R106,4 million would have been reclassified from 'Sales and marketing costs' and 'Distribution costs' respectively to 'Revenue'. These changes had no impact on the statement of financial position.

12. CHANGES IN ACCOUNTING POLICIES *continued*

12(c) IFRS 15 *Revenue from Contracts with Customers* – Impact of adoption *continued*

(ii) Accounting for payments to customers for non-distinct goods and services *continued*

Income statement (extract)	30 June 2018 As originally presented R'000	IFRS 15 R'000	30 June 2018 adjusted for IFRS 15 R'000
Revenue	24 230 765	(299 080)	23 931 685
Operating costs	(21 836 072)	299 080	(21 536 992)
Costs of goods sold	(16 442 193)	–	(16 442 193)
Sales and marketing costs	(3 114 655)	192 711	(2 921 944)
Distribution costs	(1 246 542)	106 369	(1 140 173)
Administration and other costs	(1 032 682)	–	(1 032 682)
Other gains and losses	(6 520)	–	(6 520)
Operating profit	2 388 173	–	2 388 173
Profit before taxation	2 130 621	–	2 130 621
Taxation	(632 101)	–	(632 101)
Profit for the period from continuing operations	1 498 520	–	1 498 520

Income statement (extract)	30 June 2019 Not adjusted for IFRS 15 R'000	IFRS 15 R'000	**30 June 2019 As presented R'000**
Revenue	26 538 330	(358 750)	**26 179 580**
Operating costs	(24 234 042)	358,750	**(23 875 292)**
Costs of goods sold	(18 082 490)	–	**(18 082 490)**
Sales and marketing costs	(3 203 528)	242 859	**(2 960 669)**
Distribution costs	(1 355 762)	115 891	**(1 239 871)**
Administration and other costs	(1 289 811)	–	**(1 289 811)**
Net impairment losses on financial assets	(302 451)	–	**(302 451)**
Other gains and losses	(544 806)	–	**(544 806)**
Operating profit	1 759 482	–	**1 759 482**
Profit before taxation	1 554 294	–	**1 554 294**
Taxation	(644 448)	–	**(644 448)**
Profit for the period from continuing operations	909 846	–	**909 846**

13. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

IFRS 16 *Leases* (effective 1 January 2019)

The Group will apply the standard from its mandatory implementation date of 1 July 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption.

As at the reporting date, the Group has non-cancellable operating lease commitments of R268,4 million.

The Group expects to recognise right-of-use assets of approximately R240,0 million on 1 July 2019, lease liabilities of approximately R240,0 million and deferred tax assets of R30,0 million.

The Group expects that net profit after tax will increase by approximately R20,0 million for 2020 as a result of adopting the new rules. EBITDA used to measure the Group's performance is expected to increase by approximately R80,0 million, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

14. RELATED PARTY TRANSACTIONS

The Group's most significant related party transaction for the period was with FirstRand Bank Limited for interest paid on interest-bearing borrowings which amounted to R156,7 million (2018: R154,5 million). The Group also paid dividends on ordinary shares of R282,2 million to subsidiaries of Remgro Limited.

15. EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE

The directors are not aware of any matter or circumstance arising since the end of the financial year that would significantly affect the operations of the Group or the results of its operations.

NOTES

TOP 15 DISTELL BRANDS

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