Distell Group Holdings Limited
Registration number: 2016/394974/06
JSE share code: DGH
ISIN: ZAE000248811
("Distell" or "the Group" or "the Company")

Unaudited Group results for the six months ended 31 December 2018 and cash dividend declaration

SALIENT FEATURES

Comparable Group revenue up 9,1% on flat volumes (1)
- Solid domestic revenue growth in all three categories in tough trading conditions
- Revenue (net of excise) growth in 12 out of the top 15 largest brands
- Exceptional African performance led by Kenya, Mozambique and Zambia
- International growth benefiting from focus

EBITDA
- Reported up 5,7%
- Normalised and adjusted for forex up 6,1% (2,3)

Headline earnings
- Reported up 12,1%
- Normalised and adjusted for forex up 6,6% (3)

Interim dividend up 5,5%
Net cash generated from operating activities up 35,8%

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 condensed 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, and e) expected credit loss on Zimbabwe financial assets.
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 condensed financial statements.

OPERATING PERFORMANCE OF CONTINUING OPERATIONS

Comparable Group revenue grew by 9,1% to R14,4 billion on constant volumes. Revenue excluding excise duty grew by 9,3%. Reported revenue grew by 7,3%.

Comparable domestic market revenue increased by 7,8% with sales volumes down by 2,1% as declining disposable income impacted on peak-season sales and consumer confidence. As previously guided, the Group took proactive pricing decisions in the period which had a positive effect on revenue. The cider and ready-to-drink (RTD) portfolio continued to deliver overall revenue growth on marginally lower volumes, with Savanna, Extreme and Bernini achieving excellent volume and revenue growth. The spirits category showed strong revenue growth led by exceptional gin and vodka growth. The whisky category showed resilience with excellent volume and revenue growth with our blended whisky portfolio bucking international trends and capturing down-trading consumption. Bain's continues to outperform with double-digit volume and revenue growth. Brandy volumes declined as consumers traded down to value offerings and to beer where price competition has been intense across channels and occasions. The wine portfolio recorded muted revenue growth. The mainstream wine portfolio experienced single-digit revenue growth with standout performances from Drostdy-Hof and Paarl Perle showing double-digit revenue growth in each brand in spite of higher pricing caused by higher cost inflation associated with the recent drought. The premium wine portfolio recorded low revenue growth as aggressive pricing decisions were implemented across the brand portfolio. However, commendable growth was seen in established brands like Durbanville Hills, Nederburg and Pongracz.

African markets, outside South Africa, delivered exceptional comparable revenue growth of 21,1% on sales volumes which were up by 12,7%. Focus markets on the continent, outside the Southern African Customs Union (SACU), delivered excellent results with revenue and volume growth of 43,0% and 34,1% respectively, giving impetus to our African growth objectives. Nigeria, Kenya, Zambia and Mozambique all recorded strong growth across all three categories as we continue to build our local production and route-to-market (RTM) across the markets. All categories delivered overall double-digit volume and revenue growth. The RTD category growth came from Hunter's and Savanna while spirits category growth was led by Kibao and Hunter's Choice in Kenya. Strong growth in wines was experienced across the portfolio with J.C. Le Roux and Nederburg the standout premium brands delivering double-digit growth. 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 impacting on operating performance. We are confident in managing these risks by continuing to expand our local production and RTM platforms whilst being less dependent on our historic export business. BLNS countries in SACU delivered low overall revenue growth. The Africa region contributed 62,4% to foreign revenue and pleasingly its contribution to Group revenue rose to 15,6% in the period.

Volumes in international markets outside Africa declined by 6,5%, predominantly affected by trading conditions in Europe and North America where we have curtailed the sales of lower margin wines. Comparable revenue increased by 3,7% as momentum built on a narrower and more profitable portfolio. Volume and revenue growth in our spirits portfolio was led by excellent Scottish Leader growth in Taiwan and strong sales of single malts in all major markets. Wine volumes and revenue in the UK delivered excellent growth.

Comparable operating costs rose by 9,4%, of which sales and marketing costs rose by 9,8%. Our underlying operating costs were well controlled and grew at 8,4%. However, Group retrenchment, restructuring and other one-off costs of R68,0 million are included in operating costs. The Group invested USD21,7 million in savings bonds of the Reserve Bank of Zimbabwe following severe currency restrictions that limited the ability of customers to repatriate funds to South Africa. Included in operating costs are expected credit losses of R42,1 million related to this investment. More detail is provided in note 12(b) to the condensed consolidated interim financial statements.

The Group has recently announced further initiatives to optimise and improve the efficiencies of our supply chain. It is also reviewing central support functions throughout the Group to align to new ways of working which support a change in culture, operating model efficiencies and decision making.

Foreign currency translation gains amounted to R65,2 million (2017: R66,3 million in losses).

Net finance costs declined by 9,2% to R150,4 million.

Distell's share of equity-accounted earnings increased from R10,9 million to R18,7 million.

EBITDA grew by 5,7%. 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 11,2%. Normalised EBITDA, excluding foreign currency translation movements, increased by 6,1%.

The effective tax rate was 28,2% (2017: 27,7%).

Headline earnings and headline earnings per share, including discontinued operations of the prior year, increased by 12,1% to R1,3 billion and 570,7 cents respectively. Excluding the currency conversion movements, the Group retrenchment and restructuring costs and the TDL losses referred to above, headline earnings increased by 6,6%.

INVESTMENT AND FUNDING

Total assets increased by 10,3% to R24,6 billion.

Investment in net working capital declined by 14,9% to R5,9 billion, benefiting from the Bisquit Dubouche et Cie (Bisquit) disposal in the previous year and improved trade payable management. Inventory remained constant at R7,4 billion. Of this, bulk spirits in maturation, excluding that of Bisquit, planned in accordance with the Group's longer-term view of consumer demand for its brands in this category, increased by 1,8% to R2,9 billion. Investment in bottled stock and packaging material increased by 11,0%. Trade and other payables increased by 29,2% as the Group benefited from improvements realised in its shared service centre and centralised procurement.

Capital expenditure for the period amounted to R553,8 million (2017: R543,4 million). Of this, R245,3 million was spent on the replacement of assets. A further R288,5 million was directed to the expansion of capacity, mainly in relation to the Group's manufacturing facilities for cider and spirits.

Net cash generated from operating activities increased by 35,8% to R2,4 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 16,2% (2017: 24,5%) and a debt-to-equity ratio of 19,3% (2017: 32,5%) 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 condensed financial statements.

PROSPECTS

Global expansion has weakened and growth forecasts for 2019 and 2020 have been revised downward. An escalation of trade tensions remain a key source of risk and financial conditions have tightened internationally as debt levels remain high. On the contrary, growth in sub-Saharan Africa is expected to improve over the same period with caution towards Angola and Nigeria due to softer oil prices alongside changes in government.

This year continues to be another challenging period for the South African economy as per capita GDP continues to decline together with high rates of unemployment. Less favourable weather conditions in certain maize-production areas may also negatively impact on the country's growth outlook. However, inflation forecasts indicate that subdued levels will continue and the overall economic growth momentum is expected to pick up from the second half of the calendar year.

The Group has secured sufficient grape and wine supply for the forthcoming cycle following early indications that this year's harvest will not produce an increase in volumes compared to the previous year. The Group is maintaining its water management and reduction programme, especially in the Western Cape, as it extends the programme nationally.

We will continue to defend and grow our South African business with a targeted annual 0,5% increase in market share across our portfolios. We will leverage off improved market execution and revitalised and improved marketing investment behind key brands while we continue to restructure our portfolio for optimal returns.

Sub-Saharan Africa growth affirms our strategy to continue the expansion of our local production and RTM platform across selected African countries. We anticipate further growth as we invest behind and leverage off opportunities in mainstream spirits and wine as well as cider and RTDs.

Conditions outside Africa affirm our refined international focus to grow our premium spirits portfolio while restructuring the wine portfolio to extract more scale and profitability.

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 become an African drinks champion and benefit communities in which we operate for the better.

DIRECTORATE

Mr PE Beyers will retire 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.

CASH DIVIDEND DECLARATION

The directors have resolved to declare a gross cash dividend, number 2, of 174,0 cents (2017: 165,0 cents) per share for the interim period ended 31 December 2018.

The dividend has been declared from income reserves. The dividend withholding tax, levied at 20%, will amount to 34,8 cents per ordinary share. As a result, ordinary shareholders who are liable to pay dividends tax will receive a net dividend amount of 139,2 cents per share. Shareholders exempt from paying dividends tax will receive 174,0 cents per share. The issued ordinary share capital as at 27 February 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, 22 March 2019, and will be paid on Monday, 25 March 2019. The last day to trade cum dividend will be on Monday, 18 March 2019, and shares commence trading ex dividend from Tuesday, 19 March 2019. Share certificates may not be dematerialised or rematerialised between Tuesday, 19 March 2019, and Friday, 22 March 2019, both days inclusive.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 31 December 2018 R'000	Unaudited 31 December 2017 R'000	Audited 30 June 2018 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	6 620 987	6 011 804	6 290 094
Financial assets at amortised cost	292 940	-	-
Loans and receivables	-	28 597	20 391
Financial assets at fair value through other comprehensive income (FVOCI)	59 176	-	-
Available-for-sale financial assets	-	35 398	60 485
Investments in associates	889 395	834 607	862 364
Investments in joint ventures	88 750	122 150	141 165
Intangible assets	2 018 263	1 918 952	2 008 475

Retirement benefit assets	383 526	367 377	522 885
Deferred income tax assets	103 025	67 105	100 154
Total non-current assets	10 456 062	9 385 990	10 006 013
Current assets			
Inventories	7 405 528	6 800 211	7 587 016
Trade and other receivables	4 575 446	4 194 041	3 413 036
Current income tax assets	37 466	79 937	35 756
Cash and cash equivalents	2 104 244	977 990	1 084 215
	14 122 684	12 052 179	12 120 023
Assets of disposal group classified as held for sale	-	847 015	-
Total current assets	14 122 684	12 899 194	12 120 023
Total assets	24 578 746	22 285 184	22 126 036
EQUITY AND LIABILITIES			
Capital and reserves			
Capital and reserves	12 271 859	11 175 934	11 640 693
Non-controlling interest	330 382	306 277	314 944
Total equity	12 602 241	11 482 211	11 955 637
Non-current liabilities			
Interest-bearing borrowings	3 335 462	4 374 574	4 432 840
Retirement benefit obligations	29 623	28 322	27 800
Deferred income tax liabilities	1 162 682	1 021 496	1 132 135
Total non-current liabilities	4 527 767	5 424 392	5 592 775
Current liabilities			
Trade and other payables	5 977 135	4 607 834	4 257 093
Interest-bearing borrowings	1 205 096	70 332	113 788
Provisions	115 153	77 751	167 973
Current income tax liabilities	151 354	210 258	38 770
Liabilities of disposal group classified as held for sale	-	412 406	-
Total current liabilities	7 448 738	5 378 581	4 577 624
Total equity and liabilities	24 578 746	22 285 184	22 126 036

CONDENSED CONSOLIDATED INCOME STATEMENT

	Unaudited Six months ended 31 December			Audited Year ended 30 June
	2018	2017	Change	2018
	R'000	R'000	%	R'000
Revenue	14 423 824	13 443 530	7,3	24 230 765
Operating costs	(12 523 971)	(11 680 926)	7,2	(21 836 072)
Costs of goods sold	(9 749 409)	(8 951 016)		(16 442 193)
Sales and marketing costs	(1 507 391)	(1 542 347)		(3 114 655)
Distribution costs	(606 343)	(676 374)		(1 246 542)
Administration and other costs	(597 271)	(503 734)		(1 024 719)
Net impairment losses on financial assets	(63 557)	(7 455)		(7 963)
Other gains and losses	1 695	69 311		(6 520)
Operating profit	1 901 548	1 831 915	3,8	2 388 173
Dividend income	3 795	1 123		6 657
Finance income	21 020	11 903		46 927
Finance costs	(171 381)	(177 485)		(342 494)
Share of equity-accounted earnings	18 663	10 860		31 358

Profit before taxation	1 773 645	1 678 316	5,7	2 130 621
Taxation	(499 883)	(465 118)		(632 101)
Profit for the period from continuing operations	1 273 762	1 213 198	5,0	1 498 520
Discontinued operations	-	(2 729)		169 531
Profit for the period	1 273 762	1 210 469	5,2	1 668 051
Attributable to:				
Equity holders of the company	1 254 093	1 201 970	4,3	1 646 384
Non-controlling interest	19 669	8 499		21 667
	1 273 762	1 210 469	5,2	1 668 051
Per share performance:				
Issued number of ordinary shares ('000)	222 382	222 382		222 382
Weighted number of ordinary shares ('000)	219 530	219 407		219 443
Earnings per ordinary share (cents)				
Basic earnings basis				
From continuing operations	571,3	549,0	4,1	673,0
From discontinued operations	-	(1,2)	(100,0)	77,3
	571,3	547,8	4,3	750,3
Diluted earnings basis				
From continuing operations	571,1	548,6	4,1	672,3
From discontinued operations	-	(1,2)	(100,0)	77,2
	571,1	547,4	4,3	749,5
Headline basis				
From continuing operations	570,7	510,4	11,8	669,9
From discontinued operations	-	(1,2)	(100,0)	(1,7)
	570,7	509,2	12,1	668,2
Diluted headline basis				
From continuing operations	570,5	510,0	11,9	669,3
From discontinued operations	-	(1,2)	(100,0)	(1,8)
	570,5	508,8	12,1	667,5
Dividends per ordinary share (cents)				
- Interim	174,0	165,0	5,5	165,0
- Final	-	-	-	230,0
	174,0	165,0	5,5	395,0
Reconciliation of headline earnings:				
Net profit attributable to equity holders of the company	1 254 093	1 201 970	4,3	1 646 384
Adjusted for (net of taxation):				
Profit on disposal and impairment of PPE and intangible assets included in share of equity-accounted earnings	-	(16 025)		(16 025)
Impairment of intangible assets	-	-		31 115
Impairment of property, plant and equipment (PPE)	-	5 540		37 178
Gain on previously held equity interest and on sale of investments and subsidiaries	-	(72 509)		(217 338)
Profit on sale of PPE	(1 220)	(1 686)		(15 086)
Headline earnings	1 252 873	1 117 290	12,1	1 466 228

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 31 December 2018 R'000	Unaudited Six months ended 31 December 2017 R'000	Audited Year ended 30 June 2018 R'000
Profit for the period	1 273 762	1 210 469	1 668 051
Other comprehensive income (net of taxation)	(133 441)	(119 596)	263 414
Items that may be reclassified subsequently to profit or loss:			

Fair value adjustments			
- available-for-sale financial assets	-	5 524	7 662
Currency translation differences	(8 588)	(133 192)	144 157
Fair value adjustments of cash flow hedges	-	9 115	9 115
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefits	(125 597)	(1 043)	102 140
Fair value adjustments			
- financial assets through other comprehensive income	744	-	-
Share of other comprehensive income of associates	-	-	340
Total comprehensive income for the period	1 140 321	1 090 873	1 931 465
Attributable to:			
Equity holders of the company	1 120 713	1 082 395	1 911 333
Non-controlling interest	19 608	8 478	20 132
	1 140 321	1 090 873	1 931 465
Total comprehensive income attributable to equity shareholders arises from:			
Continuing operations	1 120 713	1 095 433	1 741 802
Discontinued operations	-	(13 038)	169 531
	1 120 713	1 082 395	1 911 333

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended 31 December		Audited Year ended 30 June
	2018	2017	2018
	R'000	R'000	R'000
Attributable to equity holders			
Opening balance	11 640 693	10 542 126	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	10 542 126
Comprehensive income			
Profit for the year	1 254 093	1 201 970	1 646 384
Other comprehensive income (net of taxation)			
Fair value adjustments:			
- available-for-sale financial assets	-	5 524	7 662
- financial assets at FVOCI	744	-	-
Cash flow hedge of foreign exchange transactions	-	9 115	9 115
Currency translation differences	(8 527)	(133 171)	145 692
Remeasurements of post-employment benefits	(125 597)	(1 043)	102 140
Share of other comprehensive income of associates	-	-	340
Total other comprehensive losses	(133 380)	(119 575)	264 949
Total comprehensive income for the period	1 120 713	1 082 395	1 911 333
Transactions with owners			
Employee share scheme:			
- shares paid and delivered	1	1	1
- value of employee services	36 770	21 635	49 926
Capital reorganisation	-	-	13 832
Share issue costs	(2 098)	-	(45 066)
Dividends paid	(505 380)	(470 223)	(832 778)
Transactions with non-controlling interests	(2 444)	-	1 319
Total transactions with owners	(473 151)	(448 587)	(812 766)
Attributable to equity holders	12 271 859	11 175 934	11 640 693
Non-controlling interest			
Opening balance	314 944	301 124	301 124
Profit for the year	19 669	8 499	21 667

Dividends paid	-	(3 325)	(4 466)
Currency translation differences	(61)	(21)	(1 535)
Contribution by non-controlling interests	4	-	-
Transactions with non-controlling interests	(4 174)	-	(1 846)
Total non-controlling interest	330 382	306 277	314 944
Total equity at the end of the period	12 602 241	11 482 211	11 955 637

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 31 December 2018 R'000	Unaudited Six months ended 31 December 2017 R'000	Audited Year ended 30 June 2018 R'000
Cash flows from operating activities			
Operating profit	1 901 548	1 758 547	2 559 330
Non-cash flow items	500 849	355 508	693 155
Working capital changes	497 532	60 532	(173 321)
Inventories	193 568	347 743	(245 024)
Trade and other receivables	(1 216 944)	(1 104 460)	(208 022)
Trade payables and provisions	1 520 908	817 249	279 725
Cash generated from operations	2 899 929	2 174 587	3 079 164
Net financing costs	(144 836)	(106 234)	(231 935)
Taxation paid	(361 102)	(305 464)	(580 575)
Net cash generated from operating activities	2 393 991	1 762 889	2 266 654
Net cash outflow from investment activities	(853 588)	(1 349 025)	(1 144 635)
Net cash inflow from financing activities	83 646	827 805	378 988
Dividends paid	(505 380)	(470 223)	(837 244)
Increase in net cash, cash equivalents and bank overdrafts	1 118 669	771 446	663 763
Net cash, cash equivalents and bank overdrafts at the beginning of the period	970 427	302 876	302 876
Exchange gains on cash and cash equivalents and bank overdrafts	10 052	(41 676)	3 788
Net cash, cash equivalents and bank overdrafts at the end of the period	2 099 148	1 032 646	970 427

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the six months ended 31 December 2018

1.BASIS OF PREPARATION, ACCOUNTING POLICY AND COMPARATIVE FIGURES

The condensed consolidated interim financial statements have been prepared in accordance with the Listings Requirements of the JSE Limited (JSE) for summary financial statements and the requirements of the Companies Act (No 71 of 2008), as amended, applicable to summary financial statements. The JSE requires summary financial statements to be prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and also to, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The directors are responsible for the preparation of the condensed consolidated interim financial statements, prepared under supervision of the Group chief financial officer, LC Verwey CA(SA).

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements.

The Group has adopted all new as well as 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.

	Unaudited 31 December 2018 R'000	Unaudited 31 December 2017 R'000	Change %

2. Sales volumes (litres '000) 402 250 403 279 (0,3)

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 represents abnormal or non-recurring items which significantly impacted the financial results of the Group:

Headline earnings	1 252 873	1 117 290	12,1
Adjusted for (net of taxation):			
Expected credit losses on financial assets	30 102	-	
One-off losses and write-offs in associate following sachet ban and excise dispute	-	78 461	
Retrenchment, restructuring and other one-off costs	56 725	1 945	
Normalised headline earnings	1 339 699	1 197 696	11,9

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 and Angola kwanza 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 South African rand (ZAR)/US dollar (USD) exchange rate of R13,43 compared to R14,18 in the current year, and the Angola kwanza devaluated from 250 Kwanza: USD1 on 30 June 2018 to 307 Kwanza: USD1 on 31 December 2018.

The adjustments below thus represents a restatement of the 2017 foreign income using the current year aggregated daily average exchange rates.

Normalised headline earnings	1 339 699	1 197 696	11,9
Adjusted for (net of taxation):			
Prior year restatement to current year aggregated daily average exchange rates	-	937	
Exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency			
- Other major currencies	(47 214)	55 550	
- Kwanza (in associate)	45 794	675	
Normalised headline earnings adjusted for foreign exchange movements	1 338 279	1 254 858	6,6

Earnings before interest, taxation, depreciation and amortisation (EBITDA)	2 196 066	2 077 392	5,7
Adjusted for:			
impairment and profit on disposal of PPE, intangible assets, investments and gain on previously held interest and subsidiaries disposed	(1 695)	(85 336)	
One-off losses and write-offs in associate following sachet ban and excise dispute	-	78 461	
Expected credit losses on financial assets	42 100	-	
Retrenchment, restructuring and other one-off costs	68 060	2 720	
Normalised EBITDA	2 304 531	2 073 237	11,2

The adjustments below represents a restatement of the 2017 foreign income using the current year aggregated daily average exchange rates as explained above.

Normalised EBITDA	2 304 531	2 073 238	11,2
Adjusted for:			
Prior year restatement to current year aggregated daily average exchange rates	-	3 221	
Exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency			
- Other major currencies	(65 800)	76 736	

- Kwanza (in associate)	45 794	675	
Normalised EBITDA adjusted for currency movements	2 284 525	2 153 870	6,1

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.
The Pro Forma financial information has not been reviewed and reported on by the Group's auditors.

	Unaudited 31 December 2018 R'000	Unaudited 31 December 2017 R'000	Audited 30 June 2018 R'000
4. Net interest-bearing borrowings			
Interest-bearing borrowings			
Non-current	3 335 462	4 374 574	4 432 840
Current	1 205 096	70 332	113 788
	4 540 558	4 444 906	4 546 628
Cash and cash equivalents	(2 104 244)	(977 990)	(1 084 215)
	2 436 314	3 466 916	3 462 413
5. Cash outflow from investment activities			
Purchases of property, plant and equipment (PPE) to maintain operations	(245 273)	(158 744)	(464 731)
Purchases of PPE to expand operations	(288 510)	(384 675)	(709 958)
Proceeds from sale of PPE	6 440	9 203	126 356
Purchases of financial assets, associates and joint ventures	(313 080)	(726 786)	(752 722)
Proceeds from financial assets	3 441	282	17 514
Purchases of intangible assets	(16 606)	(33 548)	(66 706)
Proceeds from intangible assets	-	-	5 400
Proceeds from disposal of interest in subsidiaries, net of cash	-	-	757 114
Acquisition of subsidiaries, net of cash	-	(54 757)	(56 902)
	(853 588)	(1 349 025)	(1 144 635)
6. Cash inflow from financing activities			
Proceeds from ordinary shares issued and share issue costs	(2 097)	1	(45 065)
Proceeds from interest-bearing borrowings	86 344	828 007	828 099
Repayment of interest-bearing borrowings	(601)	(203)	(404 046)
	83 646	827 805	378 988
7. Capital commitments			
Contracted	735 040	1 002 108	467 327
Authorised, but not contracted	1 272 320	1 575 808	1 991 198
	2 007 360	2 577 916	2 458 525
8. Depreciation of property, plant and equipment	231 359	212 005	432 434
9. Net asset value per share (cents)	5 667	5 163	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. Segment information, including the comparative figures and volume information, have been restated to align with the current year segmentation as reported to management.

Unaudited six months ended
31 December 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	Change %
Revenue	10 830 139	1 043 302	1 210 269	691 537	668 160	(19 583)	14 423 824	7,3
Costs of goods sold	(7 560 868)	(709 830)	(796 993)	(428 326)	(341 925)	88 533	(9 749 409)	8,9
Material costs and overheads	(7 560 868)	(709 830)	(796 993)	(428 326)	(341 925)	23 318	(9 814 624)	10,5

Currency conversion gains and losses	-	-	-	-	-	65 215	65 215	
Gross profit	3 269 271	333 472	413 276	263 211	326 235	68 950	4 674 415	4,0
Operating costs	(1 150 763)	(114 440)	(212 828)	(209 780)	(240 086)	(846 665)	(2 774 562)	1,6
Operating profit before allocations	2 118 508	219 032	200 448	53 431	86 149	(777 715)	1 899 853	7,8
Equity-accounted earnings and dividend income	-	-	19 833	-	(1 339)	3 964	22 458	
EBIT before allocations	2 118 508	219 032	220 281	53 431	84 810	(773 751)	1 922 311	8,3
Allocations	(111 735)	(9 166)	(6 243)	(12 866)	3 968	136 042	-	
EBIT after allocations	2 006 773	209 866	214 038	40 565	88 778	(637 709)	1 922 311	8,3
Other gains and losses	-	-	-	-	-	1 695	1 695	
Equity-accounted earnings and dividend income	-	-	(19 833)	-	1 339	(3 964)	(22 458)	87,4
Operating profit from continuing operations	2 006 773	209 866	194 205	40 565	90 117	(639 978)	1 901 548	3,8
EBIT before allocations attributable to:								
Equity holders of the company	2 119 300	218 240	201 753	53 431	84 810	(774 892)	1 902 642	
Non-controlling interest	(792)	792	18 528	-	-	1 141	19 669	
	2 118 508	219 032	220 281	53 431	84 810	(773 751)	1 922 311	
Non-current assets	7 851 102	103 688	1 579 658	914 084	7 530	-	10 456 062	

Unaudited six months ended
31 December 2017

	South Africa R'000	BLNS R'000	Rest of Africa R'000	Europe R'000	Rest of Inter-national R'000	Corporate R'000	Total R'000
Revenue	10 243 068	1 023 040	847 368	660 002	668 285	1 767	13 443 530
Costs of goods sold	(7 057 370)	(695 429)	(560 721)	(418 715)	(330 568)	111 787	(8 951 016)
Material costs and overheads	(7 057 370)	(695 429)	(560 721)	(418 715)	(330 568)	178 111	(8 884 692)
Currency conversion gains and losses	-	-	-	-	-	(66 324)	(66 324)
Gross profit	3 185 698	327 611	286 647	241 287	337 717	113 554	4 492 514
Operating costs	(1 281 909)	(118 228)	(193 372)	(211 853)	(268 304)	(656 244)	(2 729 910)
Operating profit before allocations	1 903 789	209 383	93 275	29 434	69 413	(542 690)	1 762 604
Equity-accounted earnings and dividend income	-	-	(13 263)	-	1 764	23 482	11 983
EBIT before allocations	1 903 789	209 383	80 012	29 434	71 177	(519 208)	1 774 587
Allocations	(30 432)	(4 051)	(952)	(7 100)	1 327	41 208	-
EBIT after allocations	1 873 357	205 332	79 060	22 334	72 504	(478 000)	1 774 587
Other gains and losses	-	-	-	-	-	69 311	69 311
Equity-accounted earnings and dividend income	-	-	13 263	-	(1 764)	(23 482)	(11 983)
Operating profit from continuing operations	1 873 357	205 332	92 323	22 334	70 740	(432 171)	1 831 915
EBIT before allocations attributable to:							
Equity holders of the company	1 904 550	208 652	66 998	29 434	80 750	(524 296)	1 766 088
Non-controlling interest	(761)	731	13 014	-	(9 573)	5 088	8 499
	1 903 789	209 383	80 012	29 434	71 177	(519 208)	1 774 587
Non-current assets	5 691 343	93 100	765 247	2 891 312	37 282	-	9 478 284

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

Included in "Corporate" are production variances from standard as production facilities service various regions, currency conversion gains and losses, performance bonusses for the majority of personnel in the Group, and certain centralised functions including ICT, human resources, corporate finance and governance, quality management, innovation and corporate affairs.

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

	Unaudited Six months ended 31 December 2018 R'000	2017 R'000	Change %
Category			

Spirits	5 142 984	4 481 754	14,8
Wine	4 031 178	3 844 087	4,9
Cider and RTDs	5 508 420	5 113 110	7,7
Other	13 704	6 863	99,7
Non-distinct and other costs not allocated to categories	(272 462)	(2 284)	11 829,2
Total revenue	14 423 824	13 443 530	7,3

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 9,1% and 'Non-distinct and other costs not allocated to categories' with 17,5%.

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.

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. The condensed consolidated interim 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 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 are classified as level 1, 2 or 3 and derivative financial assets and liabilities are classified as level 2.

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.

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 are 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 (7.2.15) and (7.2.26). The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 30 June 2018, but are recognised in the opening balance sheet 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 restated balance sheet as at 30 June 2018, but are recognised in the opening balance sheet 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 per 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 Restated R'000

Non-current assets				
Financial assets at amortised cost	-	20 391	-	20 391
Loans and receivables	20 391	(20 391)	-	-
Financial assets at fair value through other comprehensive income (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 the provisions of IAS 39 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). It is the Group's business model 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.

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 gasoil and aluminium used in the business. The adoption of IFRS 9 had no impact on the recognition 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 recognises 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	More than 60 days past due	Total
Gross carrying amount (R '000)	2 848 596	129 432	160 380	3 138 408
Expected loss rate	0,4%	8,7%	37,7%	
Loss allowance (R '000)	11 961	11 312	60 527	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, amongst others, debtor absconded or is not traceable, 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.

(b) Debt investments
The amortised cost debt investments at 30 June 2018 are considered to have low credit risk and the loss allowance calculated for those were therefore limited to 12 months expected losses and it was immaterial. The debt instruments are considered to be low 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.

During the current reporting period the Group invested in savings bonds of the Reserve Bank of Zimbabwe to the value of USD21,6 million following foreign currency restrictions which severely limited the ability of a major customer in Zimbabwe to repatriate funds to South Africa. The bonds have a tenure of two years and carry interest at a rate of 7%. The investment is classified as a financial asset at amortised cost as it is the Group's intention to collect the principal and interest. The Group recognised a loss allowance of R42,1 million based on an expected credit loss ratio of 17,7% which factors in a probability of default of 31,6%, based on adjusted measure of an expected S&P Global Corporate Default rate for CCC-rated corporates, and a loss given default of 56,0%.

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 above.

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. In accordance with the transitional provisions in IFRS 15, the Group has adopted the modified retrospective application option and certain adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 July 2018).

The new accounting policies are 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. The Group recognises revenue when the goods has been formally accepted by the customer or the goods had been delivered and the time period for rejection had expired as there is uncertainty about the possibility of return. When goods are returned, revenue is reversed and the customer credited with 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 recognised a current asset, included in trade and other receivables (due to it being not material), 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 or provides products to customers linked to a loyalty programme and distribution or sales and marketing related functions carried out by them. These costs have previously been disclosed as part of 'Distribution costs' or 'Sales and marketing costs' in the income statement.

Under IFRS 15 the costs associated with certain of these types of functions are not regarded as payment for distinct goods and services and for which separate performance conditions can not be determined. 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. Pro forma restated income statements have been prepared, as disclosed below, to indicate the impact if these changes were applied retrospectively. Amounts of R312,2 million and R106,4 million would have been reclassified from 'Sales and marketing costs' and 'Distribution costs' respectively to 'Revenue'. Similarly, for the six months ended 31 December 2017, amounts of R168,9 million and R59,8 million would have been reclassified from 'Sales and marketing costs' and 'Distribution costs' to 'Revenue'. These changes had no impact on the statement of financial position.

Income statement (extract)	31 December 2018 As presented R'000	31 December 2017 As originally presented R'000	IFRS 15 R'000	31 December 2017 Pro forma restated R'000	Change %
Revenue	14 423 824	13 443 530	(228 717)	13 214 813	9,1
Operating costs	(12 523 971)	(11 680 926)	228 717	(11 452 209)	9,4
Costs of goods sold	(9 749 409)	(8 951 016)	-	(8 951 016)	8,9
Sales and marketing costs	(1 507 391)	(1 542 347)	168 874	(1 373 473)	9,8
Distribution costs	(606 343)	(676 374)	59 843	(616 531)	(1,7)
Administration costs and net impairment losses on financial assets	(660 828)	(511 189)	-	(511 189)	29,3
Other gains and losses	1 695	69 311	-	69 311	
Operating Profit	1 901 548	1 831 915	-	1 831 915	3,8
Profit before taxation	1 773 645	1 678 316	-	1 678 316	5,7
Taxation	(499 883)	(465 118)	-	(465 118)	
Profit for the period from continuing operations	1 273 762	1 213 198	-	1 213 198	5,0

Income statement (extract)	30 June 2018 As originally presented R'000	IFRS 15 R'000	30 June 2018 Pro forma Restated R'000
Revenue	24 230 765	(418 549)	23 812 216
Operating costs	(21 836 072)	418 549	(21 417 523)
Costs of goods sold	(16 442 193)	-	(16 442 193)
Sales and marketing costs	(3 114 655)	312 180	(2 802 475)
Distribution costs	(1 246 542)	106 369	(1 140 173)
Administration costs and net impairment losses on financial assets	(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

13. Related party transactions

The Group's most significant related party transactions for the period was with FirstRand Bank Limited for interest paid on interest-bearing borrowings which amounted to R79,8 million (2017: R78,7 million). The Group also paid dividends on ordinary shares of R160,7 million to subsidiaries of Remgro Limited.

Signed on behalf of the Board

JJ Durand — Chairman
RM Rushton — Group chief executive officer

Stellenbosch
1 March 2019

Directors: JJ Durand (Chairman), PE Beyers, GP Dingaan, DP du Plessis, 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

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Sponsor: RAND MERCHANT BANK (A division of FirstRand Bank Limited), 1 Merchant Place, c/o Rivonia Road and Fredman Drive, Sandton 2196

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