Distell Group Limited
Registration number 1988/005808/06
JSE share code: DST ISIN: ZAE000028668
("Distell" or "the Group" or "the Company")

Audited Group results for the year ended 30 June 2017 and cash dividend declaration

SALIENT FEATURES

Revenue up 3,7%
EBITDA
-reported down 7,8%
-normalised and adjusted for impairments and forex up 9,3% (1)(2)
Headline earnings
-reported down 3,6%
-adjusted for forex up 7,4% (2)
Total dividend for the year maintained
Net cash generated from operating activities up 14,6%

1 Normalised EBITDA refers to EBITDA adjusted for the items, before taxation, added back in the calculation of headline earnings
2 Foreign currencies 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 2 to the summarised financial statements

SUMMARISED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Audited 30 June 2017 R'000	Audited 30 June 2016 R'000 Restated
ASSETS		
Non-current assets		
Property, plant and equipment	5 466 224	5 116 376
Loans and receivables	133 595	181 195
Available-for-sale financial assets	29 671	79 708
Investments in associates	133 558	237 249
Investments in joint ventures	252 282	213 999
Intangible assets	1 921 925	2 004 191
Retirement benefit assets	380 963	343 420
Deferred income tax assets	173 897	136 031
Total non-current assets	8 492 115	8 312 169
Current assets		
Inventories	7 800 305	7 900 649
Trade and other receivables	2 982 470	2 659 749
Current income tax assets	28 197	36 922
Cash and cash equivalents	1 183 120	1 032 402
Total current assets	11 994 092	11 629 722
Total assets	20 486 207	19 941 891
EQUITY AND LIABILITIES		
Capital and reserves		
Capital and reserves	10 542 126	10 656 997

Non-controlling interest	301 124	15 262
Total equity	10 843 250	10 672 259
Non-current liabilities		
Interest-bearing borrowings	3 567 180	1 200 000
Retirement benefit obligations	24 533	27 509
Deferred income tax liabilities	929 318	723 429
Total non-current liabilities	4 521 031	1 950 938
Current liabilities		
Trade and other payables	3 682 025	3 234 972
Interest-bearing borrowings	1 276 234	3 726 589
Provisions	89 227	321 781
Current income tax liabilities	74 440	35 352
Total current liabilities	5 121 926	7 318 694
Total equity and liabilities	20 486 207	19 941 891

SUMMARISED CONSOLIDATED INCOME STATEMENTS

	Audited Year ended 30 June		
	2017 R'000	2016 R'000	Change %
Revenue	22 259 253	21 470 120	3,7
Operating costs	(19 902 578)	(19 040 418)	4,5
Costs of goods sold	(14 901 125)	(13 767 664)	
Sales and marketing costs	(2 881 709)	(3 211 513)	
Distribution costs	(1 168 220)	(1 087 991)	
Administration and other costs	(951 524)	(973 250)	
Other gains and losses	(289 917)	(78 081)	
Operating profit	2 066 758	2 351 621	(12,1)
Dividend income	7 163	7 501	
Finance income	69 290	21 002	
Finance costs	(289 296)	(281 790)	
Share of equity-accounted earnings	59 374	58 042	
Profit before taxation	1 913 289	2 156 376	(11,3)
Taxation	(616 486)	(624 485)	
Profit for the year	1 296 803	1 531 891	(15,3)
Attributable to:			
Equity holders of the company	1 296 978	1 531 986	(15,3)
Non-controlling interest	(175)	(95)	
	1 296 803	1 531 891	(15,3)

Per share performance:

Issued number of ordinary shares ('000)	222 382	222 109	
Weighted number of ordinary shares ('000)	219 298	219 038	
Earnings per ordinary share (cents)			
- basic earnings basis	591,4	699,4	(15,4)
- diluted earnings basis	590,6	697,1	(15,3)
- headline basis	708,3	735,3	(3,7)
- diluted headline basis	707,3	732,9	(3,5)
Dividends per ordinary share (cents)			
- interim	165,0	165,0	-
- final	214,0	214,0	-
	379,0	379,0	-
Reconciliation of headline earnings:			
Net profit attributable to equity holders of the company	1 296 978	1 531 986	(15,3)
Adjusted for (net of taxation):			
impairment of intangible assets	202 071	80 155	
impairment of property, plant and equipment (PPE)	66 090	-	
impairment of investment in available-for-sale financial asset	38 810	-	
loss on previously held equity interest and on sale of investments	7 425	-	
profit on sale of PPE	(58 072)	(1 493)	
Headline earnings	1 553 302	1 610 648	(3,6)

SUMMARISED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Audited Year ended 30 June	
	2017	2016
	R'000	R'000
Profit for the year	1 296 803	1 531 891
Other comprehensive income (net of taxation)	(535 729)	306 636
Items that may be reclassified subsequently to profit or loss:		
Fair value adjustments		
- available-for-sale financial assets	(2 668)	(17 319)
Currency translation differences	(565 307)	242 494
Fair value adjustments of cash flow hedges	(9 115)	-
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefits	43 703	82 464
Share of other comprehensive income of associates	(2 342)	(1 003)
Total comprehensive income for the year	761 074	1 838 527
Attributable to:		
Equity holders of the company	760 109	1 838 755
Non-controlling interest	965	(228)
	761 074	1 838 527

SUMMARISED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Audited Year ended 30 June	
	2017	2016

	R'000	R'000
Attributable to equity holders		
Opening balance	10 656 997	9 537 114
Comprehensive income		
Profit for the year	1 296 978	1 531 986
Other comprehensive income (net of taxation)		
Fair value adjustments:		
- available-for-sale financial assets	(2 668)	(17 319)
Cash flow hedge of foreign exchange transactions	(9 115)	-
Currency translation differences	(566 447)	242 627
Remeasurements of post-employment benefits	43 703	82 464
Share of other comprehensive income of associates	(2 342)	(1 003)
Total other comprehensive losses	(536 869)	306 769
Total comprehensive income for the year	760 109	1 838 755
Redemption reserve	(37 340)	-
Transactions with owners		
Employee share scheme:		
- shares paid and delivered	3 104	8 361
- value of employee services	53 595	46 274
- settlement in cash	(38 031)	-
Sale of interest to non-controlling interest	(1 350)	-
Dividends paid	(832 100)	(773 507)
Transactions with non-controlling interests	(22 858)	-
Total transactions with owners	(874 980)	(718 872)
Attributable to equity holders	10 542 126	10 656 997
Non-controlling interest		
Opening balance	15 262	19 283
Loss for the year	(175)	(95)
Dividends paid	(2 024)	(3 793)
Sale of interest to non-controlling interest	(6 564)	-
Currency translation differences	1 140	(133)
Contribution by non-controlling interests	40 303	-
Transactions with non-controlling interests	22 858	-
Non-controlling interest arising on business combination	230 324	-
Total non-controlling interest	301 124	15 262
Total equity at the end of the year	10 843 250	10 672 259

SUMMARISED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Audited Year ended 30 June	
	2017	2016
	R'000	R'000
Cash flows from operating activities		
Operating profit	2 066 758	2 351 621
Non-cash flow items	910 419	857 954
Working capital changes	(315 504)	(729 136)
Inventories	(136 752)	(204 555)
Trade and other receivables	(368 435)	(491 093)
Trade payables and provisions	189 683	(33 488)
Cash generated from operations	2 661 673	2 480 439
Net financing costs	(297 055)	(236 465)

Taxation paid	(500 341)	(617 204)
Net cash generated from operating activities	1 864 277	1 626 770
Net cash outflow from investment activities	(949 638)	(1 091 424)
Net cash inflow from financing activities	151 428	77 620
Dividends paid	(832 100)	(773 507)
Increase in net cash, cash equivalents and bank overdrafts	233 967	(160 541)
Net cash, cash equivalents and bank overdrafts at the beginning of the year	102 402	230 868
Exchange losses on cash and cash equivalents	(33 493)	32 075
Net cash, cash equivalents and bank overdrafts at the end of the year	302 876	102 402

Notes

	Audited 30 June 2017 R'000 Audited	2016 R'000 Restated	Change %
1. Sales volumes (litres '000)	671 931	671 844	

2. Pro forma information

The results of the Group are significantly impacted by the change in foreign exchange rates 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 year-end.

In the prior year the income of foreign subsidiaries were converted at an average ZAR/UK pound (GBP) exchange rate of R21,47 compared to R17,28 in the current year. Similarly, the average ZAR/Euro (EUR) strengthened from R16,09 to R14,85.

The adjustments below thus represents a restatement of the 2016 foreign income using the current year average exchange rates.

	2017	2016	Change %
Headline earnings	1 553 302	1 610 648	(3,6)
Adjusted for (net of taxation):			
prior year restatement to current year average exchange rates	-	(30 485)	
exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency	46 885	(89 584)	
Headline earnings adjusted for foreign exchange movements	1 600 187	1 490 579	7,4
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	2 572 717	2 788 861	(7,8)
Adjusted for:			
impairment of PPE, intangible assets, investments and loss on sale of investments	315 299	80 155	
Normalised EBITDA	2 888 016	2 869 016	0,7

The adjustments below represents a restatement of the 2016 foreign income using the current year average exchange rates as explained above.

	2017	2016	Change %
Normalised EBITDA	2 888 016	2 869 016	0,7
Adjusted for:			
prior year restatement to current year average exchange rates	-	(42 636)	
exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency	65 573	(125 292)	
Normalised EBITDA adjusted for currency movements	2 953 589	2 701 088	9,3

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, result of operations or cash flows.

An assurance report (in terms of ISAE 3420: Assurance Engagements 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.

3. Net interest-bearing borrowings

Interest-bearing borrowings		
Non-current	3 567 180	1 200 000
Current	1 276 234	3 726 589
	4 843 414	4 926 589
Cash and cash equivalents	(1 183 120)	(1 032 402)
	3 660 294	3 894 187

4. Cash outflow from investment activities

Purchases of property, plant and equipment (PPE) to maintain operations	(327 784)	(425 686)
Purchases of PPE to expand operations	(477 775)	(612 867)
Proceeds from sale of PPE	56 698	19 787
Purchases of financial assets, associates and joint ventures	(12 028)	(52 957)
Proceeds from financial assets	57 919	63 346
Purchases of intangible assets	(89 113)	(83 047)
Proceeds from disposal of interest in subsidiaries, net of cash	20 541	-
Acquisition of subsidiaries, net of cash	(178 096)	-
	(949 638)	(1 091 424)

5. Capital commitments

Contracted	657 552	893 322
Authorised, but not contracted	2 416 566	1 163 271
	3 074 118	2 056 593

6. Depreciation of property, plant and equipment	393 555	343 581
7. Net asset value per share (cents)	4 876	4 805

8. Segmental 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, have been restated to align with the current year segmentation as reported to management.

Audited year ended 30 June 2017	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	16 493 452	1 830 798	1 028 748	1 335 493	1 515 808	54 954	22 259 253	3,7
Costs of goods sold	(11 120 549)	(1 205 374)	(672 319)	(903 969)	(702 108)	(296 806)	(14 901 125)	8,2
Material costs and overheads	(11 120 549)	(1 205 374)	(672 319)	(903 969)	(702 108)	(231 233)	(14 835 552)	6,8
Currency conversion gains and losses	-	-	-	-	-	(65 573)	(65 573)	
Gross profit	5 372 903	625 424	356 429	431 524	813 700	(241 852)	7 358 128	(4,5)
Operating costs	(2 340 865)	(225 262)	(201 783)	(313 961)	(581 806)	(1 337 776)	(5 001 453)	(5,1)
Operating profit before allocations	3 032 038	400 162	154 646	117 563	231 894	(1 579 628)	2 356 675	(3,0)

Equity-accounted earnings and dividend income	-	-	26 498	-	(5 345)	45 384	66 537	
EBIT before allocations	3 032 038	400 162	181 144	117 563	226 549	(1 534 244)	2 423 212	(2,9)
Allocations	(167 519)	(58 595)	(19 828)	(14 485)	(10 846)	271 273	-	
EBIT after allocations	2 864 519	341 567	161 316	103 078	215 703	(1 262 971)	2 423 212	(2,9)
Other gains and losses						(289 917)	(289 917)	
Equity-accounted earnings and dividend income	-	-	(26 498)	-	5 345	(45 384)	(66 537)	1,5
Operating profit	2 864 519	341 567	134 818	103 078	221 048	(1 598 272)	2 066 758	(12,1)
EBIT before allocations attributable to:								
Equity holders of the company	3 033 502	398 698	186 361	117 563	234 085	(1 546 822)	2 423 387	
Non-controlling interest	(1 464)	1 464	(5 217)	-	(7 536)	12 578	(175)	
	3 032 038	400 162	181 144	117 563	226 549	(1 534 244)	2 423 212	
Non-current assets	5 340 001	95 941	564 908	2 458 945	32 320	-	8 492 115	

Audited year ended 30 June 2016	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	15 362 115	1 748 679	1 103 484	1 639 887	1 614 994	961	21 470 120
Costs of goods sold	(10 158 302)	(1 139 763)	(696 045)	(1 012 262)	(716 552)	(44 740)	(13 767 664)
Material costs and overheads	(10 158 302)	(1 139 763)	(696 045)	(1 012 262)	(716 552)	(170 033)	(13 892 957)
Currency conversion gains and losses						125 293	125 293
Gross profit	5 203 813	608 916	407 439	627 625	898 442	(43 779)	7 702 456
Operating costs	(2 390 404)	(210 700)	(259 619)	(475 655)	(650 143)	(1 286 233)	(5 272 754)
Operating profit before allocations	2 813 409	398 216	147 820	151 970	248 299	(1 330 012)	2 429 702
Equity-accounted earnings and dividend income	-	-	56 862	-	(6 678)	15 359	65 543
EBIT before allocations	2 813 409	398 216	204 682	151 970	241 621	(1 314 653)	2 495 245
Allocations	(244 704)	(22 043)	(10 789)	(13 870)	(9 773)	301 179	-
EBIT after allocations	2 568 705	376 173	193 893	138 100	231 848	(1 013 474)	2 495 245
Other gains and losses	-	-	-	-	-	(78 081)	(78 081)
Equity-accounted earnings and dividend income	-	-	(56 862)	-	6 678	(15 359)	(65 543)
Operating profit	2 568 705	376 173	137 031	138 100	238 526	(1 106 914)	2 351 621
EBIT before allocations attributable to:							
Equity holders of the company	2 813 409	398 216	215 393	151 970	241 621	(1 325 269)	2 495 340
Non-controlling interest	-	-	(10 711)	-	-	10 616	(95)
	2 813 409	398 216	204 682	151 970	241 621	(1 314 653)	2 495 245
Non-current assets	5 111 533	70 100	345 912	2 782 583	2 041	-	8 312 169

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.

9. 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 2017. 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 2016.

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)

Available-for-sale financial assets 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. However, biological assets are now stated at historical cost less depreciation following from amendments to IAS 16 Property, plant and equipment and IAS 41 Agriculture which became effective for this financial year.

10. Business combinations

During the year the Group acquired interests in two entities which were accounted for under IFRS 3 Business combinations.

a) Acquisition of KWA Holdings E.A. Limited (KHEAL)
In April 2017 the Group acquired an additional 26,43% of the issued share capital of KHEAL, a Kenyan manufacturer and distributor of alcoholic and other beverages, for a purchase consideration of R136,6 million. The carrying amount of the existing 26% non-controlling interest in KHEAL on the date of acquisition was R115,4 million. The Group recorded a loss on the previously held equity interest of R4,3 million. Goodwill related to the acquisition was R50,5 million. The revenue of KHEAL included in the consolidated income statement since April 2017 was R121,8 million and the company contributed profit of R1,0 million over the same period.

b) Acquisition of Imported Premium Vodka Company Limited (IPVC)
In March 2017 the Group acquired a 75% interest in the issued share capital of IPVC, the owner of the premium Cruz Vodka brand, for a purchase consideration of R91,2 million, which includes contingent consideration of R9,3 million. Goodwill related to the purchase was R22,7 million and the company contributed a loss of R0,2 million since acquisition.

11. Related party transactions

The Group's most significant related party transactions for the year was with LUSAN Holdings Proprietary Limited for the purchases of goods and services which amounted to R107,5 million (2016: R100,0 million).

OPERATING PERFORMANCE

Group revenue grew by 3,7% to R22,3 billion on constant sales volumes.

Domestic market revenue increased by a commendable 7,8%. Even with the country in an economic recession and amid increased multinational competition, sales volumes rose by 1,5%. Pleasingly, the latter half of the financial year showed an improved performance as total volumes grew by 5,4% compared to the corresponding period of the previous year. The Group's spirits portfolio delivered strong revenue and volume growth, while the wine portfolio showed lower overall volume growth compared to the previous year. The cider and ready-to-drink (RTD) portfolio reflected an improved sales mix as total volumes showed a modest recovery in the second six months of the financial year.

African markets, outside South Africa, delivered mixed results amid continued economic uncertainty and lower income from commodities. Revenue was maintained on sales volumes which were down by 5,2% compared to the previous year. Focus markets in Africa such as Namibia, Kenya, Nigeria and Zimbabwe all recorded strong growth, but our overall performance was again negatively impacted by the tough macroeconomic conditions in Angola. The region contributed 50,1% to foreign revenue.

Our performance in international markets beyond Africa was resilient amid more challenging trading conditions and consolidation of multinational competitors entrenching their dominant positions. In a year of consolidating key route-to-market (RTM) changes, volumes grew by a satisfactory 3,6%. Revenue dropped by 12,1% due to the effects of a stronger rand, which was further compounded by the impact of Brexit on our UK operations. Profitability on a reported basis was impacted by the stronger rand, but rose by double digits excluding the effects of foreign exchange movements. The spirits portfolio delivered strong volume growth and cider and RTDs also grew well off a low base. Brands from the wine portfolio showed mixed results with overall volumes 1,4% higher than the comparative period.

The financial results for the period, which were supported by further efficiency improvements and cost containment initiatives across the business, were also negatively impacted by a stronger rand compared to the corresponding period of the previous year. Foreign currency translation losses amounted to R65,6 million (2016: R125,3 million gain). As a result, operating costs rose by 4,5%. With the foreign currency translation movements excluded, operating costs rose by only 3,5%.

The Group wrote down R315,3 million, representing only 1,5% of total Group assets, relating to its investments in the Bisquit cognac entity, a British wine broking company and the industrial property rights held by its Angolan subsidiary. These impairments are reflected as part of "other gains and losses" in the income statement.

Normalised operating profit, which excludes the impact of the impairments this year, decreased by 2,0%. Normalised operating profit, excluding pro forma foreign currency translation movements, increased by 8,1%. Normalised earnings before interest, tax, depreciation and amortisation (EBITDA), excluding pro forma foreign currency translation movements, increased by 9,3%.

Net finance costs include the reversal of a R41,9 million provision for interest payable after reaching a settlement with the South African Revenue Service following an extended excise duty dispute. Net finance costs, excluding the reversal, increased from R260,8 million to R262,0 million.

The effective tax rate was 32,2% (2016: 29,0%) as the write-down of the investments referred to earlier is not tax deductible.

Headline earnings decreased by 3,6% to R1,6 billion and headline earnings per share decreased by 3,7% to 708,3 cents. Excluding the pro forma currency conversion movements referred to above, headline earnings increased by 7,4%.

INVESTMENT AND FUNDING

Total assets increased by 2,7% to R20,5 billion.

Investment in net working capital remained constant at R7,0 billion, benefiting from the strengthening of the rand on translation of foreign assets to the reporting currency. Inventory decreased by 1,3% to R7,8 billion. Of this, bulk spirits in maturation, which are planned for in accordance with the Group's longer-term demand projections, grew 7,4% to R3,6 billion. Investment in bottled stock and packaging material increased by 9,4%, while foreign exchange translation movements contributed to the overall decline in inventory. Trade and other receivables increased by 12,1% as revenue growth over the last quarter of the financial year increased ahead of the corresponding period of the previous year.

Capital expenditure for the year amounted to R805,6 million (2016: R1,04 billion). Of this, R327,8 million was spent on the replacement of assets. A further R477,8 million was directed to the expansion of capacity, mainly in relation to the Group's cider and wine manufacturing facilities.

Net cash generated before financing activities increased by 70,9% to R914,6 million. The Group remains in a strong financial position, which is demonstrated by a debt to debt-plus-equity ratio of 25,2% (2016: 26,7%) and a debt-equity ratio of 33,8% (2016: 36,5%) at the end of the reporting period.

EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE

a) Acquisition of 26% of Best Global Brands (BGB)
In July 2017, the Group acquired 26% of the ordinary shares of BGB for USD54,6 million. The Group has also entered into an agreement to acquire the remaining 74% of the ordinary shares, which will become effective no earlier than the end of 2019 once certain operating hurdles are achieved and conditions precedent to closing are fulfilled or waived. BGB and Distell expect the transaction to generate significant synergies in the short to medium term in procurement, RTM and production, which will unlock further value for both parties. More detail is provided in the SENS announcement made on 27 July 2017.

b) Restructuring of the shareholding structure of Distell Group Limited
Currently, Distell has a multi-tiered ownership structure, in which Remgro Limited and Capevin Holdings Limited (Capevin) own a material interest via Remgro-Capevin Investments Proprietary Limited (RCI). Remgro and Capevin each holds 50% in RCI, and RCI has a 52,8% direct interest in Distell.The board of directors has resolved, subject to a number of conditions, to simplify the multi-tiered shareholding structure of Distell through schemes of arrangement. A new entity, Distell Group Holdings Limited (DGHL), will effectively acquire RCI's and all other shareholders' direct and indirect interest in Distell in exchange for shares directly in DGHL. DGHL will be listed on the JSE Limited (JSE) and Distell will be delisted. More detail is provided in the SENS announcement made on 22 June 2017.

PROSPECTS

Global economic growth remains muted while African GDP growth is still being impacted by low commodity prices. On the domestic front, recessionary circumstances continue to put additional pressure on consumers. Exchange rates continue to be volatile. A modest recovery in economic growth can only be expected in the latter half of next year.

The Group continues to invest in priority markets as it seeks to expand its RTM presence, specifically in Africa. In addition, significant restructuring of the Group's brand portfolio and asset base is underway to simplify and focus our business. This process will take two to three years to be fully implemented and are accompanied by changes to our organisational structures and operating models. We are confident that these changes will serve to create a more agile and efficient 21st century business. Distell has a diversified and exciting range of well-priced, good quality wine, spirit, cider and RTD brands. This enables the Group to compete effectively and to continue to maximise trading opportunities.

DIRECTORATE

Mr DM Nurek retired as independent non-executive director and chairman of the board with effect from 24 November 2016. Mr JJ Durand succeeded Mr Nurek as chairman and Mr AC Parker was appointed as lead independent director, both with effect from 24 November 2016. Mr KA Hedderwick resigned as an independent non-executive director with effect from 14 February 2017. Mrs LM Mojela and Mr BJ van der Ross will retire as non-executive directors at the Company's Annual General Meeting to be held on 27 October 2017. The Board thanks Mrs Mojela and Mr van der Ross for their contribution to the Company and wishes them well in their future endeavours.

AUDITORS' REPORT

The summary consolidated financial statements for the year ended 30 June 2017 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.

CASH DIVIDEND DECLARATION

The directors have resolved to declare a gross cash dividend, number 58, of 214,0 cents (2016: 214,0 cents) per share for the year ended 30 June 2017.This represents a total dividend of 379,0 cents (2016: 379,0 cents) for the year and a dividend cover of 1,9 times (2016: 1,9 times) by headline earnings.

The dividend has been declared from income reserves. The dividend withholding tax, levied at 20%, will amount to 42,8 cents per ordinary share. As a result, ordinary shareholders who are liable to pay dividends tax will receive a net dividend amount of 171,2 cents per share. Shareholders exempt from paying dividends tax will receive 214,0 cents per share. The issued ordinary share capital as at 30 August 2017 is 222 382 356 (2016: 222 109 356) ordinary shares. The company's income tax reference number is 9115001712.

The dividend will be payable to shareholders who are recorded as such on the register on the record date on Friday, 22 September 2017, and will be paid on Tuesday, 26 September 2017. The last day to trade cum dividend will be on Tuesday, 19 September 2017, and shares commence trading ex dividend from Wednesday, 20 September 2017. Share certificates may not be dematerialised or rematerialised between Wednesday, 20 September 2017, and Friday, 22 September 2017, both days inclusive.

BASIS OF PREPARATION, ACCOUNTING POLICY AND COMPARATIVE FIGURES

The summary consolidated annual financial statements are prepared in accordance with 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 finance director, 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 financial statements are derived are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements, except for the adoption of the amendments to IAS 16 Property, plant and equipment and IAS 41 Agriculture applicable on bearer plants. The effect of the change was only a reclassification of biological assets to PPE of R100,9 million in the comparative figures as the Group opted to use the previously reported fair values as deemed cost. The impact on profit and loss for the previous year was immaterial.

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 2016. None of the new or amended accounting pronouncements that are effective for the financial year commencing 1 July 2016 have a material impact on the consolidated results of the Group.

Signed on behalf of the board

JJ Durand	RM Rushton
Chairman	Group managing director

Stellenbosch
31 August 2017

Directors: JJ Durand (chairman), PE Beyers, GP Dingaan (alternate), DP du Plessis, PR Louw (alternate), MJ Madungandaba, EG Matenge-Sebesho, LM Mojela, CA Otto, AC Parker, RM Rushton (Group managing director), CE Sevillano-Barredo, BJ van der Ross, LC Verwey (Group finance director)
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
www.distell.co.za

Amarula Cream

Amarula Cream continues to deliver new news into the cream liqueur category and remains Distell’s most widely distributed global brand. It is one of Africa’s most iconic beverages and the second biggest cream liqueur in the world. The brand has received multiple international accolades. Most recently, Amarula Cream was awarded a gold medal at the 2017 San Francisco World Spirit Competition. The brand underwent a major packaging renovation in 2017, supported by a global communication campaign “Made from Africa”. This was also complemented by the “Don’t Let Them Disappear” campaign – an extensive TTL initiative that builds on the brand’s symbolic association with elephants and highlights the issue of poaching and the illegal ivory trade. This campaign further aims to maximise the resonance of the brand and its appeal to its targeted consumer base.

Nederburg

The Nederburg range continues to lead Distell’s premium wine portfolio across many global markets and remains one of our most awarded wine brands. Nederburg is the sole South African winery to be featured in the esteemed Drinks International “World’s Most Admired Wine Brands” top 50 list in 2017, in 36th position. In partnership with Team Dimension Data, Nederburg sponsors Qhubeka, a South African, not-for-profit organisation that donates bicycles as part of the World Bicycle Relief's charity programme. The intention of this partnership is to provide support to and investment in communities. Similarly, Nederburg continues to upskill talented South African wine-growers and winemakers and was recently voted in the top 5 of best alcohol advertising in the world.

Hunter’s

Hunter's is the biggest cider brand in Africa and the second biggest in the world. In April 2017, Hunter’s launched Hunter’s Edge. This new cider variant combines refreshing natural cider with real hops extract. In addition to product extensions, the brand continues to innovate with new pack formats that offer value and convenience to consumers, while driving innovation in the ready-to-drink beverage category.

4th Street

Since its launch less than a decade ago, 4th Street has developed into a billion rand wine brand. 4th Street is the biggest wine brand in South Africa and was named as the fastest growing wine brand in the world by the International Wine and Spirit Research (IWSR) report. The 4th Street range boasts easy-to-drink, naturally sweeter wines for consumers who are new to the category. It has recruited a new generation of wine consumers and many of them are now ready to explore other styles and price tiers of wine. The 4th Street range includes sweet rosé, red and white varietals.

Klipdrift

Distell brandies have one thing in common - there is gold in every drop. This is exemplified by the Klipdrift range. A meticulously crafted brandy spirit, Klipdrift is one of South Africa’s best-loved brands. Klipdrift has been repositioned to resonate with a young mainstream audience. This repositioning was supported by an extensive marketing campaign that included a TV commercial, “Headshake”. This commercial was voted as one of the top ten most-liked adverts by consumers in the Millward Brown’s AdReaction Video study. In addition, the brand launched Ngqo. Derived from the Zulu word meaning “hit the nail on the head”, Ngqo is a limited-edition flavour innovation.

Scottish Leader

Scottish Leader is one of the world's favourite whiskies, and is sold in more than 60 counties. Scottish Leader’s original recipe has been redeveloped, enhancing its single malt content. The all-new and premium Scottish Leader Signature offers consumers a complex and layered whisky with a rich and smoky taste profile. Scottish Leader achieved its highest-ever market share in Taiwan, where it remains the brand leader. This growth was driven by the launch of Scottish Leader Original, as well as brand equity building through the global positioning and creative platform approach: “New perspectives, richer possibilities”.