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

Unaudited Group results for the six months ended 31 December 2017 and cash dividend declaration

SALIENT FEATURES

Revenue up 9,3% on increased volumes of 3,7%
- Domestic volume and revenue growth in all three categories
- Growth in 12 out of the top 15 largest brands by revenue
- Kenya and Angolan acquisitions contributing positively
- Strong market share growth internationally for SA bottled export wine

EBITDA
- Reported up 11,4%
- Normalised and adjusted for forex up 7,0% (1, 2)

Headline earnings
- Reported down 5,1%
- Normalised and adjusted for forex up 3,2% (2)

Interim dividend maintained at 165,0 cents per share

Net cash generated from operating activites up 15,4%

1 Normalised earnings before interest, tax, depreciation and amortisation (EBITDA) refers to EBITDA adjusted for (a) the prior year impairments of Angola land and investment in a wine broker in the UK, (b) the current year gain on the unbundling of Lusan, and (c) the one-off losses and write-off in Tanzania Distilleries Limited, an associate company, following a sachet ban and excise duty dispute.

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 condensed financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited 31 December 2017 R'000	Unaudited 31 December 2016 R'000	Audited 30 June 2017 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	6 011 804	5 166 638	5 466 224
Loans and receivables	28 597	182 703	133 595
Available-for-sale financial assets	35 398	32 983	29 671
Investments in associates	834 607	268 534	133 558
Investments in joint ventures	122 150	220 205	252 282
Intangible assets	1 918 952	1 702 678	1 921 925
Retirement benefit assets	367 377	243 865	380 963
Deferred income tax assets	67 105	135 749	173 897
Total non-current assets	9 385 990	7 953 355	8 492 115
Current assets			
Inventories	6 800 211	7 346 451	7 800 305
Trade and other receivables	4 194 041	3 838 872	2 982 470
Current income tax assets	79 937	65 217	28 197
Cash and cash equivalents	977 990	1 320 390	1 183 120
	12 052 179	12 570 930	11 994 092

Assets of disposal group classified as held for sale	847 015	-	-
Total current assets	12 899 194	12 570 930	11 994 092
Total assets	22 285 184	20 524 285	20 486 207
EQUITY AND LIABILITIES			
Capital and reserves			
Capital and reserves	11 175 934	10 608 954	10 542 126
Non-controlling interest	306 277	28 129	301 124
Total equity	11 482 211	10 637 083	10 843 250
Non-current liabilities			
Interest-bearing borrowings	4 374 574	1 200 000	3 567 180
Retirement benefit obligations	28 322	29 146	24 533
Deferred income tax liabilities	1 021 496	762 105	929 318
Total non-current liabilities	5 424 392	1 991 251	4 521 031
Current liabilities			
Trade and other payables	4 607 834	4 438 196	3 682 025
Interest-bearing borrowings	70 332	3 185 538	1 276 234
Provisions	77 751	126 211	89 227
Current income tax liabilities	210 258	146 006	74 440
Liabilities of disposal group classified as held for sale	412 406	-	-
Total current liabilities	5 378 581	7 895 951	5 121 926
Total equity and liabilities	22 285 184	20 524 285	20 486 207

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Unaudited Six months ended 31 December			Audited Year ended 30 June
	2017	2016	Change	2017
	R'000	R'000	%	R'000
Revenue	13 443 530	12 296 566	9,3	21 940 043
Operating costs	(11 680 926)	(10 636 063)	9,8	(19 567 219)
Costs of goods sold	(8 951 016)	(8 160 959)		(14 646 189)
Sales and marketing costs	(1 542 347)	(1 429 847)		(2 832 148)
Distribution costs	(676 374)	(602 910)		(1 168 220)
Administration and other costs	(511 189)	(442 347)		(920 662)
Other gains and losses	69 311	(61 503)		(27 944)
Operating profit	1 831 915	1 599 000	14,6	2 344 880
Dividend income	1 123	3 391		7 163
Finance income	11 903	9 995		69 290
Finance costs	(177 485)	(108 754)		(283 800)
Share of equity-accounted earnings	10 860	47 433		59 374
Profit before taxation	1 678 316	1 551 065	8,2	2 196 907
Taxation	(465 118)	(441 894)		(623 912)
Profit for the period from continuing operations	1 213 198	1 109 171	9,4	1 572 995
Discontinued operations	(2 729)	5 333		(276 192)
Profit for the period	1 210 469	1 114 504	8,6	1 296 803
Attributable to:				
Equity holders of the company	1 201 970	1 115 974	7,7	1 296 978
Non-controlling interest	8 499	(1 470)		(175)
	1 210 469	1 114 504	8,6	1 296 803
Per share performance:				
Issued number of ordinary shares ('000)	222 382	222 382		222 382
Weighted number of ordinary shares ('000)	219 407	219 254		219 298
Earnings per ordinary share (cents)				

Basic earnings basis				
From continuing operations	549,0	506,6	8,4	717,3
From discontinued operations	(1,2)	2,4	(150,0)	(125,9)
	547,8	509,0	7,6	591,4
Diluted earnings basis				
From continuing operations	548,6	505,8	8,5	716,4
From discontinued operations	(1,2)	2,4	(150,0)	(125,8)
	547,4	508,2	7,7	590,6
Headline basis				
From continuing operations	510,4	534,4	(4,5)	714,8
From discontinued operations	(1,2)	2,4	(150,0)	(6,5)
	509,2	536,8	(5,1)	708,3
Diluted headline basis				
From continuing operations	510,0	533,5	(4,4)	713,8
From discontinued operations	(1,2)	2,4	(150,0)	(6,5)
	508,8	535,9	(5,1)	707,3
Dividends per ordinary share (cents)				
- interim	165,0	165,0	-	165,0
- final	-	-	-	214,0
	165,0	165,0	-	379,0
Reconciliation of headline earnings:				
Net profit attributable to equity holders of the company	1 201 970	1 115 974	7,7	1 296 978
Adjusted for (net of taxation):				
profit on disposal and impairment of property, plant and equipment (PPE) included in share of equity-accounted earnings	(16 025)	-		(39 797)
impairment of intangible assets	-	20 000		202 071
impairment of PPE	5 540	-		66 090
impairment of investment in available-for-sale financial asset	-	38 810		38 810
gain on previously held equity interest and on sale of investments	(72 509)	-		7 425
profit on sale of PPE	(1 686)	2 113		(18 275)
Headline earnings	1 117 290	1 176 897	(5,1)	1 553 302

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited Six months ended 31 December		Audited Year ended 30 June
	2017	2016	2017
	R'000	R'000	R'000
Profit for the period	1 210 469	1 114 504	1 296 803
Other comprehensive income (net of taxation)	(119 596)	(677 728)	(535 729)
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustments			
- available-for-sale financial assets	5 524	(7 970)	(2 668)
Currency translation differences	(133 192)	(609 340)	(565 307)
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	(1 043)	(60 505)	43 703
Share of other comprehensive income of associates	-	87	(2 342)
Total comprehensive income for the period	1 090 873	436 776	761 074

Attributable to:			
Equity holders of the company	1 082 395	437 112	760 109
Non-controlling interest	8 478	(336)	965
	1 090 873	436 776	761 074
Total comprehensive income attributable to equity shareholders arises from:			
Continuing operations	1 095 433	473 315	1 072 128
Discontinued operations	(13 038)	(36 203)	(312 019)
	1 082 395	437 112	760 109

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Unaudited Six months ended 31 December		Audited Year ended 30 June
	2017	2016	2017
	R'000	R'000	R'000
Attributable to equity holders			
Opening balance	10 542 126	10 656 997	10 656 997
Comprehensive income			
Profit for the year	1 201 970	1 115 974	1 296 978
Other comprehensive income (net of taxation)			
Fair value adjustments:			
- available-for-sale financial assets	5 524	(7 970)	(2 668)
Cash flow hedge of foreign exchange transactions	9 115	-	(9 115)
Currency translation differences	(133 171)	(610 474)	(566 447)
Remeasurements of post-employment benefits	(1 043)	(60 505)	43 703
Share of other comprehensive income of associates	-	87	(2 342)
Total other comprehensive losses	(119 575)	(678 862)	(536 869)
Total comprehensive income for the period	1 082 395	437 112	760 109
Redemption reserve	-	-	(37 340)
Transactions with owners			
Employee share scheme:			
- shares paid and delivered	1	2 997	3 104
- value of employee services	21 635	20 776	53 595
- settlement in cash	-	(38 031)	(38 031)
Sale of interest to non-controlling interest	-	-	(1 350)
Dividends paid	(470 223)	(469 547)	(832 100)
Transactions with non-controlling interests	-	(1 350)	(22 858)
Total transactions with owners	(448 587)	(485 155)	(874 980)
Attributable to equity holders	11 175 934	10 608 954	10 542 126
Non-controlling interest			
Opening balance	301 124	15 262	15 262
Profit for the year	8 499	(1 470)	(175)
Dividends paid	(3 325)	(814)	(2 024)
Sale of interest to non-controlling interest	-	(6 564)	(6 564)
Currency translation differences	(21)	1 134	1 140
Contribution by non-controlling interests	-	20 581	40 303
Transactions with non-controlling interests	-	-	22 858
Non-controlling interest arising on business combination	-	-	230 324
Total non-controlling interest	306 277	28 129	301 124
Total equity at the end of the period	11 482 211	10 637 083	10 843 250

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited Six months ended 31 December 2017 R'000	2016 R'000	Audited Year ended 30 June 2017 R'000
Cash flows from operating activities			
Operating profit	1 758 547	1 610 105	2 066 758
Non-cash flow items	355 508	456 876	910 419
Working capital changes	60 532	(117 932)	(315 504)
Inventories	347 743	143 330	(136 752)
Trade and other receivables	(1 104 460)	(1 297 990)	(368 435)
Trade payables and provisions	817 249	1 036 728	189 683
Cash generated from operations	2 174 587	1 949 049	2 661 673
Net financing costs	(106 234)	(140 332)	(297 055)
Taxation paid	(305 464)	(280 513)	(500 341)
Net cash generated from operating activities	1 762 889	1 528 204	1 864 277
Net cash outflow from investment activities	(1 349 025)	(440 063)	(949 638)
Net cash inflow from financing activities	827 805	(95 001)	151 428
Dividends paid	(470 223)	(469 547)	(832 100)
Increase in net cash, cash equivalents and bank overdrafts	771 446	523 593	233 967
Net cash, cash equivalents and bank overdrafts at the beginning of the period	302 876	102 402	102 402
Exchange losses on cash and cash equivalents and bank overdrafts	(41 676)	(15 605)	(33 493)
Net cash, cash equivalents and bank overdrafts at the end of the period	1 032 646	610 390	302 876

NOTES

	Unaudited 31 December 2017 R'000	2016 R'000	Change %
1. Sales volumes (litres '000)	403 279	389 059	
2. Pro forma information			
The adjustments below represents non-recurring items which significantly impacted the financial results of the Group:			
Headline earnings	1 117 290	1 176 897	(5,1)
Adjusted for (net of taxation):			
interest income on settlement of excise dispute	-	(41 949)	
one-off losses and write-offs in associate following sachet ban and excise dispute	78 461	-	
Normalised headline earnings	1 195 751	1 134 948	5,4

The results of the Group are also significantly impacted by the change in foreign exchange rates, mainly relating to the UK pound and euro 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 year-end.

In the prior year comparative period the income of foreign subsidiaries were converted at an aggregated daily average ZAR/UK pound (GBP) exchange rate of R17,90 compared to R17,69 in the current year. The aggregated daily average ZAR/euro (EUR) exchange rate weakened from R15,38 to R15,79.

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

Normalised headline earnings	1 195 751	1 134 948	5,4
Adjusted for (net of taxation):			
prior year restatement to current year aggregated daily average exchange rates	-	5 418	
exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency	47 422	63 925	
Normalised headline earnings adjusted for foreign exchange movements	1 243 173	1 204 291	3,2
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	2 077 392	1 864 618	11,4
Adjusted for:			
impairment of PPE, intangible assets, investments and gain on previously held interest	(66 969)	58 810	
one-off losses and write-offs in associate following sachet ban and excise dispute	85 871	-	
Normalised EBITDA	2 096 294	1 923 428	9,0

The adjustments below represent a restatement of the 2016 foreign income using the current year aggregated daily average exchange rates as previously explained.

Normalised EBITDA	2 096 294	1 923 428	9,0
Adjusted for:			
prior year restatement to current year aggregated daily average exchange rates	-	7 578	
exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency	66 324	89 406	
Normalised EBITDA adjusted for currency movements	2 162 618	2 020 412	7,0
Operating profit	1 831 915	1 599 000	14,6
Adjusted for:			
impairment of PPE, intangible assets, investments and gain on previously held interest	(66 969)	58 810	
Normalised operating profit	1 764 946	1 657 810	6,5

The adjustments below represent a restatement of the 2016 foreign income using the current year aggregated daily average exchange rates as previously explained.

Normalised operating profit	1 764 946	1 657 810	6,5
Adjusted for:			
prior year restatement to current year aggregated daily average exchange rates	-	7 578	
exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency	66 324	89 406	
Normalised operating profit adjusted for currency movements	1 831 270	1 754 794	4,4

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

	Unaudited 31 December 2017 R'000	Unaudited 31 December 2016 R'000	Audited 30 June 2017 R'000
3. Net interest-bearing borrowings			
Interest-bearing borrowings			
Non-current	4 374 574	1 200 000	3 567 180
Current	70 332	3 185 538	1 276 234
	4 444 906	4 385 538	4 843 414
Cash and cash equivalents	(977 990)	(1 320 390)	(1 183 120)
	3 466 916	3 065 148	3 660 294
4. Cash outflow from investment activities			
Purchases of PPE to maintain operations	(158 744)	(108 176)	(327 784)
Purchases of PPE to expand operations	(384 675)	(324 692)	(477 775)
Proceeds from sale of PPE	9 203	11 603	56 698
Purchases of financial assets, associates and joint ventures	(726 786)	(2 107)	(12 028)
Proceeds from financial assets	282	204	57 919
Purchases of intangible assets	(33 548)	(35 436)	(89 113)
Proceeds from disposal of interest in subsidiaries, net of cash	-	18 541	20 541
Acquisition of subsidiaries, net of cash	(54 757)	-	(178 096)
	(1 349 025)	(440 063)	(949 638)
5. Capital commitments			
Contracted	1 002 108	958 468	657 552
Authorised, but not contracted	1 575 808	727 057	2 416 566
	2 577 916	1 685 525	3 074 118
6. Depreciation of property, plant and equipment	212 005	185 221	393 555
7. Net asset value per share (cents)	5 163	4 783	4 876

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 and volume information, have been restated to align with the current year segmentation as reported to management.

Unaudited six months ended 31 December 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	10 243 806	1 023 040	847 374	646 126	679 964	3 220	13 443 530	9,3
Costs of goods sold	(7 058 333)	(693 696)	(560 721)	(410 106)	(339 425)	111 265	(8 951 016)	9,7
Material costs and overheads	(7 058 333)	(693 696)	(560 721)	(410 106)	(339 425)	177 589	(8 884 692)	10,1
Currency conversion gains and losses	-	-	-	-	-	(66 324)	(66 324)	
Gross profit	3 185 473	329 344	286 653	236 020	340 539	114 485	4 492 514	8,6
Operating costs	(1 269 340)	(118 228)	(189 452)	(211 047)	(262 109)	(679 734)	(2 729 910)	10,3
Operating profit before allocations	1 916 133	211 116	97 201	24 973	78 430	(565 249)	1 762 604	6,1
Equity-accounted earnings and dividend income	-	-	(13 263)	-	1 764	23 482	11 983	
EBIT before allocations	1 916 133	211 116	83 938	24 973	80 194	(541 767)	1 774 587	3,7
Allocations	13 652	(2 256)	826	(725)	(520)	(10 977)	-	
EBIT after allocations	1 929 785	208 860	84 764	24 248	79 674	(552 744)	1 774 587	3,7
Other gains and losses	-	-	-	-	-	69 311	69 311	
Equity-accounted earnings and dividend income	-	-	13 263	-	(1 764)	(23 482)	(11 983)	(76,4)
Operating profit from continuing operations	1 929 785	208 860	98 027	24 248	77 910	(506 915)	1 831 915	14,6

EBIT before allocations attributable to:

	South Africa	BLNS	Rest of Africa	Europe	Rest of International	Corporate	Total
Equity holders of the company	1 916 894	210 385	70 924	24 973	89 767	(546 855)	1 766 088
Non-controlling interest	(761)	731	13 014	-	(9 573)	5 088	8 499
	1 916 133	211 116	83 938	24 973	80 194	(541 767)	1 774 587
Non-current assets	5 691 343	93 100	765 247	2 891 312	37 282	-	9 478 284

Unaudited six months ended 31 December 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	9 460 111	981 640	596 460	524 033	688 052	46 270	12 296 566
Costs of goods sold	(6 285 302)	(637 446)	(371 145)	(329 002)	(310 844)	(227 220)	(8 160 959)
Material costs and overheads	(6 285 302)	(637 446)	(371 145)	(329 002)	(310 844)	(137 815)	(8 071 554)
Currency conversion gains and losses	-	-	-	-	-	(89 405)	(89 405)
Gross profit	3 174 809	344 194	225 315	195 031	377 208	(180 950)	4 135 607
Operating costs	(1 142 797)	(113 003)	(71 741)	(159 537)	(269 847)	(718 179)	(2 475 104)
Operating profit before allocations	2 032 012	231 191	153 574	35 494	107 361	(899 129)	1 660 503
Equity-accounted earnings and dividend income	-	-	37 058	-	2 973	10 793	50 824
EBIT before allocations	2 032 012	231 191	190 632	35 494	110 334	(888 336)	1 711 327
Allocations	(74 005)	(11 850)	(5 650)	(4 132)	(2 997)	98 634	-
EBIT after allocations	1 958 007	219 341	184 982	31 362	107 337	(789 702)	1 711 327
Other gains and losses	-	-	-	-	-	(61 503)	(61 503)
Equity-accounted earnings and dividend income	-	-	(37 058)	-	(2 973)	(10 793)	(50 824)
Operating profit from continuing operations	1 958 007	219 341	147 924	31 362	104 364	(861 998)	1 599 000
EBIT before allocations attributable to:							
Equity holders of the company	2 032 744	230 459	197 363	35 494	113 222	(896 485)	1 712 797
Non-controlling interest	(732)	732	(6 731)	-	(2 888)	8 149	(1 470)
	2 032 012	231 191	190 632	35 494	110 334	(888 336)	1 711 327
Non-current assets	5 156 738	76 168	391 886	2 320 605	7 958	-	7 953 355

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 bonuses 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 condensed 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 2017.

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.

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

10. Business combinations

During the period the Group acquired the following interest which was accounted for under IFRS 3 Business combinations.

(a) Acquisition of Lusan Holdings Proprietary Limited (Lusan)
At the end of October 2017 the Group acquired the remaining 50,0% of the issued share capital of the Lusan joint venture, a Stellenbosch-based wine producer and owner of the Alto and Uitkyk wine farms, for a purchase consideration of R193,0 million. The Group recorded a gain on its previously held equity interest of R75,2 million and no goodwill related to the acquisition was recognised. The revenue of Lusan included in the consolidated income statement since November 2017 was R3,8 million and the company contributed profit of R1,9 million over the same period.

OPERATING PERFORMANCE OF CONTINUING OPERATIONS

Group revenue grew by 9,3% to R13,4 billion on 3,7% higher volumes.

Domestic market revenue increased by a commendable 8,2% and sales volumes rose by 2,9% amid a suppressed consumer environment and sustained competitor activity. The Group's spirits and ready-to-drink (RTD) portfolios delivered strong revenue and volume growth while the wine portfolio showed revenue growth of 4,5% due to premium wine benefiting from trading-up by consumers from mainstream brands. Exceptional brandy volume growth continues at 13,7% alongside growth of 21,3% from gin.

African markets, outside South Africa, delivered revenue growth of 18,5% on sales volumes, which were up by 6,6%, largely driven by the inclusion of KWA Holdings E.A. Limited (KHEAL) in Kenya, which was acquired in April 2017. A few countries delivered mixed results as the moderate uplift from higher commodity prices had not fully flowed through to the underlying economies, coupled with changes in our operating models. Focus markets on the continent such as Namibia, Botswana, Kenya, Zambia and Zimbabwe all recorded strong growth. Overall performance was negatively impacted by challenging trading conditions in Mozambique, Nigeria and a one-off negative impact from the Group's Tanzania Distilleries Limited (TDL) associate as indicated below. The region contributed 55,6% to foreign revenue.

Volumes in international markets beyond Africa grew by 6,7%. Revenue increased by 9,4% as the increased local investment in the UK was impacted by the effects of a stronger rand and a less favourable sales mix. Travel Retail grew sales by 43,2%. The spirits portfolio delivered strong volume growth and cider and RTDs achieved double-digit volume and revenue growth. Brands from the wine portfolio grew market share in seventeen international markets, delivering higher overall volumes of 4,9% compared to the prior period. The Taiwanese whisky market-share increased by 0,5% against an overall volume decline in the market.

The Group continues to focus on further efficiency and cost improvements across the business as it refines its business model and brand portfolio. Foreign currency translation losses amounted to R66,3 million (2016: R89,4 million). Operating costs, which include the costs of newly acquired KHEAL and investment into the Group's shared service centre, rose by 9,8%.

The Group acquired the remaining 50% shareholding in the joint venture Lusan Holdings Proprietary Limited (Lusan), and a gain of R75,2 million on the Group's previously held equity interest is reflected as part of "other gains and losses" in the income statement.

Normalised operating profit, which excludes the impact of the impairments and the profit on sale of investments, increased by 6,5%, while normalised operating profit, excluding pro forma foreign currency translation movements, increased by 4,4%. Normalised EBITDA, excluding pro forma foreign currency translation movements, increased by 7,0%.

Net finance costs in the previous year 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 R143,5 million to R167,7 million.

Distell's share of equity-accounted earnings decreased by 77,1%. The R41,2 million contribution of the newly acquired 26% investment in Best Global Brands Limited (BGB) was more than offset by one-off losses and impairments of R85,9 million following a sachet ban and excise duty dispute which impacted the performance of TDL, in which Distell has a 35% interest.

The effective tax rate was 27,7% (2016: 28,5%) since the gain on the previously held equity interest in Lusan referred to earlier is not taxable.

Headline earnings, including discontinued operations, decreased by 5,1% to R1,1 billion and headline earnings per share decreased by 5,1% to 509,2 cents. Excluding the pro forma currency conversion movements, the reversal of the interest and the TDL losses referred to above, headline earnings increased by 3,2%.

INVESTMENT AND FUNDING

Total assets increased by 8,6% to R22,3 billion.

Investment in net working capital, excluding Bisquit Dubouche et Cie (Bisquit) referred to below, grew by 6,0% to R6,3 billion. Inventory increased by 1,7% to R6,8 billion. Of this, bulk spirits in maturation, which are planned for in accordance with the Group's longer-term demand projections, grew by 4,9% to R2,9 billion. Investment in bottled stock and packaging material decreased by 6,8%. Trade and other receivables increased by 10,0%, in line with revenue growth.

Capital expenditure for the period amounted to R543,4 million (2016: R432,9 million). Of this, R158,7 million was spent on the replacement of assets. A further R384,7 million was directed to the expansion of capacity, mainly in relation to the Group's manufacturing facilities for cider and spirits.

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.

Net cash generated from operating activities increased by 15,4% to R1,8 billion. The Group remains in a strong financial position, which is demonstrated by a debt to debt-plus-equity ratio of 24,5% (2016: 22,4%) and a debt-to-equity ratio of 32,5% (2016: 28,8%) at the end of the reporting period.

DISCONTINUED OPERATIONS AND EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE

(a) Disposal of interest in Bisquit
On 31 January 2018 the Group sold its equity interest in Bisquit for a cash consideration of EUR51,9 million. As the decision to dispose of Bisquit was taken before 31 December 2017, the financial results, assets and liabilities of Bisquit have been excluded from the continuing operations of the Group and are disclosed separately in the condensed financial statements as "discontinued operations". The disposal of Bisquit will result in an improvement of Distell's financial position and ratios.

(b) Restructuring of the shareholding structure of Distell Group Limited
As approved at a Distell scheme meeting on 27 October 2017, the shareholding structure of Distell will be simplified through various schemes of arrangement. Currently Distell has a multi-tiered ownership structure, in which Remgro Limited (Remgro) and Capevin Holdings Limited (Capevin) own a material interest via Remgro-Capevin Investments Proprietary Limited (RCI). Remgro and Capevin each hold 50% in RCI, and RCI has a 52,8% direct interest in Distell.

A new entity, Distell Group Holdings Limited (DGHL), will effectively acquire RCI's and all other shareholders' direct and indirect interests in Distell in exchange for shares directly in DGHL. DGHL will be listed on the JSE Limited (JSE) and Distell will be delisted. The finalisation of the restructuring is expected to occur in April 2018 once all regulatory approvals have been acquired.

PROSPECTS

Growth across advanced economies and most emerging markets points to a more favourable global economic outlook.

There are still risks facing the domestic economy in the short term. The recent strengthening of the rand, higher grape prices and water shortages will have a negative impact on the business. The Group looks to defend and grow its market share through an optimised brand portfolio and innovation. It will look to continue and lead in the recovery of the brandy category and drive its wine strategy across the price continuum. While competition has increased in the local cider market, Distell will increase investment in renovation of its Hunter's brand, which remains the world's second largest cider brand by volume.

Whilst the drought in the Western Cape poses a real risk to the supply of grapes and wine in the medium term, the company has secured sufficient supply for the current cycle and invested a total of R22,0 million to waste water treatment and reuse programmes to mitigate against further supply risk. The current 29,2% reduction in water usage has been achieved by accelerating the water management programme through demand reduction management and new water-saving initiatives. Certain water-intensive production activities have also been relocated to areas with sufficient water supply.

The Group has largely integrated its new African route-to-market acquisitions as it seeks to build an effective pan-African platform in select markets on the continent. Internationally, the Group looks to sustain the gains made in Europe and build the wine business in key markets.

The Group is making good progress in its two- to three-year programme to create a more agile and efficient business by restructuring its brand portfolio, asset base and operating models. Distell has a portfolio of strong, diverse and appealing brands and the capacity to trade across a spectrum of markets and is well positioned to capture trading opportunities in both domestic and foreign markets.

DIRECTORATE

Mr MJ Bowman was appointed as independent non-executive director with effect from 27 October 2017.

CASH DIVIDEND DECLARATION

The directors have resolved to declare a gross cash dividend, number 59, of 165,0 cents (2016: 165,0 cents) per share for the interim period ended 31 December 2017. The dividend has been declared from income reserves. The dividend withholding tax, levied at 20%, will amount to 33,0 cents per ordinary share. As a result, ordinary shareholders who are liable to pay dividends tax will receive a net dividend amount of 132,0 cents per share. Shareholders exempt from paying dividends tax will receive 165,0 cents per share. The issued ordinary share capital as at 22 February 2018 is 222 382 356 (2017: 222 382 356) ordinary shares. The company's income tax reference number is 9115001712.

The dividend will be payable to shareholders on record on Friday, 23 March 2018, and will be paid on Monday, 26 March 2018. The last day to trade cum dividend will be on Monday, 19 March 2018, and shares commence trading ex dividend from Tuesday, 20 March 2018. Share certificates may not be dematerialised or rematerialised between Tuesday, 20 March 2018, and Friday, 23 March 2018, both days inclusive.

BASIS OF PREPARATION, ACCOUNTING POLICY AND COMPARATIVE FIGURES

The condensed consolidated interim 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 JSE 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 also, as a minimum, to 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 the supervision of the Group finance director, 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 and amended accounting pronouncements issued by the International Accounting Standards Board (IASB) that are effective for financial years commencing from 1 July 2017. None of the new or amended accounting pronouncements that are effective for the financial year commencing 1 July 2017 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
23 February 2018

Directors:	JJ Durand (chairman), PE Beyers, MJ Bowman, GP Dingaan, DP du Plessis, PR Louw (alternate), MJ Madungandaba, EG Matenge-Sebesho, CA Otto, AC Parker, RM Rushton (Group managing director), CE Sevillano-Barredo, 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
Amarula represents the best of Africa in every bottle and, just like our marula fruit, we were handpicked for multiple awards in 2017. Celebrated for our firm commitment to quality, with 18 international spirit awards over the last three decades, Amarula was recently awarded a global Liqueur Masters award. Amarula is recognised for the work done in conserving and protecting Africa's elephants through initiatives like The Amarula Trust.

SAVANNA
Savanna continues to enjoy global growth and, in the last six months, recorded double-digit volume and revenue growth. Savanna is now available in more than 60 countries and is well known for its unique, unapologetic brand tone. In recent years, the brand has had two successful additions, being Savanna Loco, a tequila-flavoured variant; and Savanna Blackbeard, a rum-flavoured variant.

VICEROY
Viceroy is matured to a higher taste than other brandies, making it one of the world's great tastes in brandy. The brand has been a part of South African culture for many decades. The launch of Viceroy Makoya spurred the growth of the Viceroy brand into record volumes and contributed immensely to the resurgence of the brandy category.

ALTO
Alto wines are crafted by celebrated winemaker, Bertho van der Westhuizen, whose devotion to his craft is ever present. With many gold medals in open competitions with the best wines in the world, the Alto wine collection continues to charm even the most discerning connoisseurs. The 2015 vintage had a particularly impressive year, collecting numerous awards that include double gold at Veritas for Rouge and Shiraz, and gold for Rouge at Michelangelo.

BERNINI
Bernini is a naturally sweet, sparkling, grape, ready-to-drink beverage, inspired by the Italian attitude to life - they live life "frizzante" or "with sparkle". The brand recorded double-digit growth in volume during the period under review, cementing its credentials as being perfect for the spontaneous, the ones who celebrate life, and the ones who are ready to sparkle at a moment's notice.

HUNTER'S
Celebrating 30 years this year, Hunter's continues to maintain its dominant position on the African continent as the number-one cider in Africa and second in

global rankings. In keeping with its leadership position, Hunter's partnered with one of the biggest international acts, Black Coffee, to celebrate the success of this ever-growing cider brand.