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

Audited Group results for the year ended 30 June 2018 and cash dividend declaration

SALIENT FEATURES

Group revenue up 10,4% on increased volumes of 4,6%
- Domestic volume and revenue growth in all three categories
- Growth in SA RTD market share
- Strong revenue growth in 13 out of the top 15 largest brands
- Exceptional performances in Kenya, Zambia and Zimbabwe
- Strong travel retail performance

EBITDA
- Reported up 20,2%
- Normalised and adjusted for forex up 7,4% (1, 2)

Headline earnings
- Reported down 5,6%
- Normalised and adjusted for forex up 5,2% (2)

Total dividend for the year up by 4,2%

Net cash generated from operating activities up 21,6%

1 Normalised Earnings before interest, tax, depreciation and amortisation (EBITDA) refers to EBITDA adjusted for the: a) prior year impairments of Angola land and investment in a wine broker in the UK, b) current year gain on the unbundling of Lusan and sale of Bisquit, c) the one-off losses and write-off in Tanzania Distilleries Limited, an associate company, following a sachet ban and excise duty dispute, d) impairment of property, plant and equipment (PPE) and intangible assets, and e) Group restructuring and retrenchment costs.

2 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 2 to the summary financial statements.

SUMMARY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Audited 30 June 2018 R'000	Audited 30 June 2017 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	6 290 094	5 466 224
Loans and receivables	20 391	133 595
Available-for-sale financial assets	60 485	29 671
Investments in associates	862 364	133 558
Investments in joint ventures	141 165	252 282
Intangible assets	2 008 475	1 921 925
Retirement benefit assets	522 885	380 963
Deferred income tax assets	100 154	173 897
Total non-current assets	10 006 013	8 492 115
Current assets		
Inventories	7 587 016	7 800 305
Trade and other receivables	3 413 036	2 982 470

Current income tax assets	35 756	28 197
Cash and cash equivalents	1 084 215	1 183 120
Total current assets	12 120 023	11 994 092
Total assets	22 126 036	20 486 207
EQUITY AND LIABILITIES		
Capital and reserves		
Capital and reserves	11 640 693	10 542 126
Non-controlling interest	314 944	301 124
Total equity	11 955 637	10 843 250
Non-current liabilities		
Interest-bearing borrowings	4 432 840	3 567 180
Retirement benefit obligations	27 800	24 533
Deferred income tax liabilities	1 132 135	929 318
Total non-current liabilities	5 592 775	4 521 031
Current liabilities		
Trade and other payables	4 257 093	3 682 025
Interest-bearing borrowings	113 788	1 276 234
Provisions	167 973	89 227
Current income tax liabilities	38 770	74 440
Total current liabilities	4 577 624	5 121 926
Total equity and liabilities	22 126 036	20 486 207

SUMMARY CONSOLIDATED INCOME STATEMENTS

	Audited Year ended 30 June		
	2018	2017	Change
	R'000	R'000	%
Revenue	24 230 765	21 940 043	10,4
Operating costs	(21 836 072)	(19 567 219)	11,6
Costs of goods sold	(16 442 193)	(14 646 189)	
Sales and marketing costs	(3 114 655)	(2 832 148)	
Distribution costs	(1 246 542)	(1 168 220)	
Administration and other costs	(1 032 682)	(920 662)	
Other gains and losses	(6 520)	(27 944)	
Operating profit	2 388 173	2 344 880	1,8
Dividend income	6 657	7 163	
Finance income	46 927	69 290	
Finance costs	(342 494)	(283 800)	
Share of equity-accounted earnings	31 358	59 374	
Profit before taxation	2 130 621	2 196 907	(3,0)
Taxation	(632 101)	(623 912)	
Profit for the period from continuing operations	1 498 520	1 572 995	(4,7)
Discontinued operations	169 531	(276 192)	
Profit for the year	1 668 051	1 296 803	28,6
Attributable to:			
Equity holders of the company	1 646 384	1 296 978	26,9
Non-controlling interest	21 667	(175)	
	1 668 051	1 296 803	28,6
Per share performance:			
Issued number of ordinary shares ('000)	222 382	222 382	
Weighted number of ordinary shares ('000)	219 443	219 298	
Earnings per ordinary share (cents)			

Basic earnings basis			
From continuing operations	673,0	717,3	(6,2)
From discontinued operations	77,3	(125,9)	161,4
	750,3	591,4	26,9
Diluted earnings basis			
From continuing operations	672,3	716,4	(6,2)
From discontinued operations	77,2	(125,8)	161,4
	749,5	590,6	26,9
Headline basis			
From continuing operations	669,9	714,8	(6,3)
From discontinued operations	(1,7)	(6,5)	73,8
	668,2	708,3	(5,7)
Diluted headline basis			
From continuing operations	669,3	713,8	(6,2)
From discontinued operations	(1,8)	(6,5)	72,3
	667,5	707,3	(5,6)
Dividends per ordinary share (cents)			
- Interim	165,0	165,0	-
- Final	230,0	214,0	7,5
	395,0	379,0	4,2
Reconciliation of headline earnings:			
Net profit attributable to equity holders of the company	1 646 384	1 296 978	26,9
Adjusted for (net of taxation):			
Profit on disposal and impairment of PPE included in share of equity-accounted earnings	(16 025)	-	
Impairment of intangible assets	31 115	202 071	
Impairment of PPE	37 178	66 090	
Impairment of investment in available-for-sale financial asset	-	38 810	
Gain on previously held equity interest and on sale of investments	(217 338)	7 425	
Profit on sale of PPE	(15 086)	(58 072)	
Headline earnings	1 466 228	1 553 302	(5,6)

SUMMARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Audited Year ended 30 June 2018 R'000	2017 R'000
Profit for the year	1 668 051	1 296 803
Other comprehensive income (net of taxation)	263 414	(535 729)
Items that may be reclassified subsequently to profit or loss:		
Fair value adjustments		
- Available-for-sale financial assets	7 662	(2 668)
Currency translation differences	144 157	(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	102 140	43 703
Share of other comprehensive income of associates	340	(2 342)
Total comprehensive income for the year	1 931 465	761 074
Attributable to:		
Equity holders of the company	1 911 333	760 109
Non-controlling interest	20 132	965
	1 931 465	761 074
Total comprehensive income attributable to equity shareholders arises from:		
Continuing operations	1 741 802	1 072 128
Discontinued operations	169 531	(312 019)
	1 911 333	760 109

SUMMARY CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Audited Year ended 30 June 2018 R'000	Audited Year ended 30 June 2017 R'000
Attributable to equity holders		
Opening balance	10 542 126	10 656 997
Comprehensive income		
Profit for the year	1 646 384	1 296 978
Other comprehensive income (net of taxation)		
Fair value adjustments:		
- Available-for-sale financial assets	7 662	(2 668)
Cash flow hedge of foreign exchange transactions	9 115	(9 115)
Currency translation differences	145 692	(566 447)
Remeasurements of post-employment benefits	102 140	43 703
Share of other comprehensive income of associates	340	(2 342)
Total other comprehensive income	264 949	(536 869)
Total comprehensive income for the year	1 911 333	760 109
Redemption reserve	-	(37 340)
Transactions with owners		
Employee share scheme:		
- Shares paid and delivered	1	3 104
- Value of employee services	49 926	53 595
- Settlement in cash	-	(38 031)
Capital reorganisation	13 832	-
Share issue costs	(45 066)	-
Sale of interest to non-controlling interest	-	(1 350)
Dividends paid	(832 778)	(832 100)
Transactions with non-controlling interests	1 319	(22 858)
Total transactions with owners	(812 766)	(874 980)
Attributable to equity holders	11 640 693	10 542 126
Non-controlling interest		
Opening balance	301 124	15 262
Profit for the year	21 667	(175)
Dividends paid	(4 466)	(2 024)
Sale of interest to non-controlling interest	-	(6 564)
Currency translation differences	(1 535)	1 140
Contribution by non-controlling interests	-	40 303
Transactions with non-controlling interests	(1 846)	22 858
Non-controlling interest arising on business combination	-	230 324
Total non-controlling interest	314 944	301 124
Total equity at the end of the year	11 955 637	10 843 250

SUMMARY CONSOLIDATED STATEMENTS OF CASH FLOWS

	Audited Year ended 30 June 2018 R'000	Audited Year ended 30 June 2017 R'000
Cash flows from operating activities		
Operating profit	2 559 330	2 066 758
Non-cash flow items	693 155	910 419
Working capital changes	(173 321)	(315 504)
Inventories	(245 024)	(136 752)

Trade and other receivables	(208 022)	(368 435)
Trade payables and provisions	279 725	189 683
Cash generated from operations	3 079 164	2 661 673
Net financing costs	(231 935)	(297 055)
Taxation paid	(580 575)	(500 341)
Net cash generated from operating activities	2 266 654	1 864 277
Net cash outflow from investment activities	(1 144 635)	(949 638)
Net cash inflow from financing activities	378 988	151 428
Dividends paid	(837 244)	(832 100)
Increase in net cash, cash equivalents and bank overdrafts	663 763	233 967
Net cash, cash equivalents and bank overdrafts at the beginning of the year	302 876	102 402
Exchange gains on cash and cash equivalents and bank overdrafts	3 788	(33 493)
Net cash, cash equivalents and bank overdrafts at the end of the year	970 427	302 876

NOTES

	Audited 30 June 2018 R'000	2017 R'000	Change %
1. Sales volumes (litres 000)	715 005	683 801	

2. 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:

	2018	2017	Change
Headline earnings	1 466 228	1 553 302	(5,6)
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	22 204	
Retrenchment and Group restructuring costs	40 688	17 031	
Normalised headline earnings	1 585 377	1 550 588	2,2

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 Angolan 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 year-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 R13,61 compared to R12,87 in the current year, and the Angolan kwanza devaluated from 167 Kwanza:USD1 on 30 June 2017 to 250 Kwanza:USD1 on 30 June 2018.

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

Normalised headline earnings	1 585 377	1 550 588	2,2
Adjusted for (net of taxation):			
Prior year restatement to current year aggregated daily average exchange rates	-	1 930	
Exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency			
- Other major currencies	37 956	46 885	
- Kwanza (in associate)	59 112	-	
Normalised headline earnings adjusted for foreign exchange movements	1 682 445	1 599 403	5,2
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	3 091 585	2 572 717	20,2
Adjusted for:			
Impairment of PPE, intangible assets, investments, gain on previously held interest and subsidiaries disposed	(182 962)	250 120	
Losses and write-offs in associate following sachet ban and excise dispute	78 461	22 204	
Retrenchment and Group restructuring costs	53 898	23 819	
Normalised EBITDA	3 040 982	2 868 860	6,0

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	3 040 982	2 868 860	6,0
Adjusted for:			
Prior year restatement to current year aggregated daily average exchange rates	-	2 699	
Exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency			
- Other major currencies	53 086	65 573	
- Kwanza (in associate)	59 112	-	
Normalised EBITDA adjusted for currency movements	3 153 180	2 937 132	7,4

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, results of operations or cash flows.

An assurance report (in terms of ISAE 3420: Assurance Engagement to Report on the Compilation of Pro Forma Financial Information) has been issued by the Group's auditors in respect of the pro forma financial information included in this announcement. The assurance report is available for inspection at the registered office of the company and will be included in the integrated report 2018.

	Audited 30 June 2018 R'000	2017 R'000
3. Net interest-bearing borrowings		
Interest-bearing borrowings		
Non-current	4 432 840	3 567 180
Current	113 788	1 276 234
	4 546 628	4 843 414
Cash and cash equivalents	(1 084 215)	(1 183 120)
	3 462 413	3 660 294
4. Cash outflow from investment activities		
Purchases of PPE to maintain operations	(464 731)	(327 784)
Purchases of PPE to expand operations	(709 958)	(477 775)
Proceeds from sale of PPE	126 356	56 698
Purchases of financial assets, associates and joint ventures	(752 722)	(12 028)
Proceeds from financial assets	17 514	57 919
Purchases of intangible assets	(66 706)	(89 113)
Proceeds from intangible assets	5 400	-
Proceeds from disposal of interest in subsidiaries, net of cash	757 114	20 541

Acquisition of subsidiaries, net of cash	(56 902)	(178 096)
	(1 144 635)	(949 638)

5. Capital commitments

Contracted	467 327	657 552
Authorised, but not contracted	1 991 198	2 416 566
	2 458 525	3 074 118

6. Depreciation of PPE	432 434	393 555
7. Net asset value per share (cents)	5 376	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.

Audited year ended 30 June 2018	South Africa R'000	BLNS R'000	Rest of Africa R'000	Europe R'000	Rest of International R'000	Corporate R'000	Total R'000	Change %
Revenue	18 089 389	1 900 971	1 515 685	1 283 984	1 501 580	(60 844)	24 230 765	10,4
Costs of goods sold	(12 539 388)	(1 300 785)	(1 003 475)	(846 008)	(766 095)	13 558	(16 442 193)	12,3
Material costs and overheads	(12 539 388)	(1 300 785)	(1 003 475)	(846 008)	(766 095)	66 644	(16 389 107)	12,4
Currency conversion gains and losses	-	-	-	-	-	(53 086)	(53 086)	
Gross profit	5 550 001	600 186	512 210	437 976	735 485	(47 286)	7 788 572	6,8
Operating costs	(2 529 844)	(228 283)	(348 814)	(357 770)	(561 653)	(1 367 515)	(5 393 879)	9,6
Operating profit before allocations	3 020 157	371 903	163 396	80 206	173 832	(1 414 801)	2 394 693	0,9
Equity-accounted earnings and dividend income	-	-	7 596	-	(3 930)	34 349	38 015	
EBIT before allocations	3 020 157	371 903	170 992	80 206	169 902	(1 380 452)	2 432 708	(0,3)
Allocations	(88 463)	(15 603)	(2 948)	(5 231)	(3 912)	116 157	-	
EBIT after allocations	2 931 694	356 300	168 044	74 975	165 990	(1 264 295)	2 432 708	(0,3)
Other gains and losses	-	-	-	-	-	(6 520)	(6 520)	
Equity-accounted earnings and dividend income	-	-	(7 596)	-	3 930	(34 349)	(38 015)	(42,9)
Operating profit from continuing operations	2 931 694	356 300	160 448	74 975	169 920	(1 305 164)	2 388 173	1,8
EBIT before allocations attributable to:								
Equity holders of the company	3 021 680	370 410	156 853	80 206	182 694	(1 400 802)	2 411 041	
Non-controlling interest	(1 523)	1 493	14 139	-	(12 792)	20 350	21 667	
	3 020 157	371 903	170 992	80 206	169 902	(1 380 452)	2 432 708	
Non-current assets	6 136 254	93 028	1 579 210	2 190 130	7 391	-	10 006 013	

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
Revenue	16 429 151	1 748 742	1 109 833	1 117 562	1 514 759	19 996	21 940 043
Costs of goods sold	(11 086 369)	(1 158 675)	(724 748)	(696 581)	(701 622)	(278 194)	(14 646 189)
Material costs and overheads	(11 086 369)	(1 158 675)	(724 748)	(696 581)	(701 622)	(212 621)	(14 580 616)
Currency conversion gains and losses	-	-	-	-	-	(65 573)	(65 573)
Gross profit	5 342 782	590 067	385 085	420 981	813 137	(258 198)	7 293 854
Operating costs	(2 325 221)	(218 779)	(201 682)	(287 593)	(581 808)	(1 305 947)	(4 921 030)
Operating profit before allocations	3 017 561	371 288	183 403	133 388	231 329	(1 564 145)	2 372 824
Equity-accounted earnings and dividend income	-	-	26 498	-	(5 345)	45 384	66 537
EBIT before allocations	3 017 561	371 288	209 901	133 388	225 984	(1 518 761)	2 439 361
Allocations	(167 519)	(58 595)	(19 828)	(14 532)	(10 800)	271 274	-
EBIT after allocations	2 850 042	312 693	190 073	118 856	215 184	(1 247 487)	2 439 361

Other gains and losses	-	-	-	-	-	(27 944)	(27 944)
Equity-accounted earnings and dividend income	-	-	(26 498)	-	5 345	(45 384)	(66 537)
Operating profit from continuing operations	2 850 042	312 693	163 575	118 856	220 529	(1 320 815)	2 344 880
EBIT before allocations attributable to:							
Equity holders of the company	3 019 025	369 824	215 118	133 388	233 520	(1 531 339)	2 439 536
Non-controlling interest	(1 464)	1 464	(5 217)	-	(7 536)	12 578	(175)
	3 017 561	371 288	209 901	133 388	225 984	(1 518 761)	2 439 361
Non-current assets	5 334 336	95 941	564 908	2 465 966	30 964	-	8 492 115

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 information and communications technology, 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 2018. There have been no material changes in the Group's credit, liquidity and market risk or key inputs in measuring fair value since 30 June 2018.

Fair value estimation
Items carried at fair value are classified according to the fair value hierarchy, by valuation method. The different levels have been defined as follows:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

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 R37,8 million and no goodwill related to the acquisition was recognised. The revenue of Lusan included in the consolidated income statement since November 2017 was R9,0 million and the company contributed profit of R29,8 million over the same period.

OPERATING PERFORMANCE OF CONTINUING OPERATIONS

Group revenue grew by 10,4% to R24,2 billion on 4,6% higher volumes. Revenue excluding excise duty grew by 7,7%.

Domestic market revenue increased by a commendable 10,1% and sales volumes rose by 4,4% while the economy continued to show low GDP growth amidst increased costs of living placing pressure on consumer disposable incomes. The Group's ready-to-drink (RTD) portfolio delivered strong revenue and volume growth, led by Savanna and Bernini in the face of increased competition and managed to grow market share in the period. The spirits category showed continued growth with brandy volumes still resilient and whisky recovering in the second half. Exceptional gin volume growth continues at 29,3%

alongside growth of 43,6% from vodka following the acquisition of the premium Cruz vodka brand during the previous financial year. The wine portfolio showed revenue growth of 7,4% due to premium wine still benefiting from trading-up by consumers from mainstream brands, which also recovered in the second half of the financial year.

African markets, outside South Africa, delivered revenue growth of 19,5% on sales volumes which were up by 7,0%, largely driven by the inclusion of KWA Holdings E.A. Limited (KHEAL) in Kenya which was acquired in April 2017. Focus markets on the continent such as Botswana, Kenya, Zambia and Zimbabwe all recorded strong growth. Solid RTD growth came from Hunter's and Kingfisher. In Kenya, growth in the wine category was attributed to double-digit revenues led by J.C. Le Roux and Nederburg with spirits led by Kibao, Viceroy and Hunter's Choice. 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. Currency devaluations and the slow extraction of cash significantly impacted second-half performance in our Angolan operations. The Africa region contributed 55,1% to foreign revenue.

Volumes in international markets beyond Africa grew by 1,8% driven by Europe, Latin America and Asia-Pacific regions, as well as Travel Retail. Revenue increased by 5,8% as the increased local investment in the UK was impacted by the effects of a less favourable sales mix. Travel Retail continues to perform well alongside volume growth in our spirits portfolio, led by Amarula and sales of single malts. Scottish Leader managed to grow market share in Taiwan in a declining market. Our cider and RTDs delivered strong volume growth as a result of increased investment in the category resulting in Bernini delivering a stellar performance with volume growth in excess of 50%. Wine volumes remained constant with UK listings increasing to position growth for the future.

Operating costs, which include the costs of newly acquired KHEAL and investment into the Group's shared service centre, rose by 11,6%. Excluding excise duties, which increased by 16,4%, other operating costs increased by 9,7%, of which sales and marketing costs rose by 10,0%. We continue with a structured process to consolidate and improve the efficiencies of our supply chain and supporting functions throughout the Group. Foreign currency translation losses amounted to R51,4 million (2017: R63,3 million).

The Group acquired the remaining 50% shareholding in the joint venture Lusan Holdings Proprietary Limited (Lusan), and a gain of R37,8 million on the Group's previously held equity interest is reflected as part of "other gains and losses" in the income statement.

Included in "other gains and losses" in the income statement are impairments of R78,7 million for intangible assets and PPE mainly relating to our Asian operations.

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 R256,5 million to R295,6 million.

Distell's share of equity-accounted earnings decreased by 47,2%. The R29,8 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 and in which Distell has a 35% interest.

EBITDA grew by 20,2%. Normalised EBITDA, which excludes the impact of the impairments, the profit on sale of investments, the one-off losses in TDL, retrenchment and group restructuring costs, increased by 6,0%. Normalised EBITDA, excluding foreign currency translation movements, increased by 7,4%.

The effective tax rate was 29,7% (2017: 28,4%) as the impairment charges and capital costs are not tax deductible.

Headline earnings, including discontinued operations, decreased by 5,6% to R1,5 billion and headline earnings per share decreased by 5,7% to 668,2 cents. Excluding the currency conversion movements, the reversal of the interest and the TDL losses referred to above, headline earnings increased by 5,2%.

INVESTMENT AND FUNDING

Total assets increased by 8,0% to R22,1 billion.

Investment in net working capital declined by 6,2% to R6,6 billion, benefiting from the Bisquit Dubouche et Cie (Bisquit) disposal referred to below. Inventory decreased by 2,7% to R7,6 billion. Of this, bulk spirits in maturation, planned in accordance with the Group's longer-term view of consumer demand for its brands in this category, increased 11,0% to R2,9 billion. This is mainly attributable to the increased investment in our Scottish whisky inventory. Investment in bottled stock and packaging material increased by 9,6%, in line with revenue growth. Trade and other receivables increased by 14,4% following stronger revenue growth over the last two months of the financial year compared to the corresponding period in the previous year.

Capital expenditure for the period amounted to R1,17 billion (2017: R805,6 million). Of this, R464,7 million was spent on the replacement of assets. A further R710,0 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 21,6% to R2,3 billion. The Group remains in a strong financial position, which is demonstrated by a debt to debt-plus-equity ratio of 22,5% (2017: 25,2%) and a debt-to-equity ratio of 29,0% (2017: 33,8%) at the end of the reporting period.

DISCONTINUED OPERATIONS

On 31 January 2018 the Group sold its equity interest in Bisquit for a final cash consideration of EUR50,7 million. The financial results of Bisquit have been excluded from the continuing operations of the Group and are disclosed separately in the summary financial statements as "discontinued operations". The Group realised a gain of R173,5 million on the disposal of Bisquit, which is also reflected as part of "discontinued operations" in the income statement.

GROUP REORGANISATION

As approved at a Distell Group Limited (DGL) scheme meeting on 27 October 2017, the shareholding structure of DGL was simplified in May and June 2018 through various schemes of arrangement. Previously DGL had a multi-tiered ownership structure, in which Remgro Limited (Remgro) and Capevin Holdings Limited (Capevin) owned a material interest via Remgro-Capevin Investments Proprietary Limited (RCI). Remgro and Capevin each held 50% in RCI, and RCI had a 52,8% direct interest in DGL. A new entity, Distell Group Holdings Limited (DGHL), effectively acquired RCI's and all other shareholders' direct and indirect interests in DGL in exchange for shares directly in DGHL. DGHL was listed on the JSE Limited (JSE) and DGL was delisted.

The restructuring was categorised as a capital reorganisation of an existing group and consequently the financial results of the Group are presented using the values of the previous holding company.

The collapsed structure increased free float from 19,5% to 37,5% of its shares in order to provide a simpler, single-entry point into Distell as an investment which aims to increase share liquidity and broader index inclusion over time. The average daily trading volume (ADTV) in DGH from relisting to end June was 236 979, representing a 140% increase from a YTD ADTV in Distell Group Limited (DST) before the relisting of 98 909.

PROSPECTS

Growth across advanced economies and most emerging markets points to a more favourable global economic outlook, but with mixed political and economic risks. Oil rich African economies such as Angola and Nigeria have yet to benefit from higher oil prices but remain key pockets of opportunities for the Group and its product portfolio. The acquisitions of our East and West African route-to-market (RTM) platforms affirm our approach in balancing country risk and leveraging growth opportunities.

There are still risks facing the domestic economy in the short term, with consumer income and spending under pressure and rising poverty and unemployment levels going into 2019. The recent volatility of the rand, higher grape prices as a result of the Western Cape drought and water shortages presents additional challenges to the business in the short to medium term.

The Group looks to defend and grow its market share through an optimised brand portfolio and innovation. Whilst competition has increased in the local cider and RTD market, Distell will increase investment in the support of its Hunter's brand, which remains the world's second largest cider brand by volume. It will also enhance its focus on its premium brands in wine and spirits to capture key premiumisation opportunities which exist both domestically and abroad.

Whilst drought in the Western Cape poses a real risk to the supply of grapes and wine in the medium term, the Group has secured sufficient supply for the current cycle and invested a total of R22,0 million to waste water treatment and re-use programmes to mitigate against further water supply risks. The current 38,1% reduction in water usage as of June 2018 in the Western Cape 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 started to fully integrate its new African RTM acquisitions as it seeks to build an effective pan-African platform in select markets. BGB will expand its presence and execute key brand and RTM initiatives on the continent.

Internationally, the Group looks to sustain the gains made in key markets and execute its whisky growth strategy and wine portfolio restructure. It will look to further grow its premium spirits portfolio whilst building a self-sufficient supply chain. Distell will continue to seek complementary acquisition opportunities alongside its disciplined approach to capital allocation.

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 model. Distell has a portfolio of strong, diverse and appealing brands with the ability to trade across the price continuum, taste profiles and mixed gender occasions to capture growth opportunities in both domestic and foreign markets.

DIRECTORATE

Mr MJ Bowman was appointed as independent non-executive director with effect from 27 October 2017, but was obliged to resign effective from 26 July 2018 due to a potential conflicting personal investment in a Western Cape based drinks operation.

AUDITORS' REPORT

The summary consolidated financial statements for the year ended 30 June 2018 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 1, of 230,0 cents (2017: 214,0 cents) per share for the year ended 30 June 2018. This represents a total dividend of 395,0 cents (2017: 379,0 cents) for the year and a dividend cover of 1,9 times (2017: 1,9 times) by normalised headline earnings.

The dividend has been declared from income reserves. The dividend withholding tax, levied at 20%, will amount to 46,0 cents per ordinary share. As a result, ordinary shareholders who are liable to pay dividends tax will receive a net dividend amount of 184,0 cents per share. Shareholders exempt from paying dividends tax will receive 230,0 cents per share. The issued ordinary share capital as at 23 August 2018 is 222 382 356 (2017: 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, 14 September 2018, and will be paid on Monday, 17 September 2018. The last day to trade cum dividend will be on Tuesday, 11 September 2018, and shares commence trading ex dividend from Wednesday, 12 September 2018. Share certificates may not be dematerialised or rematerialised between Wednesday, 12 September 2018, and Friday, 14 September 2018, both days inclusive.

BASIS OF PREPARATION, ACCOUNTING POLICY AND COMPARATIVE FIGURES

The summary consolidated annual financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The directors are responsible for the preparation of the summary consolidated annual financial statements, prepared under supervision of the Group 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 consolidated financial statements were derived are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements. Comparative financial information has been restated to account for the discontinued operations relating to the Bisquit sale.

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 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
24 August 2018

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 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

OUR BRANDS

AMARULA CREAM
Africa’s most awarded cream liqueur is the first and only in the world to use real sun-ripened, organic Marula fruit, harvested from Marula trees that grow wild and uncultivated in the subequatorial regions of Africa.

4TH STREET
Voted as the fastest growing wine brand globally – by the International Wine and Spirit Research (IWSR) Top 100 Wine Brands for 2017 – 4th STREET provides an easy-drinking, accessible and flavourful range of wines.

BAIN’S
The World’s Best Single Grain Whisky (IWSC 2018). Bain’s Cape Mountain whisky is made from 100% South African yellow maize (corn), distilled and double matured at The James Sedgwick Distillery in Wellington, South Africa.

VICEROY
Made to the same high quality standards for over 150 years. Our brandy is matured to perfection in imported Frenchoak barrels so you can enjoy the smooth sophistication you’ve come to expect of Viceroy brandy.

NEDERBURG
One of the South Africa’s most distinguished names in wine, Nederburg has an exceptional track record for international and local awards, trailblazing innovations and refreshing, contemporary wines that combine rich fruit flavour with superb structure.

HUNTER’S
Hunter’s Refreshes like Nothing on Earth – the number one cider in Africa and second in global rankings. Whether it’s with Hunter’s Dry, the original Hunter’s Gold, Hunter’s Extreme or our Hard Lemon and Export variants, we’ve got something to refresh every taste.