



LA CONCORDE

Registration number: 2009/012871/06

LA CONCORDE HOLDINGS LIMITED

GROUP INTERIM REPORT

(unaudited) for the six months
ended 30 September 2016

STATEMENT OF FINANCIAL POSITION

as at 30 September 2016

		Unaudited	Audited
	Note	30 September 2016 R'000	30 September 2015 R'000
			31 March 2016 R'000
ASSETS			
Non-current assets		38 762	263 151
Property, plant and equipment		25 343	241 577
Intangible assets		-	15 162
Investment in associates and joint ventures		13 419	18 177
Current assets		1 392 014	1 340 500
Inventory		-	1 029 116
Trade and other receivables		-	222 449
Current income tax assets		89	43
Derivative financial instruments		-	18 319
Bank and cash balances		-	44 327
Disposal group	4	1 391 925	-
Total assets		1 430 776	1 603 651
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		1	1
Share premium		425 722	425 722
Reserves		785 692	869 089
Total equity		1 211 415	1 294 812
Non-current liabilities		3 757	42 174
Deferred taxation		3 757	53 042
Deferred revenue: government grant		-	10 900
Current liabilities		215 604	300 586
Trade and other payables		3 924	181 117
Loans		-	-
Deferred revenue: government grant		-	1 875
Derivative financial instruments		-	47 424
Current income tax liabilities		-	-
Disposal group	4	211 680	-
Total equity and liabilities		1 430 776	1 603 651

STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2016

		Unaudited	Audited
	Notes	30 September 2016 R'000	30 September 2015 R'000
			31 March 2016 R'000
Continued operations			
Other income – rent		1 992	1 771
Operational and administrative expenses		(8 740)	(6 374)
Operating loss		(6 748)	(4 603)
Share of profit of associates and joint ventures		731	633
Loss before income tax from continued operations		(6 017)	(3 970)
Income tax		1 889	1 289
Loss from continued operations		(4 128)	(2 681)
Total comprehensive loss from continued operations		(4 128)	(2 681)
Net result from discontinued operations	5	(79 269)	(3 540)
Total comprehensive income/(loss) for the period		(83 397)	27 700
		Cents	Cents
Earnings per share	2		Cents
<i>(Attributable to equity holders of the company)</i>			
- Basic earnings		(122,5)	(8,9)
- Headline earnings		62,5	(5,5)

STATEMENT OF CASH FLOWS

for the six months ended 30 September 2016

	Unaudited		Audited
	30 September 2016 R'000	30 September 2015 R'000	31 March 2016 R'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash flow from operations before changes in working capital	15 651	61 178	116 278
Changes in working capital	14 354	(129 087)	(111 975)
Cash from/(utilised in) operations	30 005	(67 909)	4 303
Interest received	411	247	1 863
Finance costs	(688)	(983)	(1 620)
Taxation paid	(713)	(516)	(1 193)
Net cash flow from operating activities	29 015	(69 161)	3 353
CASH FLOW FROM INVESTING ACTIVITIES			
Replacement of property, plant and equipment	(17 980)	(16 594)	(43 706)
Additions to property, plant and equipment	(922)	(1 286)	(922)
Acquisition of property, plant and equipment	(18 902)	(17 880)	(44 628)
Proceeds on disposal of property, plant and equipment	115	386	444
Acquisition of software	(64)	(201)	(347)
Investments in joint ventures and associates	26	(1 200)	(1 852)
Dividends received	-	255	255
Net cash flow from investing activities	(18 825)	(18 640)	(46 128)
CASH FLOW FROM FINANCING ACTIVITIES			
Government grant received	-	-	16 395
Net cash flow from financing activities	-	-	16 395
Net increase/(decrease) in cash and cash equivalents	10 190	(87 801)	(26 380)
Cash and cash equivalents at the beginning of the period	44 327	70 707	70 707
Cash and cash equivalents at the end of the period*	54 517	(17 094)	44 327
* Cash resources at the end of the period	54 517	65 927	44 327
Bank and cash equivalent borrowings	-	(83 021)	-
	54 517	(17 094)	44 327

STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2016

	Unaudited	Audited	
	30 September 2016 R'000	30 September 2015 R'000	31 March 2016 R'000
Share capital			
Balance at the beginning and end of the period	1	1	1
Share premium			
Balance at the beginning and end of the period	425 722	425 722	425 722
Reserves			
<i>Common control reserve</i>			
Balance at the beginning and end of the period	787 230	787 230	787 230
<i>Retained earnings</i>			
Balance at the beginning of the period	85 071	57 270	57 270
Net profit/(loss) attributable to ordinary shareholders	(83 302)	(6 040)	27 786
Equity accounted earnings transferred (to)/from equity reserve	(731)	(426)	15
Balance at the end of the period	1 038	50 804	85 071
<i>Treasury shares</i>			
Balance at the beginning and end of the period	(7 238)	(7 238)	(7 238)
<i>Equity reserve</i>			
Balance at the beginning of the period	4 025	4 040	4 040
Transfer of equity accounted earnings from/(to) retained earnings	731	426	(15)
Balance at the end of the period	4 756	4 466	4 025
<i>Currency translation reserve</i>			
Balance at the beginning of the period	1	87	87
Movement during the period	(95)	(181)	(86)
Balance at the end of the period	(94)	(94)	1
Total reserves at the end of the period	785 692	835 168	869 089
Equity at the end of the period	1 211 415	1 260 891	1 294 812

NOTES TO THE INTERIM REPORT

for the six months ended 30 September 2016

1. BASIS OF PREPARATION

The interim consolidated financial statements for the half-year ended 30 September 2016 have been prepared in terms of IAS 34: Interim Financial Reporting and should be read in conjunction with the annual financial statements for the year ended 31 March 2016, which have been prepared in accordance with IFRS and in accordance with the Companies Act of South Africa. The interim financial statements have not been audited or independently reviewed and were prepared under the supervision of the financial director, DP Smit CA(SA).

The accounting policies used in the preparation of the interim financial statements are consistent with those applied in previous financial periods as well as the following statements, amendments and interpretations to IFRS that became effective during the current reporting period:

- Amendment to IAS 19: Employee benefits: Simplifying the accounting for contributions that are independent of the number of years of employee service (effective 1 July 2014)
- Improvements to IFRSs: 2010-2012 cycle and 2011-2013 cycle (effective 1 July 2014)

The various changes in accounting standards had no material effect on the reported results for the period.

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective yet and have not been early adopted:

- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture (postponed, initially 1 January 2016)
- Amendments to IFRS 10 and IAS 28: Applying the consolidation exception (effective 1 January 2016)
- Amendment to IFRS 11: Acquisition of interest in joint operations (effective 1 January 2016)
- IFRS 14: Regulatory deferral accounts (effective 1 January 2016)
- Amendments to IAS 1: Disclosure initiative (effective 1 January 2016)
- Amendment to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation (effective 1 January 2016)
- Amendments to IAS 16 and IAS 41: Agriculture: Bearer plants (effective 1 January 2016)
- Amendments to IAS 27: Equity method in separate financial statements (effective 1 January 2016)
- Amendment to IAS 12: Clarify the requirements for recognising deferred tax assets on unrealised losses (effective 1 January 2017)
- Amendment to IAS 7: Additional disclosure under financing activities in the statement of cash flows (effective 1 January 2017)
- IFRS 15: Revenue from contracts with customers (effective 1 January 2018)
- IFRS 9: Financial instruments (effective 1 January 2018)
- Amendment to IFRS 9: Financial instruments on general hedge accounting (effective 1 January 2018)
- IFRS 16: Leases (effective 1 January 2019)
- Annual improvements 2014 (effective 1 January 2016)

NOTES TO THE INTERIM REPORT (continued)
for the six months ended 30 September 2016

	Unaudited Six months ended	Audited 12 months ended	
	30 September 2016 Number '000	30 September 2015 Number '000	31 March 2016 Number '000
2. EARNINGS PER SHARE			
Number of shares			
Shares issued	68 980	68 980	68 980
Treasury shares	(979)	(979)	(979)
	68 001	68 001	68 001
Used in the calculation of earnings per share	68 001	68 001	68 001
	R'000	R'000	R'000
Reconciliation of headline earnings			
Profit/(loss) for the period	(83 397)	(6 221)	27 700
Change in foreign currency translation reserve	95	181	86
Net profit/(loss) attributable to ordinary shareholders	(83 302)	(6 040)	27 786
Adjusted for:			
- Loss on remeasurement	125 347	-	-
- Impairment of investments in joint ventures	66	165	310
- Loss on sale of property, plant and equipment	431	2 132	2 262
Headline earnings	42 542	(3 743)	30 358
Continued operations	(4 128)	(2 681)	(6 998)
Discontinued operations	46 670	(1 062)	37 356
	Cents	Cents	Cents
Earnings per share			
Attributable earnings	(122,5)	(8,9)	40,9
- From continued operations	(6,1)	(3,9)	(10,3)
- From discontinued operations	(116,4)	(4,9)	51,2
Headline earnings	62,5	(5,5)	44,6
- From continued operations	(6,1)	(3,9)	(10,3)
- From discontinued operations	68,6	(1,6)	54,9

	Unaudited Six months ended	Audited 12 months ended
	30 September 2016 R'000	30 September 2015 R'000
		31 March 2016 R'000
3. SEGMENTAL ANALYSIS		
Functional analysis of revenue – rent income	1 992	1 771
		3 397

4. DISPOSAL GROUPS

During May 2016, management decided to dispose of the operating assets of KWV to the Vasari group. Consequently, all operating assets and liabilities of KWV Holdings and its subsidiaries were classified as a disposal group. Measurement of the disposal group's assets at fair value less cost to sell resulted in a loss of R191 million, which is included in net result from discontinued operations.

	30 September 2016 R'000
4.1 Assets of disposal group classified as held for sale:	1 583 147
Property, plant and equipment	217 920
Intangible assets	14 302
Investments in associates and joint ventures	5 463
Inventory	1 052 928
Trade and other receivables	212 416
Current income tax assets	7
Derivative financial instruments	25 594
Bank and cash balances	54 517

NOTES TO THE INTERIM REPORT (continued)
for the six months ended 30 September 2016

	30 September 2016 R'000
4. DISPOSAL GROUPS (continued)	
4.2 Liabilities directly associated with assets held for sale:	(211 680)
Trade and other payables	(205 637)
Loans	(51)
Derivative financial instruments	(5 992)
Net asset value of disposal group	1 371 467
Fair value less cost to sell in terms of IFRS 5	1 180 245
Fair value of disposal group assets	1 391 925
Fair value of disposal group liabilities	(211 680)
Loss on remeasurement of disposal group	(191 222)

5. DISCONTINUED OPERATIONS

Revenue and expenses, and gains and losses relating to these assets that have been sold, have been removed from the results of continued operations and are shown as a single line item on the face of the statement of comprehensive income (Net result from discontinued operations). The operating results of the discontinued operations up to its disposal and the effect of remeasurement and disposal of assets that were classified as held for sale were as follows:

	Unaudited Six months ended	Audited 12 months ended
	30 September 2016 R'000	30 September 2015 R'000
		31 March 2016 R'000
5.1 Profits and (losses) from discontinued operations		
Revenue	566 898	548 669
Cost of sales	(383 866)	(389 642)
Gross profit	183 032	159 027
Other income	6 726	9 253
Other gains/(losses)	38 115	(26 392)
Operating expenses	(162 278)	(144 775)
Promotion, marketing and distribution	(117 375)	(112 938)
Operational and administrative expenses	(44 903)	(31 837)
Operating profit/(loss)	65 595	(2 887)
Interest received	411	250
Finance costs	(688)	(983)
Share of profit of associates and joint ventures	-	(507)
Profit/(loss) before income tax	65 318	(4 127)
Income tax	(19 145)	768
Profit/(loss) for the period	46 173	(3 359)
Other comprehensive income/(loss) for the period		
Items that will subsequently be reclassified to profit or loss: change in foreign currency translation reserve	(95)	(181)
Total comprehensive income/(loss) from discontinued operations	46 078	(3 540)

NOTES TO THE INTERIM REPORT (continued)
for the six months ended 30 September 2016

	Unaudited Six months ended		Audited 12 months ended
	30 September 2016 R'000	30 September 2015 R'000	31 March 2016 R'000
5. DISCONTINUED OPERATIONS (continued)			
5.1 Profits and (losses) from discontinued operations (continued)			
Remeasurement and disposal of assets held for sale			
Loss on remeasurement of disposal group	(191 222)	-	-
Income tax	65 875	-	-
Net loss on remeasurement	(125 347)	-	-
Net result from discontinued operations	(79 269)	(3 540)	34 698
5.2 Cash flow from discontinued operations			
Net cash inflow/(outflow) from operating activities	34 407	(65 729)	11 914
Net cash outflow from investing activities	(16 766)	(17 638)	(41 880)
Net cash inflow from financing activities	-	-	16 395
Net increase/(decrease) in cash and cash equivalents	17 641	(83 367)	(13 571)

6. EVENTS AFTER REPORTING PERIOD

No material events which may have a significant influence on the financial position of the group occurred between the date of the financial period and the date of approval of the financial statements.

7. BUSINESS ENVIRONMENT

KWV Holdings Limited (KWV) group concluded agreements in terms of which the group disposed of the operational assets for an aggregate consideration of R1,15 billion. The purchase price is escalated by a nominal rate of 6,5% (NACM) from 1 May 2016 to the payment date resulting in a sale price on the closing date of approximately R1,18 billion. Cash balances in KWV were included in the operating assets sold to Vasari and on the closing date La Concorde will have no cash or debt prior to the receipt of the purchase consideration. The agreements were subject to various conditions, the last of which were met in October 2016. The names of KWV and KWV South Africa were changed to La Concorde Holdings Limited and La Concorde South Africa (Pty) Ltd respectively.

The disposal of La Concorde's operational assets included all property, plant and equipment used in the production of wine, brandies and other alcoholic beverages, as well as interests in the group's operational subsidiaries and associate companies. It also encompassed all inventories, all brands and all contractual arrangements with regard to purchasing, producing, distributing, marketing and selling of branded liquor products. The consolidated book value of the operational assets and liabilities is R1,37 billion as at 30 September 2016, which is reduced to the sale price of R1,18 billion, resulting in a remeasurement loss of R191 million before tax.

The non-operational assets retained by the group comprise the Laborie Estate, the KWV art, the La Concorde building and non-operational land holdings.

On 14 October 2016, R575 million, approximately 50% of the purchase consideration, was paid. The remainder of the purchase consideration is deferred and will be settled in three instalments on 1 October 2017, 1 October 2018 and 1 October 2019. The instalments are secured by way of Investec Bank payment obligations that carry interest at 8,5%, compounded annually.

NOTES TO THE INTERIM REPORT (continued) for the six months ended 30 September 2016

8. OPERATING RESULTS

Discontinued operations

Discontinued operations comprise the sale of branded spirits, wines, RTDs and contract bottling. Revenue increased by 3,3% compared to the prior period and gross profit by 15% due to better management of production costs and increased profitability in the South African market following our decision not to excessively discount brandy, as done by KWV's competitors.

Profit from discontinued operations for the six months ended 30 September was R46,2 million compared to a prior period loss of R3,3 million. The improved profit was assisted by foreign exchange gains of R26,9 million. The profits were reduced by abnormal transaction expenses of R6,7 million. The after-tax loss on remeasurement of the disposal group of R125 million resulted in a loss from discontinued operations of R79 million.

Net cash flow for the period was positive compared to an outflow in the prior period as a result of better working capital management during harvest and improved management of production inventory.

Headline earnings, which exclude the loss on remeasurement, increased from a loss of R3,7 million to a profit of R42,5 million.

Continued operations and future plans

The continued operations will earn income from rental property and interest on cash. While rental income increased by 12% compared to the same period last year, mainly due to higher occupation rates and improvement of gross lettable areas, work remains to optimise the return on property assets.

Operating expenses relate to the maintenance of properties and management expenses.

The group will focus on the development and management of its properties and is in the process of exploring investment alternatives for its cash reserves. Shareholders will be advised when the board has finalised these plans.

Signed on behalf of the board of directors



Marcel Golding
Chairman



André van der Veen
CEO

Paarl
17 November 2016



DIRECTORS

MJA Golding (Chairman), A van der Veen (CEO), JA Copelyn, F-A du Plessis, NL Ellis, MN Joubert, KI Mampeule, M Mhlarhi, DP Smit, LA van Dyk

COMPANY SECRETARY

AW Eksteen

REGISTERED OFFICE

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WEBSITE

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TRANSFER SECRETARIES

Link Market Services (Pty) Ltd